

2011-12



SAKTHI AUTO COMPONENT LIMITED

ANNUAL REPORT 2011-12



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

Axis Bank Ltd
Bank of India
Central Bank of India
Indian Overseas Bank

Auditors

M/s P N RAGHAVENDRA RAO & Co
Coimbatore

Smt S KAVITHA
Company Secretary

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NOTICE TO MEMBERS

Notice is hereby given that the 13th Annual General Meeting of the Company will be held at its Registered Office at 180 Race Course Road, Coimbatore 641 018, on Thursday, the 27th September, 2012 at 11.00 am to transact the following business:

1. To consider and adopt the audited Statement of Profit & Loss for the year ended 31st March 2012 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 S Chandrasekhar, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in the place of Sri M Srinivaasan, 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 resolutions as Ordinary Resolutions:
 - A. RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors under the provisions of Section 293(1)(a) of the Companies Act, 1956:
 - (i) to mortgage and/or charge as security/ on residual charge basis the whole of the immovable and movable properties in, both present and future, and /or for conferring power to enter upon and take possession of the aforesaid assets of the Company in certain events to or in favour of the Debenture Trustee to secure the Redeemable Non-Convertible Cumulative Debentures and/or Redeemable Non-Convertible Non-Cumulative Debentures aggregating to Rs.75 crores issued / to be issued by the Company; and
 - (ii) to authorise the Board of Directors of the Company for agreeing with the said Debenture Trustee the terms and conditions to reserve a right to take over the management of the aforesaid undertaking in certain events in terms of the Trustee Agreement/ terms and conditions in connection with the creation of security and other incidental matters.
 - B. RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with the Debenture Trustee the documents for creating the aforesaid mortgage/charge and/or for conferring the aforesaid rights and to do all such acts and things may be necessary for giving effect to the above resolution.
6. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

RESOLVED that pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, consent be and is hereby accorded to the Board of Directors of the Company to borrow for the purpose of the Company, a sum or sums of money (apart from temporary loan obtained and/or to be obtained from the Company's bankers in the ordinary course of Business) not exceeding Rs.1000 crores (Rupees one thousand crores) only over and above the paid up capital plus free reserves of the Company, that is to say reserves not set apart for any specific purpose.
7. To consider and, if thought fit, to pass, with or without modifications, 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 Rs. 50 lakhs (Rupees fifty lakhs) only from out of the funds of the Company for deserving causes and institutions during the financial year ending 31st March 2013.

Coimbatore
30th May 2012

By order of the Board
S KAVITHA
Company Secretary

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 No. 5

To meet working capital requirements of the Company, the Board of Directors have issued/ proposed to issue Secured Redeemable Non-Convertible Cumulative Debentures and/or Non- Cumulative Debentures on private placement basis in different series. As per the terms of trustee agreement entered into/to be entered with the trustee for the debenture holders, the Company has to create residual charge/ mortgage, on the movable and immovable properties of the Company in favour of the Trustee.

As per Section 293 (1)(a) of the Companies Act, 1956, approval of the members is required to the Board of Directors to mortgage or charge the aforesaid properties of the Company. Necessary resolutions are placed before the members for approval.

Copies of Trustee Agreement and documents creating mortgage are available for inspection of the members at the Registered Office of the Company between 10.00 AM and 3.00 PM on all working days upto the date of the ensuing Annual General Meeting.

None of the Directors is concerned or interested in the said resolutions.

Item No. 6

At the Extra-Ordinary General Meeting held on 14th May 2004, the members of the Company had authorised the Board of Directors to borrow monies upto Rs.500 crores (excluding temporary loans obtained in the ordinary course of business) over and above the paid up capital plus free reserves of the Company in accordance with Section 293(1)(d) of the Companies Act, 1956.

Keeping in view the future growth plans and fund requirements of the Company, it is proposed to authorise the Board of Directors under Section 293(1)(d) of the Companies Act, 1956 to borrow funds upto Rs.1,000 crores (Rupees One Thousand crores) only (excluding temporary loans obtained in the ordinary course of business) over and above the paid up capital and free reserves of the Company.

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.

Item No. 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.50 lakhs (Rupees fifty lakhs) only during the financial year ending 31st March 2013.

