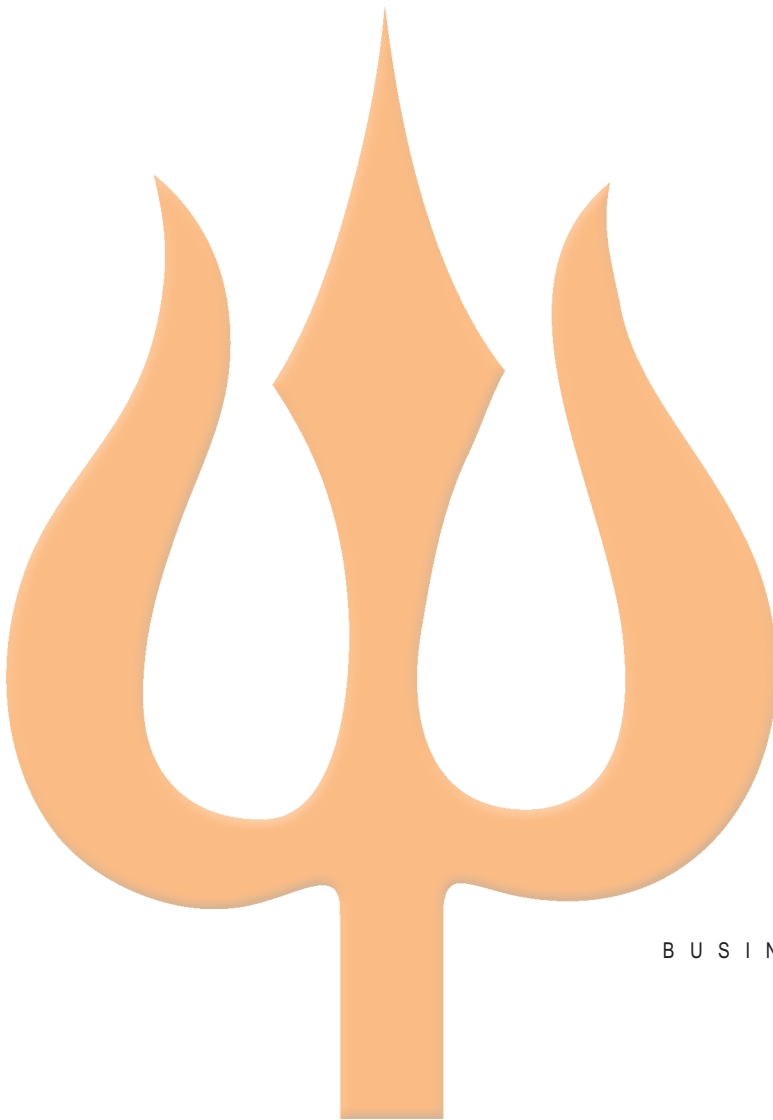




SAKTHI AUTO COMPONENT LIMITED

ANNUAL REPORT 2011



B U S I N E S S W I T H V A L U E S



Sakthi Auto Component Limited

Registered Office

180, Race Course Road
Coimbatore - 641 018
Tamil Nadu

Board of Directors

Dr M MANICKAM
Chairman & Managing Director

Factory

Mukasi Pallagoundenpalayam
Perundurai Taluk
Tirupur District - 638 056
Tamil Nadu

Sri M BALASUBRAMANIAM
Sri S CHANDRASEKHAR
Sri M SRINIVAASAN
Sri B R KRISHNAKUMAR
Sri C RANGAMANI
Sri B S SESHADRI

Directors

Bankers

Indian Overseas Bank
Bank of India
Axis Bank Ltd
The Shamrao Vithal Co-operative Bank Ltd.
Central Bank of India

Auditors

M/s. P N RAGHAVENDRA RAO & CO.,
Coimbatore

Smt S KAVITHA
Company Secretary

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NOTICE TO SHAREHOLDERS

Notice is hereby given that the 12th Annual General Meeting of the Company will be held at its Registered Office at 180 Race Course Road, Coimbatore 641 018, on Wednesday, the 24th August 2011 at 10.00 am to transact the following business:

1. To consider and adopt the audited Profit & Loss Account for the year ended 31st March 2011 and the audited Balance Sheet as at that date, Directors Report and the Auditors Report thereon.
2. To appoint a Director in the place of Sri M Balasubramaniam, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in the place of Sri C Rangamani, who retires by rotation and is eligible for reappointment.
4. To appoint M/s. P.N. Raghavendra Rao & Co., Chartered Accountants, as Auditors of the Company for holding office upto the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

RESOLVED that pursuant to Section 260 of the Companies Act, 1956, Sri B S Seshadri, who was co-opted as Additional Director of the Company on the Board as per Article 114 of the Articles of Association of the Company and holds office up to the date of ensuing Annual General Meeting and in respect of whom a notice in writing has been received from a member under Section 257 of the Companies Act, 1956 signifying his intention to appoint him as a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation

6. To consider and, if thought fit, to pass, with or without modification, the following resolutions as Ordinary Resolutions:

RESOLVED that pursuant to Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, the reappointment of Dr M Manickam as Managing Director of the Company for a period of five years from 19.1.2011, be and is hereby approved and that Dr M Manickam be paid remuneration as detailed below:

I. SALARY

Rs.1,00,000 (Rupees one lakh) only per month

II. PERQUISITES

In addition to the salary, Dr M Manickam shall also be entitled for the following perquisites which shall not be included in the computation of the ceiling on remuneration:

- a) Contribution to Provident and Superannuation Fund or annuity fund to the extent not taxable under the Income Tax Act, 1961.
- b) Gratuity at the rate of half a month salary for each completed year of service, and
- c) Encashment of leave at the end of tenure as per the rules of the Company.

III. COMMISSION

5% Commission on the net profits of the Company.

RESOLVED FURTHER that the above remuneration shall be paid only in those financial years in which the Company has profit and that such remuneration shall not exceed 5% of the net profit, subject to the provisions of Section 198 and Section 309 of the Companies Act.



Sakthi Auto Component Limited

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

RESOLVED that pursuant to the provisions of Section 293(1)(e) of the Companies Act, 1956, the Board of Directors of the Company be and is hereby authorised to donate and contribute a sum/sums not exceeding in the aggregate of Rs.100 lakhs (Rupees one hundred lakhs only) from out of the funds of the Company for deserving causes and institutions during the financial year ending 31st March 2012.

Coimbatore
30.5.2011

By order of the Board
M MANICKAM
Chairman & Managing Director

Note : A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy. A proxy need not be a member of the Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item 5

Sri B S Seshadri, retired General Manager of a public sector bank having vast experience in banking, was appointed as Additional Director by the Board of Directors of the Company at its meeting held on 10th November 2010. He holds office upto the date of the ensuing Annual General Meeting. The Company has received from a member of the Company a notice in writing under Section 257 of the Companies Act, 1956 along with requisite deposit proposing his candidature as a Director of the Company. It is proposed to appoint Sri B S Seshadri as a Director of the Company liable to retire by rotation. Necessary resolution is set out in the Notice for approval of the members.

None of the Directors other than Sri B S Seshadri is interested or concerned in the above item.

Item 6

Dr M Manickam has been the Managing Director of the Company since 19.1.2001 and has been in charge of the management of the entire operations of the Company since its inception. He heads the Board of Directors of the Company as its Chairman from 27.6.2005. There has been an overall improvement in the operation and profitability of the company during his terms of office as Managing Director. Considering his vast experience and valuable contribution in the development of the Company, the Board of Directors at its meeting held on 7.1.2011, reappointed him as Managing Director for a further period of five years with effect from 19.1.2011 on the terms set out in the resolution, subject to the approval of the members of the Company. Necessary resolution is set out in the Notice for approval of the members.

Dr M Manickam may be deemed to be concerned or interested in the above item as it relates to his re-appointment and remuneration. Sri M Balasubramaniam and Sri M Srinivaasan, Directors, are interested as his relatives.

No other Director is concerned or interested in the above item.

Item 7

To meet certain charitable and social obligations, it is proposed to authorise the Board of Directors of the Company to make donations upto Rs.100 lakhs (Rupees one hundred lakhs only) during the year ending 31st March 2012.

Necessary resolution is set out in the Notice for approval of the members.

None of the Directors is interested or concerned in the above item.

Coimbatore
30.5.2011

By order of the Board
M MANICKAM
Chairman & Managing Director



Sakthi Auto Component Limited

REPORT OF THE DIRECTORS

To the Members

Your Directors present their 12th Annual Report together with the audited financial accounts of the Company for the year ended 31st March 2011 consisting a period of 15 months.

FINANCIAL RESULTS FOR THE YEAR ENDED 31st MARCH 2011

	(Rs.in lakhs)
Profit before Interest and Depreciation	6611.97
Less: Interest	2752.88
Depreciation on Fixed Assets	<u>1527.26</u>
	4280.14
Profit before tax	<u>2331.83</u>
Less : Deferred Tax	201.33
Profit after tax	2130.50
Less : Transferred to Debenture Redemption Reserve	<u>532.43</u>
Surplus carried over	<u>1598.07</u>

OPERATIONS

During the year under review, your Company has achieved a gross turnover of Rs.50311.83 lakhs (Rs. 27755.69 lakhs).

During the financial year under review consisting a period of 15 months, the casted production reached a record production of 63084 MT with an average monthly production of 4206 MT, compared to the previous financial year comprising of 12 months production of 35796 MT with an average monthly production of 2983 MT. The sales turnover has also reached the highest level with an increase of 45% compared to the previous financial year.

The automobile industry in India is expected to witness strong growth in vehicle production in the future. Passenger vehicles production is projected to be 5 million vehicles by 2015. There will also be an increase in export of small cars.

Your Directors are glad to inform that the Foundry has been awarded as Self Certified Supplier for TAFE parts. SQ mark certificate for outstanding performance in Quality Management System Evaluation have been received from leading customers like Iljin Automotive (P) Ltd and Honda Siel Cars India Ltd. Vendor performance award and special contribution award have been received from M/s.Maruti Suzuki India Ltd.

DIRECTORS

Sri B S Seshadri has been appointed as Additional Director of the Company with effect from 10.11.2010 and he will hold office till the date of the ensuing Annual General Meeting. Notice under Section 257 of the Companies Act 1956 has been received from a member proposing the name of Sri B S Seshadri for appointment as a Director of the Company.

Sri M Balasubramaniam and Sri C Rangamani, Directors, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

The Board of Directors at its meeting held on 7th January 2011 has reappointed Dr M Manickam as Managing Director for a period of five years from 19th January 2011, subject to the approval of the members of the Company.

SUBSIDIARY COMPANY

The auto industry has turned around globally and is buoyant. There has been significant improvement in the level of operation and performance of both Indian and European subsidiaries having manufacturing facilities, viz. Sakthi Auto Ancillary Private Limited and Sakthi Portugal S.A. The performance of these subsidiaries in the current year is expected to be good.



Sakthi Auto Component Limited

Pursuant to the Central Government's General Circular dated 8th February 2011 and the consent given by the Board of Directors of the Company in terms of the said circular, copies of the Balance Sheet, Profit and Loss Account, Reports of the Board and the Auditors, as the case may be, of the following subsidiary companies viz., Sakthi Auto Ancillary Pvt Limited, Orlandofin BV, Sakthi Netherlands BV, Sakthi European Foreign Sales Corporation BV, Sakthi Holdings BV, Sakthi Services GmbH and Sakthi Portugal SA, have not been attached to the Balance Sheet of the Company as at 31st March 2011. The consolidated financial statement and the details of the subsidiaries that are required to be provided under the said circular have been separately furnished forming part of the Annual Report. The related detailed information on the accounts of the subsidiary companies will be made available to the shareholders of the company and of the subsidiary companies on specific request at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by the investors at the Registered Office of the Company and of the subsidiary companies concerned. The details of the accounts of the above subsidiary companies are also provided in the Company's website.

Since the following step down subsidiaries, viz. Sakthi Europe Verwaltungs GmbH, Arvika Gjuteri AB, Arvinova AB, Arvika Handforming Gjuteri AB and Sakthi Sweden AB, are under the control of the Administrators appointed by the respective Courts in Germany and Sweden and there is a long term restriction in the flow of cash from these subsidiaries to the holding company, accounts of these companies are not consolidated in accordance with the provisions contained in the relevant Accounting Standard.

During the year under review, Sakthi Auto Mauritius Limited in Mauritius and Luscidco Holdings Co. Limited in Cyprus have become the subsidiaries of the Company with effect from 26th January 2011. As their financial year has ended prior to the date of acquisition, i.e on 31st December 2010, the accounts of these companies are not consolidated.

FIXED DEPOSIT

The Company has not accepted fixed deposit during the year and at the end of the financial year, there is no unclaimed deposits.

AUDITORS

M/s P N Raghavendra Rao & Co., Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. A certificate under section 224(1B) has been obtained from them.

AUDIT COMMITTEE

The Audit Committee comprises of the following Directors as its members, viz Dr M Manickam (Chairman), Sri M Balasubramaniam and Sri S Chandrasekhar.

CONSERVATION OF ENERGY

a. Energy Conservation measures taken :-

CFM Screw compressor has been installed in the place of CFM Reciprocating Type Compressor in Foundry A.

b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy :-

Proposed to install similar type of Screw compressor wherever possible.

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

Sizable saving in power consumption is achieved.

Particulars regarding research and development, technology absorption and foreign exchange earnings and outgo have been provided in Annexure 1 to the Report.

PARTICULARS OF EMPLOYEES

The Company has no employee drawing remuneration attracting the provisions of Section 217(2A) of the Companies Act, 1956.



DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) that in the preparation of the annual accounts, the applicable Accounting Standards have been followed;
- b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for that period;
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) that the annual accounts for the year ended 31st March 2011 have been prepared on a going concern basis.

AUDITORS REPORT

With reference to the Auditors remarks, your Directors wish to state as under :

- a) A candidate has been selected for appointment as Company Secretary as required under Section 383A of the Companies Act, 1956.
- b) Steps have been already taken for the recovery of the monies paid as interim dividend.
- c) As the diminution in value of investment is temporary in nature and considering the future profitability on account of the improvement in the level of operation of the Portuguese foundry with good margin, the Directors are of the opinion that no provision is necessary in respect of the Company's investment in Orlandofin BV, the wholly owned subsidiary in Europe.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the valuable assistance and co-operation extended by the Banks and Government authorities. They also wish to appreciate the dedicated service rendered by officers, staff and workers of the Company.

On behalf of the Board of Directors

Coimbatore
30.05.2011

M MANICKAM
Chairman & Managing Director



**ANNEXURE – 1 TO THE DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED
31ST MARCH 2011**

RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the Company:
Development of moulds with increased number of cavities.
2. Benefits derived as a result of the above R & D:
The yield per mould will be increased.
3. Future plan of action:
To establish designing facility and parts validation lab in house.
4. Expenditure on Research and Development
 - a. Capital }
 - b. Recurring }
 - c. Total } Nil
 - d. Total R & D expenditure as a }
Percentage of total turnover }

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief, made towards technology absorption, adaptation and innovation:
Magma Soft - V4.4 is used for new tooling development.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.:
Number of trials is reduced during new product development and the internal defects are reduced to considerable extent.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished:
 - a. Technology imported }
 - b. Year of import }
 - c. Has the technology been fully absorbed? } Not applicable
 - d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action }

FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, and export plans:
The value of exports made during the year is Rs. 8193.45 lakhs. Efforts are being taken to increase the volume of export.
2. Total foreign exchange used and earned:

	(Rs.in lakhs)
i) Earned	10559.40
ii) Used	3984.51

Coimbatore
30.05.2011

On behalf of the Board of Directors
M MANICKAM
Chairman & Managing Director



AUDITORS REPORT TO THE MEMBERS OF THE COMPANY

We have audited the attached Balance Sheet of M/s. Sakthi Auto Component Limited as at 31st March 2011, the Profit and Loss Account and also the Cash Flow Statement for fifteen months 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.

We have conducted our audit in accordance with the 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.

I. As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we furnish below a statement on the matters specified in paragraphs 4 and 5 of the said Order.

