



# **FUELLING A TRAIL OF EXCELLENCE...**

UCAL Fuel Systems Limited  
Annual Report  
2011 - 12



### Board of Directors

Mr. Jayakar Krishnamurthy	Chairman and Managing Director
Mr. P.P.R. Rao	Executive Director (upto 25.9.2011)
Mr. R. Sundararaman	Joint Managing Director (Director w.e.f. 27.8.2011 and Joint Managing Director w.e.f. 8.9.2011)
Mr. S. Muthukrishnan	Director
Mr. S. Natarajan	Director
Dr. M.S. Ananth	Director
Dr. V. Sumantran	Director
Mr. R.W. Khanna	Nominee Director (w.e.f. 30.6.2011)

### Audit Committee

Mr. S. Natarajan	Chairman
Dr. M.S. Ananth	Member
Mr. Jayakar Krishnamurthy	Member (w.e.f. 30.6.2011)

### Chief Financial Officer

Mr. Jayakar Krishnamurthy	(upto 8.05.2012)
Mr. N. Gnanasambandan	(w.e.f. 8.05.2012)

### 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

### Manufacturing Plants

Tamil Nadu, Pondicherry and Haryana

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## DIRECTORS' REPORT

The Directors have pleasure in presenting the Twenty Sixth Annual Report together with the audited accounts of the company for the year ended 31st March 2012.

## FINANCIAL HIGHLIGHTS

The performance of the company for the year ended 31st March 2012 is as follows:

(₹ in lakhs)

Particulars	For the year ended		
	31.03.2012	31.03.2011	% Change
Gross Revenue	57,905	52,600	10
Net Revenue (excluding Excise Duty)	52,502	48,154	9
Total Expenditure	44,139	40,069	10
Operating Income	8,363	8,085	3
Other Income	210	85	147
Profit before Interest, Tax & Depreciation	8,573	8,170	5
Interest	3,018	2,725	11
Deferred Revenue Expenses	417	417	–
Depreciation	2,144	2,357	(9)
Profit before Tax & Exceptional item	2,994	2,671	12
Tax Expense	726	450	–
Profit after Tax/Net Profit	2,268	2,221	2
Balance of profit brought forward from last year	7,476	6,698	12
Amount Available for Appropriations	9,744	8,919	–
Appropriations:			
Transfer to General Reserve	400	415	(4)
Dividend	885	885	–
Tax on Dividend	143	143	–
Balance Carried to Balance Sheet	8,316	7,476	–

## 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 2011-2012.

## TRANSFER TO GENERAL RESERVE

A sum of Rs.400 lakhs has been transferred to the general reserve of the company for the financial year 2011-2012.

## PERFORMANCE

The turnover of the company during the financial year 2011-2012 increased to Rs.52,502 lakhs from Rs.48,154 lakhs in the previous financial year thereby recording an increase of 9%. The Earnings before Interest, Tax and Depreciation (EBITDA) increased by 5% to touch a level of Rs.8,573 lakhs from that of Rs.8,170 lakhs of the previous financial year. The increase in EBITDA has been much lower than expected due to various reasons like increased input cost especially that of steel and aluminum, inability to pass the increased cost to the customer, increased labour cost due to attrition, increased power cost and increased finance cost due to enhancement of interest rates and availment of further borrowings to meet the capital expenditure. The company's earning per share was Rs.10.26 during the financial year 2011-2012. The exports reduced to Rs.3,734 lakhs during financial year 2011-2012 from Rs.5,189 lakhs in the previous financial year. This decrease was due to the reduced off take by the customer. After market sales of the company during the financial year 2011-2012 was Rs.1,091 lakhs as against that of Rs.1,103 lakhs in the previous year. The company has despite certain adverse factors been able to maintain the Profit after Tax (PAT) at the same level as that of the previous financial year mainly because of its efforts at

improving operational efficiency. In 2012-2013 further improvements are being attempted to increase EBITDA through reduced levels of inventory, rationalization of vendors and continuous value engineering of the products. All leading automobile manufacturers have either set up a base in India or expanded their existing operations in India in the recent years in spite of a general slowdown and the company hopes to take advantage of this development in the future years.

## **PROJECTS**

The company has invested Rs 4,601 lakhs in capital expenditure during the financial year 2011-2012 as compared to that of Rs 4,216 lakhs during the financial year 2010-2011. The manufacturing facility at Bawal is almost complete and most of the operations at the Gurgaon facility have been shifted to Bawal, Haryana. It is proposed to make Bawal, the company's headquarters in North India. The company has introduced fully automated manufacturing lines at Bawal for the very first time and machinery and equipment are in the process of being procured for which substantial capital expenditure is to be incurred in the current financial year 2012-2013. The first phase of construction is also complete at the facility in Mahindra City, Chengalpattu and operations have commenced on a small scale. The company is in the process of securing export orders.

## **DIRECTORS**

Mr. P.P.R. Rao completed his term of three years as Executive Director on 25.9.2011 and ceased to be a director from that day onwards. The Board wishes to place on record its appreciation and gratitude for the excellent services rendered by Mr. P.P.R. Rao during his tenure.

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

Padma Vibhushan Dr. V. Krishnamurthy continues to guide the Board in all major policy decisions and the Board is grateful to him for his support.

## **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. Mr. V. Kalyanaraman has been appointed as cost auditor of the company for the financial year 2012-2013.

## **CHIEF FINANCIAL OFFICER**

Mr. Jayakar Krishnamurthy relinquished his additional portfolio as Chief Financial Officer of the company with the appointment of Mr.N. Gnanasambandan, Vice President - Finance, as the Chief Financial Officer of the company with effect from 8th May 2012.

## **AUDIT COMMITTEE**

Mr. S.Natarajan, Dr. M.S. Ananth and Mr. Jayakar Krishnamurthy continue to be the members of the Audit Committee. Mr. S.Natarajan continues as 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 steady. The turnover for the financial year 2011-2012 was Rs.2,347 lakhs up by 34% compared to that of Rs.1,750 lakhs of the previous financial year. The net profit after tax was higher at Rs.159 lakhs recording a growth of 81% as against Rs.88 lakhs of the previous financial year. A dividend of 10% has been declared by UPIL. UPIL is actively working to enhance its customer base and go beyond UCAL Fuel Systems Limited.

**Amtec Precision Products Inc, USA (Amtec)** — The turnover of the company was Rs.15,716 lakhs during the financial year 2011-2012 up from Rs.13,265 lakhs of the previous financial year thereby recording an increase of 18%. Amtec has earned a cash profit of Rs. 684 lakhs during the current financial year.

## CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31st March 2012 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 the 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.2,392 lakhs has been achieved during the financial year 2011-2012 as against Rs.1,926 lakhs in the previous financial year. This can be attributed to an improvement in the operations of both the subsidiaries.

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 10<sup>th</sup> August 2012 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 dispatched 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 31st March 2012 and of the profit of the company for the year ended 31st March 2012;

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 2011-2012 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. The statement will be available for inspection by the shareholders at the registered office of the company during business hours. 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 and the 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 patronage, 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 : 30.08.2012

**JAYAKAR KRISHNAMURTHY**  
Chairman and Managing Director

## ANNEXURE-A TO THE DIRECTORS' REPORT

### A. CONSERVATION OF ENERGY

#### a. Energy conservation measures undertaken

The Company continues to optimize the energy utilization through introduction of energy efficient machine tools, in-built circuits to switch off Machines, Hydraulic Pumps, Coolant Pumps, Fresh air blowers, Machine Lights & Fans. Provisions have been made for replacing the traditional lights with energy efficient CFL lamps. Compressor plant room temperature has been reduced from 52 degrees to 46 degrees by modifying the compressor exhaust ducting systems. Compressed air leakages are being identified and arrested on a routine basis. The company has introduced reservoirs for air and vacuum line and closed loop systems has been provided for air line headers. The company has restored to purchase of private power instead of generating power through diesel generators to address the power cut situation prevailing in Tamilnadu. The company's wind mills continue to operate efficiently and generate power. In the plant at Bawal, the company has introduced bulk melting system by using Diesel fired furnaces.

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

The company is proposing to resort to gas in place of electric power wherever possible. Up gradation of windmills is also proposed. Replacement of old machines with energy efficient new ones is also in progress. In respect of the plant at Maraimalainagar, the company proposes to replace the FRP Cooling tower to new natural draft cooling Tower. A comprehensive productivity improvement action plan is in the process of preparation to reduce the energy cost.

#### 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 under taken to conserve energy have resulted in annual savings of Rs. 80 Lakhs. The proposed measures are estimated to result in an annual savings of Rs. 125 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 products for new vehicles and engine upgrades of customer, new product launches using current technologies. Examples: development of carburettors and secondary air valves for new vehicles and upgrades of customers.
- Development of new products using new technologies for existing customers and new customers. Example: Oil pump, Vacuum pump for the Diesel Engine applications.
- Development of new technologies for the organization in Engine Management System for 2-Wheelers.
- Technology upgradation and value engineering efforts to improve performance of existing products.
- Computer Aided Engineering (CAE) focusing on the virtual simulation capability to propose a design to the customers and support in future technologies.
- Reducing the import content in components

#### 2. Benefits derived out of R&D

- Development of products for more applications and for new customers.
- Capability to be ready with new technologies for the organization.
- Cost reduction of the products through VA/VE and alternate sourcing.
- CAE capability has resulted in generation of new development opportunities.
- Recognising the R&D efforts of the company the customers are approaching the company for new developments and new products.

**3. Future Plans**

- To keep track of the future emission regulations, market trends and develop products in fuel management system and engine controls and offer solutions to the customers.
- To study the requirements in product improvement and formulate new designs for better fuel economy such as Variable Flow Oil Pump, non-parasitic Vacuum Pump.
- To work on products for the future needs of Engine Management Systems.

**4. Expenditure on R&D**

Particulars	Rs in Lakhs
a. Capital	13.85
b. Revenue (Recurring) (includes amount transferred to Deferred revenue expenses)	957.83
c. Total	971.68
d. Total R&D expenditure as a percentage of total turnover	1.85%

**TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION****1. Efforts made in brief towards technology absorbtion,adaption and innovation**

The fact that the company has not lost any of its customers since the parting of its joint venture partner is indication enough that the company has reached self-reliance in technologies in its sphere of activities. Infact the products developed by the company have found acceptance with many new customers. The new developments through domestic efforts include

- A new Constant Depression (CD) carburettor for India's largest premium segment motorcycle company.
- A new Variable Depression (VD) carburettor for utility motor cycle segment for Indian and export market.
- A Variable Depression (VD) carburettor for a premium segment which is powered by a liquid cooled 150cc engine for export market.
- A Variable Depression (VD) carburettor for 110 cc engine for a scooter for export market.
- A new Oil pump for 1.3 L 75 ~ 90 BHP diesel engine. This design was optimized to use the minimum power without compromising its performance to enhance the fuel efficiency of the engine.
- An Oil pump for diesel engine used in a popular 1.5T Light Commercial Vehicle.
- A new Vacuum pump for the braking system used in the vehicle powered by 1.3L diesel engine for Indian market and development of a library of Vacuum pumps.

The self reliant stage in its existing products is also evidenced by the capability of the R&D

- To modify and constantly reinnovate an existing product to suit a customers varying requirement,
- To keep making innovations in the carburettor to keep it cost effective.
- To improve the existing products for achieving better fuel economy

**2. Benefits derived as a result of the above efforts**

- Customer satisfaction due to ability to meet their objective of fuel efficiency due to constant innovation in existing product and due to ability to offer the customer a range of new products
- Penetration into newer markets
- Entry into new areas other than carburettors and increase in product range

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

- Technology imported- technology has been imported in the areas of pumps carburettors and direct injection systems
- Year of import 2006–2007 to 2009–2010
- Has technology been fully absorbed - Yes
- If not fully absorbed areas where it has not taken place, reasons therefor and future plan of action–Not applicable

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

The earnings of foreign exchange were on account of export of carburettors, MPFI parts and secondary air valves during the year. The foreign exchange outgo was mainly on account of purchase of components, capital goods, foreign travel and royalty. During the financial year 2011-2012, the total foreign exchange outgo was Rs.6,304 Lakhs while the foreign exchange earned was Rs.3,912 Lakhs resulting in a net foreign exchange outgo of Rs.2,392 Lakhs.

For and on behalf of the Board

Place : Chennai  
Date : 30.08.2012

**JAYAKAR KRISHNAMURTHY**  
Chairman and Managing Director

## ANNEXURE-B TO THE DIRECTORS' REPORT

### REPORT ON CORPORATE GOVERNANCE

#### CORPORATE GOVERNANCE PHILOSOPHY

The company is committed to ensure high standards of transparency and, accountability in all its activities. The best management practices and high levels of integrity in decision making are followed to ensure long term wealth generation and creation of value for all the stakeholders. The company follows all the principles of corporate governance in its true spirit and at all times.

#### 1. BOARD OF DIRECTORS

##### a) Composition

The Board consists of seven Directors as on 31st March 2012. The Board has an Executive Chairman i.e. Mr. Jayakar Krishnamurthy who is Chairman and Managing Director 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	Mr. Jayakar Krishnamurthy
Executive Director	P.P.R. Rao (upto 25.9.2011)
Joint Managing Director	Mr. R. Sundararaman (appointed Additional Director w.e.f. 27.08.2011 and Joint Managing Director w.e.f. 8.09.2011)
Non Executive Director	Mr. S. Muthukrishnan
Non-Executive and Independent directors	Mr. S. Natarajan Dr. V. Sumantran Dr. M.S. Ananth Mr. K. Muthukumaran (Nominee of EXIM Bank upto 30.6.2011) Mr. R.W. Khanna (Nominee of EXIM Bank w.e.f. 30.6.2011)

All independent directors possess the requisite qualifications and are very experienced in their own fields. All Directors except the Chairman and Managing Director, Joint Managing Director and Nominee Director are liable to retire by rotation. None of the directors are members of more than ten committees or Chairman of more than five committees in public limited companies in which they are directors. Necessary disclosures have been obtained from all the directors regarding their directorship and has been taken on record by the Board.

The names of the Directors and the details of other Chairmanship / Directorship / Committee Membership of each Director as on 31st March 2012 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	Executive	-	2	-	1
Mr. R. Sundararaman Joint Managing Director	Executive	-	-	-	-
Mr. S. Muthukrishnan	Non-Executive	-	1	-	-
Mr. S. Natarajan	Non-Executive & Independent	-	8	-	1
Dr. M.S. Ananth	Non-Executive & Independent	-	1	-	-
Dr. V. Sumantran	Non-Executive & Independent	3	5	2	2
Mr. R.W. Khanna Nominee of Exim Bank	Non-Executive & Independent	-	2	-	-

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

**b) Details of Directors Reappointment**

Relevant details are furnished in the Notice convening the Annual General Meeting to be held on 28.09.2012.