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
30th May 2012

By order of the Board
S KAVITHA
Company Secretary



REPORT OF THE DIRECTORS

To the Members

Your Directors present their 13th Annual Report together with the audited financial accounts of the Company for the year ended 31st March 2012.

FINANCIAL RESULTS FOR THE YEAR ENDED 31st March 2012

	(Rs.in lakhs)
Profit before finance cost and depreciation and amortisation expense	7162.53
Less: Finance cost	3488.75
Depreciation and amortisation expense	1783.17
	<hr/> 5271.92
Profit before tax	1890.61
Less: Deferred Tax	797.46
	<hr/> 1093.15
Profit after tax	1093.15
Less: Transferred to Debenture Redemption Reserve	359.11
	<hr/> 734.04
Balance brought forward from previous year	(1016.12)
	<hr/> (282.08)

OPERATIONS

During the year under review, your Company has achieved a gross turnover of Rs.47831.92 lakhs as against Rs.50943.35 lakhs in the previous year consisting of 15 months. On an annualized basis, there is an increase in the sales turnover by about 17%.

During the financial year under review, the production capacity has been increased by installing a DISA moulding machine with a capacity to produce 300 moulds per hour together with EIRICH sand plant. With this addition, the installed capacity has gone up to 60,000 tonnes per annum. On account of this it is expected that there will be substantial increase in the level of production during the current financial year.

Your Directors are glad to inform that the Foundry has received 'Special Support' and 'Timely Capacity Enhancement' Award from Maruti Suzuki India Limited, 'Annual Commodity Award-Casting Auto Division' from Mahindra & Mahindra Limited for the year 2011 and 'Best Supplier Partner of Asia Pacific Region' Award for the year 2012 from General Motors Limited.

DIRECTORS

Sri S Chandrasekhar and Sri M Srinivaasan, Directors, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

PREFERENCE SHARES

1,82,20,000 series A, B and C 15% Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each issued and allotted by the Company have been made Participatory Cumulative Compulsorily Convertible Preference Shares with effect from 9th April 2012 and the date of conversion maturity is extended upto 26.04.2013.

SUBSIDIARY COMPANIES

The auto industry globally is performing well. The performance of both Indian and European subsidiaries having manufacturing facilities, viz. Sakthi Auto Ancillary Private Limited and Sakthi Portugal SA, have shown considerable improvement as compared to the previous year. It is expected that the growth in the performance will continue in the current year also.

Pursuant to the general direction given by the Central Government, vide 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, Statement of Profit and Loss, Reports of the Board and of 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, Sakthi Portugal SA and Sakthi Auto Mauritius Limited have not been attached to the Balance Sheet of the Company as at 31st March 2012. 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 annual accounts of the subsidiary companies and 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 any shareholders at the Registered Office of the Company and of the subsidiary companies concerned.

In terms of Accounting Standard 21, accounts of the following subsidiaries viz. Sakthi Europe Verwaltungs GmbH, Arvika Gjuteri AB, Arvinova AB, Arvika Handforming Gjuteri AB and Sakthi Sweden AB are not consolidated since there is a long term restriction in the flow of cash from these subsidiaries to the holding company as the said subsidiaries are under the control of the Administrators appointed by the respective Courts in Germany and Sweden.

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., Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. A certificate has been obtained from them stating that their appointment, if made, will be within the prescribed limit under Section 224(1B) of the Companies Act.

COST AUDIT

Pursuant to the notification no. F.No. 52/26/CAB-2010 issued by Ministry of Corporate Affairs (MCA) dated 24th January 2012, M/s STR & Associates, Cost Accountants, Trichirapalli have been appointed as cost auditors for auditing the cost accounts of the Company for the financial year ending 31st March 2013.

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 :
Variable Frequency Drive has been fixed at EIRICH New Sand Plant.
- b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy :
Proposed to install T5 Lightings by replacing the existing lights.
- 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 judgments 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 2012 have been prepared on a going concern basis.

AUDITORS REPORT

As the investment in subsidiary is on long term basis and the diminution in value of the investment is temporary in nature, considering the future profitability on account of the improvement in the level of operations of the Portuguese foundry with good margin, the Directors are of the opinion that no provision needs to be made 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.