- i. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the fixed assets have been physically verified by the management during the year at reasonable intervals and no material discrepancies were noticed on such physical verification.
 - c. The Company has not disposed off substantial part of fixed assets during the year.
- ii. In respect of its inventories:
 - a. As explained to us, inventories have been physically verified by the management at regular intervals during the year.

- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. The Company has maintained proper records of inventories. As explained to us, there was no material discrepancies noticed on physical verification of inventory as compared to the book records.
- iii. The company has not granted / taken any loans secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
 - iv. 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, fixed assets and also for the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.
 - v.
 - 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.
 - b. In our opinion and according to the information and explanations given to us, 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.
 - vi. The company has not accepted any deposits from the public.
 - vii. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
 - viii. The Central Government has not prescribed maintenance of Cost Records under Section 209 (1)(d) of the Companies Act, 1956 for the goods manufactured by the company.



Sakthi Auto Component Limited

- ix. In respect of statutory dues:
- a. According to the records of the Company, undisputed statutory dues in respect of provident fund, employees' state insurance, service tax, income tax, sales-tax, excise duty, wealth tax, customs duty, cess and other statutory dues have been regularly deposited with the appropriate authorities. According to the information and explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March 2011 for a period of more than six months from the date they became payable.
- b. The disputed statutory dues that have not been deposited on account of matters pending before appropriate authorities are as under:

Nature of the disputed dues	Amount (Rs.in lakhs)	Period to which the amount relates	Forum where dispute is pending
Sales Tax	85.12	2001-2002	Appellate Asst. Commissioner, Coimbatore.
Service Tax	244.08	January 2005 to July 2007	CESTAT, Chennai.
Fringe Benefit Tax	31.22	April 2005 to March 2009	High Court, Chennai
Income Tax	1.41	Asst. Year 2008-2009	Commissioner of Income Tax (Appeals), Coimbatore

- x. In our opinion, the accumulated losses at the end of the financial year are not more than 50% of company's net worth and it has not incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year. Effect of unquantified qualifications made by us in Para II has not been taken into account for determination of the above.
- xi. According to the records of the company examined by us and the information and explanations given to us, the Company has not defaulted in repaying the principal and interest to banks or financial institutions or debenture holders.
- xii. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society.
- xiv. The company is not dealing or trading in shares, securities, debentures and other investments.
- xv. The company has given guarantees for bank loans availed by subsidiaries and the outstanding amount of such loans is Rs. 26946.40 lakhs. Based on the Management's Representation, we are of the opinion that the terms and conditions of the guarantees are not prejudicial to the interest of the company.
- xvi. According to information and explanations given to us, the term loans availed by the Company have been applied for the purpose for which it was obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the Company has not utilised short term funds for long term investments.
- xviii. During the year, the Company has not made any preferential allotment of shares to the parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xix. Securities have been created with respect to debentures issued.
- xx. The Company has not raised any money by way of public issue during the year.



Sakthi Auto Component Limited

- xxi. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.
- II. i. *The Company does not have under its employment a qualified company secretary as required under section 383A of the Companies Act, 1956.*
- ii. *Interim dividend amounting to Rs.3081.55 lakhs paid in the year ended 31.12.2008 in contravention of Section 205 of the Companies Act 1956 has not yet been recovered from the recipients.*
- iii. *In Orlandofin B.V. Netherlands, a wholly owned subsidiary, an Investment of Rs. 29494.02 lakhs has been made and loan of Rs. 983.67 lakhs has been provided. Considering bankruptcy of some of the step down subsidiaries and erosion of net worth, in our view, there is diminution in the value of the investments, the quantum of which we are unable to determine. No provision has been made for diminution in the value of investments as per Accounting Standard 13.*
- III. Further to the above, we report that:
- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of the books;
- c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) Subject to paragraph II(iii) above, in our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of the written representations received from the directors and taken on record by the Board of Directors of the Company, none of the directors are disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956; and
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required, and present a true and fair view, in conformity with the accounting principles generally accepted in India:
- i) In so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
- ii) In so far as it relates to the Profit and Loss Account, of the PROFIT of the Company for the period ended on that date: and
- iii) In so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the period ended on that date.

For P.N. RAGHAVENDRA RAO & Co.,
Chartered Accountants
Firm Regn. No. 003328S

P R VITTEL
Partner
M.No. 018111

Place: Coimbatore
Date : 30.05.2011



Sakthi Auto Component Limited

BALANCE SHEET AS AT 31.03.2011

	Schedule No.	As at 31.03.2011	As at 31.12.2009
(Rs. in Lakhs)			
I. SOURCES OF FUNDS :			
(1) SHAREHOLDERS' FUNDS :			
(a) Share Capital	1	24631.00	24631.00
(b) Reserves and Surplus	2	17680.47	17555.47
		<u>42311.47</u>	<u>42186.47</u>
(2) LOAN FUNDS :			
(a) Secured loans	3	20403.82	17990.07
(b) Unsecured loans	4	1955.32	1618.71
		<u>22359.14</u>	<u>19608.78</u>
Total of 1 to 2		<u>64670.61</u>	<u>61795.25</u>
II. APPLICATION OF FUNDS :			
(1) FIXED ASSETS AND INTANGIBLE ASSETS:			
Gross Block		35541.91	33479.28
Less : Depreciation		<u>3524.46</u>	<u>1589.78</u>
		32017.45	31889.50
Add : Capital Work in Progress		1241.49	472.80
Net Block	5A	<u>33258.94</u>	<u>32362.30</u>
INTANGIBLE ASSETS	5B	1825.67	1954.57
(2) INVESTMENTS	6	29807.24	27612.55
(3) DEFERRED TAX ASSET		166.00	367.34
(4) (i) CURRENT ASSETS, LOANS AND ADVANCES:			
(a) Inventories	7	7138.81	5608.11
(b) Sundry Debtors	8	5500.83	4693.96
(c) Cash and Bank balances	9	744.05	158.03
(d) Other Current Assets	10	790.62	329.92
(e) Loans and Advances	11	8417.77	6550.39
		<u>22592.08</u>	<u>17340.41</u>
Less :			
(ii) CURRENT LIABILITIES AND PROVISIONS:	12	10340.53	6957.89
(iii) Amount due to Holding Company		<u>13753.31</u>	<u>13619.57</u>
Net Current Assets (i) - (ii + iii)		<u>-1501.76</u>	<u>-3237.05</u>
(5) a) MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)	13	98.42	121.37
b) BALANCE IN PROFIT & LOSS ACCOUNT	13	1016.10	2614.17
Total of 1 to 5		<u>64670.61</u>	<u>61795.25</u>

Schedules 1 to 13 and Notes in schedule 22 and 23 form part of this Balance Sheet

Vide our Report annexed

For P.N. RAGHAVENDRA RAO & CO.

Chartered Accountants

Firm Regn. No. 003328S

P R VITTEL

Partner

M.No. 018111

Coimbatore

30.05.2011

M MANICKAM
Chairman & Managing Director

C RANGAMANI
Director



Sakthi Auto Component Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011

	Schedule No.	Current year ended 31.03.2011 (15 Months)	Figures for the Previous year ended 31.12.2009 (12 Months)
		(Rs. in Lakhs)	
I. INCOME:			
Sales	14	50311.83	27755.69
Less: Excise duty collected		<u>3990.13</u>	<u>1895.20</u>
		46321.70	25860.49
Dividend (on other than trade Investments)		0.12	0.15
Interest Gross (TDS refer Note 21 in schedule 22)		104.19	72.59
Other income	15	693.61	376.32
Stock adjustment	16	<u>1063.65</u>	<u>-330.05</u>
		<u>48183.27</u>	<u>25979.50</u>
II. EXPENDITURE:			
Steel Scrap & Pig Iron Consumed:			
i) Opening stock		380.46	573.61
ii) Purchases		<u>12609.52</u>	<u>6530.59</u>
		12989.98	7104.20
Less: Closing stock		<u>634.28</u>	<u>380.46</u>
		12355.70	6723.74
Manufacturing expenses	17	22594.56	11946.34
Excise Duty on Stock adjustments		122.10	-221.83
Salaries, Wages and other			
Employees benefits	18	1700.42	1178.07
Interest Charges	19	2752.88	2294.88
Selling expenses	20	3516.22	1877.30
Any other expenses	21	981.33	646.86
Intangible Assets Written off		376.02	281.30
Depreciation		1934.68	
Less: Transfer to Revaluation Reserve		<u>407.42</u>	<u>1138.11</u>
		45926.49	25864.77
Profit before Foreign Exchange Fluctuation (Net)		2256.78	114.73
Foreign Currency Fluctuation (Net)		75.05	127.09
III. PROFIT / LOSS BEFORE TAX		2331.83	241.82
Less: Income tax Expenses:-			
Current Tax		499.40	
MAT credit Entitlement		<u>(499.40)</u>	-
Deferred Tax		201.33	55.97
IV. PROFIT / LOSS AFTER TAX		2130.50	185.85
Excess provision withdrawn		—	11.35
V. APPROPRIATIONS			
Transferred to Debenture Redemption Reserve		<u>532.43</u>	—
VI. SURPLUS / DEFICIT CARRIED OVER		<u>1598.07</u>	<u>197.20</u>
Earnings per share (Rs.) - Basic		-3.18	-7.98
Diluted Earnings per share (Rs.) (see Note 32 of schedule 22)		0.86	0.08

Schedules 14 to 21 and notes in schedule 22 and 23 form part of this Profit and Loss Account

Vide our Report annexed

For P.N. RAGHAVENDRA RAO & CO.

Chartered Accountants

Firm Regn. No. 003328S

P R VITTEL

Partner

M.No. 018111

Coimbatore

30.05.2011

M MANICKAM
Chairman & Managing Director

C RANGAMANI
Director



Sakthi Auto Component Limited

	As at 31.03.2011	As at 31.12.2009
	(Rs. in Lakhs)	
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED		
5,00,00,000 Equity Shares of Rs.10 each	5000.00	5000.00
2,25,00,000 Preference Shares of Rs. 100 each	22500.00	22500.00
	27500.00	27500.00
ISSUED, SUBSCRIBED AND PAID UP		
4,38,60,000 Equity Shares of Rs.10 each fully paid up (Of the above shares 1,55,28,143 shares have been allotted as fully paid up for consideration other than cash pursuant to a contract with the holding company)	4386.00	4386.00
60,82,500 Series A 15% Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each	6082.50	6082.50
1,01,37,500 Series B 15% Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each	10137.50	10137.50
20,00,000 Series C 15% Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each	2000.00	2000.00
12,15,000 Series I 15% Participatory Cumulative Convertible Preference Shares of Rs. 100 each	1215.00	1215.00
8,10,000 Series II 15% Participatory Cumulative Convertible Preference Shares of Rs. 100 each	810.00	810.00
TOTAL	24631.00	24631.00
SCHEDULE - 2		
RESERVES AND SURPLUS		
REVALUATION RESERVE		
Balance as per last Balance sheet	9062.32	9389.16
Less : Depreciation on Revalued Assets (transferred from Profit and Loss Account)	407.42	326.83
	8654.90	9062.33
SECURITIES PREMIUM		
Balance as per last Balance sheet	8493.14	8493.14
DEBENTURE REDEMPTION RESERVE		
Created during the year	532.43	-
TOTAL	17680.47	17555.47



Sakthi Auto Component Limited

	As at 31.03.2011	As at 31.12.2009
	(Rs. in Lakhs)	
SCHEDULE - 3		
SECURED LOANS		
A. DEBENTURES		
Secured Redeemable Non-Convertible Debentures	2129.71	—
TOTAL (A)	<u>2129.71</u>	<u>—</u>
B. LOANS AND ADVANCES		
FROM BANKS		
(a) Term Loan	12316.39	12776.04
Interest accrued and due on the above	78.34	107.81
(b) Hypothecation Loans for working capital	1498.05	1499.40
Interest accrued and due on the above	—	38.62
(c) Bills discounted / Letter of credit / Overdraft from banks	4336.65	3538.10
Interest accrued and due on the above	2.52	4.34
	<u>18231.95</u>	<u>17964.31</u>
FROM OTHERS		
Hire Purchase loan	42.16	25.76
TOTAL (B)	<u>18274.11</u>	<u>17990.07</u>
TOTAL (A+B)	<u>20403.82</u>	<u>17990.07</u>
SCHEDULE - 4		
UNSECURED LOANS		
Short Term Loans and Advances		
From Others	1277.08	836.38
Interest accrued and due on the above	—	5.30
Other Loans and Advances		
From Others	678.24	777.03
TOTAL	<u>1955.32</u>	<u>1618.71</u>



Sakthi Auto Component Limited

SCHEDULE - 5A

FIXED ASSETS

(Rs. in Lakhs)

Sl. No.	Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		As on 01.01.2010	Additions	Deletions / Adjustments	As on 31.03.2011	Upto 31.12.2009	For the year	With- drawn	Upto 31.03.2011	As on 31.12.2009	As on 31.03.2011
1.	Land	3900.00	-	-	3900.00	-	-	-	-	3900.00	3900.00
2.	Buildings	4282.33	103.67	-	4386.00	132.14	167.77	-	299.91	4150.19	4086.09
3.	Plant and Machinery	23509.44	1757.49	-	25266.93	1236.91	1637.95	-	2874.86	22272.53	22392.07
4.	Electrical Installations	1361.24	90.64	-	1451.88	64.37	81.90	-	146.27	1296.87	1305.61
5.	Office Equipments, Furniture And Fixtures	281.86	70.34	-	352.20	114.10	28.88	-	142.98	167.76	209.22
6.	Motor Vehicles	144.41	40.49	-	184.90	42.26	18.18	-	60.44	102.15	124.46
	Total	33479.28	2062.63	-	35541.91	1589.78	1934.68	-	3524.46	31889.50	32017.45
7.	Work in Progress	472.80	768.80	0.11	1241.49	-	-	-	-	472.80	1241.49
	Total for the year	33952.08	2831.43	0.11	36783.40	1589.78	1934.68	-	3524.46	32362.30	33258.94
	Total for the previous year	33093.64	2864.91	2006.47	33952.08	124.83	1464.95	-	1589.78	32968.81	32362.30

Note: Land, Buildings, Plant & Machinery and Electrical Installations have been revalued as on 31.12.2008. Other assets are shown at written down book value. The net increase on revaluation amounting to Rs.9389.16 lakhs has been credited to Revaluation Reserve.