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

The Board met five times during the financial year 2011-2012. 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	27.05.2011	7	6
2	12.07.2011	7	6
3	27.08.2011	7	5
4	14.11.2011	7	7
5	10.02.2012	7	7

The company 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. The Board sets performance targets, reviews performance, approves capital expenditure, sets the strategy the company should follow and ensures financial stability. The Board takes on record the actions taken by the company on all its decisions periodically. The Board also takes on record the declaration made by the Company Secretary, Chairman & Managing Director and the 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	5	4	Present
2.	Mr.R.Sundaraman	5	2	Present
3.	Mr.P.P.R.Rao *	5	2	-
4.	Mr.S.Muthukrishnan	5	5	Present
5.	Mr.S.Natarajan	5	5	Present
6.	Dr.M.S.Ananth	5	3	Absent
7.	Mr.K.Muthukumaran *	5	1	-
8.	Dr.V.Sumantran	5	5	Present
9.	Mr.R.W.Khanna	5	4	Absent

\* Mr.P.P.R. Rao resigned on 25.09.2011 and Mr.K. Muthukumaran resigned on 30.06.2011. Mr.R.Sundaraman was appointed director on 27.08.2011 and Joint Managing Director on 8.9.2011.

**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 committee assists the board in the review of financial information. The terms of reference broadly include review of internal audit reports and action taken reports, assessment of the efficacy of the internal control systems/ financial reporting systems and reviewing the adequacy of the financial policies and practices followed by the company. The Audit Committee also reviews the compliance with legal and statutory requirements. The committee reviews the quarterly and annual financial statements and related party transactions and reports its findings to the Board. The committee also recommends the appointment of internal auditor, statutory auditor and cost auditor. The Audit Committee comprised of the following directors for the year ended 31st March 2012:

1. Mr. S. Natarajan - Chairman
2. Dr. M.S. Ananth
3. Mr. Jayakar Krishnamurthy

Mr. Jayakar Krishnamurthy was inducted into the Audit Committee on 30.6.2011 in place of Mr. K. Muthukumaran whose nomination was withdrawn by Exim Bank.

As on 31st March 2012 the committee comprised of two independent directors and one executive director, 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 other directors are invited to attend the Audit committee meetings as and when required. 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 30th September 2011. The audit committee met four times during the year. The details are as follows:

S.No	Date	Committee Strength	No. of Directors present
1	27.05.2011	3	2
2	12.07.2011	3	3
3	14.11.2011	3	3
4	10.02.2012	3	3

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

Name of the Director	No. of audit committee meetings attended
Mr.S. Natarajan	4
Dr.M.S. Ananth	3
Mr.K.Muthukumaran	1
Mr.Jayakar Krishnamurthy	3

### 3. REMUNERATION COMMITTEE

This committee recommends the appointment/reappointment of executive directors and the remuneration to be paid to them. The remuneration is fixed keeping in mind the capability of the person, the market trends and scales prevailing in the similar 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. During the financial year 2011-2012 the committee met once on 27.08.2011 to consider, approve and recommend the reappointment of Mr. Jayakar Krishnamurthy as Managing Director with effect from 1.9.2011 for a period of five years and revision of remuneration payable to him and also the appointment of Mr.R.Sundararaman as Joint Managing Director and payment of remuneration to him with effect from 8.9.2011 for a period of 3 years.

#### Attendance of Directors at Remuneration Committee Meeting

Mr.S.Natarajan and Dr.V.Sumantran attended the remuneration committee meeting held on 27.08.2011.

### 4. INVESTOR GRIEVANCE COMMITTEE

The investor grievance committee monitors the redressal of investor complaints, transfer/transmission of shares, issue of duplicate share certificates, non-receipt of dividend etc on a continuous basis.. Mr.S.Muthukrishnan, Non Executive Director is the Chairman of the committee, Mr.Jayakar Krishnamurthy and Mr.R.Sundarraraman are the other members of the committee. The committee was reconstituted on 25.9.2011 to include Mr.R.Sundararaman in place of Mr.P.P.R.Rao whose term ended on 25.9.2011. The committee met regularly to approve share transfers, transmissions, issue of duplicate share certificates, rematerialisation of shares and all other issues pertaining to shares and also to redress investor grievances like non receipt of dividend warrants, non receipt of share certificates, etc. The committee met eleven times during the year 2011-12. The committee approved the transfer of 4,220 shares in physical form.

#### Complaints received and redressed during the year 2011-2012

S.No.	Nature of Complaints	Number of Complaints
1	Regarding certificate/after allot/Bonus/Rights	1
2	Regarding Annual Report	5
3	Revalidation of Dividend Warrant	7
4	Issue of Duplicate Share Certificate	2
5	Issue of Duplicate Dividend Warrant	3
6	Correction in Certificate	3
7	Procedure for Transmission	3
8	General Queries	8
9	Procedure for Loss of Share Certificate	7
10	Non Receipt of Dividend	36
11	Correction in Dividend Warrant	1
		<u>76</u>

All the requests and complaints received from the shareholders 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 of the board and the committees. The approval of the central government has been received for the reappointment of Mr. Jayakar Krishnamurthy as Managing Director for a period of five years from 1.09.2011 and for the payment of remuneration as laid down in the Notice convening the 25th Annual general Meeting to Mr. Jayakar Krishnamurthy, Managing Director for a period of three years from 1.9.2011. vide letter No.B25922303/1/2011-CL-VII dated 14.05.2012.

### a) Details of Remuneration paid to the Executive Directors during the financial year 2011-12

	Mr. Jayakar Krishnamurthy	Mr. P.P.R. Rao	Mr.R.Sundararaman
Basic Salary	62,00,000	21,87,500	25.37,500
House Rent Allowance	23,25,000	2,91,667	5,07,500
Others Allowances	46,50,000	6,33,973	6,76,667
Commission	80,13,200	–	–
Other Perquisites	21,29,538	4,48,096	2,11,066
Contribution to Provident Fund	7,44,000	2,62,500	3,04,500
Contribution to Superannuation Fund	9,30,000	–	–
Total	2,49,91,738	38,23,736	42,37,233

### b) Details of Sitting Fees paid to Non-Executive Directors during the financial year 2011-12

Name of the Director	Board Meeting (₹)	Audit Committee Meeting (₹)	Investors Grievance Committee Meeting (₹)	Remuneration Committee Meeting (₹)	Total (₹)
Mr.S.Muthukrishnan	1,00,000	–	1,65,000	–	2,65,000
Mr.S.Natarajan	1,00,000	80,000	–	20,000	2,00,000
Dr.M.S.Ananth	60,000	60,000	–	–	1,20,000
Dr.V.Sumantran	1,00,000	–	–	20,000	1,20,000
Mr.K.Muthukumaran (Exim Bank)	20,000	20,000	–	–	40,000
Mr.R.W.Khanna (Exim Bank)	80,000	–	–	–	80,000
	4,60,000	1,60,000	1,65,000	40,000	8,25,000

### Details of shareholding of Directors as on 31st March 2012

As on 31st March 2012, 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. The other Executive director does not hold any shares in the company. Among the Non Executive Directors Mr. S. Muthukrishnan holds 31,922 equity shares in the company and Mr. S. Natarajan holds 1,200 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, Hotel Ambassador Pallava Egmore, Chennai	2008-2009 2009-2010 2010-2011	September 29, 2009 - 11.00 a.m September 30, 2010 - 11.00 a.m September 30, 2011 - 12.00 Noon
<u>Extraordinary General Meeting</u> Meeting Hall, Beta Wing – Unit 708, "Raheja Towers", 177 Anna Salai, Chennai 600 002	2009-2010	August 19, 2009 - 9.00 a.m

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

AGM/EGM	Subject
AGM on 29th September 2009	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 notice.
EGM on 19th August 2009	Special resolution passed under Section 314 (1B) of the Companies Act for appointment of Dr.V. Krishnamurthy as advisor for a period of five years from 21.9.2009 on a remuneration as laid down in the Notice.
AGM on 30th September 2010	Special resolution passed for allotment of equity shares on a preferential basis to Promoters/Persons acting in concert group.
AGM on 30th September 2011	No special resolution passed
	Special resolution passed for reappointment of Mr.Jayakar Krishnamurthy as Managing Director for a further period of five years with effect from 1.9.2011 on a remuneration as laid down in notice.
	Special resolution passed for appointment of Mr.R.Sundararaman as Joint Managing Director for a period of three years with effect from 8.9.2011 on a remuneration as laid down in notice

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 and the Board of the holding company. 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 carries out periodic assessments to identify the risk areas and management is briefed on the risks in advance to enable the company to control risk through a properly defined plan. The Board is also periodically informed of the business risks and the actions taken to manage them.

## 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 the notes to 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**

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. The Chairman of the remuneration committee was present at the previous Annual General Meeting of the company held on 30.9.2011.

**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**

- The unaudited quarterly results of the company are published in leading newspapers such as Financial Express and Malai Murasu. These are not sent individually to the shareholders.
- 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.
- 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.
- 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 2011-12.

**12. GENERAL SHAREHOLDER INFORMATION****a) Annual General Meeting**

Date and time	:	28th September 2012 at 10.00 a.m.
Venue	:	"Dynasty Hall" Hotel Ambassador Pallava, 58, Montieth Road, Egmore, Chennai - 600 008.
Book Closure Date	:	25.09.2012 to 28.09.2012(both days inclusive)
Financial Year	:	1 <sup>st</sup> April to 31 <sup>st</sup> March

**b) Financial Calendar 2012-2013 (tentative)**

<u>Unaudited results for the Financial Year 2012-2013</u>	2012-13 (Tentative Calendar)
Quarter ending June 30, 2012	Held on 10 <sup>th</sup> August 2012
Quarter ending September 30, 2012	Between 1 <sup>st</sup> October and 15 <sup>th</sup> November 2012
Quarter ending December 31, 2012	Between 1 <sup>st</sup> January 2013 and 15 <sup>th</sup> February 2013
Quarter ending 31st March 2013	Between 1 <sup>st</sup> April 2013 and 15 <sup>th</sup> May 2013
Audited Results for the year ending March 31, 2013	Before 31 <sup>st</sup> May 2013

**c) Particulars of Dividend for the year ended 31.03.2011**

Date of declaration	30.09.2011
Rate of dividend	40%
Book Closure Date	27.09.2011-30.09.2011
Date of Payment of dividend	7.10.2011
Amount of dividend paid	Rs.8,84,54,500
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 2012-13 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 2011	77.90	66.00	2,85,790	78.00	65.15	3,39,029
MAY 2011	81.65	64.15	4,06,521	81.45	63.25	6,86,005
JUN 2011	88.25	76.50	6,79,321	88.30	76.60	13,09,366
JUL 2011	90.45	82.05	3,12,288	90.45	81.25	6,36,207
AUG 2011	85.00	67.50	2,92,172	85.00	67.70	3,76,000
SEP 2011	85.40	69.30	1,99,985	85.70	70.00	3,31,363
OCT 2011	75.50	68.10	96,249	82.20	69.05	2,11,222
NOV 2011	74.00	60.75	60,060	77.15	61.05	79,285
DEC 2011	75.80	58.00	2,51,474	79.40	57.60	4,02,631
JAN 2012	84.55	59.30	8,68,948	84.90	59.00	14,56,588
FEB 2012	84.90	73.95	5,62,694	85.90	73.00	8,62,467
MAR 2012	78.95	66.00	1,38,154	76.75	65.95	1,56,290

f) Shareholding Pattern as on 31<sup>st</sup> March 2012

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	-	1,46,37,653	1,46,37,653	66.19
b. Directors & their relatives	7	-	9,51,164	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	1	0	100	100	0.00
c. Insurance Companies	-	-	-	-	-
d. Foreign Institutional Investors	1	400	-	400	0.00
<b>II. Non Institutions</b>					
a. Bodies Corporate	536	7,621	7,84,632	7,92,253	3.58
b. Individuals	18,209	2,78,468	53,67,759	56,46,227	25.54
c. Non Resident Indians	150	680	78,028	78,708	0.36
<b>Total</b>	<b>18,919</b>	<b>2,93,169</b>	<b>2,18,20,456</b>	<b>2,21,13,625</b>	<b>100.00</b>

g) Distribution of Shareholding as on 31<sup>st</sup> March 2012

No. of Equity Shares held	No. of Shareholders	No. of Shares	% of Capital
Upto 500	16,828	24,90,722	11.26
501-1000	1,162	9,36,446	4.23
1001-2000	499	7,53,491	3.41
2001-3000	162	4,13,458	1.87
3001-4000	78	2,78,502	1.26
4001-5000	66	3,08,004	1.40
5001-10000	117	13,93,162	6.30
10001 AND ABOVE	7	1,55,39,840	70.27
<b>Total</b>	<b>18,919</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, 2012 is as follows:

Financial Year	Unpaid/ Unclaimed as on 31.03.2012 (₹)	Date of declaration	Date of transfer to IEPF
2004-05 Final Dividend	333,412	09.09.2005	15.10.2012
2005-06 Interim Dividend	540,021	04.02.2006	10.03.2013
2005-06 Final Dividend	247,612	01.09.2006	07.10.2013
2006-07	416,124	14.09.2007	20.10.2014
2007-08	593,118	26.09.2008	01.11.2015
2009-10	749,598	30.09.2010	05.11.2017
2010-11	2,630,032	30.09.2011	05.11.2018

- 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 the 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 31st March 2012 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. 21,820,456 equity shares representing 98.67% of the paid up equity capital have been dematerialized as on 31st March 2012.

**l) Information to Shareholders**

A brief resume of the Directors 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 2011-12, 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 (EOU DIVISION)	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: <a href="mailto:ufsl.gurgaon@ucalfuel.co.in">ufsl.gurgaon@ucalfuel.co.in</a>
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: <a href="mailto:ufsl.ho@ucalfuel.co.in">ufsl.ho@ucalfuel.co.in</a>

**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**

We, Jayakar Krishnamurthy, Chairman & Managing Director and Mr.N.Gnanasambandan, Chief Financial Officer of UCAL Fuel Systems Limited, certify that:

1. We have reviewed the financial statements and the cash flow statement for the year and that to the best of our 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 our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We 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. We 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 we have become aware of and which involve management or other employees having significant role in the company's internal control system and financial reporting. However, during the year there was no such instance.