Coimbatore
30th May 2012

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

ANNEXURE - 1

**REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31st MARCH 2012
RESEARCH AND DEVELOPMENT (R & D)**

- 1. Specific areas in which R & D Carried out by the Company:
Casting filling simulation and solidification pattern studied by using Magma Software.
- 2. Benefits derived as a result of the above R & D:
The preboring operations of steering knuckles will be eliminated.
- 3. Future plan of action:
Development of ADI Casting.
- 4. Expenditure on Research and Development
 - a. Capital :
 - b. Recurring : Nil
 - c. Total :
 - 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 : Not Applicable
Maximisation of use of magma soft and other softwares in different design and production applications.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.:
Improvement in yield per mould and reduction in cost.
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 ? }
d. If not fully absorbed, areas where this } Not applicable
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.7145.39 lakhs. Efforts are being taken to increase the volume of export.

2. Total foreign exchange used and earned:

	(Rs.in lakhs)
i) Earned	7145.39
ii) Used	5752.60

Coimbatore
30th May 2012

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 2012, the Statement of Profit and Loss and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 prescribed maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956 in respect of the manufacturing activities of the



Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained.

ix. 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 2012 for a period of more than six months from the date they became payable.

a. 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.
	99.89	August 2007 to October 2011	Deputy/Asst. Commissioner, Erode
Fringe Benefit Tax	31.22	April 2005 to March 2009	High Court, Chennai
Income Tax	30.34	Asst. Year 2009-2010	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 un quantified 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 loans taken by others and the outstanding amount of such loans is Rs.288.16 crores (Previous year Rs.269.46 crores). 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 and vice versa.



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. Adequate securities have been created with respect to debentures issued during the year.

xx. The Company has not raised any money by way of public issue during the year.

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 *In Orlandofin B.V. Netherlands, a wholly owned subsidiary, an Investment of Rs.329.47 crores has been made and loan of Rs.10.25 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.*

III. Further to our comments under para I and II 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) In our opinion the Balance Sheet, Statement of Profit and Loss 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, 2012 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 the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;

ii) In so far as it relates to the Statement of Profit and Loss, of the PROFIT of the Company for the year 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 year ended on that date.

For P N RAGHAVENDRA RAO & Co
Chartered Accountants
(ICAI Regn. No. : FRN003328S)

P R VITTEL
Partner
M.No.18111

Place: Coimbatore
Date : 30.05.2012



Sakthi Auto Component Limited

BALANCE SHEET AS AT 31.03.2012

	Note No.	As at 31.03.2012	(Rs. in lakhs) As at 31.03.2011
I. EQUITY AND LIABILITIES			
(1) SHAREHOLDERS' FUNDS			
(a) Share Capital	1	24631.00	24631.00
(b) Reserves and Surplus	2	40331.38	16664.36
		<u>64962.38</u>	<u>41295.36</u>
(2) NON-CURRENT LIABILITIES			
(a) Long-term borrowings	3	27666.78	26915.48
(b) Deferred tax liabilities (Net)		631.45	--
(c) Other Long term liabilities	4	19.33	10.88
(d) Long term Provisions	5	300.23	237.31
		<u>28617.79</u>	<u>27163.67</u>
(3) CURRENT LIABILITIES			
(a) Short-term borrowings	6	13492.01	8268.76
(b) Trade Payables		4499.70	5271.24
(c) Other current liabilities	7	6379.79	4411.45
(d) Short term Provisions	8	1002.42	1337.85
		<u>25373.92</u>	<u>19289.30</u>
TOTAL (1 to 3)		<u>118954.09</u>	<u>87748.33</u>
II. ASSETS			
(1) NON-CURRENT ASSETS			
(a) Fixed Assets			
(i) Tangible Assets	9	60149.83	32017.42
(ii) Intangible Assets	10	2094.57	1890.82
(iii) Capital work-in-progress		76.34	1241.49
		<u>62320.74</u>	<u>35149.73</u>
(b) Non-current investments	11	33260.55	29807.24
(c) Deferred tax assets (net)		--	166.00
(d) Long-term loans and advances	12	3301.78	7457.70
(e) Other non-current assets	13	543.71	543.71
		<u>99426.78</u>	<u>73124.38</u>
(2) CURRENT ASSETS			
(a) Inventories	14	8584.03	7138.81
(b) Trade receivables	15	8243.69	5500.83
(c) Cash and cash equivalents	16	1141.41	864.05
(d) Short-term loans and advances	17	1260.42	829.04
(e) Other current assets	18	297.76	291.22
		<u>19527.31</u>	<u>14623.95</u>
TOTAL (1 and 2)		<u>118954.09</u>	<u>87748.33</u>

The Notes form part of these financial statements.