SCHEDULE - 5B

INTANGIBLE ASSETS

(Rs. in Lakhs)

PARTICULARS	GROSS BLOCK			AMORTISATION			NET BLOCK		
	As On 01.01.2010	Additions	Deletions	As On 31.03.2011	Upto 31.12.2009	For the Year	Upto 31.103.2011	As On 31.12.2009	As On 31.03.2011
Product Development	3008.13	247.12	-	3255.25	1053.56	376.02	1429.58	1954.57	1825.67
Total for the year	3008.13	247.12	-	3255.25	1053.56	376.02	1429.58	1954.57	1825.67
Total for the previous year	2813.00	195.13	-	3008.13	772.26	281.30	1053.56	2040.74	1954.57



Sakthi Auto Component Limited

	As at 31.03.2011	As at 31.12.2009
	(Rs. in Lakhs)	
SCHEDULE - 6		
INVESTMENTS (OTHER THAN TRADE) - LONG TERM (AT COST)		
1. In Government Securities:		
National Savings Certificates (VIII Series)	<u>0.02</u>	<u>0.02</u>
2. Investment in Shares : (Unquoted)		
In fully paid Equity Shares :		
Shamrao Vithal Co-op Bank Ltd 4000 shares of Rs.25 each	1.00	1.00
Investment in Subsidiaries		
In fully paid Equity Shares :		
1. Sakthi Auto Ancillary Private Ltd 536920 shares of Rs.10 each	62.40	62.40
2. Orlandofin B.V. 18000 Shares of 1 Euro each	29494.02	27301.59
3. Sakthi Auto Mauritius Ltd 5000 Shares of 1 USD each	2.26	-
	<u>29558.68</u>	<u>27363.99</u>
In Preference Shares:		
Sakthi Auto Ancillary Private Ltd 2355430 Nos. of 10% preference shares of Rs.10 each	235.54	235.54
Sakthi Auto Ancillary Private Ltd. 200000 Nos. of 1% preference shares of Rs. 10 each	12.00	12.00
TOTAL	<u>29806.22</u>	<u>27611.53</u>
	<u>29807.24</u>	<u>27612.55</u>
SCHEDULE - 7		
INVENTORIES		
Stores and spares & Others	878.37	665.14
STOCK-IN-TRADE		
i) Finished goods:		
Iron Castings	5538.31	4491.02
ii) Raw materials		
Steel scrap, pig iron and others	634.28	380.46
iii) Stock in Process:-		
Iron Castings in Process	87.85	71.49
TOTAL	<u>7138.81</u>	<u>5608.11</u>
SCHEDULE - 8		
SUNDRY DEBTORS		
Unsecured - considered good:		
i) Debts outstanding for a period exceeding six months	22.26	198.77
ii) Other Debts	5478.57	4495.19
TOTAL	<u>5500.83</u>	<u>4693.96</u>
SCHEDULE - 9		
CASH AND BANK BALANCES		
i) Cash on hand	2.84	0.86
ii) Bank balances :-		
Sheduled Banks :-		
Current accounts	387.92	80.99
Deposit accounts	353.29	76.18
TOTAL	<u>744.05</u>	<u>158.03</u>



Sakthi Auto Component Limited

	As at 31.03.2011	As at 31.12.2009
	(Rs. in Lakhs)	
SCHEDULE - 10		
OTHER CURRENT ASSETS		
Outstanding income and interest receivable	291.22	329.92
MAT Credit Entitlement	499.40	—
TOTAL	<u>790.62</u>	<u>329.92</u>
SCHEDULE - 11		
LOANS AND ADVANCES		
Unsecured:		
(Considered good - recoverable in cash or in kind)		
Loans and advances to Subsidiary	983.67	936.37
Advance for purchase and others	4021.51	3704.35
Advance for Capital expenditure	1643.39	67.08
Income tax payments	604.32	139.95
Prepaid expenses	145.90	161.72
Deposit with Central Excise, Electricity Department, etc.	1018.98	1540.92
TOTAL	<u>8417.77</u>	<u>6550.39</u>
SCHEDULE - 12		
CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities:		
Sundry Creditors		
Liabilities for purchases, Expenses & Others	8468.73	6248.10
Liabilities for Capital expenditure	149.33	226.29
Payable to Subsidiary company	882.89	263.98
Investor Education and Protection Fund shall be credited by the following :		
Interest accrued and due on Fixed Deposit	0.26	0.27
Interest accrued but not due	<u>105.52</u>	<u>—</u>
	<u>9606.73</u>	<u>6738.64</u>
B. Provision:		
Provision for Taxation	499.40	—
Provision for Fringe Benefit Tax	3.00	3.00
Provision for Provident Fund	8.45	4.96
Provision for Employee Benefits	222.95	211.29
TOTAL	<u>10340.53</u>	<u>6957.89</u>
SCHEDULE 13		
a) MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Deferred Revenue Expenditure	33.27	121.37
Product Development Expenses	65.15	—
TOTAL (a)	<u>98.42</u>	<u>121.37</u>
b) PROFIT AND LOSS ACCOUNT		
Opening Balance	2614.17	2811.37
Less : Profit for the year	1598.07	197.20
TOTAL (b)	<u>1016.10</u>	<u>2614.17</u>



Sakthi Auto Component Limited

	Year ended 31.03.2011 (15 months)	Year ended 31.12.2009 (12 months)
(Rs. in Lakhs)		
SCHEDULE - 14		
SALES *		
Iron Castings	50106.36	27605.04
Pattern Sales	205.47	150.65
TOTAL	50311.83	27755.69
* Inclusive of Excise Duty		
SCHEDULE - 15		
OTHER INCOME		
Rent receipts	5.34	3.90
Man power services	39.65	—
Profit on sale of used materials	570.31	354.88
Sundry credit balances written off	78.31	17.54
TOTAL	693.61	376.32
SCHEDULE - 16		
STOCK ADJUSTMENT		
(A) OPENING STOCK		
Iron Castings	4491.02	4833.61
Iron Castings in process	71.49	58.95
TOTAL (A)	4562.51	4892.56
(B) CLOSING STOCK		
Iron Castings	5538.31	4491.02
Iron Castings in process	87.85	71.49
TOTAL (B)	5626.16	4562.51
TOTAL (B) - (A)	1063.65	-330.05
SCHEDULE - 17		
MANUFACTURING EXPENSES		
Consumption of stores & spares	12819.60	6965.93
Power and Fuel	6534.59	3480.11
Water charges	61.33	30.26
Fettling charges	1643.91	760.40
Rent	21.76	29.99
Hire charges	104.74	9.30
Rates and Taxes	36.07	20.33
Insurance	47.63	35.67
Repairs and Maintenance		
Building	58.48	36.55
Machinery and Electrical	1104.08	513.38
Vehicles	84.75	36.19
Others	42.82	15.64
Royalty	34.80	12.59
TOTAL	22594.56	11946.34



Sakthi Auto Component Limited

	Year ended 31.03.2011 (15 months)	Year ended 31.12.2009 (12 months)
SCHEDULE - 18		
SALARIES, WAGES AND OTHER EMPLOYEE BENEFITS		
Salaries and Wages, Bonus, etc.	1411.20	1020.53
Contribution to P.F. and other funds	115.06	69.67
Workmen and Staff Welfare expenses	174.16	87.87
TOTAL	<u>1700.42</u>	<u>1178.07</u>
SCHEDULE - 19		
INTEREST CHARGES		
Term Loans	1479.31	1383.97
Debentures	106.60	—
Working capital loans	895.05	815.99
Others	271.92	94.92
TOTAL	<u>2752.88</u>	<u>2294.88</u>
SCHEDULE - 20		
SELLING EXPENSES		
Packing materials	1499.51	790.63
Selling and Distribution expenses	37.62	151.91
Freight and transport	1979.09	934.76
TOTAL	<u>3516.22</u>	<u>1877.30</u>
SCHEDULE - 21		
ANY OTHER EXPENSES		
Travelling expenses	198.46	163.69
Freight and Transport	153.20	100.51
Administrative and other expenses	103.36	55.26
Bank Charges	197.10	96.57
Printing, Postage, Telephone & Telex	58.15	35.03
Data processing charges	—	1.76
Legal and Professional charges	77.88	77.24
Technical consultancy charges	30.29	—
Managerial Remuneration	14.09	—
Directors sitting fees	2.95	0.65
Auditors remuneration	17.20	8.15
Deferred Revenue Expenditure written off	88.10	95.85
Sundry debit balances written off	40.55	12.15
TOTAL	<u>981.33</u>	<u>646.86</u>



ACCOUNTING POLICIES

1. Basis of Preparation:

The accompanying Financial Statements have been prepared on a going concern basis under the historical cost convention on the accrual basis of accounting in conformity with Generally Accepted Accounting Principles in India ("Indian GAAP").

2. Valuation of Inventories:

Inventories are valued at cost or the net realizable value whichever is lower increased by excise duty thereon wherever applicable. The cost is computed on weighted average basis. The cost for the finished goods and process stock is inclusive of cost of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

3. Fixed Assets:

- a) Fixed Assets are valued at cost/re-valued figures, less accumulated depreciation. Cost includes related taxes, duties, freight, insurance etc., attributable to acquisition and installation of assets and borrowing cost incurred up to the date of commencing operations but excludes duties and taxes that are recoverable from taxing authorities.
- b) Expenditure including borrowing cost incurred on projects under implementation is shown under "Work-in-Progress" pending allocation to the assets.

4. Intangible Assets:

Product Development expenses being intangible assets is amortized over a period of 10 years in accordance with AS-26.

5. Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets.

6. Depreciation:

Depreciation has been provided on all assets under straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956 on revalued/original cost of assets as the case may be. The additional depreciation relating to increased value of revalued assets, if any, are adjusted against revaluation reserve.

7. Long term Investments are accounted at cost. The diminution, if any, in value of long term investments is provided if such decline is other than temporary.

8. a. Revenue Recognition:

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, excise duty, sales return.

- a. Gross turnover includes excise duty but exclude sales tax.
- b. Dividend income is accounted for in the year it is declared.
- c. All other incomes are accounted for on accrual basis.

b. Expenditure Recognition:

The Excise duty on sale of Finished Goods is deducted from turnover to arrive at the net sales as shown in the Profit and Loss account. The Excise Duty appearing in the Profit and Loss account as an expenditure represents Excise duty provisions for difference between opening and closing stock of Finished Goods.



9. Foreign currency transactions:

Foreign currency transactions are accounted at the exchange rate ruling on the date of transactions.

Foreign currency monetary items as at the Balance Sheet date are restated using the closing exchange rate or the rate that is likely to be realised from/required to disburse.

Exchange difference arising on the actual payments/realisations and year end restatements are dealt with in the Profit and Loss account.

10. Retirement Benefits:

Contribution payable by the Company under defined contribution schemes towards Provident Fund, Gratuity, Employees State Insurance and Superannuation Fund for the year are charged to profit and loss account.

The Company has opted for Life Insurance Corporation of India Group Gratuity Scheme. For calculating gratuity liability, the premium ascertained by LIC has been taken into account.

Provision for liability in respect of leave encashment benefits are made based on actuarial valuation made by an independent actuary as at 31.03.2011.

11. Deferred tax is recognized on timing difference between accounting income and the taxable income for the period and reversal of timing differences of earlier periods and quantified using the tax rates and laws that have been enacted / substantively enacted as at the balance sheet date. The deferred tax assets are recognized and carried forward to the extent that there is reasonable certainty that these would be realized in future.

12. Earning per share:

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

13. Impairment of Assets:

Impairment, if any, is recognized in accordance with the Accounting Standard 28.

14. Provisions, Contingent Liabilities and Contingent Assets:

Provision is recognized only when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

15. Leases:

The Company's significant leasing arrangements are operating leases and are cancellable in nature. The lease rentals paid or received under such arrangements are accounted in the profit and loss account.



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SCHEDULE - 22

NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

- 60,82,500 (Series A), 1,01,37,500 (Series B) and 20,00,000 (Series C) 15% Participatory Cumulative Optionally Convertible Preference Shares of Rs.100 each allotted on 26.04.2007 are convertible at the option of the shareholders on such terms as may be mutually agreed between the shareholders and the Company. In case of non-conversion, they are redeemable at the end of 5 years from the date of allotment. In the event of declaration of Equity Dividend beyond 15%, Series B Preference shares are entitled for such higher rate of dividend.
- 12,15,000 (Series I), 8,10,000 (Series II) 15% Participatory Cumulative Convertible Preference Shares of Rs.100 each allotted on 18.03.2008 are convertible at the option of the shareholders on such terms as may be mutually agreed between the shareholders and the Company.
- DEBENTURES :**
Series of 12% Secured Redeemable Non-convertible Cumulative Debentures of Rs.100 each aggregating to Rs. 2129.71 lakhs are secured by residual charges on the immovable properties of the Company situated at Koonampatti village, Tirupur Dist. Tamil Nadu and are redeemable together with interest accrued on the maturity date mentioned against each series.

Series	No.of Debentures	Amount outstanding (including interest) Rs. in lakhs	Series Maturity date.
I	100000	100.00	15/11/11
II	50000	50.00	17/11/11
III	49820	49.88	19/11/11
IV	70960	70.96	01/12/11
V	59990	59.99	02/12/11
VI	64730	64.73	05/12/11
VII	56940	56.94	13/12/11
VIII	75900	75.90	15/12/11
IX	131640	131.64	19/12/11
X	51520	51.52	22/12/11
XI	38990	38.99	24/12/11
XII	53910	53.91	04/01/12
XIII	69540	69.54	07/01/12
XIV	59510	59.51	13/01/12
XV	84640	84.64	18/01/12
XVI	120000	120.00	24/01/12
XVII	57770	57.77	28/01/12
XVIII	42830	42.83	10/02/12
XIX	49500	49.50	17/02/12
XX	70090	70.09	18/02/12
XXI	61700	61.70	22/02/12
XXII	81400	81.40	01/03/12
XXIII	138390	138.39	02/03/12
XXIV	57010	57.01	07/03/12
XXV	52250	52.25	10/03/12
XXVI	95100	95.10	31/05/12
XXVII	81200	81.20	14/06/12
XXVIII	99680	99.68	24/06/12
XXIX	104700	104.70	29/06/12



Sakthi Auto Component Limited

4. The amount outstanding under Secured Loans from Banks includes Term Loan and Funded Term Loan of Rs.1598.60 lakhs and Rs.98.46 lakhs (including interest) respectively from Indian Overseas Bank. These loans are secured/to be secured by –
 - i) Equitable mortgage of the Company's immovable properties and hypothecation of the Company's movable properties including movable machinery, machinery spares, tools and accessories, both present and future, (except current assets and assets charged on exclusive basis) ranking pari passu with Axis Bank Ltd and Bank of India;
 - ii) Escrow of receivables from Maruti Suzuki India Ltd on pari passu basis with Axis Bank Ltd., for their Term loan;
 - iii) Second charge on the current assets, viz. Stock including raw material, Stock in Process and other current assets, both present and future, (except assets charged on exclusive basis) ranking pari passu with Bank of India; and
 - iv) Personal guarantee of the Chairman & Managing Director.
5. The amount outstanding under Secured Loans from Banks includes Term Loan of Rs.4985.88 lakhs (including interest) from Indian Overseas Bank. This loan is secured by –
 - i) Equitable mortgage of the Company's immovable properties and hypothecation of the Company's movable properties including movable machinery, machinery spares, tools and accessories, both present and future, (except assets charged on exclusive basis) ranking pari passu with Bank of India and Axis Bank Limited;
 - ii) Escrow of receivables from Maruti Suzuki India Ltd on pari passu basis with Axis Bank Ltd. for their Term loan;
 - iii) Second charge on the current assets, viz. Stock including raw material, Stock in Process and other current assets, both present and future, (except assets charged on exclusive basis) ranking pari passu with Bank of India; and
 - iv) Personal guarantee of the Chairman & Managing Director.
6. The amount outstanding under Secured Loans from Banks includes Term Loan of Rs.2302.26 lakhs (including interest) from Bank of India, New York. This loan is secured by –
 - i) Equitable mortgage of the Company's immovable properties and hypothecation of the Company's movable properties including movable machinery, machinery spares, tools and accessories, both present and future, (except assets exclusively charged to Banks for their outstanding assistance) ranking pari passu with Axis Bank Ltd and Indian Overseas Bank;
 - ii) Second charge on the current assets ranking pari passu with Indian Overseas Bank (except assets charged on exclusive basis); and
 - iii) Personal guarantee of the Chairman & Managing Director.
7. The amount outstanding under Secured Loans from Banks includes Term Loans of Rs.92.45 lakhs (including interest) from The Shamrao Vithal Co-operative Bank Ltd. These loans are secured by –
 - i) Exclusive charge on the respective Machining Lines / equipments procured out of the Term loan;
 - ii) Personal guarantee of Dr N. Mahalingam, Chairman of the Holding Company (Sakthi Sugars Ltd) and
 - iii) Personal guarantee of the Chairman & Managing Director.
8. The amount outstanding under Secured Loans from Banks includes Term Loan of Rs.410.31 lakhs (including interest) from Axis Bank Ltd. This loan is secured by the assets of the holding Company and Personal guarantee of the Chairman & Managing Director.
9. The amount outstanding under Secured Loans from Banks includes Term Loan of Rs.281.55 lakhs (including interest) from Axis Bank Limited. This loan is secured/to be secured by –
 - i) Equitable mortgage of the Company's immovable properties and hypothecation of the Company's movable properties including movable machinery, machinery spares, tools and accessories, both present