Place : Chennai  
Date : 10.08.2012

**JAYAKAR KRISHNAMURTHY**  
Chairman & Managing Director

**N. GNANASAMBANDAN**  
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, 2012 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

**R. RAVISHANKAR**  
Partner  
Membership No. 26819

Place: Chennai  
Date : 30.08.2012

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

### 1. OVERVIEW

From the very first quarter of 2011-2012 there were signs of a slowdown in the growth rate in India and abroad. In 2011-2012 the passenger car segment grew by 2% while the two wheeler and three wheeler segment grew by 16% and 10% respectively thereby being considerably lower than that of the previous financial year. The rising rate of inflation and consequential rise in the interest rates have made borrowing expensive and projects unviable. The volatility in the international market and the general uncertainty in the economic environment has also had its share in curbing the growth of the automobile industry and the auto component industry in 2011-2012. In addition to the above factors the increase in input costs and difficulty in securing skilled manpower have also eroded the cost competitiveness of the automobile and auto component industry. Although there is evidence that the present government is taking steps to stimulate the economy there is still an air of uncertainty regarding the growth prospects during the current year. Adding to the woes of inflation, high interest costs and raising power shortage, there are also prospects of deficit in rainfall affecting the prosperity of the rural sector. There is an inability to correctly predict the future trends in the market, owing to the prevailing volatile economic situation. All this throws a greater responsibility on the management to respond quickly to the changing environment.

### 2. FUTURE BUSINESS STRATEGY

The company is constantly working towards becoming a "System oriented and Product oriented" business concern. The company has intensified its efforts in developing fuel injection systems for two wheelers and three wheelers so that it is able to offer a complete range of solutions to the two wheeler and three wheeler industry. The company has succeeded in developing its own models of vacuum and oil pumps. With the acceptance of these pumps by various OEMs the company will enlarge its manufacturing facility for pumps and increase its market share in the future years. Efforts continue to locate suitable international partners both to update existing technology and obtain new technology to meet the ever changing customer preferences and also to diversify into other areas beyond auto components. Although the introduction of fuel injection systems in two wheelers will continue the company believes that through continuous developmental efforts the carburetors manufactured by the company will remain as the most cost effective solution for OEMs for a much longer period.

### 3. QUANTITATIVE ANALYSIS OF SALES

The quantitative growth in the sales during the financial year 2011-2012 has been as under:

	Quantity (No. in '000s)		
	2011-12	2010-11	Growth %
1. 2 Wheeler Carburetors	3,861	3,325	16%
2. Air Suction Valve	4,362	3,762	16%
3. Pumps	822	730	13%
4. Multi Point Fuel Injection	492	654	(25%)
5. Fuel Filter	676	827	(18%)

The two wheeler carburetor sales has grown by 16% to touch a record level of 39 lakh carburetors up from a figure of 33 lakh carburetors sold in the previous financial year. The sales of pumps have also recorded a substantial growth of 13%. However sales of Multi Point Fuel Injection Systems witnessed a decrease of 25% compared to previous year due to change in the product mix of some of the OEMs. The sale of Fuel Filter has also recorded a decrease of 18% compared to the previous year for the same reason.

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

	Quantity (No. in '000s)						
	2011-12			2010-11			Change in Market Share %
	Market Size	UFSL Sales	Market Share in %	Market Size	UFSL Sales	Market Share in %	
2 wheeler carburetors	15,454	3,861	25	13,330	3,325	25	–
Air Suction Valve	15,454	4,362	28	13,330	3,762	28	–
Pumps	3,123	822	26	2,974	730	25	1
Multi Point Fuel Injection	3,123	492	16	2,974	654	22	(6)

The two wheeler carburettor sales of UFSL has grown at the same rate as that of the previous financial year. The market share in respect of Pumps has grown to 26% as against 25% in the previous year. There has been a wider customer acceptance in the case of pumps and the sales of pumps is likely to increase from this financial year onwards. In case of air suction valve, the company has been able to retain its market share of 28%. In the case of Multi Point Fuel Injection System there has been a shortfall of 6% compared to previous financial year due to change in product mix of some of the OEMs.

## 5. SWOT ANALYSIS

### Strengths

- Capability to adapt to changing customer requirements
- Strong R&D team both in carburettors and in pumps
- Proficiency in pressure die casting process, rubber & plastic moulding
- Capability in "Frugal Engineering"
- Opening of new manufacturing facility in Bawal Haryana thus catering to all customers from two major centres one in North and one in South
- Highly trained and disciplined work force

### Weaknesses

- Dependence on imports and consequent high inventory and slow pace of indigenisation in certain areas
- Dependence on a few vendors for critical components
- Delay in IT upgradation
- Delay in exploiting the export market
- Limited offering of products to diesel segment

### Opportunities

- Access to new markets for pumps
- Greater scope of exports
- Increasing number of customers in India due to entry of new OEMs

### Threats

- Continuing pressure from OEMs for cost reductions
- Increasing input costs.
- Inability to predict market trends and its consequent impact on operations and profitability .
- Increased wage costs and high attrition levels of trained and experienced employees due to poaching by new entrants
- General economic condition

## 6. R & D

The company was one of the earliest to invest in R&D and it has stood the company in good stead. The R&D centre at Ambattur is a state of art centre with some of the best equipments in place. This year the R&D has in addition to other facilities established facilities for design and development of products in Automotive electronics. Additional test facilities for the validation of products specific to customer requirements for domestic and international markets have also been established. Facilities for virtual validation have been established to suffice compliance of international customers. The R&D continues to work on improvements in the carburetor offering better solutions to the customer. The R&D development of vacuum and oil pumps which have secured commercial acceptance is a feather in its cap. The R&D is also concentrating on development of fuel injection system for two wheelers and three wheelers. The R&D continues to work towards reducing the input cost by offering cost effective solutions for existing products and by reducing the import content in the material

component. R&D is constantly involved in design, development, virtual simulation and product validation to be ahead of the market requirements. Our R&D engineers have presented and published 5 papers in the National & International Conferences this year. Our R&D continues to enjoy the recognition from the Department of Scientific and Industrial Research, Ministry of Science and Technology.

## **7. MANUFACTURING CAPABILITIES, FACILITIES AND OPERATIONS**

The manufacturing facilities are one of the best in the industry. The company has facilities to design and manufacture pressure die casting moulds in its captive tool room for its own engineered products and has the expertise to handle higher tonnage cold chamber Aluminum pressure die casting. The company has designed and built special purpose machines for machining of die cast parts. The company has also designed and fabricated special assembly/testing equipments for carburetor manufacture.

The facilities for die casting and machining have been further strengthened by investment in machines which offer better productivity. The state of art facility in Bawal which will cater to customers in North India is equipped with some of the most modern equipments and will be an experiment in automation. The company is now concentrating on making its entire production lines flexible to manufacture variants of each product. The company has augmented its capacity to manufacture sufficient number of air suction valves and carburetors to meet the fluctuating customer demand. The company's facility for manufacturing pumps is also set to be augmented this year. With the commencement of operations at Bawal and Mahindra City, the rationalization of production facilities has commenced and will be completed this year. The company is also in the process of rationalizing its vendor base to ensure more timely, regular and quality supplies.

## **8. HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

The company's personnel policies continue to be fair and transparent. Industrial relations continue to be cordial with the workers and various trade unions. All employee grievances have been addressed. The greatest concern has been the high attrition rates of very experienced and trained employees. The reputation of UFSL employees in the market has always been high and this results in larger measure of poaching by others.

The training centre for the operators/apprentices launched at the Maraimalai Nagar plant with a dedicated trainer is proceeding well. Training programmes were modest last year but it is intended to commence them on a full scale from 2012-2013 onwards. For the forthcoming year 2012-2013, training activities have been planned across all levels. The plan has been proposed in such a way that it targets more of technical training than non-technical training. Training need identification (TNI) survey was conducted, based on which the training program was planned. The company continues to sponsor deserving candidates to pursue higher courses of education like MBA and Phd. The company had sent its employees to participate in the visionary leadership in manufacturing program conducted by the National Manufacturing Competitiveness council, Government of India jointly with IIT Kanpur, IIT Madras and IIM, Kolkata. The company continues to engage consultants from diverse fields to improve the skills of its employees. The employees are provided the opportunity and experience of working in a foreign environment and in a high precision industry by being deputed to Amtec on a rotational basis. The company has streamlined its performance management system this year to make it more transparent and objective.

During the year, Human Resource Management System (HRMS) was launched with an objective of increasing transparency and improving human resource management. A few modules of the HRMS were operationalized, while the rest of the modules will be introduced in 2012-2013. In order to create a talent pool in the organization engineering trainees were recruited and a well structured technical training was imparted to them before they were deputed to various departments. The long term wage settlement in respect of Plant 8 was concluded in April 2012 and negotiations for long term wage settlement are on in respect of Plant 1 and Plant 2.

## **9. CORPORATE SOCIAL RESPONSIBILITY**

The company is working with the Culture & Heritage Trust of Karuveli on a master plan to improve sanitation facilities, education and health facilities for the under privileged in Karuveli. This project has been subject to procedural delays and will commence this year. The company is also planning to start small work groups comprising mainly of women to empower them and engage them in skills like tailoring, candle making etc. Mr. R. Chinnadorai a former Deputy Director General of Civil Aviation has relocated to Karuveli volunteering to spearhead all the development activities in Karuveli. The company

jointly with the management of the Academy of higher education is engaged in construction of classrooms, hostel and library facilities for the National college at Tiruchirapalli which caters to the most backward sections of the society. The classrooms and hostels have been completed and have started functioning from this academic year. Apart from financial support, the company also provides managerial assistance to this institution. The company intends to act as a practical training centre for students graduating from this college by imparting practical training to them in their domain knowledge. The company also plans to train them to adapt themselves to the corporate culture as most of them come from a rural background. The company's corporate social responsibility efforts are restricted to these two causes only.

#### **10. 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 a quarterly basis by a team of internal auditors and the reports together with the action taken reports are reviewed by the Audit Committee periodically. It is proposed to greatly widen the existing scope of the internal auditors from this year onwards to cover a wider area of operations. Mr. V. Kalyanaraman has been appointed cost auditor of the company for the financial year 2012-2013 and the cost audit report will be filed within the stipulated period of 180 days from the close of the financial year 2012-2013.

#### **11. CAUTIONARY STATEMENT**

The information and opinion expressed in this report describing the company's objectives, projections, estimates, expectations may contain certain "forward-looking statements" within the meaning of the applicable laws and regulations. Actual results could differ materially from those expressed or implied in this report. Important factors that could make a difference to the company's operations include, among others, economic conditions affecting demand /supply, price conditions in the domestic and overseas markets in which the company operates, changes in the government regulations, tax laws and other 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 31st March 2012, the Statement of Profit and Loss 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.31 of Notes to Accounts with regards to the diminution in the 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 31st March 2012 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 of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012,
    - b) in the case of the Statement of Profit and Loss, 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,  
FRN: 000376S  
Chartered Accountants

R.RAVISHANKAR  
Partner  
Membership number: 26819

Place : Chennai  
Date : 10.08.2012

## 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 2012

- (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 few parties covered in the Register maintained under Sec. 301 of the Act to the extent of Rs. 8.94 Crores (outstanding as on 31.03.2011 is Rs. 9.57 Crores). The rate of interest and other terms and conditions of the loan taken is prima-facie not prejudicial to the interest of the company. There is no stipulation regarding the repayment of the loan.
- (4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. There is no continuing failure to correct major weaknesses in the internal control system of the Company.
- (5) In our opinion and according to the information and explanations given to us
  - a) the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that section, and
  - b) the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (6) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public and hence compliance with directives issued by the Reserve Bank of India and the provisions of Sec. 58 A, 58 AA or any other relevant provisions of the Act and the rules framed there under are not applicable.
- (7) In our opinion, the company has adequate internal audit system commensurate with its size and nature of its business.
- (8) As per the books and records produced to us and explanations offered thereon, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government under Sec. 209 (1) (d) of the Companies Act, 1956, have been made and maintained.
- (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	101.91	CIT Appeals III, Chennai
Income Tax Act	Income Tax AY 2006-07	171.43	CIT Appeals III, Chennai
Finance Act	Service Tax	1.93	Commissioner of Central Excise Appeals
Finance Act	Service Tax (07.07.1997- 15.08.2002)	145.99	High Court of Madras
Finance Act	Service Tax	0.10	Tribunal, Chennai
Central Excise Act	Central Excise	17.00	Commissioner of Central Excise, Pondicherry
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	3.56	Joint Commissioner of Central Excise, Delhi
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)
ESI Act	ESI (01.04.2000-30.06.2002)	1.27	Regional Director , Gurgaon
Commercial Tax	Sales Tax (31.05.2002 to 30.05.2011)	44.14	Additional Commissioner, Gurgaon
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 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,  
FRN: 000376S  
Chartered Accountants

R. RAVISHANKAR  
Partner  
Membership number: 26819

Place : Chennai  
Date : 10.08.2012

BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2012

(All Amounts in Rs. Lakhs, unless otherwise stated)

	Note	As at 31st March 2012	As at 31st March 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2	2,211.36	2,211.36
Reserves & Surplus	3	27,096.12	25,855.83
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	4	15,095.94	14,541.46
Deferred Tax Liabilities (Net)	5	1,192.31	1,321.11
Other Long Term Liabilities	6	876.87	608.89
Long-Term Provisions	7	104.08	51.04
<b>Current liabilities</b>			
Short-Term Borrowings	8	8,100.44	7,888.85
Trade Payables	9	9,832.30	7,215.26
Other Current Liabilities	10	4,458.88	4,042.47
Short-Term Provisions	11	1,438.20	1,321.78
<b>TOTAL</b>		<b>70,406.50</b>	<b>65,058.05</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets	12		
Tangible Assets		22,484.81	19,997.59
Intangible Assets		123.96	216.63
Capital Work-In-Progress		1,345.44	1,574.44
Non-Current Investments	13	15,625.59	15,625.59
Long-Term Loans & Advances	14	550.94	589.18
Other Non-Current Assets	15	547.04	836.82
<b>Current Assets</b>			
Inventories	16	4,575.21	3,808.76
Trade Receivables	17	10,475.23	9,496.29
Cash & Bank Balances	18	565.95	272.94
Short-Term Loans & Advances	19	13,688.34	12,222.81
Other Current assets	20	423.99	417.00
<b>TOTAL</b>		<b>70,406.50</b>	<b>65,058.05</b>
Summary of significant accounting policies	1		

The accompanying notes are an integral part of these financial statements

As per our Report Attached of even date

For and on behalf of the Board of Directors

For M/s G.BALU ASSOCIATES

JAYAKAR KRISHNAMURTHY

FRN : 000376S

CHAIRMAN &amp; MANAGING DIRECTOR

Chartered Accountants

R. SUNDARARAMAN

N. GNANASAMBANDAN

REKHA RAGHUNATHAN

R. RAVISHANKAR

JOINT MANAGING DIRECTOR CHIEF FINANCIAL OFFICER

COMPANY SECRETARY

Partner

Membership No. 26819

Place: Chennai

Date: 10.08.2012

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012

(All Amounts in Rs. Lakhs, unless otherwise stated)