Vide our report annexed

For P N RAGHAVENDRA RAO & Co

Chartered Accountants

(ICAI Regn . No.: FRN003328S)

P R VITTEL

Partner

M.No. 018111

Coimbatore

30th May 2012

M MANICKAM
Chairman & Managing Director

C RANGAMANI
Director

S KAVITHA
Company Secretary



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2012

	Note No.	Year Ended 31.03.2012 (12 Months)	(Rs. in lakhs) Year Ended 31.03.2011 (15 Months)
I. Revenue from Operations (Gross)		47,831.92	50,943.35
Less : Excise Duty		<u>3,951.72</u>	<u>3,990.13</u>
Revenue from Operations (Net)	19	43,880.20	46,953.22
II. Other Income	20	<u>199.24</u>	<u>227.61</u>
III. Total Revenue (I + II)		<u>44,079.44</u>	<u>47,180.83</u>
IV. Expenses:			
Cost of material consumed	21	13,210.04	12,355.70
Changes in inventories of finished goods, work in progress and Stock in Trade	22	(1,657.11)	(1,063.65)
Employee benefits expense	23	1,732.24	1,700.42
Finance costs	24	3,488.75	2,932.06
Depreciation and amortisation expense	25	1,783.17	1,903.28
Other expenses	26	<u>23,631.74</u>	<u>27,021.17</u>
Total expenses		<u>42,188.83</u>	<u>44,848.98</u>
V. Profit before exceptional and extraordinary items and tax (III-IV)		1,890.61	2,331.85
VI. Exceptional Items		--	--
VII. Profit before extraordinary items and tax (V-VI)		1,890.61	2,331.85
VIII. Extraordinary Items		--	--
IX. Profit before tax (VII-VIII)		1,890.61	2,331.85
X. Tax Expense:			
1. Current Tax		378.24	499.40
MAT credit Entitlement		(378.24)	(499.40)
2. Deferred Tax		<u>797.46</u>	<u>201.33</u>
		<u>797.46</u>	<u>201.33</u>
XI. Profit for the year from continuing operations (IX-X)		1,093.15	2,130.52
XII. Earnings per equity share of Rs. 10/- each:			
1. Basic		(6.72)	(3.18)
2. Diluted		0.44	0.86

The Notes form part of these financial statements.

Vide our report annexed

For P N RAGHAVENDRA RAO & Co.

Chartered Accountants

(ICAI Regn. No.: FRN003328S)

P R VITTEL

Partner

M.No. 018111

Coimbatore

30th May 2012

M MANICKAM
Chairman & Managing Director

C RANGAMANI
Director

S KAVITHA
Company Secretary



Sakthi Auto Component Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

(Rs. in lakhs)

Particulars	2011-12 (12 months)	2010-11 (15 months)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax as per Statement of Profit and Loss	1,890.61	2,331.85
Adjustment for:		
Depreciation and Amortisation Expense	1,783.17	1,903.28
Finance Costs	3,488.75	2,932.06
Miscellaneous Expenses & Other exp. written off	26.62	88.10
Interest Income	(124.94)	(104.19)
Dividend Income	(0.12)	(0.12)
Operating Profit before Working Capital Changes	<u>7,064.09</u>	<u>7,150.98</u>
Adjustment for:		
Inventories	(1,445.22)	(1,530.70)
Trade and Other Receivables	(2,742.86)	(806.87)
Loans and Advances	3,609.44	(1,283.01)
Trade and Other Payables	(176.56)	2,777.73
Intangible Assets / Misc. Expenditure Paid	<u>(535.79)</u>	<u>(312.27)</u>
Cash Generated from Operations	<u>5,773.10</u>	<u>5,995.86</u>
Income tax paid	88.48	(464.37)
Net Cash from Operating Activities	5,861.58	5,531.49
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of Fixed Assets	(5,844.50)	(2,831.43)
Sale of Fixed Assets	--	0.11
Investment Income	118.52	143.01
Purchase of Investment	<u>(3,453.31)</u>	<u>(2,194.69)</u>
Net cash used in investing activities	(9,179.29)	(4,883.00)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	3,817.50	4,786.29
Repayment of Long Term Borrowings	(1,666.31)	(2,967.81)
Short Term Borrowings (net)	5,223.25	1,139.11
Finance Costs Paid	(3,245.12)	(2,915.62)
Loss due to Foreign Exchange Fluctuation	(62.43)	(118.18)
Loan received from Related Parties	<u>(471.82)</u>	<u>133.74</u>
Net cash from / (used) in financing activities	3,595.07	57.53
Net Increase in Cash and Cash Equivalents	277.36	706.02
Opening Balance of Cash and Cash Equivalents	864.05	158.03
Closing Balance of Cash and Cash Equivalents	1,141.41	864.05