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- and future, (save and except current assets and assets exclusively charged to Banks for their outstanding assistance) ranking pari passu with Indian Overseas Bank and Bank of India;
- ii) Escrow of receivables from Maruti Suzuki India Ltd and Honda Siel Cars ranking pari passu with Indian Overseas Bank and receivables from Metaldyne & TAFE; and
 - iii) Personal guarantee of the Chairman & Managing Director.
10. The amount outstanding under Secured Loans from Banks includes Term Loan of Rs.2625.21 lakhs (including interest) from Central Bank of India. This loan is secured/to be secured by –
- i) Exclusive charge on the Machineries purchased out of the term loan;
 - ii) Escrow of receivables from Ijlin Automotive P Ltd, General Motors India Ltd, Mahindra Renault P Ltd, Mahindra and Mahindra, Haldex India Ltd; and
 - iii) Personal guarantee of the Chairman & Managing Director.
11. The amount outstanding under Hypothecation Loans from Banks includes Working Capital Facility of Rs.1498.05 lakhs (including interest) from Indian Overseas Bank which is secured by –
- i) First charge by way of hypothecation of Finished Goods, Raw Materials, Stock in process and Stores and spares of the Company and exclusive charge on the export receivables of Thyssen krupp Automotive Systems, Mexico, Haldex Brake Products, Sweden, Gabriel De Columbia and Omnibus B.B transporters, Ecuador;
 - ii) Second charge on the fixed assets of the Company on Pari passu basis with Bank of India (except assets charged on exclusive basis);
 - iii) Second charge on the receivables of the Company on Pari passu basis with Bank of India except receivables exclusively charged to Central Bank of India and on first charge basis to Indian Overseas Bank and
 - iv) Personal guarantee of the Chairman & Managing Director.
12. The amount outstanding under Secured Loans from Banks includes Bill Discounting Limit of Rs.2525.64 lakhs from Indian Overseas Bank which is secured by –
- i) Escrow of receivables from Maruti Suzuki India Ltd and Honda Siel Cars ranking Pari passu with Axis Bank Limited and from Bosch Chassis; and
 - ii) Personal guarantee of the Chairman & Managing Director.
13. The amount outstanding under Secured Loans from Banks includes Bill Discounting Limit of Rs.310.40 lakhs from Bank of India which is secured by –
- i) Exclusive charge by way of first security interest on Bills drawn on General Motors, Korea; and
 - ii) Second charge on inventory, other receivables and fixed assets of the Company ranking pari passu with Indian Overseas Bank.
14. The amount outstanding under Letter of Credit Facility from Indian Overseas Bank of Rs.97.71 lakhs is secured by –
- i) Documents of title to goods/accepted hundies; and
 - ii) Personal Guarantee of the Chairman & Managing Director
15. The amount outstanding under Secured Loans from Banks includes Overdraft against receipted challans / invoices of Rs.1202.89 lakhs (including interest) from Central bank of India. The loan is secured by –
- i) Exclusive first charge on the entire receivables from Ijlin Automotive P Ltd, General Motors India Ltd, Mahindra Renault P Ltd, Haldex India Ltd, Ford India Ltd, Toyota Kirloskar and Mahindra and Mahindra.
 - ii) Exclusive charge on the specified plant & machinery; and
 - iii) Personal Guarantee of the Chairman & Managing Director.
16. The amount outstanding under Secured Loans from Banks includes Overdraft Facility of Rs.202.52 lakhs (including interest) from Axis Bank Ltd. This loan is secured by the assets of the holding Company and Personal guarantee of the Chairman & Managing Director.



Sakthi Auto Component Limited

17. The amount outstanding under Hire Purchase Loans aggregating to Rs.42.16 lakhs is secured by hypothecation of vehicles purchased out of the loans.
18. Derivative Instruments
- a) The Company has not entered into any derivative agreement during the financial year.
- b) Foreign currency exposures not covered by derivative instruments or otherwise as at 31.03.2011 amount to Rs. 4028.59 lakhs (31.12.2009 Rs. 5149.31 lakhs)

Particulars	31.03.2011		31.12.2009	
	In foreign currency	Rs. in lakhs	In foreign Currency	Rs. in lakhs
United States Dollars	8619335	3848.53	10393325	4851.60
EURO	284715	180.06	443873	297.71
TOTAL		4028.59		5149.31

19. **Deferred Tax**

The net deferred tax liabilities as at 31.03.2011 comprise the following;

Particulars	31.03.2011 (Rs. in lakhs)	31.12.2009 (Rs. in lakhs)
a) Deferred tax liability on account of depreciation	2086.28	1910.03
b) Deferred tax assets on account of carried forward losses	2177.22	2265.52
c) Deferred tax assets on account of treatment of expenses	75.06	11.85
Net Deferred Tax Asset	166.00	367.34

20. Advance due and Maximum amount due from Officers (Senior Executives) of the Company is Rs.2 Lakhs (31.12.2009 – Rs. 2 Lakhs)
21. Tax deducted at source on interest receipts is Rs.3.91 lakhs (31.12.2009 – Rs. 2.94 lakhs).

22. **Related Party Disclosure**

I. Names of related parties

A. Names of related parties where control exists

Holding Company : Sakthi Sugars Ltd

B. Subsidiary Companies

Sakthi Auto Ancillary P Ltd

Orlandofin B.V.

Sakthi Auto Mauritius Limited

C. Key Managerial Personnel

Dr M Manickam

Chairman and Managing Director

D. Relatives of key Managerial personnel

Sri M Balasubramaniam - Brother

Sri M Srinivaasan - Brother

E. Enterprises where control exist

ABT Limited

ABT Industries Limited

Sakthi Finance Limited

N. Mahalingam & Co

Nachimuthu Industrial Association



Sakthi Auto Component Limited

Transactions with related parties		(Rs. in lakhs)		
Nature of relationship	2011 (15 months)		2009 (12 months)	
	Transactions	Outstanding	Transactions	Outstanding
Holding Company		13753.31		13619.57
Purchase of power	350.87	–	131.73	–
Purchase of goods	25.82	–	1.71	–
Sale of materials	4.96	–	5.54	–
Subsidiary Company				
Sakthi Auto Ancillary P Ltd		882.89		263.98
Conversion charges	2645.72	–	1265.37	–
Sale of materials	331.73	–	655.93	–
Orlandofin B.V		936.37		936.37
Investment	2192.43	–	785.05	–
Loan	–	–	693.00	–
Others	–	–	243.37	–
Sakthi Auto Mauritius				
Investment	2.26	–	–	–
Key Managerial Personnel				
Managerial Remuneration	14.09	7.18	–	–
Sitting fees paid	0.80	–	0.35	–
ABT Limited				
Purchase of Wind Mill Power	176.54	1691.11	149.08	1530.74
Fettling charges	26.63	10.95	28.14	18.26
Vehicle service	20.19	0.06	1.25	0.29
Others	2.62	2.38	0.68	–
ABT Industries Limited				
Purchase of vehicles, spare & Service	28.96	1.26	1.57	1.14
Sakthi Finance Limited				
Lease rent	3.00	–	–	–
N.Mahalingam & Co				
Vehicle service	12.37	2.92	5.79	0.90
Nachimuthu Industrial Association				
Printing works	12.56	5.36	4.81	0.72

Note : Information has been furnished with respect to individuals/entities with whom/which related party transactions had taken place during the year.

23. Lease Payments
The Lease payments recognised in the Profit and Loss Account is Rs. 3.63 lakhs (31.12.2009-Rs. 2.26 lakhs)

24. Particulars of Remuneration and perquisites to the Chairman & Managing Director (Rs. in Lakhs)

Details	31.03.2011 (15 months)	31.12.2009 (12 months)
Salary	12.58	–
P.F. Contribution	1.51	–
Total	14.09	–

25. Capital Commitments - Estimated amount of contracts remaining to be executed on capital account and not provided for towards purchase of plant and machinery is Rs.3805.43 lakhs (31.12.2009- Rs. 175.49 lakhs)



Sakthi Auto Component Limited

26. Auditors Remuneration

Details	(Rs. in Lakhs)	
	31.03.2011 (15 months)	31.12.2009 (12 months)
Fees Paid/Payable to Auditors:		
As Auditor	12.50	5.00
As advisors in other capacities :		
Taxation matters	1.88	1.35
Certification	1.13	1.15
Service Tax	1.69	0.65
Total	<u>17.20</u>	<u>8.15</u>

27. The Company has not received information from vendors regarding their status under the Micro, Small & Medium Enterprises Development Act 2006 and hence disclosures relating to their outstanding amount and interest has not been made.

28. The holding Company – Sakthi Sugars Limited holds the entire 438,60,000 equity shares of Rs.10/- each and 20,00,000 Participatory Cumulative Optionally Convertible Preference Shares of Rs.100 each.

29. Employee Benefits

Gratuity and Provident Fund:

Gratuity, Provident Fund and Employees State Insurance are defined Contribution Plans. The expenses recognised in the Profit and Loss Account :

Details	(Rs. in Lakhs)	
	31.03.2011 (15 months)	31.12.2009 (12 months)
Gratuity	23.23	79.09
Provident Fund	116.57	69.67
Employees State Insurance	19.09	11.62

Compensated Absences

The obligation for leave encashment is a defined benefit plan and recognised based on actuarial valuation using the projected unit credit method.

The actuarial valuation of liability towards compensated absences was made at the end of the period.

I. PRINCIPAL ACTUARIAL ASSUMPTIONS	31.03.2011	31.12.2009
Discount Rate	8.00%	7.50%
Salary escalation rate	6.50%	5.00%
Attrition rate	5.00%	5.00%
Expected rate of return on Plan Assets	–	–
II. CHANGES IN THE PRESENT VALUE OF THE OBLIGATION (PVO) - RECONCILIATION OF OPENING AND CLOSING BALANCES		
PVO as at the beginning of the period	34.97	28.59
Interest Cost	2.68	1.69
Current service cost	5.73	5.25
Past service cost - (non vested benefits)	–	–
Past service cost - (vested benefits)	–	–
Benefits paid	-3.07	-12.08
Actuarial loss/(gain) on obligation (balancing figure)	6.03	11.52
PVO as at the end of the period	46.34	34.97



Sakthi Auto Component Limited

	(Rs. in Lakhs)	
	31.03.2011	31.12.2009
	(15 months)	(12 months)
III. CHANGES IN THE FAIR VALUE OF PLAN ASSETS – RECONCILIATION OF OPENING AND CLOSING BALANCES		
Fair value of plan assets as at the beginning of the period	–	–
Expected return on plan assets	–	–
Contributions	3.07	12.08
Benefits paid	-3.07	-12.08
Actuarial gain/(loss) on plan assets [balancing figure]	–	–
Fair value of plan assets as at the end of the period	–	–
IV. ACTUARIAL GAIN / LOSS RECOGNIZED		
Actuarial gain / (loss) for the period - Obligation	6.03	11.52
Actuarial gain / (loss) for the period- Plan Assets	–	–
Total (gain) / loss for the period	6.03	11.52
Actuarial (gain) / loss recognized in the period	6.03	11.52
Unrecognized actuarial (gain) / loss at the end of the year	–	–
V. AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSIS		
Present value of the obligation	46.34	34.97
Fair value of plan assets	–	–
Difference	46.34	34.97
Unrecognised transitional liability	–	–
Unrecognised past service cost - non vested benefits	–	–
Liability recognized in the balance sheet	46.34	34.97
VI. EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:		
Current service cost	5.73	5.25
Interest Cost	2.68	1.69
Expected return on plan assets	-	-
Net actuarial (gain)/loss recognised in the year	6.03	11.52
Transitional Liability recognised in the year	-	-
Past service cost - non-vested benefits	-	-
Past service cost - vested benefits	-	-
Expenses recognized in the statement of profit and loss	14.44	18.46
VII. MOVEMENTS IN THE LIABILITY RECOGNIZED IN THE BALANCE SHEET		
Opening net liability	34.97	28.59
Expense as above	14.44	18.46
Contribution paid	-3.07	-12.08
Closing net liability	46.34	34.97
VIII. AMOUNT FOR THE CURRENT PERIOD		
Present Value of obligation	46.34	34.97
Plan Assets	–	–
Surplus (Deficit)	-46.34	-34.97



Sakthi Auto Component Limited

	31.03.2011 (15 months)	(Rs. in Lakhs) 31.12.2009 (12 months)
30. Borrowing cost capitalised during the year is Rs. 121.22 Lakhs (31.12.2009 Rs. Nil)		
31. The Company has secondary Geographical Market.		
Outside India	8294.72	4325.78
In India	38720.59	21911.03
32. Earnings per Share:		
Particulars		
a) Net profit as per the profit and Loss Account (Rs.lakhs)	2130.50	185.55
b) Less: Dividend attributable to preference shareholders (including tax)	3526.08	3686.40
c) Net profit/loss after Preference Dividend	-1395.58	- 3500.55
d) No. of Equity Shares (Basic)	43860000	43860000
e) Nominal value per Equity Share (Rs.)	10	10
f) Earnings per share (Basic) (Rs.)	-3.18	-7.98
Diluted Earning Per Share		
Particulars		
a) Net Profit Attributable (Rs. In Lakhs)	2130.50	185.85
b) Weighted average number of shares	246310000	246310000
c) Earnings per share (diluted) (Rs.)	0.86	0.08
33. Disclosure pursuant to AS-28 on 'Impairment of Assets'		
During the year, the Company has reviewed the carrying value of the assets for finding out the impairment, if any. The review has revealed that there is no impairment of assets in terms of AS-28.		
34. Interim dividend of Rs. 3081.55 lakhs declared by the company during the year 2007-08 has become recoverable from the share holders as there was no distributable profit on account of economic meltdown faced by the Auto Industry. The management has taken up with the concerned share holders for recovery. The modus operandi of recovery is under active discussion.		
35. Contingent Liability in respect of:		
Particulars		
Income tax matters	32.63	31.22
Sales tax matters	85.12	85.12
Service tax matters	244.08	271.10
Electricity tax	55.69	26.73
Note : Above matters are subject to legal proceedings in the ordinary course of business. The legal proceedings when ultimately concluded will not, in the opinion of the management, have a material effect on the results of the operations or financial position of the company.		
Guarantees issued by bankers	28.35	28.35
Corporate guarantee given for loans to subsidiaries		
a. Guarantee amount	26855.00	28290.00
b. Outstanding amount	26946.40	26592.00
Export obligation:		
Duty component to be paid in case of non fulfilment of obligation	341.00	1393.00
36. Previous Year Comparatives		
Previous year's figures have been regrouped wherever necessary to conform to this year's classification.		