	Note	Year ended 31st March 2012	Year ended 31st March 2011
Revenue From Operations(net)	21	52,502.52	48,154.48
Other Income	22	209.84	84.61
<b>Total Revenue</b>		<b>52,712.36</b>	<b>48,239.09</b>
<b>Expenses:</b>			
Cost of Material Consumed	23	28,922.98	25,401.86
Changes in Inventories of Finished Goods	24	(89.31)	91.18
Employees Cost & Benefits	25	5,376.14	4,753.61
Finance Costs	26	3,017.56	2,725.11
Depreciation and Amortization Expense	27	2,143.86	2,356.80
Other Expenses	28	10,346.62	10,239.54
<b>Total Expenses</b>		<b>49,717.85</b>	<b>45,568.10</b>
<b>Profit Before Exceptional Item</b>		<b>2,994.51</b>	<b>2,670.99</b>
Exceptional Items		-	-
<b>Profit Before Tax</b>		<b>2,994.51</b>	<b>2,670.99</b>
<b>Add / (Less) Tax Expense:</b>			
Current tax		(854.97)	(685.00)
Deferred tax		128.80	235.00
<b>Profit (Loss) for the year</b>		<b>2,268.34</b>	<b>2,220.99</b>
<b>Earnings per equity share:</b>			
Basic & Diluted	29	<b>10.26</b>	<b>10.04</b>
Summary of significant accounting policies	1		

The accompanying notes are an integral part of these financial statements

As per our Report Attached of even date

For and on behalf of the Board of Directors

**JAYAKAR KRISHNAMURTHY**

CHAIRMAN & MANAGING DIRECTOR

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

FRN : 000376S

Chartered Accountants

**R. SUNDARARAMAN**

JOINT MANAGING DIRECTOR

**N. GNANASAMBANDAN**

CHIEF FINANCIAL OFFICER

**REKHA RAGHUNATHAN**

COMPANY SECRETARY

**R. RAVISHANKAR**

Partner

Membership No. 26819

Place: Chennai

Date: 10.08.2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012

(All Amounts in Rs. Lakhs, unless otherwise stated)

	For the year ended 31.03.2012	For the year ended 31.03.2011
<b>A. Cash Flow from Operating Activities:</b>		
Net Profit/(Loss) before extraordinary items and tax	2,994.51	2,670.99
<i>Adjustments for :</i>		
Depreciation and amortisation	2,143.86	2,356.80
(Profit) / loss on sale / write off of assets	175.99	21.58
Finance costs	3,017.56	2,725.11
Interest income	(21.21)	(13.11)
Dividend income	(13.80)	(13.37)
Deffered revenue expenses written off	417.00	417.00
Net unrealised exchange (gain) / loss	(519.28)	176.65
	<u>5,200.12</u>	<u>5,670.66</u>
Operating profit / (loss) before working capital changes	8,194.63	8,341.65
<i>Changes in working capital:</i>		
<i>Adjustments for (increase) / decrease in operating assets:</i>		
Inventories	(766.45)	(772.85)
Trade receivables	(978.93)	(506.62)
Short-term loans and advances	(1,465.51)	(841.76)
Long-term loans and advances	38.24	21.09
Other current assets	(6.99)	-
Other non-current assets	289.78	-
<i>Adjustments for increase / (decrease) in operating liabilities:</i>		
Trade payables	2,617.04	977.28
Other current liabilities	416.42	137.81
Other long-term liabilities	267.98	237.42
Short-term provisions	116.42	58.73
Long-term provisions	<u>53.04</u>	<u>51.04</u>
	<u>581.04</u>	<u>(637.86)</u>
	8,775.66	7,703.79
Cash flow from extraordinary items	-	-
Cash generated from operations	<u>8,775.67</u>	<u>7,703.79</u>
Net income tax (paid) / refunds	<u>(799.96)</u>	<u>(685.00)</u>
<b>Net cash flow from / (used in) operating activities (A)</b>	<u>7,975.71</u>	<u>7,018.79</u>
<b>B. Cash Flow from Investing Activities</b>		
Capital expenditure on fixed assets, including capital advances	(4,601.22)	(4,216.22)
Proceeds from sale of fixed assets	140.48	25.54
Interest received		
- Others	21.21	13.11
Dividend received		
- Subsidiaries	12.50	12.50
- Others	<u>1.30</u>	<u>0.87</u>
	(4,425.73)	(4,164.20)
Cash flow from extraordinary items	-	-
	<u>(4,425.73)</u>	<u>(4,164.20)</u>
Net income tax (paid) / refunds	-	-
<b>Net cash flow from / (used in) investing activities (B)</b>	<u>(4,425.73)</u>	<u>(4,164.20)</u>

(All Amounts in Rs. Lakhs, unless otherwise stated)

	For the year ended 31.03.2012	For the year ended 31.03.2011
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from long-term borrowings	554.48	(1,443.80)
Repayment of long-term borrowings		
Proceeds from other short-term borrowings	211.59	1,614.97
Repayment of other short-term borrowings		
Finance cost	(3,017.56)	(2,725.11)
Dividends paid	(861.98)	(219.02)
Tax on dividend	(143.50)	(36.73)
	<b>(3,256.97)</b>	<b>(2,809.69)</b>
Cash flow from extraordinary items	-	-
Net cash flow from / (used in) financing activities (C)	<b>(3,256.97)</b>	<b>(2,809.69)</b>
Net increase / (decrease) in Cash and cash equivalents (A+B+C)	293.01	44.90
Cash and cash equivalents at the beginning of the year	272.94	228.04
Cash and cash equivalents at the end of the year	<b>565.95</b>	<b>272.94</b>
Cash and cash equivalents Comprises of:		
Cash on hand	9.15	10.57
Balances with banks		
In current accounts	444.26	167.19
In deposit accounts with original maturity of less than 3 months	53.41	59.37
In unpaid Dividend Account	59.13	35.81
	<b>565.95</b>	<b>272.94</b>

#### Notes

- 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.
- Cash and Cash Equivalent represents Cash and Bank Balances only.
- Proceeds from Borrowings are shown net of repayments and without Exchange fluctuation.
- 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.

See accompanying notes forming part of the financial statements

As per our Report Attached of even date

For and on behalf of the Board of Directors

For M/s G.BALU ASSOCIATES

**JAYAKAR KRISHNAMURTHY**

FRN : 000376S

CHAIRMAN & MANAGING DIRECTOR

Chartered Accountants

**R. SUNDARARAMAN**

**N. GNANASAMBANDAN**

**REKHA RAGHUNATHAN**

**R. RAVISHANKAR**

JOINT MANAGING DIRECTOR

CHIEF FINANCIAL OFFICER

COMPANY SECRETARY

Partner

Membership No. 26819

Place: Chennai

Date: 10.08.2012

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012

## NOTE 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.

**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.

**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 FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	As at 31st March 2012	As at 31st March 2011
<b>Note 2</b>		
<b>Share Capital</b>		
<b>Authorised Capital</b>	7,500.00	7,500.00
7,50,00,000 (750,00,000) Equity shares of Rs.10/- each	<u>7,500.00</u>	<u>7,500.00</u>
<b>Issued, Subscribed and Paid - Up</b>		
2,21,13,625 (2,21,13,625) Equity shares of Rs 10/- each fully paid	<u>2,211.36</u>	<u>2,211.36</u>
	<u>2,211.36</u>	<u>2,211.36</u>

## (a) Reconciliation of Number of Shares:

## Equity Shares :

Particulars	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	Amount	No. of Shares	Amount
Balance as at the Beginning of the Year	22,113,625	2,211.36	22,113,625	2,211.36
Balance as at the End of the Year	22,113,625	2,211.36	22,113,625	2,211.36

## (b) Rights and restrictions attached to shares

**Equity Shares:** The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

## (c) Details of Shares Held by Shareholders holding More Than 5% of the Aggregate Shares in the Company

Name of the Shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of shares	%	No. of shares	%
Carburettors Limited	10,820,089	48.93%	10,820,089	48.93%
Southern Ceramics Private Limited	1,558,515	7.05%	1,558,515	7.05%
Minica Real Estates Private Limited	1,841,882	8.33%	1,841,882	8.33%

Details of Shares allotted as fully paid up without payment being received in cash (during 5 yrs immediately preceding 31.03.2012) – Nil

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

### Note 3

Reserves & Surplus	As at 31st March 2011	Additions	Deductions	As at 31st March 2012
(a) Capital Reserve	160.00	-	-	160.00
(b) Special State Capital Subsidy	282.85	-	-	282.85
(c) General Reserves	15,771.82	400.00	-	16,171.82
(d) Securities Premium Account	2,165.34	-	-	2,165.34
	<b>18,380.01</b>	<b>400.00</b>	<b>-</b>	<b>18,780.01</b>
<b>(e) Surplus in Statement of Profit and Loss</b>			<b>As at 31st March, 2012</b>	<b>As at 31st March 2011</b>
Balance as at Beginning of the Year			7,475.82	6,697.88
(+) Net Profit/(Net Loss) For the current year			2,268.34	2,220.99
(+) Transfer from Reserves			-	-
(-) Proposed Dividends			884.55	884.55
(-) Tax on Proposed Dividends			143.50	143.50
(-) Interim Dividends			-	-
(-) Transfer to Reserves			400.00	415.00
Balance as at End of the Year			<b>8,316.11</b>	<b>7,475.82</b>
<b>Total Reserves and Surplus</b>			<b>27,096.12</b>	<b>25,855.83</b>

#### (a) Subsidy:

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

#### (b) The final dividend proposed for the year is as follows:

	As at 31st March 2012	As at 31st March 2011
On Equity Shares of Rs.10/-each		
Amount of Dividend proposed	884.55	884.55
Dividend per equity share	Rs.4 per share	Rs.4 per share

### Note 4

#### Long Term Borrowings

##### (i) Secured

Term Loans From Banks	14,095.94	13,541.46
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##### (ii) UnSecured

Term Loans From Financial Institutions	1,000.00	1,000.00
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<b>Total</b>	<b>15,095.94</b>	<b>14,541.46</b>
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NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

## (a) NATURE OF SECURITY AND TERMS OF REPAYMENT FOR SECURED BORROWINGS

NATURE OF SECURITY	TERMS OF REPAYMENT
Loan amount of Rs.21.67 crores is secured by hypothecation of Plant & Machinery newly acquired during 2010-11 and held at Plants 7, 8 & 9 situate at MMNagar & Puducherry valued at Rs.18.78 crores on exclusive basis.	Repayable in monthly instalments of Rs.41.67 lakhs each. The period of maturity with reference to Balance Sheet date is 52 months. Rate of interest-15.25%
Loan amount of Rs.3.79 crores is secured by Equitable Mortgage of Factory Land & Building of Plants 7 & 9 and Hypothecation of Plant & Machinery of Plants 7, 8 & 9 situate at MMNagar & Puducherry.	Repayable in monthly instalments of Rs.23.25 lakhs each. The period of maturity with reference to Balance Sheet date is 16 months. Rate of interest-15.25%
Loan amount of Rs.6.25 crores is secured by exclusive charge on the assets, including mortgage over leasehold rights created out of term loan on paripassu basis.	Repayable in quarterly instalments of Rs. 57.50 lakhs each. The period of maturity with reference to Balance Sheet date is 27 months. Rate of interest-14%
Loan amount of Rs.8.60 crores is secured by exclusive charge on the assets, including mortgage over leasehold rights created out of term loan on paripassu basis.	Repayable in quarterly instalments of Rs.25 lakhs each. The period of maturity with reference to Balance Sheet date is 5 years. Rate of interest-14.75%
Loan amount of Rs.2.91 crores is secured by first charge on fixed assets on pari passu with other banks under Multiple banking arrangement.	Repayable in quarterly instalments of Rs.25 lakhs each. The period of maturity with reference to Balance Sheet date is 3 years. Rate of interest-14.75%
Loan amount of Rs.15.90 crores is secured by first charge on fixed assets (present & future) on pari passu basis with other term lenders except those assets specifically charged.	Repayable in quarterly instalments of Rs.100 lakhs each. The period of maturity with reference to Balance Sheet date is 4 years. Rate of interest-14.75%
Loan amount of Rs.6.26 crores is secured by first charge on assets created out of Term Loan.	Repayable in quarterly instalments of Rs.30 lakhs each, commencing from June-2012 over a period of 5 years. The period of maturity with reference to Balance Sheet date is 5 years. Rate of interest-14.75%
Loan amount of Rs. 20 crores is secured by first charge on fixed Assets (present & future) on pari passu basis with other term lenders except those assets specifically charged.	Repayable in quarterly instalments of Rs.100 lakhs each, commencing from March-2013 over a period of 5 years. The period of maturity with reference to Balance Sheet date is 6 years. Rate of interest-14.75%
Term loan of Rs.27.32 crores is secured by first charge by way of hypothecation over all movable fixed assets and mortgage of all immovable properties of UCAL, both present & future.	Repayable in step up quarterly instalments of Rs.1.20 crores/1.40 crores & 1.50 crores each. The period of maturity with reference to Balance Sheet date is 5 years. Rate of interest-9%
Term loan of Rs.12 crores is secured by paripassu first charge on the entire movable & immovable fixed assets of UCAL, present & future, except those assets exclusively charged to SBI,BOI and Indian Bank for their term loans of Rs. 11.50 cr, Rs.11.50 cr and Rs.4.33 cr respectively.	Repayable in 12 substantial equal quarterly instalments commencing from January-2011. The period of maturity with reference to Balance Sheet date is 5 years. Rate of interest-9%
Term loan of Rs.4.50 crores is secured by paripassu first charge on the entire movable & immovable fixed assets of UCAL, present & future, except those assets exclusively charged to SBI,BOI and Indian Bank for their term loans of Rs. 11.50 cr, Rs.11.50 cr and Rs.4.33 cr respectively.	Repayable in 20 step-up quarterly instalments commencing from January-2011. The period of maturity with reference to Balance Sheet date is 4 years. Rate of interest-9%

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

### (a) NATURE OF SECURITY AND TERMS OF REPAYMENT FOR SECURED BORROWINGS

NATURE OF SECURITY	TERMS OF REPAYMENT
OIF Term loan of USD -7 million is secured by Paripassu first charge on the entire movable & immovable fixed assets of UCAL, present & future, except those assets exclusively charged to SBI, BOI and Indian Bank for their term loans of Rs. 11.50 cr, Rs.11.50 cr and Rs.4.33 cr respectively.	Repayable in 28 step-up quarterly instalments commencing from 2012-13. The period of maturity with reference to Balance Sheet date is 8 years. Rate of interest-2.75%

### (b) NATURE OF SECURITY AND TERMS OF REPAYMENT FOR UNSECURED BORROWINGS

NATURE OF SECURITY	TERMS OF REPAYMENT
Loan of Rs.10 crores-Not secured	Loan is renewable on annual basis. Rate of interest-11.75%

#### Note 5

Deferred Tax Liabilities (Net)	As at 31.03.2012	As at 31.03.2011
<b>Deferred Tax Liabilities</b>		
Depreciation	1,192.31	1,321.11
<b>Total</b>	<b>1,192.31</b>	<b>1,321.11</b>

(a) Deferred tax assets and deferred tax liabilities have been offset as they relate to the same governing taxation law.

#### Note 6

##### Other Long Term Liabilities

<b>(a) Trade Payables</b>		
Payable for Material Purchase	419.70	309.00
<b>(b) Others</b>		
Advance From Customers	10.07	10.07
Other Liabilities	447.10	289.82
<b>Total</b>	<b>876.87</b>	<b>608.89</b>

#### Note 7

##### Long-Term Provisions

<b>(a) Provision For Employee Benefits</b>		
Provision For Leave Encashment	104.08	51.04
<b>Total</b>	<b>104.08</b>	<b>51.04</b>

#### Note 8

##### Short Term Borrowings

<b>(i) Secured</b>		
Cash Credit from banks	7,045.76	6,506.17
<b>(ii) UnSecured</b>		
Inter Corporate Deposits		
– From related parties	883.60	957.95
– From others	10.80	–
Short Term Loan From Others	160.28	424.73
<b>Total</b>	<b>8,100.44</b>	<b>7,888.85</b>

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

## (a) TERMS OF REPAYMENT FOR SECURED BORROWINGS

SECURED BORROWINGS-CASH CREDITS FROM BANKS	TERMS OF REPAYMENT
Cash credit facilities from banks are secured by first charge on raw materials, work-in-progress, finished goods and book debts.	The facility is renewable on an annual basis and is repayable on demand.

## (a) TERMS OF REPAYMENT FOR UNSECURED BORROWINGS

Not secured.	Inter Corporate Deposit is repayable within one year. Rate of interest-12%
Not secured.	Short term loan is repayable within one year. Rate of interest-11.75%

## Note 9

	As at 31.03.2012	As at 31.03.2011
<b>(a) Trade Payables</b>		
Payable For Material Purchase(Refer note No. 36)	9,361.03	6,937.73
Subsidiary Companies	471.27	277.53
<b>Total</b>	<b>9,832.30</b>	<b>7,215.26</b>

## Note 10

## Other Current Liabilities

Current maturities of Long Term Debts	2,456.17	2,443.80
Advances From Customers	29.39	31.01
Interest Accrued but not Due	26.84	31.33
Unclaimed Dividend	58.38	35.81
Other Liabilities	1,888.10	1,500.52
<b>Total</b>	<b>4,458.88</b>	<b>4,042.47</b>

## Note 11

## Short-Term Provisions

## (a) Provision For Employee Benefits

Gratuity Fund Payable	74.65	27.14
Provision For Leave Encashment	5.50	31.59

## (b) Others

Provision for Tax (Net of Advance Tax)	330.00	235.00
Provision for Proposed Dividend	884.55	884.55
Provision for Tax on Dividend	143.50	143.50
<b>Total</b>	<b>1,438.20</b>	<b>1,321.78</b>

# NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

## Note 12 Fixed Assets

(All Amount in Rs. Lakhs, unless otherwise stated)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at 1.04.2011	Addi- tions	Deduc- tions	Exchange difference	As at 31.03.2012	As at 1.04.2011	For the Year	Deduc- tions	Up to 31.03.2012	As at 31.03.2012	As at 31.03.2011
Tangible assets											
(a) Land											
Freehold	674.50	1,284.65	123.16	-	1,835.99	-	-	-	-	1,835.99	674.50
Leasehold	3,223.55	13.17	-	-	3,236.72	-	-	-	-	3,236.72	3,223.55
(b) Buildings											
Own use	4,522.80	999.05	-	-	5,521.85	711.32	150.90	-	862.22	4,659.63	3,811.48
(c) Plant and Equipment											
Owned	28,868.58	2,519.15	2,216.55	26.79	29,197.97	16,915.00	1,826.07	2,021.77	16,719.30	12,478.67	11,953.58
(d) Furniture and Fixtures											
Owned	553.69	4.10	0.50	-	557.29	330.83	37.50	-	368.33	188.96	222.86
(e) Vehicles											
Owned	276.13	1.24	2.96	-	274.41	202.45	24.39	2.81	224.03	50.38	73.68
(f) Office equipment											
Owned	242.62	8.85	-	-	251.47	204.68	12.33	-	217.01	34.46	37.94
Total Tangible Assets - A	38,361.87	4,830.21	2,343.17	26.79	40,875.70	18,364.28	2,051.19	2,024.58	18,390.89	22,484.81	19,997.59
Previous year	35,158.57	3,353.93	150.63	-	38,361.87	16,204.29	2,263.38	103.39	18,364.28		
Intangible Assets:											
Technical Know How	2,218.00	-	-	-	2,218.00	2,001.37	92.67	-	2,094.04	123.96	216.63
Total Intangible Assets - B	2,218.00	-	-	-	2,218.00	2,001.37	92.67	-	2,094.04	123.96	216.63
Previous year	2,218.00	-	-	-	2,218.00	1,907.95	93.42	-	2,001.37		
Total Fixed Assets-C(A+B)	40,579.87	4,830.21	2,343.17	26.79	43,093.70	20,365.65	2,143.86	2,024.58	20,484.93	22,608.77	20,214.22
Previous year	37,376.57	3,353.93	150.63	-	40,579.87	18,112.24	2,356.80	103.39	20,365.65		
Capital Work - In - Progress										1,345.44	1,574.44
Total										23,954.21	21,788.66

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	As at 31.03.2012	As at 31.03.2011
<b>Note 13</b>		
<b>Non Current Investments</b>		
<b>a) OTHER INVESTMENTS</b>		
<b>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) equity shares of Rs.10/- each of The Karnataka Bank Limited fully paid	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
<b>Total</b>	<b>4.52</b>	<b>4.52</b>
<b>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
<b>(**) - Investments in Subsidiary Companies</b>	<b>15,621.07</b>	<b>15,621.07</b>
<b>Total Investments</b>	<b>15,625.59</b>	<b>15,625.59</b>
<b>Aggregate amount of quoted investments</b>	<b>4.52</b>	<b>4.52</b>
<b>Market Value of quoted investments</b>	<b>30.26</b>	<b>36.32</b>
<b>Aggregate amount of unquoted investments</b>	<b>15,621.07</b>	<b>15,621.07</b>
<b>Aggregate provision for diminution in value of investments</b>	<b>NIL</b>	<b>NIL</b>
<b>Note 14</b>		
<b>Long-Term Loans &amp; Advances</b>		
Considered Good		
(a) Security Deposits	446.02	559.18
(b) Other Loans & Advances	104.92	30.00
<b>Total</b>	<b>550.94</b>	<b>589.18</b>
<b>Note 15</b>		
<b>Other Non-Current Assets</b>		
Unamortized Expenses	547.04	836.82
<b>Total</b>	<b>547.04</b>	<b>836.82</b>

(a) Product Development Expenditure incurred by the company are being amortized over a period of 5 years.

(b) Preliminary Expenditure incurred by the company are being amortized over a period of 5 years.

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	As at 31.03.2012	As at 31.03.2011
<b>Note 16</b>		
<b>Inventories</b> (Refer note 1(i))		
(As certified by the management)		
Spares	299.23	305.46
Tools & Consumables	1,399.10	1,169.28
Raw Materials and Components	2,128.45	1,679.12
Work-in-progress	469.63	404.01
Finished goods (includes goods in transit)	278.80	250.89
<b>Total</b>	<b>4,575.21</b>	<b>3,808.76</b>
<b>Note 17</b>		
<b>Trade Receivables</b>		
<b>Unsecured, considered good</b>		
Trade receivables outstanding for a period less than six months from the date they are due for payment	10,421.98	9,356.23
Trade receivables outstanding for a period exceeding six months from the date they are due for payment	53.25	140.06
<b>Total</b>	<b>10,475.23</b>	<b>9,496.29</b>
<b>Note 18</b>		
<b>Cash &amp; Bank Balances</b>		
(a) Cash on hand	9.15	10.57
(b) Bank Balances		
In Current Account	444.26	167.19
Fixed Deposit(**)	53.41	59.37
(c) Other Bank Balances		
Unpaid Dividend Account	59.13	35.81
<b>Total</b>	<b>565.95</b>	<b>272.94</b>
(**) Held under lien by bank as margin Money against fixed Deposits.		
<b>Note 19</b>		
<b>Short-Term Loans &amp; Advances</b>		
<b>Considered Good</b>		
(a) Security Deposits	5.91	-
(b) Other Loans and advances	2,212.03	1,753.84
(c) Loans & Advances to related parties	10,636.27	9,540.27
(d) Advance Income Tax and TDS Receivable (Net of Provisions)	250.71	327.33
(e) Balance with government authorities	583.42	601.37
<b>Total</b>	<b>13,688.34</b>	<b>12,222.81</b>
<b>Note 20</b>		
<b>Other Current Assets</b>		
<b>Unsecured, Considered Good</b>		
Unamortized Expenses	423.99	417.00
<b>Total</b>	<b>423.99</b>	<b>417.00</b>

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	Year ended 31.03.2012	Year ended 31.03.2011
<b>Note 21</b>		
<b>Revenue From Operations</b>		
<b>(a) Sale of Products</b>		
Gross Sales	57905.40	52,600.15
Less : Excise Duty	5402.88	4,445.67
<b>Total</b>	<b>52502.52</b>	<b>48,154.48</b>
<b>Note 22</b>		
<b>Other Income</b>		
Interest Received	21.21	13.11
Miscellaneous Income	167.66	46.14
Profit on sale of Assets	0.99	12.83
Dividends : From Subsidiaries	12.50	12.50
: From Others	1.30	0.87
Gain on Exchange Fluctuation	6.18	(0.84)
<b>Total</b>	<b>209.84</b>	<b>84.61</b>
<b>Note 23</b>		
<b>Cost of Material Consumed</b>		
Opening Stock		
Raw Materials	171.89	516.48
Components	1,911.24	1,441.80
	<b>2,083.13</b>	<b>1,958.28</b>
Add: Purchases		
Raw Materials	7,953.36	5,285.10
Components	18,460.50	17,096.59
Outworks	3,024.07	3,145.02
	<b>29,437.93</b>	<b>25,526.71</b>
Less: Closing Stock		
Raw Materials	203.94	171.89
Components	2,394.24	1,911.24
	<b>2,598.08</b>	<b>2,083.13</b>
<b>Total</b>	<b>28,922.98</b>	<b>25,401.86</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	Year ended 31.03.2012	Year ended 31.03.2011
<b>Note 24</b>		
<b>Changes in inventories of finished goods</b>		
Opening Stock		
Finished Goods	151.22	242.40
	<b>151.22</b>	<b>242.40</b>
Less: Closing Stock		
Finished Goods	240.53	151.22
	<b>240.53</b>	<b>151.22</b>
(Increase) / Decrease in Finished Goods	<b>(89.31)</b>	<b>91.18</b>
<b>Note 25</b>		
<b>Employees Cost &amp; Benefits</b>		
Salaries, Wages & Bonus	4,471.04	3,907.99
Contribution to Provident Fund & Other Funds	381.15	366.01
Staff Welfare Expenses	523.95	479.61
<b>Total</b>	<b>5,376.14</b>	<b>4,753.61</b>
<b>Note 26</b>		
<b>Finance Costs</b>		
Interest Expenses on:		
Term Loans	1,735.38	1,840.17
Other Borrowing costs	1,282.18	884.94
<b>Total</b>	<b>3,017.56</b>	<b>2,725.11</b>
<b>Note 27</b>		
<b>Depreciation and amortisation expenses</b>		
Depreciation for tangible assets (Note No. 12)	2,051.19	2,263.38
Amortisation for intangible assets (Note No. 12)	92.67	93.42
<b>Total</b>	<b>2,143.86</b>	<b>2,356.80</b>

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	Year ended 31.03.2012	Year ended 31.03.2011
<b>Note 28</b>		
<b>Other Expenses</b>		
Tools and stores consumed	1,935.64	1,684.51
Power & Fuel	1,836.07	1,649.96
Repairs & Maintainance		
– Building	85.05	43.80
– Plant & Machinery	512.99	518.49
– Others	362.32	395.38
Postage, Telephone, Fax, etc.	75.92	71.25
Insurance	44.60	62.69
Rates and Taxes	51.88	38.79
Rent	217.91	221.81
Directors Sitting Fees	8.25	9.25
Auditors Remuneration		
– For Audit Fees	12.36	11.60
– For Tax Audit	1.10	1.76
– For Certificates	6.17	1.00
– For out of pocket expenses	0.11	0.01
Travelling Expenses - Others	309.36	355.30
Discount Allowed	136.81	325.53
Packing Charges	517.12	524.12
Royalties	21.85	144.48
Research & Development Expenses	852.35	888.72
Other Expenses	3,460.83	2,663.03
Deferred Revenue Expenditure	417.00	417.00
Exchange Loss	(519.07)	176.65
Loss on Sale of Fixed Assets	-	34.41
<b>Total</b>	<b>10,346.62</b>	<b>10,239.54</b>

**Note 29****Earnings Per Share (EPS) Calculation (Basic and Diluted) :**

	Unit		
a) Amount used as the numerator Profit after Taxation	Rs. in lakhs	2,268.34	2,220.99
b) Weighted average number of equity shares used as denominator	Number	22113625	22113625
c) Nominal Value of Shares	Rs. in lakhs	2,211.36	2,211.36
d) Earnings Per Share	Rs.	10.26	10.04

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	As at 31.03.2012	As at 31.03.2011
<b>Note 30</b>		
<b>Contingent Liabilities, Guarantees and Commitment</b>		
<b>Contingent Liabilities</b>		
<b>Claims against the company not acknowledged as debts :-</b>		
i) Sales Tax	44.14	Nil
ii) Excise Duty	2,390.00	2,420.82
iii) Service Tax	148.02	246.99
iv) Income Tax	297.62	54.89
v) ESI	1.27	1.27
vi) Stamp Duty	31.37	31.37
<b>Other moneys for which the company is contingently liable</b>		
i) In respect of Letter of Credits Outstanding	806.30	504.06
ii) In respect of Buyers Credit outstanding	99.67	-
iii) 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	10,334.97	9,325.77
iv) Guarantees given by Banks on behalf of the company	30.22	19.80
<b>Commitment</b>		
Estimated amount of contracts remaining to be executed on capital account, net of advances, not provided for :	676.61	671.93

### Note 31

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.10,193.27 lakhs, (Previous Year Rs. 9,540.27 lakhs) and bank guarantees given to bank on its behalf aggregating to Rs.10,334.97 Lakhs (Previous year Rs 9,325.77 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.

### Note 32

The company has during the year purchased land and building for Rs.18.21 crores vide agreement to sell dt.29th March 2012 which was re-validated again vide agreement dt.29th June 2012, which is pending registration in the name of the company.