Sakthi Auto Component Limited

SCHEDULE - 23

ADDITIONAL INFORMATION PURSUANT TO PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956

Castings	Units	Licensed Capacity		Installed Capacity	
		31.03.2011	31.12.2009	31.03.2011	31.12.2009
Iron Castings	Tonnes per annum	60000	60000	42000	42000

RAW MATERIALS, SPARES AND COMPONENTS CONSUMED

	Purchases	Consumed	% of total Consumption
1) Raw Materials			
Pig Iron, steel scrap and others (in Mts)		52716.878 (33277.899)	
Imported Value (Rs. In Lakhs)			
Pig Iron, steel scrap and others		15.17 (128.54)	0.12 (1.91)
Indigenous Value (Rs. In Lakhs)			
Pig Iron, steel scrap and others	12609.52 (6530.59)	12340.53 (6595.20)	99.88 (99.77)
2) Spares and Components			
Imported Value (Rs. In Lakhs)		472.51 (101.17)	3.69 (1.45)
Indigenous Value (Rs. In Lakhs)		12347.09 (6864.76)	96.31 (98.55)
3) Value of Imports on C.I.F basis (Rs. In lakhs)			
a) Components and spare parts	467.07 (163.38)		
b) Capital goods	64.61 (45.44)		
4) Earnings in Foreign Exchange (Rs. In Lakhs)			
FOB Value of Exports	8193.45 (4292.82)		
5) Expenditure in foreign currency (Rs. In Lakhs)			
1. Travelling expenses	38.43		
2. Professional and technical consultancy	65.91		
3. Interest	101.16		
4. Warehouse handling charges and others	10.88		
TOTAL	<u>216.38</u>		



Sakthi Auto Component Limited

STATISTICAL PARTICULARS FOR THE YEAR ENDED 31.03.2011

S. Products No. (In Tonnes)	Opening Stock	Production	Purchases	Consumption	Value of consumption	Sales	Sales value	Transfer	Closing Stock
					(Rs. in lakhs)	(Rs. in lakhs)			
RAW MATERIALS :									
1. Pig Iron, Steel Scrap & others	1531.103 (2127.532)	— —	53305.062 (32681.470)	52716.878 (33277.899)	12355.70 (6723.74)				2119.287 (1531.103)
FINISHED PRODUCTS :									
2. Iron Castings	5574.102 (5701.955)	63083.635* (35796.003)				42360.538 (24529.402)	50106.360 (27605.04)	20254.844 (11394.454)	6042.355** (5574.102)

* Includes 10760.517 MTs produced at M/s. Sakthi Auto Anciliary Pvt Ltd. on Conversion basis

** Includes Process Stock

	Opening stock	Closing Stock
Iron Castings	96.485	94.463

Vide our Report annexed
For P.N. RAGHAVENDRA RAO & CO.
Chartered Accountants
Firm Regn. No. 003328S
P R VITTEL
Partner
M.No. 018111
Coimbatore
30.05.2011

M MANICKAM
Chairman & Managing Director

C RANGAMANI
Director



Sakthi Auto Component Limited

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. State Code
Balance Sheet Date

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

Public Issue	<input type="text" value="Nil"/>	Rights Issue	<input type="text" value="Nil"/>
Bonus Issue	<input type="text" value="Nil"/>	Private Placement	<input type="text" value="Nil"/>

III. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)

SOURCES OF FUNDS	Total Liabilities	Total Assets
	<input type="text" value="6467061"/>	<input type="text" value="6467061"/>
	Paid up Capital	Reserve & Surplus
	<input type="text" value="2463100"/>	<input type="text" value="1768047"/>
	Secured Loans	Unsecured Loans
	<input type="text" value="2040382"/>	<input type="text" value="195532"/>
APPLICATION OF FUNDS	Net Fixed Assets	Intangible Assets
	<input type="text" value="3325894"/>	<input type="text" value="182567"/>
	Investments	Net Current Assets
	<input type="text" value="2980724"/>	<input type="text" value="-150176"/>
	Misc. Expenditure	Deferred Tax Asset
	<input type="text" value="9842"/>	<input type="text" value="16600"/>
	Accumulated Losses	
	<input type="text" value="101610"/>	

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

Turnover	<input type="text" value="5031183"/>	Total Expenditure	<input type="text" value="4592649"/>
Profit before Tax	<input type="text" value="233183"/>	Profit after Tax	<input type="text" value="213050"/>
Earnings per Share in Rs.	<input type="text" value="-3.18"/>	Dividend Rate %	<input type="text" value="—"/>

V. Generic Names of Three Principal Products/Service of the Company (as per Monetary Terms)

Item Code No. (ITC Code)
Product Description



Sakthi Auto Component Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	2010-11 (Rs. in lakhs)	2009 (Rs. in lakhs)
A. Operating Activities		
Profit before tax and Extra Ordinary Items	2,331.83	241.82
<u>Add: Adjustments for</u>		
Depreciation	1,527.26	1,138.11
Excess provision withdrawn	-	11.35
Interest	2,752.88	2,294.88
Miscellaneous Expenses & Other exp.written off	464.12	377.15
<u>Investment Income :</u>		
Interest	(104.19)	(72.59)
Dividend Income	(0.12)	(0.15)
Profit on Sale of Investment	-	-
Foreign Exchange Fluctuation	(75.05)	(127.09)
Operating Profit Before Working Capital changes	6,896.73	3,621.66
<u>Add: Adjustments for:</u>		
Inventories	(1,530.70)	432.91
Debtors	(806.87)	80.94
Other Current Assets	-	(26.63)
Loans and Advances	(1,403.01)	(676.80)
Liabilities	2,777.73	598.98
Increase in product development expenses	(65.15)	-
Intangible Assets / Misc Expenditure Paid	(247.12)	(195.13)
Cash Generated from Operating activities	5,621.61	4,077.75
Less: Income tax paid	(464.37)	(106.62)
Net Cash from / (used) in Operating Activities	5,157.24	3,971.13
B. Investing Activities		
Purchases of Fixed Assets	(2,831.43)	(858.44)
Sale of Fixed Assets	0.11	-
Investment Income	143.01	88.57
Purchase of Investment	(2,194.69)	(785.05)
Net cash from / (used) in investing activities	(4,883.00)	(1,554.92)
C. Financing Activities		
Net Increase/(Decrease) in Borrowings	2,957.59	(2,881.39)
Interest Paid	(2,722.58)	(2,268.55)
Loss due to Foreign Exchange Fluctuation	(56.97)	-
Loan received from Holding Company	133.74	2,440.47
Net cash from / (used) in financing activities	311.78	(2,709.47)
Net increase/(decrease) in Cash & Cash Equivalents (A+B+C)	586.02	(293.25)
Opening Balance - Cash & Cash Equivalents	158.03	451.28
Closing Balance - Cash & Cash Equivalents	744.05	158.03

Vide our Report annexed
For P.N. RAGHAVENDRA RAO & CO.
Chartered Accountants
Firm Regn. No. 003328S

P R VITTEL
Partner
M.No. 018111
Coimbatore
30.05.2011

M MANICKAM
Chairman & Managing Director

C RANGAMANI
Director



STATEMENT OF INFORMATION ON SUBSIDIARY COMPANIES

Name of the Subsidiary Company	Sakthi Auto Ancillary Private Limited	Orlandofin BV	Sakthi Netherlands B.V	Sakthi European Foreign Sales Corpn B.V	Sakthi Holdings BV	Sakthi Service Gmbh	Sakthi Portugal SA
	a	b	c	d	e	f	g
Financial Year ended	31.03.2011	31.12.2010	31.12.2010	31.12.2010	31.12.2010	31.12.2010	31.12.2010
Share Capital	359.13	11.38	18.66	11.51	11.38	17.07	4133.02
Reserves	671.80	18613.93	60536.37	60666.40	36212.42	14568.62	9164.93
Total Assets	4997.53	45593.55	72023.47	60734.74	42020.93	14712.28	43668.40
Total Liabilities	3966.60	26968.24	11468.44	56.84	5797.13	126.59	30370.45
Details of Investments (except investment in subsidiaries)	-	-	-	-	-	-	56.92
Turnover	7518.49	-	-	-	-	-	40897.45
Profit before taxation	181.72	-2043.39	-113.33	-12.26	-14.09	90.75	670.15
Provision for taxation	45.59	-	-	-	-	-	-173.28
Profit after taxation	136.13	-2043.39	-113.33	-12.26	-14.09	90.75	496.87
Proposed dividend	-	-	-	-	-	-	-

Note: In respect of subsidiaries under b to g, the financial statements are translated at the exchange rate as on 31.03.2011 i.e. EUR 1 = Rs. 63.24



Sakthi Auto Component Limited

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF SAKTHI AUTO COMPONENT LIMITED

We have audited the attached Consolidated Balance Sheet of Sakthi Auto Component Ltd and its subsidiaries as at 31st March 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for fifteen months ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance 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 statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of seven of the subsidiaries viz Sakthi Auto Ancillery P Ltd, Sakthi Portugal SA, Orlandofin BV, Sakthi Netherlands BV, Sakthi European Foreign Sales Corporation BV, Sakthi Holding BV and Sakthi Service GmbH whose financial statements reflects total assets of Rs. 729.11 Crores as at 31st March 2011 with respect to Sakthi Auto Ancillery P Limited and 31st December 2010 with respect to other companies, total revenue of Rs 503.84 Crores and net cash flow of Rs 0.0092 Crores for the period then ended.

With respect to two of the subsidiaries viz Sakthi Auto Ancillery P Ltd and Sakthi Portugal the financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors. With respect to five of the subsidiaries viz Orlandofin BV, Sakthi Netherlands BV, Sakthi European Foreign Sales Corporation BV, Sakthi Holding BV and Sakthi Service GmbH, the financials are unaudited as the respective country's statute does not require audit of these entities and we have relied upon the management certificate of these entities.

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.

Based on our audit and on consolidation of reports of the other auditors on separate financial statements and on the other financial information of the subsidiary companies and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India; subject to the following observations:

In Sakthi Auto Component Limited

- i. *The Company does not have under its employment a qualified company secretary as required under section 383A of the Companies Act, 1956.*
- ii. *Interim dividend amounting to Rs.30.82 crores paid in the year ended 31.12.2008 in contravention of Section 205 of the Companies Act 1956 has not yet been recovered from the recipients.*
- iii. *In Orlandofin B.V. Netherlands, a wholly owned subsidiary, an Investment of Rs.294.94 crores has been made and loan of Rs.9.84 crores has been provided. Considering bankruptcy of some of the step down subsidiaries and erosion of net worth, in our view, there is diminution in the value of the investments, the quantum of which we are unable to determine. No provision has been made for diminution in the value of investments as per Accounting Standard 13.*

Subject to the above we are of the opinion that the consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India:

- i) In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Sakthi Auto Component Limited and its subsidiaries as at 31.03.2011,
- ii) In the case of the Consolidated Profit and Loss account, the consolidated PROFIT of Sakthi Auto Component Limited and its subsidiaries for the period ended on that date and
- iii) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Sakthi Auto Component Ltd and its subsidiaries for the period ended on that date.

For P.N. RAGHAVENDRA RAO & Co.,
Chartered Accountants
Firm Regn. No. 003328S

P R VITTEL
Partner

Place: Coimbatore
Date : 30.05.2011

M.No. 018111



Sakthi Auto Component Limited

CONSOLIDATED BALANCE SHEET AS AT 31.03.2011

	Schedule No.	As at 31.03.2011	As at 31.12.2009
(Rs. in Lakhs)			
I. SOURCES OF FUNDS :			
(1) SHAREHOLDERS' FUNDS :			
(a) Share Capital	1	24631.00	24631.00
(b) Reserves and Surplus	2	29909.49	33005.08
		54540.49	57636.08
(2) MINORITY INTEREST			
		373.51	307.93
(3) LOAN FUNDS :			
(a) Secured loans	3	50480.10	49318.28
(b) Unsecured loans	4	15329.09	16509.14
		65809.19	65827.42
(4) DEFERRED TAX LIABILITY			
(Refer Note 'F' in Schedule 23)		349.39	0.00
TOTAL of 1 to 4		121072.58	123771.43
II. APPLICATION OF FUNDS :			
(1) FIXED ASSETS:			
Gross Block		64879.42	62720.12
Less : Depreciation		8529.96	5451.46
Net Block	5	56349.46	57268.66
Add : Capital Work in Progress		1508.57	927.43
		57858.03	58196.09
INTANGIBLE ASSETS			
	5a	2617.35	3062.00
(2) INVESTMENTS			
	6	42080.04	44565.71
(3) DEFERRED TAX ASSET			
		0.00	1565.40
(4) (i) CURRENT ASSETS, LOANS AND ADVANCES:			
(a) Inventories	7	18086.54	15720.04
(b) Sundry Debtors	8	11701.16	10333.52
(c) Cash and Bank balances	9	2629.49	2044.39
(d) Other Current Assets	10	822.08	353.75
(e) Loans and Advances	11	8851.81	7681.67
		42091.08	36133.37
Less :			
(ii) CURRENT LIABILITIES AND PROVISIONS:			
	12	25379.37	21767.46
(iii) Amount due to Holding Company			
Net Current Assets (i) - (ii)		13753.31	13619.57
		2958.40	746.34
(5) MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)	13	98.42	121.37
(6) BALANCE IN PROFIT & LOSS ACCOUNT			
		15460.34	15514.52
TOTAL of 1 to 6		121072.58	123771.43

Schedules 1 to 13 and Notes in Schedule 23 form part of this Balance Sheet

Vide our Report annexed

For P.N. RAGHAVENDRA RAO & CO.

Chartered Accountants

Firm Regn. No. 003328S

P R VITTEL

Partner

M.No. 018111

Coimbatore

30.05.2011

M MANICKAM
Chairman & Managing Director

C RANGAMANI
Director



Sakthi Auto Component Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011

	Schedule No.	Figures for the Current year ended 31.03.2011 (15 Months)	Previous year ended 31.12.2009 (12 Months)
		(Rs. in Lakhs)	
I. INCOME:			
Sales	14	97061.82	64848.29
Less: Excise duty collected		<u>4969.90</u>	<u>2392.50</u>
		92091.92	62455.79
Dividend		0.12	0.15
Interest Gross (Refer Note in Schedule 23)		244.82	582.46
Other income	15	1537.33	1969.84
Stock adjustment	16	<u>1633.57</u>	<u>-1158.08</u>
		<u>95507.76</u>	<u>63850.16</u>
II. EXPENDITURE:			
Cost of Goods Consumed / Sold	17		
Opening stock		4340.06	4552.80
Add : Purchases		<u>33117.79</u>	<u>20657.06</u>
		<u>37457.85</u>	<u>25209.86</u>
Less: Closing stock		5109.01	4334.16
		<u>32348.84</u>	<u>20875.70</u>
Manufacturing expenses	18	33649.41	23045.92
Excise Duty on stock adjustments		122.10	-221.83
Salaries, wages and other employee benefits	19	10330.67	9415.94
Interest charges	20	5175.88	5521.42
Selling expenses	21	3671.75	1975.26
Any other expenses	22	4200.93	7596.93
Intangible asset written off		1353.18	281.30
Depreciation		4,046.09	
Less: Transferred to revaluation reserve		<u>407.42</u>	3880.96
		<u>94491.43</u>	<u>72371.60</u>
Net Profit/Loss before Foreign Exchange Fluctuation		1016.33	-8521.44
Foreign Exchange Fluctuation/Derivative Transactions (Net)		75.05	127.04
III. NET PROFIT/LOSS BEFORE TAX		1091.38	-8394.40
Less: Income tax Expenses:-			
Current Tax		591.03	
MAT Credit Entitlement		<u>(532.50)</u>	21.44
Deferred Tax		<u>361.67</u>	<u>-764.46</u>
IV. NET PROFIT AFTER TAX before adjustment of Minority Interest		671.18	-7651.38
Less: Minority Interest		65.57	46.60
V. NET PROFIT AFTER TAX after adjustment of Minority Interest		605.61	-7697.97
Add:			
Surplus from previous year		-15514.52	-7808.90
Excess provision withdrawn		0.00	11.35
		<u>-14908.91</u>	<u>-15495.52</u>
APPROPRIATIONS:			
Transfer to Pref.Share Redemption Reserve		19.00	19.00
Transfer to Debenture Redemption Reserve		<u>532.43</u>	<u>0.00</u>
Surplus/Deficit carried over		<u>-15460.34</u>	<u>-15514.52</u>

Schedules 14 to 22 and Notes in Schedule 23 form part of this Profit and Loss account.