### Note 33

Sundry debtors includes a sum of Rs.2,167.00 lakhs (previous year Rs. 1,885.26 lakhs) due from M/s. Amtec Precision Products, Inc., USA a wholly owned subsidiary. The Company has worked out 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.

### Note 34

Other current liabilities include Rs. 80.13 lakhs (previous year Rs. 49.78 lakhs) due to Directors on current account.

### Note 35

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	As at 31.03.2012	As at 31.03.2011
a. Principal amount remaining unpaid and Interest due thereon	9.08	18.27
b. Interest due and payable for the period of delay in payment	Nil	Nil
c. Interest accrued and remaining unpaid	Nil	Nil

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

**Note 36**

The balances outstanding as on 31st March 2012 in respect of Sundry Debtors, Loans and Advances and Sundry Creditors, wherever not confirmed by them, in so far as they have not been subsequently recovered or adjusted are subject to confirmation or reconciliation.

**Note 37**

Subject to the observation in Note 36 above, in the opinion of the Board, Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated. The provision for depreciation and for all other known liabilities is considered adequate and are not in excess of the amount reasonably necessary.

**Note 38**

Research and Development expenditure includes salaries, wages and bonus amounting to Rs.446.76 lakhs (previous year Rs. 483.42 lakhs), travel expenses Rs. 26.14 Lakhs (Previous year Rs. 35.25 lakhs) and Rent Rs 198.00 Lakhs (Previous year Rs 198.00 Lakhs)

**Note 39****Research and Development expenditure incurred from 2005-06 to 2011-2012**

Particulars	Financial Year						
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Capital Expenses	74.98	101.11	72.68	93.24	20.69	120.91	13.85
Revenue Expenses	481.71	611.53	605.08	596.11	885.31	888.72	852.35
Deferred Revenue Expenses	712.38	442.21	299.77	402.80	54.79	-	105.48

**Note 40**

Electricity charges debited to Profit & Loss account is net of Rs.99.94 lakhs (previous year Rs.95.26 lakhs) being the electricity generated through company owned Wind Turbine Generators.

**Note 41**

Details of Employee Benefits as required by the Accounting Standard 15 (revised) Employee Benefits are as under:

A. Defined contribution plan:	2011-12	2010-11
Contribution to defined contribution plans are charged in the Profit & Loss Account for the year:		
Employers Contribution to Provident Fund	153.62	106.22
Employers Contribution to Pension Scheme	63.14	46.80
Employers Contribution to Superannuation Scheme	29.82	19.17

**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).

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

### Disclosures for defined benefit plans based on actuarial reports as on 31st March 2012

Description	Funded Gratuity		Non-Funded Leave Encashment	
	2011-12	2010-11	2011-12	2010-11
(i) Change in defined benefit obligation				
Opening defined benefit obligation	42.57	386.09	152.81	106.81
Current Service cost	26.47	37.23	13.71	42.03
Interest Cost	24.21	30.89	7.15	8.43
Actuarial loss / (gain)	257.64	(16.02)	(54.20)	9.70
Benefits paid	(39.12)	(95.63)	(9.89)	(14.16)
Closing defined benefit obligation	611.77	342.57	109.58	152.81
(ii) Change in fair value of assets				
Opening fair value of plan assets	351.39	343.27	–	–
Expected return on plan assets	34.67	31.62	–	–
Actuarial gain / (loss)	Nil	Nil	–	–
Contributions by employer	44.98	72.13	9.89	14.16
Benefits paid	(39.12)	(95.63)	9.89	14.16
Closing fair value of plan assets	391.93	351.39	–	–
(iii) Amount recognized in the Balance Sheet				
Present value of obligations as at year end	611.77	342.56	109.58	152.81
Fair value of plan assets as at year end	391.93	351.39	–	–
Amount not recognized as an assets	–	8.83	–	–
Net (asset) / liability recognized "as on 31.03.12"	(74.65)	–	(109.58)	152.81
(iv) Expenses recognized in the profit & loss account				
Current service cost	26.47	37.23	13.71	42.03
Interest on defined benefit obligation	24.21	30.88	7.15	8.43
Expected return on plan assets	(34.67)	(31.62)	–	–
Net actuarial loss / (gain) recognized in the current year	257.64	(16.02)	(54.20)	9.70
Total Expense recognized in P&L Account	273.65	20.47	(33.34)	60.16
(v) Principal actuarial assumptions used				
Discount rate (p.a)	8%	8%	8%	8%
Expected rate of return on plan assets (p.a)	9.25%	9.25%		
Salary Escalation (p.a)	6%	6%	6%	6%
Attrition rate (p.a)	1-3%	1-3%		

#### Note 42

#### Sales Value and Closing Stock Values of Finished Goods and Work-in-progress

Class of Goods	Sales Value	Clog. Stock Value	WIP Value
AUTO PARTS	51,998.06	259.51	469.63
	(47,190.09)	(229.41)	(404.01)
OTHERS	504.46	19.29	–
	(964.39)	(21.48)	–

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	Year ended 31.03.2012	Year ended 31.03.2011
<b>Note 43</b>		
<b>Raw Materials and Components Consumed</b>		
A) Raw material		
Aluminium Alloy	5,390.08	4,391.61
Zinc	886.02	791.65
B) Other components and raw materials (which do not individually account for more than 10% of the total consumption)	22,646.88	20,218.60
<b>Total</b>	<b>28,922.98</b>	<b>25,401.86</b>

**Note 44**

Item	YEAR ENDED 31-03-2012				YEAR ENDED 31-03-2011			
	RAW MATERIALS	%	COMPO NENTS	%	RAW MATERIALS	%	COMPO NENTS	%
IMPORTED	293.43	3.71	5,569.04	26.50	637.38	11.32	5,099.45	25.79
INDIGENOUS	7,613.46	96.29	15,447.06	73.50	4,992.31	88.68	14,672.72	74.21
<b>Total</b>	<b>7,906.89</b>	<b>100.00</b>	<b>21,016.09</b>	<b>100.00</b>	<b>5,629.69</b>	<b>100.00</b>	<b>19,772.17</b>	<b>100.00</b>

**Note 45**

Value of CIF Imports	Year ended 31.03.2012	Year ended 31.03.2011
Raw materials	192.52	601.08
Components and Spares	5,400.56	4,531.42
Capital goods	122.91	746.48
Others	-	5.50
<b>Total</b>	<b>5,715.99</b>	<b>5,884.48</b>

**Note 46****Earnings in Foreign Exchange (Cash Basis)**

Exports	3,912.26	5,188.72
<b>Total</b>	<b>3,912.26</b>	<b>5,188.72</b>

**Note 47****Expenditure in foreign currency**

Foreign Travel	124.33	74.55
Royalty	21.85	125.50
Interest	89.96	109.27
Market Research services	260.49	196.80
Export Consultancy	12.88	21.94
Product Development Expenses	78.21	32.18
<b>Total</b>	<b>587.72</b>	<b>560.24</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

### Note 48

Dividends remitted in foreign currency	Year ended 31.03.2012	Year ended 31.03.2011
a. Number of non-resident shareholders	150	140
b. Number of shares held (Equity shares of Rs.10 each)	78,708	77,447
c. Amount remitted	Nil	Nil
d. Year to which dividend relates	Nil	Nil

### Note 49

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.

### Note 50

#### Related Party Disclosures

##### I Name of the related parties and Relationship

##### (i) SUBSIDIARIES OF THE COMPANY

- Ucal Polymer Industries Limited (UPIL)
- Amtec Precision Products Inc. USA
- North American Acquisition Corporation (Wholly owned Subsidiary of Amtec)
- Amtec Moulded Products Inc. USA (Wholly owned Subsidiary of Amtec)
- UPIL, USA (Wholly owned Subsidiary of UPIL)

##### (ii) Key Management Personnel

- Mr. Jayakar Krishnamurthy (Chairman and Managing Director)
- Mr. P.P.R. Rao (Executive Director – upto 25.9.2011)
- Mr. R. Sundararaman (Joint Managing Director – w.e.f 8.09.2011)

##### (iii) OTHER RELATED ENTERPRISES

- Bharat Technologies Auto Components Limited
- Minica Real Estates Private Limited
- Minica Services Private Limited
- Southern Ceramics Private Limited
- Sujo Land and Properties Private Ltd
- Carburettors Limited
- Magnetic Meter Systems (India) Limited
- Bangalore Union Services Private Limited
- Ucal Consultants Private Limited

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

## (iv) RELATIVES OF KEY MANAGEMENT PERSONNEL

Dr. V. Krishnamurthy

Mrs. Meenakshi Jayakar

Note : Related party relationship is identified by the company and relied upon by the auditors.

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

For the Year ended 31.03.2012				
	SUBSIDIARIES	OTHER RELATED ENTERPRISES	KEY MANAGEMENT PERSONNEL	RELATIVES OF KEY MANAGEMENT PERSONNEL
Purchase of materials	2.182.08 (1,749.81)	1,215.74 -	Nil	Nil
Consultancy charges paid		162.14		42.30 (36.00)
Purchase of fixed assets	(46.12)	1,821.07		
Rent paid		397.78 (397.68)		
Managerial Remuneration			278.33 (256.29)	
Interest Paid		80.91 (227.52)		
Sale of goods	353.07 (757.37)	69.71		
Sale of Fixed Assets	16.10			123.16
Loans Taken		883.60		
Loans repaid		957.95		
Advances Given		292.34		
Outstanding payables,	471.27 (277.53)	817.52		
Outstanding receivables	12,803.27 (11,647.96)			123.16
Guarantees given	10,344.97 (9,325.77)			

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

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

### Note 51

Previous year's figures have been reclassified and regrouped wherever necessary to conform to current year's classification according to revised Schedule VI Format.

### Note 52

Figures have been rounded off to the nearest lakhs.

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As per our Report Attached of even date

For and on behalf of the Board of Directors

**JAYAKAR KRISHNAMURTHY**

CHAIRMAN & MANAGING DIRECTOR

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

FRN : 000376S

Chartered Accountants

**R. SUNDARARAMAN**

JOINT MANAGING DIRECTOR

**N. GNANASAMBANDAN**

CHIEF FINANCIAL OFFICER

**REKHA RAGHUNATHAN**

COMPANY SECRETARY

**R. RAVISHANKAR**

Partner

Membership No. 26819

Place: Chennai

Date: 10.08.2012

## 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	31.03.2012	1,250,000	100%	158.94	734.60	-	-
2. AMTEC Precision Products Inc., Shares of USD 0.01 each	31.03.2012	1,000	100%	(23.19)	(23,526.61)	-	-

JAYAKAR KRISHNAMURTHY  
CHAIRMAN AND MANAGING DIRECTOR

R. SUNDARARAMAN  
JOINT MANAGING DIRECTOR

N. GNANASAMBANDAN  
CHIEF FINANCIAL OFFICER

REKHA RAGHUNATHAN  
COMPANY SECRETARY

Place: Chennai  
Date: 10.08.2012

## UCAL POLYMER INDUSTRIES LIMITED

(Wholly Owned Subsidiary)

### Board of Directors

Dr. V. Krishnamurthy	Chairman
Mrs. Meenakshi Jayakar	Managing Director
Mr. S. Badrinathan	Director (upto 9.4.2012)
Mr. M.R. Shivakumar	Director (w.e.f. 5.3.2012)

### 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  
Puducherry - 605 009

### Financial Highlights\*

	(Rs. In Lakhs)	
	2011-12	2010-11
(A) Capital	125.00	125.00
(B) Reserves	1,014.90	734.60
(C) Total Assets	3,635.45	2,515.59
(D) Total Liabilities	3,635.45	2,515.59
(E) Details of Investment (except in case of investment in subsidiaries)	NIL	NIL
(F) Turnover	2,346.77	1,749.81
(G) Profit before Taxation	256.21	119.27
(H) Provision for Taxation	97.27	31.16
(I) Profit after Taxation	158.94	88.11
(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)	
	2011-12	2010-11
(A) Capital	15,455.53	15,455.53
(B) Reserves	(24,100.39)	(23,526.61)
(C) Total Assets	14,370.20	12,995.47
(D) Total Liabilities	14,370.20	12,995.47
(E) Details of Investment (except in case of Investments in subsidiaries)	Nil	NIL
(F) Turnover	15,715.74	13,265.15
(G) Profit before Taxation	3.23	(378.59)
(H) Provision for Taxation	(26.42)	(5.01)
(I) Profit after Taxation	(23.19)	(383.60)

\* 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 31st March 2012, the Consolidated Statement of Profit and Loss for the year ended and also the consolidated cash flow statement. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are prepared, in all material respect, in accordance with the financial reporting framework generally accepted in India and are free from material misstatements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements of the Subsidiary, Ucal Polymer Industries Limited are not audited by us. However the audited financial statements of this company have been considered by us for consolidation.

The financial statements of the subsidiary Amtec Precision Products Inc., USA for the period from 1st April 2011 to 31st March 2012 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 14370.20 Lakhs as at 31st March 2012 and total revenue of Rs 15715.74 Lakhs for the period ended on that date and cash flow (net - Rs. 159.22) 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 Fuel Systems Limited and its subsidiaries read together with the Notes on Accounts of the consolidated financial statements, give a true and fair view of:
  - (a) In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of UCAL Group as at March 31st 2012; and
  - (b) In the case of the Consolidated Statement of Profit and Loss, of the consolidated results of operations of Ucal Group for the year ended on that date.
  - (c) In the case of the Cash flow statement, of the consolidated cash flows of Ucal Group for the year ended on that date.