Vide our Report annexed
For P.N. RAGHAVENDRA RAO & CO.
Chartered Accountants
Firm Regn. No. 003328S
P R VITTEL
Partner
M.No. 018111
Coimbatore
30.05.2011

M MANICKAM
Chairman & Managing Director

C RANGAMANI
Director



Sakthi Auto Component Limited

	As at 31.03.2011	As at 31.12.2009
	(Rs. in Lakhs)	
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED		
5,00,00,000 Equity Shares of Rs.10 each	5,000.00	5,000.00
2,25,00,000 Preference Shares of Rs. 100 each	<u>22,500.00</u>	<u>22,500.00</u>
	<u>27,500.00</u>	<u>27,500.00</u>
ISSUED, SUBSCRIBED AND PAID UP		
4,38,60,000 Equity Shares of Rs.10 each fully paid up (Of the above shares 1,55,28,143 shares have been allotted as fully paid up for consideration other than cash pursuant to a contract with the holding company)	4,386.00	4,386.00
60,82,500 Series A 15% Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each	6,082.50	6,082.50
1,01,37,500 Series B 15% Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each	10,137.50	10,137.50
20,00,000 Series C 15% Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each	2,000.00	2,000.00
12,15,000 Series I 15% Participatory Cumulative Convertible Preference Shares of Rs. 100 each	1,215.00	1,215.00
8,10,000 Series II 15% Participatory Cumulative Convertible Preference Shares of Rs. 100 each	810.00	810.00
TOTAL	<u>24,631.00</u>	<u>24,631.00</u>
SCHEDULE - 2		
RESERVES AND SURPLUS		
CAPITAL RESERVE		
Balance as per last Balance Sheet	11,343.88	12,452.33
REVALUATION RESERVE		
Balance as per last Balance Sheet	9,062.32	9,389.16
Less: Depreciation on Revalued Assets (Transfer from Profit and Loss account)	407.42	326.83
	<u>8,654.90</u>	<u>9,062.33</u>
SECURITY PREMIUM ACCOUNT		
Balance as per last Balance Sheet	8,493.14	8,493.14
DEBENTURE REDEMPTION RESERVE		
Transfer from Profit & Loss Account	532.43	-
PREFERENCE SHARES REDEMPTION RESERVE		
Balance as per last Balance Sheet	38.00	19.00
Transfer from Profit & Loss Account	19.00	19.00
	<u>57.00</u>	<u>38.00</u>
FOREIGN EXCHANGE FLUCTUATION RESERVE		
On account of Investment/Advances - Orlandofin B.V	828.14	2,959.28
TOTAL	<u>29,909.49</u>	<u>33,005.08</u>



Sakthi Auto Component Limited

	As at 31.03.2011	As at 31.12.2009
	(Rs. in Lakhs)	
SCHEDULE - 3		
SECURED LOANS		
A. DEBENTURES		
Secured Redeemable		
Non-convertible Debentures	<u>2,129.71</u>	—
	<u>2,129.71</u>	—
B. LOANS AND ADVANCES		
FROM BANKS		
a) Term Loans	38,025.90	40,281.49
Interest accrued and due on the above	1,591.41	1,452.36
b) Hypothecation Loans for working capital	4,333.41	3,965.54
Interest accrued and due on the above	2.51	40.81
c) Bills Discounted/Letter of Credit/Overdraft from Banks	4,336.65	3,538.10
Interest accrued and due on the above	2.52	4.34
	<u>48,292.40</u>	<u>49,282.64</u>
FROM OTHERS		
Hire Purchase / Mortgage Loans from Limited companies	57.83	35.58
Interest accrued and due on the above loans	0.16	0.06
	<u>57.99</u>	<u>35.64</u>
TOTAL (A+B)	<u>50,480.10</u>	<u>49,318.28</u>
SCHEDULE - 4		
UNSECURED LOANS		
SHORT TERM LOANS AND ADVANCES		
From Banks	6126.36	9,063.21
From Others	1277.08	836.38
Interest accrued and due on the above	—	5.30
OTHER LOANS AND ADVANCES		
From Banks	1,110.87	1,341.40
From Body Corporate/Others	6,814.78	5,262.85
TOTAL	<u>15,329.09</u>	<u>16,509.14</u>

SCHEDULE - 5A
FIXED ASSETS

(Rs. in Lakhs)

Sl. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As on 01.01.2010	Additions	Deletions / Adjustments	As on 31.03.2011	Upto 31.12.2009	For the year	With-drawn	Upto 31.03.2011	As on 31.12.2009	As on 31.03.2011
1.	Land	5031.68	5.30	–	5036.98	–	–	–	0.00	5031.68	5036.98
2.	Buildings	10506.78	376.64	–	10883.42	486.92	483.66	–	970.58	10019.86	9912.84
3.	Plant and Machinery	44968.15	2819.67	1329.90	46457.92	4493.29	3383.24	963.10	6913.44	40474.86	39544.48
4.	Electrical Installations	1450.32	122.18	–	1572.50	99.23	90.25	–	189.48	1351.09	1383.02
5.	Office Equipments, Furniture And Fixtures	581.05	77.81	–	658.86	310.96	62.54	–	373.51	270.09	285.36
6.	Motor Vehicles	202.62	75.73	8.60	269.75	61.05	26.40	4.50	82.95	141.57	186.80
		62740.60	3477.33	1338.50	64879.42	5451.46	4046.09	967.60	8529.96	57289.15	56349.46
7.	Work in Progress	906.96	1569.02	967.41	1508.57	–	–	–	–	906.96	1508.57
	Total for the year	63647.56	5046.35	2305.91	66387.99	5451.46	4046.09	967.60	8529.96	58196.09	57858.03
	Total for the previous year	61533.48	15269.66	13155.59	63647.56	1603.69	3848.91	1.14	5451.46	59929.79	58196.09

Note: Land, Buildings, Plant & Machinery and Electrical Installations have been revalued as on 31.12.2008. Other assets are shown at Written down book Value. The Net Increase on revaluation amounting to Rs.9389.16 lakhs has been credited to Revaluation Reserve.

SCHEDULE - 5B
INTANGIBLE ASSETS

(Rs. in Lakhs)

PARTICULARS	GROSS BLOCK				AMORTISATION			NET BLOCK	
	As On 01.01.2010	Addition	Deletions	As On 31.03.2011	Upto 31.12.2009	For the Year	Upto 31.03.2011	As On 31.12.2009	As On 31.03.2011
Product Development	6854.58	908.53	–	7763.11	3792.58	1353.18	5145.76	3062.00	2617.35
Total for the year	6854.58	908.53	–	7763.11	3792.58	1353.18	5145.76	3062.00	2617.35
Total for the previous year	6581.11	273.47	–	6854.58	3440.77	351.81	3792.58	3140.34	3062.00



Sakthi Auto Component Limited

	As at 31.03.2011	As at 31.12.2009
	(Rs. in Lakhs)	
SCHEDULE - 6		
INVESTMENTS - LONG TERM at cost		
unless otherwise stated		
1) Investment in Govt. Securities	0.02	0.02
2) Investment in Shares:-	<u> </u>	<u> </u>
Unquoted:		
In fully paid Equity Shares:		
Shamrao Vithal Co-op Bank Ltd	1.00	1.00
4025 shares of Rs.25 each		
Investment in Bonds	56.92	–
Total of 2	<u>57.92</u>	<u>1.00</u>
3) Investment in Subsidiaries		
In fully paid Equity Shares:		
Sakthi Europe Verwaltungs GmbH, Germany	19.10	20.26
Sakthi Auto Mauritius Ltd		
5000 Shares of 1 USD each	2.26	–
Total of 3	<u>21.36</u>	<u>20.26</u>
4) Investment in the Capital of Partnership Firms		
Sakthi Europe GmbH & Co Germany	42,000.74	44,544.43
Total Long Term Investments (1 to 4)	<u>42,080.04</u>	<u>44,565.71</u>
SCHEDULE - 7		
INVENTORIES		
Stores and spares	1053.03	754.72
STOCK-IN-TRADE		
i) Finished goods:		
Iron Castings	9,658.14	8,505.85
Industrial Valves	20.24	23.31
	<u>9,678.38</u>	<u>8,529.16</u>
ii) Raw materials:		
Steel scrap, pig iron and others	4,822.91	4,334.15
	<u>4,822.91</u>	<u>4,334.15</u>
iii) Stock-in-process:		
Iron Castings in Process	2,485.66	2,066.56
Industrial Valve in Process	46.56	35.45
	<u>2,532.22</u>	<u>2,102.01</u>
TOTAL	<u>18,086.54</u>	<u>15,720.04</u>
SCHEDULE - 8		
SUNDRY DEBTORS		
Unsecured - considered good:		
i) Debts outstanding for a period exceeding six months	40.86	216.44
ii) Other debts	11,659.04	10,114.50
Due from Holding Company	1.26	2.59
	<u>11,701.16</u>	<u>10,333.53</u>



Sakthi Auto Component Limited

	As at 31.03.2011	As at 31.12.2009
	(Rs. in Lakhs)	
SCHEDULE - 9		
CASH AND BANK BALANCES		
i) Cash on hand	9.62	9.79
ii) Bank Balances:		
Scheduled Banks:		
Current Accounts	1,030.88	761.59
Deposit Accounts	1,588.99	1,273.01
TOTAL	<u>2,629.49</u>	<u>2,044.39</u>
SCHEDULE - 10		
OTHER CURRENT ASSETS		
Outstanding income and interest receivable	322.68	353.75
MAT Credit Entitlement	499.40	—
TOTAL	<u>822.08</u>	<u>353.75</u>
SCHEDULE - 11		
LOANS AND ADVANCES		
Unsecured: Considered Good		
Advance to Holding Company	69.48	463.54
Advance for Purchases & Others	4,629.11	5,068.43
Advance for Capital Expenditure	1,699.53	85.98
Income-tax payments	745.74	209.87
Prepaid Expenses	538.70	161.72
Deposit with Central Excise, Electricity Department, etc.	1,169.25	1,692.13
TOTAL	<u>8,851.81</u>	<u>7,681.67</u>
SCHEDULE - 12		
CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities:		
Sundry Creditors and others:		
Liabilities for purchases, Expenses & Others	20,121.29	13,707.22
Liabilities for Capital Expenditure	4,396.13	7,814.43
Investor Education and Protection Fund shall be credited by the following and not due:		
Interest accrued and due on the above	0.26	0.27
Interest accrued but not due	<u>105.52</u>	—
	<u>24,623.20</u>	<u>21,521.92</u>
B. Provisions:		
Provision for Taxation	499.40	14.80
Provision of Fringe Benefit Tax	3.00	3.00
Provision for Provident Fund	12.22	7.65
Provision for Employee Benefits	241.55	220.09
TOTAL	<u>25,379.37</u>	<u>21,767.46</u>
SCHEDULE 13		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or not adjusted)		
Deferred Revenue Expenditure	98.42	121.37
TOTAL	<u>98.42</u>	<u>121.37</u>



Sakthi Auto Component Limited

	Year ended 31.03.2011 (15 months)	Year ended 31.12.2009 (12 months)
(Rs. in Lakhs)		
SCHEDULE - 14		
SALES *		
Iron Castings	96502.97	64504.93
Pattern sales	205.47	150.65
Industrial valve	353.38	192.71
TOTAL	<u>97061.82</u>	<u>64848.29</u>
* Inclusive of Excise duty		
SCHEDULE - 15		
OTHER INCOME		
Rent Receipts	5.34	3.90
Man Power Services	39.65	–
Profit on sale of fixed assets	–	0.01
Profit on sale of used materials	225.15	354.88
Income from Services rendered - European Subsidiaries	542.77	502.23
Extra Ordinary Income/Gains - European Subsidiaries	229.02	281.58
Miscellaneous income	417.09	89.87
Sundry balances written off/Excess provision written back	78.31	737.37
TOTAL	<u>1537.33</u>	<u>1969.84</u>
SCHEDULE - 16		
STOCK ADJUSTMENT		
(A) OPENING STOCK		
Iron Castings	8001.27	9798.87
Stock-in-process	1995.59	2120.17
	<u>9996.86</u>	<u>11919.04</u>
(B) CLOSING STOCK		
Iron Castings	9098.22	8658.95
Stock-in-process	2532.21	2102.01
	<u>11630.43</u>	<u>10760.96</u>
(B) - (A):	<u>1633.57</u>	<u>-1158.08</u>
SCHEDULE - 17		
COST OF GOODS CONSUMED/SOLD		
(A) OPENING STOCK		
Steel scrap and pig iron & others	4340.06	4552.80
	<u>4340.06</u>	<u>4552.80</u>
(B) ADD : PURCHASES		
Steel scrap and pig iron & others	33117.79	20657.06
	<u>33117.79</u>	<u>20657.06</u>
(C) LESS : CLOSING STOCK		
Steel scrap and pig iron & others	5109.01	4334.16
	<u>5109.01</u>	<u>4334.16</u>
(D) CONSUMPTION (A+B-C)	<u>32348.84</u>	<u>20875.70</u>



Sakthi Auto Component Limited

	Year ended 31.03.2011 (15 months)	Year ended 31.12.2009 (12 months)
	(Rs. in Lakhs)	
SCHEDULE - 18		
MANUFACTURING EXPENSES		
Consumption of stores & spares and packing materials	14574.26	9552.48
Power and fuel	11915.82	7347.65
Water charges	61.33	30.26
Fettling charges	2861.36	1396.68
Rent	254.43	343.43
Lease rentals	165.29	68.50
Rates and taxes	58.35	183.67
Insurance	255.80	261.78
Repairs and Maintenance:		
Building	562.06	49.83
Machinery & Electrical	2755.62	1659.75
Vehicles	93.51	40.51
Others	56.78	25.02
Royalty	34.80	12.59
Other Operating Expenses - European Subsidiaries	-	2073.77
TOTAL	33649.41	23045.92
SCHEDULE - 19		
SALARIES, WAGES AND OTHER EMPLOYEE BENEFITS		
Salaries and wages, bonus, etc.,	7796.12	6872.36
Contribution to P.F. and other funds	1530.69	1509.49
Workmen and staff welfare expenses	1003.86	1034.09
TOTAL	10330.67	9415.94
SCHEDULE - 20		
INTEREST CHARGES		
Term Loans	2670.33	3046.12
Debentures	106.60	-
Working capital loans	2008.95	2409.57
Finance Charges/Others	390.00	65.73
TOTAL	5175.88	5521.42
SCHEDULE - 21		
SELLING EXPENSES		
Selling and distribution expenses	193.15	249.87
Packing materials	1499.51	790.63
Transport on castings	1979.09	934.76
TOTAL	3671.75	1975.26
SCHEDULE - 22		
ANY OTHER EXPENSES		
Travelling expenses	283.30	277.67
Freight and transport	1634.44	1347.23
Administrative and other expenses	364.83	234.26
Bank charges	229.44	187.28
Printing, postage, telephone & telex	154.55	47.59
Data processing charges	-	1.76
Legal and professional charges	927.32	344.50
Technical Consultancy Charges	30.29	-
Managerial remuneration	31.18	13.20
Directors sitting fees	2.95	0.65
Auditors remuneration	20.70	10.95
Deferred revenue expenditure written off	88.10	95.85
Irrecoverable advances written off	40.55	179.84
Provisions for Bad Debts / Obsolete stock written off	-	564.06
Investment Written off - Sweden Subsidiary	-	3433.24
Extra-ordinary Cost / Expenses - European Subsidiaries	393.28	858.85
TOTAL	4200.93	7596.93



ACCOUNTING POLICIES (Consolidated)

1. Basis of Preparation:

The accompanying Financial Statements have been prepared on a going concern basis under the historical cost convention on the accrual basis of accounting in conformity with Generally Accepted Accounting Principles.

2. Valuation of Inventories:

I) Companies in India:

Inventories are valued at cost or the net realizable value whichever is lower increased by excise duty thereon wherever applicable. The cost is computed on weighted average basis. The Cost for the finished goods and process stock is inclusive of cost of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

II) Subsidiary Company in Portugal:

Stocks are valued at the lowest of cost or net realisable values as follows:

Raw and subsidiary materials – at Cost of latest purchase price including all expenses incurred until arrival at the warehouse.

Finished and semi-finished goods – At production cost, which includes raw materials, direct labour and factory overheads.

Work in progress - At production cost, which includes raw materials, direct labour and factory overheads, adjusted as per completion phase of production.

3. Fixed Assets:

a) Fixed Assets are shown at cost/re-valued figures, less accumulated depreciation. Fixed assets added during the year are valued at cost net of duty taken on credit but includes all direct expenses like freight, erection charges, pre operative expenses and borrowing costs.

b) Expenditure including borrowing cost incurred on projects under implementation is shown under "Work-in-Progress" pending allocation to the assets.

4. Intangible Assets:

I) Parent company:

Product Development expenses being intangible assets is amortized over a period of 10 years in accordance with AS-26.

II) Subsidiary Company in Portugal:

Incorporation expenses incurred with the Company's incorporation and studies and projects, research development expenses of new projects are recorded at acquisition cost less accumulated depreciation thereon. Depreciation is calculated on a straight line method duodecimal basis over estimated useful life in accordance with the depreciation rates accepted by the tax authorities as per "Decreto Regulamentar" 2/90.

5. Borrowing Costs:

Indian Companies:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets.

6. Depreciation:

I) Indian Companies:

Depreciation is provided under Straight Line Method at the rates/notes prescribed in Schedule XIV to the Companies Act, 1956, on revalued/original cost of assets as the case may be. The additional depreciation relating to increased value of revalued assets is adjusted against Revaluation Reserve.



II) Subsidiary Company in Portugal:

Depreciation is calculated on a straight line method duodecimal basis over estimated useful life in accordance with the depreciation rates accepted by the tax authorities as per “Decreto Regulamentar” 2/90.