**For G. Balu Associates**  
Firm Regd. No.: 000376S  
Chartered Accountants

**R.RAVISHANKAR**  
Partner  
Membership Number: 26819

Place : Chennai  
Date : August 10, 2012

CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2012

(All Amounts in Rs. Lakhs, unless otherwise stated)

	Notes	As at 31st March 2012	As at 31st March 2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
Share Capital	2	2,211.36	2,211.36
Reserves & Surplus	3	4,001.25	3,001.54
<b>(2) Non-Current Liabilities</b>			
Long-Term Borrowings	4	22,707.66	21,603.15
Deferred Tax Liabilities (Net)	5	(1,026.08)	(720.57)
Other Long Term Liabilities	6	876.86	608.89
Long-Term Provisions	7	104.08	51.04
<b>(3) Current Liabilities</b>			
Short-Term Borrowings	8	12,078.53	11,277.77
Trade Payables	9	10,839.34	8,403.97
Other Current Liabilities	10	6,299.40	5,515.42
Short-Term Provisions	11	1,455.29	1,323.59
<b>TOTAL</b>		<b>59,547.69</b>	<b>53,276.16</b>
<b>II. ASSETS</b>			
<b>(1) Non-Current Assets</b>			
Fixed Assets	12		
Tangible Assets		31,427.07	28,225.25
Intangible Assets		155.15	247.83
Capital Work-In-Progress		1,788.06	1,574.44
Non-Current Investments	13	4.52	4.52
Long-Term Loans & Advances	14	556.71	662.72
Other Non-Current Assets	15	562.83	864.07
<b>(2) Current Assets</b>			
Inventories	16	7,501.40	6,659.33
Trade Receivables	17	11,006.17	9,822.43
Cash & Bank Balances	18	648.07	481.58
Short-Term Loans & Advances	19	5,030.72	4,316.99
Other Current Assets	20	866.99	417.00
<b>TOTAL</b>		<b>59,547.69</b>	<b>53,276.16</b>

The accompanying notes are an integral part of these financial statements

As per our Report Attached of even date

For and on behalf of the Board of Directors

For M/s G.Balu Associates

JAYAKAR KRISHNAMURTHY

FRN : 000376S

CHAIRMAN &amp; MANAGING DIRECTOR

Chartered Accountants

R. SUNDARARAMAN

N. GNANASAMBANDAN

REKHA RAGHUNATHAN

R. RAVISHANKAR

JOINT MANAGING DIRECTOR CHIEF FINANCIAL OFFICER

COMPANY SECRETARY

Partner

Membership No. 26819

Place: Chennai

Date: 10.08.2012

## Consolidated Statement of Profit And Loss For The Year Ended 31<sup>ST</sup> March 2012

(All Amounts in Rs. Lakhs, unless otherwise stated)

	Notes	As on 31st March 2012	As on 31st March 2011
<b>I. Revenue From Operations</b>	21	68,029.88	60,662.26
<b>II. Other Income</b>	22	651.98	383.18
<b>III. Total Revenue (I + II)</b>		<b>68,681.86</b>	<b>61,045.44</b>
<b>IV. Expenses:</b>			
Cost of Material Consumed	23	32,759.32	28,461.56
Changes in Inventories of Finished Goods	24	(57.54)	40.08
Employees Cost & Benefits	25	11,033.23	9,364.70
Finance Costs	26	3,562.34	3,227.32
Depreciation and Amortization Expenses	27	2,900.65	3,061.93
Other Expenses	28	15,242.41	14,478.16
<b>IV. Total Expenses</b>		<b>65,440.41</b>	<b>58,633.75</b>
<b>V. Profit Before Exceptional Item (III- IV)</b>		<b>3,241.45</b>	<b>2,411.69</b>
<b>VI. Exceptional Items</b>		<b>-</b>	<b>-</b>
<b>VII. Profit Before Tax (V-VI)</b>		<b>3,241.45</b>	<b>2,411.69</b>
<b>VIII. Add / (Loss) Tax Expense:</b>			
(1) Current tax		(947.39)	(730.02)
(2) Excess /Short provision for tax relating to earlier years		(6.61)	-
(3) Deferred tax		104.14	243.84
<b>IX. Profit (Loss) for the period (VII - VIII)</b>		<b>2,391.59</b>	<b>1,925.51</b>
<b>X. Earnings per equity share:</b>			
Basic & Diluted	29	10.82	8.71

The accompanying notes are an integral part of these financial statements

As per our Report Attached of even date

For and on behalf of the Board of Directors

**JAYAKAR KRISHNAMURTHY**

CHAIRMAN & MANAGING DIRECTOR

For M/s G.Balu Associates

FRN : 000376S

Chartered Accountants

**R. SUNDARARAMAN**

JOINT MANAGING DIRECTOR

**N. GNANASAMBANDAN**

CHIEF FINANCIAL OFFICER

**REKHA RAGHUNATHAN**

COMPANY SECRETARY

**R. RAVISHANKAR**

Partner

Membership No. 26819

Place: Chennai

Date: 10.08.2012

## Consolidated Cash Flow Statement for the year ended 31 March, 2012

(All Amounts in Rs. Lakhs, unless otherwise stated)

	For the year ended 31.03.2012	For the year ended 31.03.2011
<b>A. Cash Flow from Operating Activities:</b>		
Net Profit/(Loss) before extraordinary items and tax	3,241.45	2,411.67
<i>Adjustments for :</i>		
Depreciation and amortisation	2,900.65	3,061.93
(Profit) / loss on sale / write off of assets	175.99	42.38
Finance costs	3,562.34	3,227.32
Interest income	(22.14)	(13.46)
Dividend income	(13.80)	(13.37)
Liabilities / provisions no longer required written back	(57.02)	-
Deffered Revenue Expenditure Write off	417.00	417.00
Net unrealised exchange (gain) / loss	(519.28)	176.65
	<u>6,443.74</u>	<u>6,898.45</u>
Operating profit / (loss) before working capital changes	9,685.19	9,310.12
<i>Changes in working capital:</i>		
<i>Adjustments for (increase) / decrease in operating assets:</i>		
Inventories	(842.06)	(1,026.59)
Trade receivables	(1,183.73)	652.12
Short-term loans and advances	(713.73)	(2,243.23)
Long-term loans and advances	106.00	(52.44)
Other current assets	(449.99)	-
Other non-current assets	301.24	432.98
<i>Adjustments for increase / (decrease) in operating liabilities:</i>		
Trade payables	2,435.38	351.70
Other current liabilities	783.98	499.13
Other long-term liabilities	267.98	237.42
Short-term provisions	117.08	436.96
Long-term provisions	53.04	51.04
	<u>875.19</u>	<u>(660.91)</u>
	10,560.38	8,649.21
Cash flow from extraordinary items	-	-
Cash generated from operations	10,560.38	8,649.21
Net income tax (paid) / refunds	(857.35)	(741.22)
<b>Net cash flow from / (used in) operating activities (A)</b>	<u>9,703.03</u>	<u>7,907.99</u>
<b>B. Cash flow from Investing Activities</b>		
Capital expenditure on fixed assets, including capital advances	(5,220.12)	(4,436.55)
Proceeds from sale of fixed assets	140.48	25.54
Purchase of long-term investments		
- Others	-	(1,405.51)
Interest received		
- Others	22.14	13.46
Dividend received		
- Others	1.30	0.87
	<u>(5,056.19)</u>	<u>(5,802.19)</u>
<b>Net cash flow from / (used in) investing activities (B)</b>	<u>(5,056.19)</u>	<u>(5,802.19)</u>

## Consolidated Cash Flow Statement for the year ended 31 March, 2012

(All Amounts in Rs. Lakhs, unless otherwise stated)

	For the year ended 31.03.2012	For the year ended 31.03.2011
<b>C. Cash flow from Financing Activities</b>		
Proceeds from long-term borrowings	84.44	506.81
Repayment of other short-term borrowings	5.74	-
Finance cost	(3,562.34)	(3,227.32)
Dividends paid	(861.98)	(231.52)
Tax on dividend	(146.21)	(39.44)
	<b>(4,480.35)</b>	<b>(2,991.47)</b>
Cash flow from extraordinary items	-	-
Net cash flow from / (used in) financing activities (C)	(4,480.35)	(2,991.47)
Net increase / (decrease) in Cash and cash equivalents (A+B+C)	166.49	(885.67)
Cash and cash equivalents at the beginning of the year	481.58	1,367.25
Cash and cash equivalents at the end of the year	<b>648.07</b>	<b>481.58</b>
Cash and cash equivalents at the end of the year comprises of:	<b>648.07</b>	<b>481.58</b>
Cash on hand	10.83	12.56
Balances with banks		
In current accounts	524.21	373.84
In deposit accounts with original maturity of less than 3 months	53.91	59.37
In unpaid Dividend Account	59.13	35.81
	<b>648.07</b>	<b>481.58</b>

### Notes

- 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.
- Cash and Cash Equivalent represents Cash and Bank Balances only.
- Proceeds from Borrowings are shown net of repayments and without Exchange fluctuation.
- 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.

See accompanying notes forming part of the financial statements

As per our Report Attached of even date

For and on behalf of the Board of Directors

For M/s G.Balu Associates

**JAYAKAR KRISHNAMURTHY**

FRN : 000376S

CHAIRMAN & MANAGING DIRECTOR

Chartered Accountants

**R. SUNDARARAMAN**

**N. GNANASAMBANDAN**

**REKHA RAGHUNATHAN**

**R. RAVISHANKAR**

JOINT MANAGING DIRECTOR

CHIEF FINANCIAL OFFICER

COMPANY SECRETARY

Partner

Membership No. 26819

Place: Chennai

Date: 10.08.2012

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012

## NOTE – 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 Acquisition 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 1st 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 2011 to 31<sup>st</sup> March 2012 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. Wherever the accounting policies were not similar, appropriate adjustments were made to the financial statements, while preparing the consolidated financial statements. 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 Amtec 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.

# NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	As at 31st March 2012	As at 31st March 2011
<b>Note 2</b>		
<b>Share Capital</b>		
<b>Authorised Capital</b>	7,500.00	7,500.00
7,50,00,000 (750,00,000) Equity shares of Rs.10/- each	<u>7,500.00</u>	<u>7,500.00</u>
<b>Issued, Subscribed and Paid - Up Capital</b>		
2,21,13,625 (2,21,13,625) Equity shares of Rs 10/- each fully paid	<u>2,211.36</u>	<u>2,211.36</u>
	<u>2,211.36</u>	<u>2,211.36</u>

## Note 3

Reserves & Surplus	As at 31st March 2011	Additions	Deductions	As at 31st March 2012
(a) Capital Reserve	160.00	-	-	160.00
(b) Special State Capital Subsidy	282.85	-	-	282.85
(c) General Reserves	15,871.82	400.00	-	16,271.82
(d) Securities Premium Account	2,165.34	-	-	2,165.34
(e) Foreign Currency Monetary Items Translation Difference Account	-	721.74	-	721.74
(f) Foreign Currency Translation Reserve	525.74	-	1,068.89	(543.15)
	<u>19,005.75</u>	<u>1,121.74</u>	<u>1,068.89</u>	<u>19,058.60</u>

	As at 31st March 2012	As at 31st March 2011
<b>(g) Surplus in Statement of Profit and Loss</b>	-	-
Balance as at Beginning of the Year	(16,004.21)	(16,486.04)
(+) Net Profit/(Net Loss) For the current year	2,391.59	1,925.51
(+) Transfer from Reserves	-	-
(-) Proposed Dividends	897.06	884.55
(-) Tax on Proposed Dividends	147.67	144.13
(-) Interim Dividends	-	-
(-) Transfer to Reserves	400.00	415.00
Balance as at End of the Year	<u>(15,057.35)</u>	<u>(16,004.21)</u>
<b>Total Reserves and Surplus</b>	<u>4,001.25</u>	<u>3,001.54</u>

### (a) Subsidy:

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

## Note 4

### Long Term Borrowings

#### (i) Secured

Term Loans From Banks	21,707.66	20,603.15
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#### (ii) UnSecured

Term Loans From Financial Institutions	1,000.00	1,000.00
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<b>Total</b>	<u>22,707.66</u>	<u>21,603.15</u>
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NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

**(a) NATURE OF SECURITY AND TERMS OF REPAYMENT FOR SECURED BORROWINGS****UCAL Fuel Systems Limited** - See Note 4(a) of Standalone Balance sheet-Notes to accounts**Ucal Polymer Industries Ltd.**

Term loan amounting to Rs. 1.14 crores is secured by Hypothecation of Project Assets of expansion project financed by the Bank, and is repayable in 20 quarterly instalments of Rs.12,50 lakhs. Term Loan amounting to Rs. 10.84 crores is secured by Equitable mortgage of land of a related party and is repayable in 20 quarterly instalments of Rs.63,00 lakhs. All the loans are additionally secured by an equitable mortgage of the land and building of the factory situated at Puducherry. They carry currently an interest of 15%. The balance instalment payable is 17.

**Amtec Precision Products Inc**

Term loan of 13.10 million USD and Working Capital Term loan of 2.25 million USD are secured by paripassu charge on current assets and first charge on fixed assets of Amtec Precision Products Inc. Rate of interest is LIBOR+3 bps. Term loan amounting to 13.10 million USD is repayable in monthly / Quarterly instalments of 3 lakh USD, 5 lakh USD, 7 lakh USD, 8 lakh USD, 9 lakh USD & 15 lakh USD & 16 lakh USD ending in September, 2015. Working Capital term loan amounting to 2.25 million USD is repayable in equal monthly instalments of \$62500. Term loan amounting to 1.76 million USD is secured by paripassu charge on current assets and third charge of Fixed Assets of Amtec Precision Products Inc. Rate of interest is LIBOR + 3 bps. This loan is repayable in ten quarterly instalments of \$176477 starting from December-2013.

**Note 5**

	As at 31.03.2012	As at 31.03.2011
<b>Deferred Tax Liabilities (Net)</b>		
<b>Deferred Tax Liabilities</b>		
Depreciation	(1,025.25)	(719.95)
Deferred Tax Asset	-	-
Provision For Leave Encashment	(0.83)	(0.62)
<b>Total</b>	<b>(1,026.08)</b>	<b>(720.57)</b>

(a) Deferred tax assets and deferred tax liabilities have been offset as they relate to the same governing taxation law.

**Note 6****Other Long Term Liabilities**

<b>(a) Trade Payables</b>		
Payable for Material Purchase	419.69	309.00
<b>(b) Others</b>		
Advance From Customers	10.07	10.07
Other Liabilities	447.10	289.82
<b>Total</b>	<b>876.86</b>	<b>608.89</b>

**Note 7****Long-Term Provisions**

<b>(a) Provision For Employee Benefits</b>		
Provision For Leave Encashment	104.08	51.04
<b>Total</b>	<b>104.08</b>	<b>51.04</b>

# NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	As at 31.03.2012	As at 31.03.2011
<b>Note 8</b>		
<b>Short Term Borrowings</b>		
<b>(i) Secured</b>		
Cash Credit from banks	7,402.46	6,545.70
<b>(ii) UnSecured</b>		
Inter Corporate Deposits		
– From related parties	883.60	957.95
– From others	10.80	–
Short Term Loan From Others	3,781.67	3,774.12
<b>Total</b>	<b>12,078.53</b>	<b>11,277.77</b>
<b>Note 9</b>		
<b>(a) Trade Payables</b>		
Payable For Material Purchase	10,839.34	8,403.97
<b>Total</b>	<b>10,839.34</b>	<b>8,403.97</b>
<b>Note 10</b>		
<b>Other Current Liabilities</b>		
Current maturities of Long Term Debts	2,773.41	2,686.57
Advances From Customers	31.97	35.36
Interest Accrued but not Due	26.84	31.33
Unclaimed Dividend	58.38	35.81
Other Liabilities	3,408.80	2,726.35
<b>Total</b>	<b>6,299.40</b>	<b>5,515.42</b>
<b>Note 10.1</b>		
Other current liabilities includes Rs. 80.13 lakhs (previous year Rs.49.78 lakhs) due to directors.		
<b>Note 11</b>		
<b>Short-Term Provisions</b>		
<b>(a) Provision For Employee Benefits</b>		
Gratuity Fund Payable	77.21	29.00
Provision For Leave Encashment	5.50	31.58
<b>Total</b>	<b>82.71</b>	<b>60.58</b>
<b>(b) Others</b>		
Provision for Tax (Net of Advance Tax)	330.00	235.00
Provision for Proposed Dividend	897.05	884.55
Provision for Tax on Proposed Dividend	145.53	143.46
	<b>1,372.58</b>	<b>1,263.01</b>
<b>Total</b>	<b>1,455.29</b>	<b>1,323.59</b>

## Note 12 Fixed Assets

(All Amount in Rs. Lakhs, unless otherwise stated)

PARTICULARS	GROSS BLOCK					DEPRECIATION/AMORTISATION					NET BLOCK	
	As at 1.04.2011	Addi- tions	Deduc- tions	Exchange difference	As at 31.03.2012	As at 1.04.2011	For the Year	Deduc- tions	Other Adjustments	Up to 31.03.2012	As at 31.03.2012	As at 31.03.2011
Tangible assets												
(a) Land												
Freehold	674.50	1,284.65	123.16	-	1,835.99	-	-	-		-	1,835.99	674.50
Leasehold	3,239.53	13.17	-	-	3,252.70	-	-	-		-	3,252.70	3,239.53
(b) Buildings	5,198.17	1,063.90	-	104.82	6,366.89	1,065.08	230.37	-	56.52	1,351.97	5,014.92	4,133.09
(c) Plant and Equipment	43,773.72	2,830.43	2,216.55	1,993.28	46,380.88	23,973.63	2,469.40	2,035.31	969.80	25,377.52	21,003.36	19,800.09
(d) Furniture and Fixtures	622.80	4.10	0.50	7.56	633.96	396.39	39.11	-	4.72	440.22	193.74	226.40
(e) Vehicles	314.41	1.24	2.96	3.62	316.31	233.48	26.46	2.81	1.04	258.17	58.14	80.93
(f) Office equipment	564.30	22.63	-	56.06	642.99	493.60	42.64	-	38.53	574.77	68.22	70.71
Total Tangible Assets - (A)	54,387.43	5,220.12	2,343.17	2,165.34	59,429.72	26,162.18	2,807.98	2,038.11	1,070.61	28,002.65	31,427.07	28,225.25
Previous Year	51,192.98	3,540.14	345.70	-	54,387.42	23,814.38	2,932.69	584.91	-	26,162.16		
Intangible Assets												
Technical Know How	2,230.62	-	-	-	2,230.62	2,013.98	92.67	-	-	2,106.65	123.96	216.64
Goodwill	31.19	-	-	-	31.19	-	-	-	-	-	31.19	31.19
Total Intangible Assets - (B)	2,261.81	-	-	-	2,161.81	2,013.98	92.67	-	-	2,106.65	155.15	247.83
Previous Year	2,230.62	-	-	-	2,230.62	1,920.57	93.42	-		2,013.98		
Total Fixed Assets - C (A+B)	56,649.24	5,220.12	2,343.17	2,165.34	61,691.53	28,176.16	2,900.65	2,038.11	1,070.61	30,109.30	31,582.22	28,473.08
Previous Year	53,423.60	3,540.14	345.70	-	56,618.04	25,734.95	3,026.10	584.91	-	28,176.14		
Capital Work-In-Progress											1,788.06	1,574.44
Total											33,370.29	30,047.52

# NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	As at 31.03.2012	As at 31.03.2011
<b>Note 13</b>		
<b>Non Current Investments</b>		
<b>a) OTHER INVESTMENTS</b>		
<b>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) Equity Shares of Rs.10/- each of The Karnataka Bank Limited fully paid	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
<b>Total</b>	<b>4.52</b>	<b>4.52</b>
<b>Aggregate amount of quoted investments</b>	<b>4.52</b>	<b>4.52</b>
<b>Market Value of quoted investments</b>	<b>30.26</b>	<b>36.32</b>
<b>Note 14</b>		
<b>Long-Term Loans &amp; Advances</b>		
Considered Good		
(a) Security Deposits	451.79	564.96
(b) Other Loans & Advances	104.92	97.76
<b>Total</b>	<b>556.71</b>	<b>662.72</b>
<b>Note 15</b>		
<b>Other Non-Current Assets</b>		
Unamortized Expenses	562.83	864.07
<b>Total</b>	<b>562.83</b>	<b>864.07</b>
(a) Product Development Expenditure incurred by the company are being amortized over a period of 5 years.		
(b) Preliminary Expenditure incurred by the company are being amortized over a period of 5 years.		
<b>Note 16</b>		
<b>Inventories</b>		
(As certified by the management)		
Spares	2,341.87	2,077.86
Tools & Consumables	1,697.18	1,506.16
Raw Materials and Components	2,214.67	1,759.89
Work-in-progress	790.77	854.65
Finished goods (includes goods in transit)	456.91	460.77
<b>Total</b>	<b>7,501.40</b>	<b>6,659.33</b>

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	As at 31.03.2012	As at 31.03.201
<b>Note 17</b>		
<b>Trade Receivables</b>		
<b>Unsecured, Considered Good</b>		
Trade receivables outstanding for a period less than six months from the date they are due for payment	10,950.49	9,682.37
Trade receivables outstanding for a period exceeding six months from the date they are due for payment	55.68	140.06
<b>Total</b>	<b>11,006.17</b>	<b>9,822.43</b>
<b>Note 18</b>		
<b>Cash &amp; Bank Balances</b>		
(a) Cash on hand	10.83	12.56
(b) Bank Balances		
In Current Account	524.20	373.84
Fixed Deposit(**)	53.91	59.37
(c) Other Bank Balances		
Unpaid Dividend Account	59.13	35.81
<b>Total</b>	<b>648.07</b>	<b>481.58</b>
(**) Held under lien by bank as Margin Money against Fixed Deposits.		
<b>Note 19</b>		
<b>Short-Term Loans &amp; Advances</b>		
<b>Considered Good</b>		
(a) Security Deposits	5.91	-
(b) Other Loans and Advances	70.56	43.42
(c) Advance Income Tax and TDS Receivable (Net of Provisions)	250.71	327.33
(d) Balance with Government Authorities	583.41	601.37
(e) Others	4,120.13	3,344.87
<b>Total</b>	<b>5,030.72</b>	<b>4,316.99</b>
<b>Note 20</b>		
<b>Other Current Assets</b>		
<b>Unsecured, Considered Good</b>		
Other Loans and Advances	443.00	-
Unamortized Expenses	423.99	417.00
<b>Total</b>	<b>866.99</b>	<b>417.00</b>
<b>Note 21</b>		
<b>Revenue From Operations</b>		
(a) <b>Sale of Products</b>		
Sales	73,810.84	65,433.11
Less : Excise Duty	5,780.96	4,770.85
<b>Total</b>	<b>68,029.88</b>	<b>60,662.26</b>

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	Year ended 31.03.2012	Year ended 31.03.2011
<b>Note 22</b>		
<b>Other Income</b>		
Interest Received	22.14	13.46
Miscellaneous Income	608.87	344.36
Profit on sale of Assets	0.99	12.83
Dividends : From Subsidiaries	12.50	12.50
: From Others	1.30	0.87
Gain on Exchange Fluctuation	6.18	(0.84)
<b>Total</b>	<b>651.98</b>	<b>383.18</b>
<b>Note 23</b>		
<b>Cost of Material Consumed</b>		
Opening Stock :		
Raw Materials	252.66	572.54
Components	2,361.88	1,735.06
	<b>2,614.54</b>	<b>2,307.60</b>
Add: Purchases :		
Raw Materials	11,474.24	8,365.45
Components	18,460.50	17,096.59
Outworks	3,215.47	3,306.46
	<b>33,150.21</b>	<b>28,768.50</b>
Less: Closing Stock :		
Raw Materials	290.15	252.66
Components	2,715.28	2,361.88
	<b>3,005.43</b>	<b>2,614.54</b>
<b>Total</b>	<b>32,759.32</b>	<b>28,461.56</b>
<b>Note 24</b>		
<b>Changes in inventories of finished goods</b>		
Opening Stock		
Finished Goods	361.10	401.18
Less: Closing Stock		
Finished Goods	418.64	361.10
(Increase) / Decrease in Finished Goods	<b>(57.54)</b>	<b>40.08</b>
<b>Note 25</b>		
<b>Employees Cost &amp; Benefits</b>		
Salaries,Wages & Bonus	7,873.69	6,781.02
Contribution to Provident Fund & Other Funds	821.95	761.83
Staff Welfare Expenses	2,337.59	1,821.85
<b>Total</b>	<b>11,033.23</b>	<b>9,364.70</b>
<b>Note 26</b>		
<b>Finance Costs</b>		
Interest Expenses on:		
Term Loans	2,280.16	2,326.47
Other Borrowing costs	1,282.18	900.85
<b>Total</b>	<b>3,562.34</b>	<b>3,227.32</b>

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	Year ended 31.03.2012	Year ended 31.03.2011
<b>Note 27</b>		
<b>Depreciation and Amortisation Expenses</b>		
Depreciation for Tangible Assets	2,807.98	2,968.51
Amortisation for Intangible Assets	92.67	93.42
<b>Total</b>	<b>2,900.65</b>	<b>3,061.93</b>

**Note 28****Other Expenses**

Tools and Stores Consumed	3,571.55	3,247.05
Power & Fuel	2,109.09	1,868.15
Repairs & Maintainance		
- Building	215.37	84.30
- Plant & Machinery	829.14	913.65
- Others	384.94	406.31
Postage, Telephone, Fax, etc.	75.92	72.90
Insurance	128.38	150.65
Rates and Taxes	159.89	128.91
Rent	350.81	308.81
Directors Sitting Fees	8.25	9.40
Auditors Remuneration		
- For Audit Fees	13.56	12.60
- For Tax Audit	1.30	1.96
- For Certificates	5.97	1.00
- For out of pocket expenses	0.11	0.01
Travelling Expenses - Others	309.36	376.10
Discount Allowed	136.81	325.53
Packing Charges	570.37	561.91
Royalties	21.85	144.48
Research & Development Expenses	852.35	888.72
Other Expenses	5,599.46	4,372.06
Deferred Revenue Expenditure	417.00	417.00
Exchange Loss	(519.07)	131.41
Loss on Sale of Fixed Assets	-	55.25
<b>Total</b>	<b>15,242.41</b>	<b>14,478.16</b>

**Note 29****Earnings Per Share (EPS) Calculation (Basic and Diluted) :**

	Unit		
a) Amount used as the numerator Profit after Taxation	Rs. in lakhs	2,391.59	1,925.50
b) Weighted average number of equity shares used as denominator	Number	22,113,625	22,113,625
c) Nominal value of shares	Rs. in lakhs	2,211.36	2,211.36
d) Earnings Per Share	Rs.	<b>10.82</b>	<b>8.71</b>

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

(All Amounts in Rs. Lakhs, unless otherwise stated)

	Year ended 31.03.2012	Year ended 31.03.2011
<b>Note 30</b>		
Estimated amount of contracts remaining to be executed on capital account, net of advances, not provided for :	676.61	760.68
<b>Note 31</b>		
Claims against the company not acknowledged as debts :-		
i) Sales Tax	44.14	Nil
ii) Excise Duty	2,390.00	2,420.82
iii) Service Tax	148.02	246.99
iv) Income Tax	297.62	54.89
v) ESI	1.27	1.27
vi) Stamp Duty	31.37	31.37

### Note 32

Pursuant to the notification issued by Ministry of Corporate Affairs dated 29th December, 2011 on Accounting Standard 11, the Company has opted to Capitalize the Foreign Exchange Loss in respect of Foreign Currency Term Loan, to be amortized over the remaining period of the loan. Accordingly, Rs.721.74 lakhs has been accumulated in Foreign Currency Monetary items Translation Difference Account which otherwise would have been charged to the Profit & Loss account.

### Note 33

#### Other moneys for which the company is contingently liable

i) In respect of Letter of Credits Outstanding/Buyers Credit	905.97	504.06
ii) Guarantees given by Banks on behalf of the company	42.30	33.80
iii) Others	–	97.10

### Note 34

#### Related Party Disclosures

##### I Name of the related parties and Relationship

##### (i) Key Management Personnel

- Mr. Jayakar Krishnamurthy (Chairman and Managing Director)
- Mr. P.P.R. Rao (Executive Director, UFSL)
- Mr. R. Sundarraman (Joint Managing Director –w.e.f 8.09.2011)
- Mrs. Meenakshi Jayakar (Managing Director, UPIL)

##### (ii) OTHER RELATED ENTERPRISES

- Bharat Technologies Auto Components Limited
- Minica Real Estates Private Limited
- Minica Services Private Limited
- Southern Ceramics Private Limited
- Sujo Land and Properties Private Limited
- Carburettors Limited
- Magnetic Meter Systems (India) Limited
- Bangalore Union Services Private Limited
- Ucal Consultants Private Limited

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 (CONTD.)

## (iii) RELATIVES OF KEY MANAGEMENT PERSONNEL

Dr. V. Krishnamurthy

Note : Related party relationship is identified by the company and relied upon by the auditors.

## Details relating to parties referred to in items (i),(ii) &amp; (iii) above

			(Rs in Lakhs)
	OTHER RELATED ENTERPRISES	KEY MANAGEMENT PERSONNEL	RELATIVES OF KEY MANAGEMENT PERSONNEL
Purchase of materials	1,215.74		
Consultancy charges paid	162.14		42.30 (36.00)
Purchase of fixed assets	1,821.07		
Rent paid	505.78 (397.68)		
Managerial Remuneration		368.18 (256.29)	
Interest Paid	80.91 (227.52)		
Sale of goods	69.71		
Sale of Fixed Assets		123.16	
Loans Taken	883.60		
Loans repaid	957.95		
Advances Given	292.34		
Outstanding payables	817.52		
Outstanding receivables		123.16	
Guarantees given			

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

**Note 35**

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

**Note 36**

Figures have been rounded off to the nearest lakhs.

As per our Report Attached of even date

For and on behalf of the Board of Directors  
**JAYAKAR KRISHNAMURTHY**  
 CHAIRMAN & MANAGING DIRECTOR

For M/s G.Balu Associates  
 FRN : 000376S  
 Chartered Accountants

**R. SUNDARARAMAN**  
 JOINT MANAGING DIRECTOR

**N. GNANASAMBANDAN**  
 CHIEF FINANCIAL OFFICER

**REKHA RAGHUNATHAN**  
 COMPANY SECRETARY

**R. RAVISHANKAR**  
 Partner  
 Membership No. 26819

Place: Chennai  
 Date: 10.08.2012

# **FUELLING A TRAIL OF EXCELLENCE...**

## **UCAL FUEL SYSTEMS LIMITED**

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