7. Investments:

Long term Investments are accounted at Cost. The diminution, if any, in value of long term investments is provided if such decline is other than temporary.

8. Miscellaneous Expenditure:

Indian Companies:

Technical know-how is written off over a period of ten years.

a) **Revenue Recognition:**

Indian Companies:

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, excise duty, sales return.

- i) Gross turnover includes excise duty but exclude sales tax.
- ii) Dividend income is accounted for in the year it is received.
- iii) All other incomes are accounted for on accrual basis.
- iv) The Excise duty on sale of finished goods is deducted from the turnover to arrive at the net sales as shown in the Profit and loss account.
- v) Inter segmental transfer price is not recognised.

b) **Expenditure Recognition:**

Indian Companies:

The Excise duty appearing in the Profit and loss account as an expenditure represents excise duty provision for difference between opening and closing stock of finished goods.

Foreign currency transactions:

Foreign currency transactions are accounted at the exchange rate ruling on the date of transactions.

Foreign currency monetary items as at the Balance Sheet date are restated using the closing exchange rate or the rate that is likely to be realised from/required to disburse.

Exchange difference arising on the actual payments/realisations and year end restatements are dealt with in the Profit and Loss account.

9. Retirement Benefits:

Indian Companies:

Contribution payable by the Company under defined contribution schemes towards Provident Fund, Gratuity, Employees State Insurance and Superannuation Fund for the year are charged to profit and loss account.

The Company has opted for Life Insurance Corporation of India Group Gratuity Scheme. For calculating gratuity liability, the premium ascertained by LIC has been taken into account except Sakthi Auto Ancillary Pvt. Ltd (SAAPL). SAAPL, accounts its Gratuity Liability for future gratuity benefits based on the actuarial valuation as at the balance sheet date using the “Projected Unit Credit method”. The actuarial gains or losses are recognized immediately in the Profit and loss account.

Provision for liability in respect of leave encashment benefits are made based on actuarial valuation made by an independent actuary as at 31.03.2011 except SAAPL, wherein the leave encashment is paid on yearly basis to eligible employees.



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10. Deferred tax:

Deferred tax is recognized on timing difference between accounting income and the taxable income for the period and reversal of timing differences of earlier periods and quantified using the tax rates and laws that have been enacted / substantively enacted as at the balance sheet date. The deferred tax assets are recognized and carried forward to the extent that there is reasonable certainty that these would be realized in future.

11. Earning per share:

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

12. Impairment of Assets:

Impairment, if any, is recognized in accordance with the applicable Accounting Standard.

13. Provisions, Contingent Liabilities and Contingent Assets:

Provision is recognized only when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

14. Leases:

The Company's significant leasing arrangements are operating leases and are cancelable in nature. The lease rentals paid or received under such arrangements are accounted in the profit and loss account.

15. Basis of Consolidation:

The Consolidated Financial Statements include the Financial Statements of Sakthi Auto Component Limited and its Subsidiaries, namely,, Sakthi Auto Ancillary P Ltd, Orlandofin B.V., Sakthi Netherlands B.V., Sakthi Foreign Sales Corporation B.V., Sakthi Holdings B.V., Sakthi Service GmbH and Sakthi Portugal SA.,

Name of the Subsidiary	Country of Incorporation	Proportion of ownership Interest (%)
Sakthi Auto Ancillary P Ltd	India	51.83
Orlandofin B.V.	Netherlands	100.00
Sakthi Netherlands B.V.	Netherlands	100.00
Sakthi Service GmbH	Germany	100.00
Sakthi Portugal SA	Portugal	100.00
Sakthi Foreign Sales Corporation BV	Netherlands	100.00
Sakthi Holdings BV	Netherlands	100.00

The following step down subsidiaries viz. Sakthi Europe Verwaltungs-GmbH and the Sweden subsidiaries have been declared bankrupt by the Court in the respective countries; hence accounts of these subsidiaries are not consolidated.

The Consolidated Financial Statements have been prepared on the following basis.

- I. The Financial Statements of the parent company and its Subsidiary Company have been consolidated on a line-by-line basis, by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balance and intra-group transactions resulting in unrealised profit or losses. Financials of foreign subsidiaries represented in foreign currencies have been translated using rupee conversion rate on the Balance Sheet date of the parent company.
- II. The Consolidated Financial Statements are prepared by adopting Uniform Accounting Policies. The financial statements of subsidiaries whose reporting currency are other than INR are converted into Indian Rupees on the basis of appropriate exchange rates.



Sakthi Auto Component Limited

III. The excess/lower of cost of the Parent Company of its investment in the Subsidiaries over the Parent's portion of equity of the Subsidiaries at the date on which investment in the Subsidiaries are made is described in the financial statements as Goodwill/Capital Reserves.

IV. Consolidation of financials of foreign subsidiaries has been done to the extent of information being available and the reporting period/s adopted in the respective subsidiaries.

For the year 2010-11, the parent Company's accounting period comprises of 15 months whereas its three foreign subsidiaries' accounting period comprise of 12 months. The accounting period end date of the Indian subsidiary matches with that of parent Company and the accounting period end date of the foreign subsidiaries is 31st December 2010.



Sakthi Auto Component Limited

SCHEDULE - 23

NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011.

A. PREFERENCE SHARE CAPITAL:

1. 60,82,500 (Series A), 1,01,37,500 (Series B) and 20,00,000 (Series C) 15% Participatory Cumulative Optionally Convertible Preference Shares of Rs.100 each allotted on 26.04.2007 are convertible at the option of the shareholders on such terms as may be mutually agreed between the shareholders and the Company. In case of non-conversion, they are redeemable at the end of 5 years from the date of allotment. In the event of declaration of Equity Dividend beyond 15%, Series B Preference shares are entitled for such higher rate of dividend.
2. 12,15,000 (Series D), 8,10,000 (Series II) 15% Participatory Cumulative Convertible Preference Shares of Rs.100 each allotted on 18.03.2008 are convertible at the option of the shareholders on such terms as may be mutually agreed between the shareholders and the Company.

B. DEBENTURES:

SECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES OF RS.100 EACH

Series	No. of Debentures	Amount outstanding (including interest) Rs. in lakhs	Series Maturity date
I	100000	100.00	15/11/11
II	50000	50.00	17/11/11
III	49820	49.88	19/11/11
IV	70960	70.96	01/12/11
V	59990	59.99	02/12/11
VI	64730	64.73	05/12/11
VII	56940	56.94	13/12/11
VIII	75900	75.90	15/12/11
IX	131640	131.64	19/12/11
X	51520	51.52	22/12/11
XI	38990	38.99	24/12/11
XII	53910	53.91	04/01/12
XIII	69540	69.54	07/01/12
XIV	59510	59.51	13/01/12
XV	84640	84.64	18/01/12
XVI	120000	120.00	24/01/12
XVII	57770	57.77	28/01/12
XVIII	42830	42.83	10/02/12
XIX	49500	49.50	17/02/12
XX	70090	70.09	18/02/12
XXI	61700	61.70	22/02/12
XXII	81400	81.40	01/03/12
XXIII	138390	138.39	02/03/12
XXIV	57010	57.01	07/03/12
XXV	52250	52.25	10/03/12
XXVI	95100	95.10	31/05/12
XXVII	81200	81.20	14/06/12
XXVIII	99680	99.68	24/06/12
XXIX	104700	104.70	29/06/12



C. SECURED LOANS:

- a) The amount outstanding under Secured Loans from Banks includes Term Loan and Funded Term Loan of Rs.1598.60 lakhs and Rs.98.46 lakhs (including interest) respectively availed from Indian Overseas Bank. These loans are secured/to be secured by –
 - i) Equitable mortgage of the Company's immovable properties and hypothecation of the Company's movable properties including movable machinery, machinery spares, tools and accessories, both present and future, (except current assets and assets charged on exclusive basis) ranking pari passu with Axis Bank Ltd and Bank of India;
 - ii) Escrow of receivables from Maruti Suzuki India Ltd on pari passu basis with Axis Bank Ltd, for their Term loan;
 - iii) Second charge on the current assets viz, Stock including raw material, Stock in Process and other current assets, both present and future, (except assets charged on exclusive basis) ranking pari passu with Bank of India; and
 - iv) Personal guarantee by the Chairman & Managing Director.
- b) The amount outstanding under Secured Loans from Banks includes Term Loan of Rs.4985.88 lakhs (including interest) availed from Indian Overseas Bank. This loan is secured by –
 - i) Equitable mortgage of the Company's immovable properties and hypothecation of the Company's movable properties including movable machinery, machinery spares, tools and accessories, both present and future, (except assets charged on exclusive basis) ranking pari passu with Bank of India and Axis Bank Limited;
 - ii) Escrow of receivables from Maruti Suzuki India Ltd on pari passu basis with Axis Bank Ltd, for their Term loan;
 - iii) Second charge on the current assets viz., Stock including raw material, Stock in Process and other current assets, both present and future, (except assets charged on exclusive basis) ranking pari passu with Bank of India; and
 - iv) Personal guarantee by the Chairman & Managing Director.
- c) The amount outstanding under Secured Loans from Banks includes Term Loan of Rs.2302.26 lakhs (including interest) availed from Bank of India, New York. This loan is secured by –
 - i) Equitable mortgage of the Company's immovable properties and hypothecation of the Company's movable properties including movable machinery, machinery spares, tools and accessories, both present and future, (except assets exclusively charged to Banks for their outstanding assistance) ranking pari passu with Axis Bank Ltd and Indian Overseas Bank;
 - ii) Second charge on the current assets ranking pari passu with Indian Overseas Bank (except assets charged on exclusive basis); and
 - iii) Personal guarantee by the Chairman & Managing Director.
- d) The amount outstanding under Secured Loans from Banks includes Term Loans of Rs.92.45 lakhs (including interest) availed from The Shamrao Vithal Co-operative Bank Ltd. These loans are secured by –
 - i) Exclusive charge on the respective Machining Lines / equipments procured out of the Term loan;
 - ii) Personal guarantee of Dr N Mahalingam, Chairman of the Holding Company (Sakthi Sugars Ltd) and
 - iii) Personal guarantee by the Chairman & Managing Director.



Sakthi Auto Component Limited

- e) The amount outstanding under Secured Loans from Banks includes Term Loan of Rs.410.31 lakhs (including interest) availed from Axis Bank Ltd. This loan is secured by the assets of the holding Company and Personal guarantee by the Chairman & Managing Director.
- f) The amount outstanding under Secured Loans from Banks includes Term Loan of Rs.281.55 lakhs (including interest) availed from Axis Bank Limited. This loan is secured/to be secured by –
 - i) Equitable mortgage of the Company's immovable properties and hypothecation of the Company's movable properties including movable machinery, machinery spares, tools and accessories, both present and future, (save and except current assets and assets exclusively charged to Banks for their outstanding assistance) ranking pari passu with Indian Overseas Bank and Bank of India;
 - ii) Escrow of receivables from Maruti Suzuki India Ltd and Honda Sael Cars ranking pari passu with Indian Overseas Bank and receivables from Metaldyne & TAFE; and
 - iii) Personal guarantee by the Chairman & Managing Director.
- g) The amount outstanding under Secured Loans from Banks includes Term Loan of Rs.2625.21 lakhs (including interest) availed from Central Bank of India. This loan is secured/to be secured by –
 - i) Exclusive charge on the Machineries purchased out of the term loan.;
 - ii) Escrow of receivables from Ijtin Automotive P Ltd, General Motors India Ltd, Mahindra Renault P Ltd, Mahindra and Mahindra, Haldex India Ltd; and
 - iii) Personal guarantee by the Chairman & Managing Director.
- h) The amount outstanding under Secured Loans from Banks includes Term Loan of Rs.332.29 lakhs (including interest) availed by Sakthi Auto Ancillary Private Limited (SAAPL) from Indian Overseas Bank. This loan is secured by way of –
 - i) Equitable mortgage of the Company's immovable properties and are primarily secured by exclusive charge on the plant & machinery, equipments and other fixed assets.
 - ii) Personal guarantee by the Managing Director and Joint Managing Director of SAAPL and corporate guarantee by the Holding Company.
- i) The amount outstanding under secured loans from Banks includes Term Loans aggregating to Rs.25537.39 Lakhs (including interest) availed by Orlandofin BV from the overseas Branches of Barclays Bank Plc., Bank of India, Canara Bank, Indian Overseas Bank and State Bank of India. These loans are secured/ to be secured by –
 - i) Pledge/promissory pledge of shares and assets of European subsidiaries;
 - ii) Corporate Guarantees of Indian Holding companies and Personal Guarantee of Dr M Manickam.
- j) The amount outstanding under secured loans from Banks includes Term Loan of Rs.1106.70 Lakhs availed by Sakthi Portugal SA from Caixa Geral de Depositos which is secured by the Pledge over land and buildings of the unit.
- k) The amount outstanding under Hypothecation Loans from Banks includes Working Capital Facility of Rs.1498.05 lakhs (including interest) availed from Indian Overseas Bank which is secured by –
 - i) First charge by way of hypothecation of Finished Goods, Raw Materials, Stock in process and Stores and spares of the Company and exclusive charge on the export receivables of Thyssen krupp Automotive Systems, Mexico, Haldex Brake Products, Sweden, Gabriel De Columbia and Omnibus B.B transporters, Ecuador;
 - ii) Second charge on the fixed assets of the Company on Pari passu basis with Bank of India (except assets charged on exclusive basis)



Sakthi Auto Component Limited

- iii) Second charge on the receivables of the Company on Pari passu basis with Bank of India except receivables exclusively charged to Central Bank of India and Indian Overseas Bank; and
- iv) Personal guarantee by the Chairman & Managing Director.
- l) The amount outstanding under Hypothecation Loans from Banks includes Working Capital Facility of Rs.839.23 lakhs (including interest) availed by SAAPL from Indian Overseas Bank which is secured by –
 - i) Exclusive charge on the entire current assets of the company.
 - ii) Personal guarantee by the Managing Director and Joint Managing Director of SAAPL and corporate guarantee by the Holding Company.
- m) The amount outstanding under Secured Loans from Banks includes Bill Discounting Limit of Rs.2525.64 lakhs availed from Indian Overseas Bank which is secured by –
 - i) Escrow of receivables from Maruti Suzuki India Ltd and Honda Sael Cars ranking Pari passu with Axis Bank Limited and Bosch Chassis.
 - ii) Personal guarantee by the Chairman & Managing Director.
- n) The amount outstanding under Secured Loans from Banks includes Bill Discounting Limit of Rs.310.40 lakhs availed from Bank of India which is secured by –
 - i) Exclusive charge by way of first security interest on Bills drawn on General Motors, Korea; and
 - ii) Second charge on inventory, other receivables and fixed assets of the Company ranking pari passu with Indian Overseas Bank.
- o) The amount outstanding under Letter of Credit Facility from Indian Overseas Bank, of Rs.97.71 lakhs availed is secured by –
 - i) Documents of title to goods/accepted hundies; and
 - ii) Personal Guarantee by the Chairman & Managing Director.
- p) The amount outstanding under Secured Loans from Banks includes Overdraft against receipted challans / invoices of Rs.1202.89 lakhs (including interest) availed from Central bank of India. The loan is secured by –
 - i) Exclusive first charge on the entire receivables from Iljin Automotive P Ltd, General Motors India Ltd, Mahindra Renault P Ltd, haldex India Ltd, Ford India Ltd, Toyota Kirloskar, and Mahindra and Mahindra.
 - ii) Exclusive charge on the specified plant & machinery; and
 - iii) Personal Guarantee by the Chairman & Managing Director.
- q) The amount outstanding under Secured Loans from Banks includes Overdraft Facility of Rs.202.52 lakhs (including interest) availed from Axis Bank Ltd. This loan is secured by the assets of the holding Company and Personal guarantee of the Chairman & Managing Director.
- r) The amount outstanding under Secured Loans from Banks includes Term Loan and Over draft facility of Rs.246.20 lakhs and Rs.202.51 Lakhs respectively availed by SAAPL from Axis Bank Limited. These loans are secured by assets of the holding company.
- s) The amount outstanding under secured loans from Banks includes Overdraft facility of Rs.1796.13 Lakhs availed by Sakthi Portugal SA from Caixa Geral de Depositos which is secured by the Pledge over land and buildings of the unit.
- t) The amount outstanding under Hire Purchase Loans aggregating to Rs.57.99 lakhs represents the amount availed by the Company from public limited companies and is secured by hypothecation of the vehicles so financed. Out of the above, the amount of Rs.15.83 lakhs represents the hire purchase loans availed by SAAPL.



Sakthi Auto Component Limited

D. FOREIGN CURRENCY EXPOSURE:

SACL's Foreign currency exposures not covered by derivative instruments or otherwise as at 31.03.2011 amount to Rs.4028.59 Lakhs (31.12.2009 - Rs.5149.31 Lakhs)

Particulars	31.03.2011		31.12.2009	
	Foreign Currency	Rs. in lakhs	Foreign Currency	Rs. in lakhs
United States Dollars	8619335	3848.53	10393325	4851.60
EURO	284715	180.06	443873	297.71
TOTAL		4028.59		5149.31

E. The Company has secondary Geographical Market:

Particulars	(Rs. in Lakhs)	
	31.03.2011 (15 Months)	31.12.2009 (12 Months)
Outside India	49192.17	24981.98
In India	43892.86	39473.65

F. Deferred Tax:

For Indian Companies:		(Rs. In lakhs)	
A - Deferred Tax Liability:-			
Arising out of depreciation of Fixed Assets (Net)	2274.32	2052.48	
B - Deferred Tax Asset:			
Carried forward losses/Unabsorbed depreciation	2177.22	2265.52	
Difference in treatment of expenses/income (Net)	75.06	11.85	
	2252.28	2277.37	
Net Deferred Tax Liability (+) / Asset (-)	22.04	-224.89	
For Foreign Companies:			
A - Deferred Tax Liability:-			
Revaluation of tangible Fixed Assets	1246.79	-	
Non reimbursable investment subsidies	67.21	-	
Total	1314.00	-	
Deferred Tax Assets:-			
Provisions not tax deductible	42.38	10.73	
Corporate income tax credit	259.17	274.99	
Tax losses	685.10	1054.79	
Total	986.65	1340.51	
Net Deferred Tax Liability (+) / Asset (-)	327.35	-1340.51	

G. Borrowing Cost capitalized during the year is Rs.121.22 lakhs (Previous year - Nil).

H. The holding Company – Sakthi Sugars Limited holds the entire 438,60,000 equity shares of Rs.10/- each and 20,00,000 participatory Cumulative optionally Convertible Preference Shares of Rs.100 each.

I. Advance due and Maximum amount due from Officers (Senior Executives) of the Company is Rs. 2 lakhs (31.12.2009 – Rs. 2 Lakhs)

J. Tax deducted at source on interest receipts is Rs.3.91Lakhs (31.12.2009 – Rs.2.94 Lakhs).



Sakthi Auto Component Limited

K. RELATED PARTIES DISCLOSURE:

I. RELATED PARTIES:

a. HOLDING COMPANY

Sakthi Sugars Limited

b. SUBSIDIARY COMPANIES

Sakthi Auto Ancillary Private Limited

Orlandofin B.V.

Sakthi Auto Mauritius Limited

c. KEY MANAGERIAL PERSONNEL

Dr M Manickam, Chairman and Managing Director

Sri S Jeevanantham, Managing Director of SAAPL

Sri S Mohanraj, Joint Managing Director of SAAPL

Sri Jorge Filipe Vilar de Almeida Fesch, Managing Director of Sakthi Portugal, S.A.

d. RELATIVES OF KEY MANAGERIAL PERSONNEL

Sri M Balasubramaniam (Brother)

Sri M Srinivaasan (Brother)

e. ENTERPRISES WHERE CONTROL EXIST

ABT Limited

ABT Industries Limited

Sakthi Finance Limited

N.Mahalingam & Company

Nachimuthu Industrial Association

J S Auto Cast Foundry India Pvt. Ltd

II. Related Party Transactions :

(Rs. in lakhs)

	Holding Company (SSL)	Key Managerial personnel	Enterprises	Total for the Year 2010-11	Previous Year 2009
Purchase of Power	549.18			549.18	144.95
Purchase of goods	25.82		5.73	31.55	28.41
Sale of goods/Services rendered	12.21		15.87	28.08	21.51
Interest Receipts	69.87			69.87	53.82
Managerial Remuneration		31.18		31.18	13.20
Sitting Fees		0.80		0.80	0.35
Vehicle Purchase/Maintenance			61.52	61.52	8.61
Electricity charges/Wind mill power			176.54	176.54	149.08
Fettling charges/others			29.25	29.25	28.82
Printing Works			12.56	12.56	4.81
Lease rent			3.00	3.00	
			Outstanding Amount 31.03.2011	Outstanding Amount 31.12.2009	
Dues to Enterprises			1741.79	1563.48	
Dues from Holding Company			70.64	466.13	
Dues to Holding Company			13753.31	13619.57	
Dues to Key Managerial Personnel			8.28	1.10	



Sakthi Auto Component Limited

L. Lease Payments:

The Lease Payments recognized in the Profit and Loss Account is Rs.3.63 lakhs and SAAPL is Rs.60.55 lakhs (Previous year – Rs.2.26 lakhs and SAAPL - Rs.59.20 lakhs).

31.03.2011	31.12.2009
	(Rs. in lakhs)

M. Estimated amount of contracts remaining to be executed
On capital account and not provided for :

3805.43	175.49
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N. Employee Benefits:

Gratuity and Provident Fund:

Gratuity, Provident Fund and Employees State Insurance are defined Contribution Plans. The expenses recognised in the Profit and Loss Account:-

Particulars

31.03.2011	31.12.2009
(15 Months)	(12 Months)
	(Rs. in lakhs)

Gratuity	27.89	82.54
Provident Fund	144.82	84.90
Employees State Insurance	27.63	14.81

Compensated Absences

The obligation for leave encashment is a defined benefit plan and recognised based on actuarial valuation using the projected unit credit method.

The actuarial valuation of liability towards compensated absences was made at the end of the period.

Sakthi Auto Component Limited:

(Rs. in lakhs)

31.03.2011	31.12.2009
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I. PRINCIPAL ACTUARIAL ASSUMPTIONS

Discount Rate	8.00%	7.50%
Salary escalation rate	6.50%	5.00%
Attrition rate	5.00%	5.00%
Expected rate of return on Plan Assets	-	-

II. CHANGES IN THE PRESENT VALUE OF THE OBLIGATION (PVO) – RECONCILIATION OF OPENING AND CLOSING BALANCES:

PVO as at the beginning of the period	34.97	28.59
Interest Cost	2.68	1.69
Current service cost	5.73	5.25
Past service cost - (non vested benefits)	-	-
Past service cost - (vested benefits)	-	-
Benefits paid	(3.07)	(12.08)
Actuarial loss/(gain) on obligation (balancing figure)	6.03	11.52
PVO as at the end of the period	46.34	34.97

III. CHANGES IN THE FAIR VALUE OF PLAN ASSETS – RECONCILIATION OF OPENING AND CLOSING BALANCES:

Fair value of plan assets as at the beginning of the period	-	-
Expected return on plan assets	-	-
Contributions	3.07	12.08
Benefits paid	(3.07)	(12.08)
Actuarial gain/(loss) on plan assets [balancing figure]	-	-
Fair value of plan assets as at the end of the period	-	-



Sakthi Auto Component Limited

	(Rs. in Lakhs)	
	31.03.2011	31.12.2009
IV. ACTUARIAL GAIN / LOSS RECOGNIZED		
Actuarial gain / (loss) for the period - Obligation	6.03	11.52
Actuarial gain / (loss) for the period- Plan Assets	-	-
Total (gain) / loss for the period	6.03	11.52
Actuarial (gain) / loss recognized in the period	6.03	11.52
Unrecognized actuarial (gain) / loss at the end of the year	-	-
V. AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES		
Present value of the obligation	46.34	34.97
Fair value of plan assets	-	-
Difference	46.34	34.97
Unrecognised transitional liability	-	-
Unrecognised past service cost - non vested benefits	-	-
Liability recognized in the balance sheet	46.34	34.97
VI. EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS		
Current service cost	5.73	5.25
Interest Cost	2.68	1.69
Expected return on plan assets	-	-
Net actuarial (gain)/loss recognised in the year	6.03	11.52
Transitional Liability recognised in the year	-	-
Past service cost - non-vested benefits	-	-
Past service cost - vested benefits	-	-
Expenses recognized in the statement of profit and loss	14.44	18.46
VII. MOVEMENTS IN THE LIABILITY RECOGNIZED IN THE BALANCE SHEET		
Opening net liability	34.97	28.59
Expense as above	14.44	18.46
Contribution paid	(3.07)	(12.08)
Closing net liability	46.34	34.97
VIII. AMOUNT FOR THE CURRENT PERIOD		
Present Value of obligation	46.34	34.97
Plan Assets	-	-
Surplus (Deficit)	(46.34)	(34.97)
SAKTHI AUTO ANCILLARY PVT. LTD (SAAPL)		
	(Rs. in Lakhs)	
	31.03.2011	31.12.2009
I. PRINCIPAL ACTUARIAL ASSUMPTIONS		
[Expressed as weighted averages]		
Discount Rate	8.40%	7.90%
Salary escalation rate	6.50%	6.50%
Attrition rate	2.83%	3.00%
Expected rate of return on Plan Assets	9.00%	9.00%



Sakthi Auto Component Limited

	(Rs. in Lakhs)	
	31.03.2011	31.12.2009
II. CHANGES IN THE PRESENT VALUE OF THE OBLIGATION (PVO) – RECONCILIATION OF OPENING AND CLOSING BALANCES		
PVO as at the beginning of the period	23.14	39.96
Interest Cost	2.21	2.39
Current service cost	4.72	7.68
Past service cost - (non vested benefits)	–	–
Past service cost - (vested benefits)	2.87	–
Benefits paid	(1.51)	(0.26)
Actuarial loss/(gain) on obligation (balancing figure)	2.21	(26.62)
PVO as at the end of the period	33.65	23.14
III. CHANGES IN THE FAIR VALUE OF PLAN ASSETS – RECONCILIATION OF OPENING AND CLOSING BALANCES		
Fair value of plan assets as at the beginning of the period	14.34	10.01
Expected return on plan assets	1.53	1.05
Contributions	–	3.45
Benefits paid	(1.51)	(0.26)
Actuarial gain/(loss) on plan assets [balancing figure]	0.69	0.08
Fair value of plan assets as at the end of the period	15.04	14.34
IV. ACTUAL RETURN ON PLAN ASSETS		
Expected return on plan assets	1.53	1.05
Actuarial gain (loss) on plan assets	0.69	0.08
Actual return on plan assets	2.21	1.13
V. ACTUARIAL GAIN / LOSS RECOGNIZED		
Actuarial gain / (loss) for the period - Obligation	(2.21)	26.63
Actuarial gain / (loss) for the period- Plan Assets	0.69	0.08
Total (gain) / loss for the period	1.52	(26.71)
Actuarial (gain) / loss recognized in the period	1.52	(26.71)
Unrecognized actuarial (gain) / loss at the end of the year	–	–
VI. AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSIS		
Present value of the obligation	33.65	23.14
Fair value of plan assets	15.04	14.34
Difference	18.61	8.80
Unrecognised transitional liability	–	–
Unrecognised past service cost - non vested benefits	–	–
Liability recognized in the balance sheet	18.61	8.80
VII. EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS		
Current service cost	4.72	7.68
Interest Cost	2.21	2.39
Expected return on plan assets	(1.53)	(1.05)
Net actuarial (gain)/loss recognised in the year	1.52	(26.71)
Transitional Liability recognised in the year	–	–
Past service cost - non-vested benefits	–	–
Past service cost - vested benefits	2.87	–
Expenses recognized in the statement of profit and loss	9.80	(17.69)



Sakthi Auto Component Limited

O. Disclosure pursuant to AS-28 on 'Impairment of Assets':

During the year, review has been done for carrying value of the assets for finding out the impairment, if any. The review has not revealed any impairment of assets in terms of AS-28.

- P. Interim dividend of Rs.3081.55 lakhs declared by SACL during the year 2007-08 has become recoverable from the share holders as there was no distributable profit on account of economic meltdown faced by the Auto Industry. The management has taken up with the concerned share holders for recovery. The modus operandi of recovery is under active discussion.

Q. CONTINGENT LIABILITIES IN RESPECT OF –

Particulars	(Rs. In Lakhs)	
	31.03.2011	31.12.2009
Income tax matters	32.63	31.22
Purchase tax/Sales tax matters	85.12	85.12
Excise/Service tax matters	244.08	271.10
Electricity tax	55.69	26.73

Note: Above Matters are subject to legal proceedings in the ordinary course of business. The legal proceedings when ultimately concluded will not, in the opinion of the management, have a material effect on the results of the operations or financial position of the company.

Guarantees issued by bankers	2176.32	2397.26
Corporate guarantee given for loans to subsidiaries		
a. Guarantee amount	26855.00	28290.00
b. Outstanding amount	26946.40	26592.00
Export obligation:		
Iron Castings :		
Duty component to be paid in case of non fulfillment of obligation	341.00	1393.00

- R. Wherever necessary, figures for previous year have been regrouped or reclassified to conform to this year's grouping or classification.

- S. Previous year's figures are not comparable with the current year figures as the current year is for a period of 15 months, in case of parent and Indian subsidiaries and 12 months in the case of foreign subsidiaries, whereas previous year's figures were for a period of 12 months.



Sakthi Auto Component Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011		
	2010-2011	2009
	(Rs. in lakhs)	(Rs. in lakhs)
A. Cash Flow from Operating Activities		
Profit before tax	1,016.33	(8,521.44)
Depreciation	3,638.67	3,880.96
Interest	5,175.88	5,521.42
Miscellaneous Expenses & Other exp.written off	88.10	95.85
Intangible Asset Written off	1,353.18	281.30
Loss on Sale of Investment / Written off	-	3,433.24
Investment Income :		
Dividend	(0.12)	(0.15)
Interest	(244.82)	(582.46)
Profit on Sale of Assets	-	(0.01)
	10,010.89	12,630.15
Operating Profit Before Working Capital changes	11,027.22	4,108.71
Adjustment for:-		
Inventories	(2,366.50)	1,782.87
Debtors	(1,368.95)	(1,213.57)
Other Current Assets	(813.28)	(34.05)
Loans and Advances	(666.45)	7,909.88
Liabilities	2,546.39	(7,446.20)
Expenses relating to Prior Years	-	11.35
Intangible Assets	(908.53)	(208.80)
Misc Expenditure Paid	272.51	-
	(3,304.82)	801.48
Net cash from Operating Activities after extraordinary items	7,722.40	4,910.19
Foreign Exchange Fluctuation (net)	68.30	707.60
Income Tax Paid	295.78	(146.79)
Net Cash From Operating Activities	8,086.48	5,471.00
B. Cash Flow From Investing Activities		
Purchases of Fixed Assets	(4,078.92)	(3,068.07)
Sale of Fixed Assets	1,357.77	14.61
Investment Income	244.94	582.61
Investment by Holding Company	2,445.47	-
Sale / Purchase of Investment	(153.31)	(5.00)
Net Cash used in Investment activities	(2,629.52)	(30.38)
C. Cash Flow from Financing Activities		
Interest Paid	(4,759.93)	(4,113.48)
Receipts from Long Term/Short Term Borrowings	(111.94)	(1,085.95)
Net Cash used in Finance activities	(4,871.87)	(5,199.43)
Net increase in Cash & Cash Equivalents	585.09	241.19
Cash & Cash Equivalents at the beginning of the period	2,044.39	1,803.20
Cash & Cash Equivalents at the end of the period	2,629.48	2,044.39

Vide our Report annexed

For P.N. RAGHAVENDRA RAO & CO.

Chartered Accountants

Firm Regn. No. 003328S

P R VITTEL

Partner

M.No. 018111

Coimbatore

30.05.2011

M MANICKAM
Chairman & Managing Director

C RANGAMANI
Director



SAKTHI AUTO COMPONENT LIMITED

REGISTERED OFFICE
180 RACE COURSE ROAD, COIMBATORE - 641 018