Vide our report annexed

For P N RAGHAVENDRA RAO & Co

Chartered Accountants

(ICAI Regn. No. : FRN003328S)

P R VITTEL

Partner

M.No. 018111

Coimbatore

30th May 2012

M MANICKAM

Chairman & Managing Director

C RANGAMANI

Director

S KAVITHA

Company Secretary



NOTES TO FINANCIAL STATEMENTS

(Rs. in lakhs)

As at 31.03.2012 As at 31.03.2011

NOTE No. 1

SHARE CAPITAL

Authorised

5,00,00,000	Equity Shares of Rs.10 each (5,00,00,000)	5000.00	5000.00
2,25,00,000	15% Secured Redeemable Cumulative Convertible (2,25,00,000) Preference Shares of Rs. 100 each	22500.00	22500.00
		<u>27500.00</u>	<u>27500.00</u>

Issued, Subscribed and Paid up

4,38,60,000	Equity Shares of Rs.10 each fully paid up (4,38,60,000)	4386.00	4386.00
60,82,500	Series A 15% Participatory Cumulative optionally (60,82,500) Convertible Preference Shares of Rs. 100 each fully paid up	6082.50	6082.50
1,01,37,500	Series B 15% Participatory Cumulative optionally (1,01,37,500) Convertible Preference Shares of Rs. 100 each fully paid up	10137.50	10137.50
20,00,000	Series C 15% Participatory Cumulative optionally (20,00,000) Convertible Preference Shares of Rs. 100 each fully paid up	2000.00	2000.00
12,15,000	Series I 15% Participatory Cumulative Convertible (12,15,000) Preference Shares of Rs. 100 each fully paid up	1215.00	1215.00
8,10,000	Series II 15% Participatory Cumulative Convertible (8,10,000) Preference Shares of Rs. 100 each fully paid up	810.00	810.00
	TOTAL	<u>24631.00</u>	<u>24631.00</u>

Reconciliation of Number of Shares

	No. of shares	No. of shares
Equity shares at the beginning of the year	4,38,60,000	4,38,60,000
Equity shares at the end of the year	4,38,60,000	4,38,60,000
Preference shares at the beginning of the year	2,02,45,000	2,02,45,000
Preference shares at the end of the year	2,02,45,000	2,02,45,000

Rights, Preferences and Restrictions of each class of Shares

The Company has following three class of shares:

(i) Equity

The Company has only one class of Equity shares having face value of Rs.10 each. Each shareholder is eligible for one vote per share. Dividend is payable when it is recommended by the Board of Directors and approved by the Members at the Annual General Meeting. In the event of liquidation, the equity shareholders will get the remaining assets after payment of all the preferential amounts.



(ii) 15% Participatory Cumulative Optionally Convertible Preference Shares

The holder of this preference shares shall have right to vote on resolutions placed before the Company which directly affect their rights. Besides they get voting right as specified in Section 87(2) of the Companies Act, 1956. The dividend is payable when recommended by the Board and approved by the members at the Annual General Meeting. In the event of non-declaration of dividend, it gets accumulated. The holders of the preference shares have the right to participate in the profit as per the Subscription Agreement entered into between the shareholders and the Company.

All the Series of this class of Preference Shares are convertible into equity shares at the option of the holders of these shares on the terms as may be agreed to between the Company and the holders of this class of preference shares.

This class of preference shares is convertible/redeemable on 26.4.2012. However after 31.3.2012, the above preference shares have been made mandatorily convertible and the date of maturity/conversion has been extended to 26.4.2013.

(iii) 15% Participatory Cumulative Convertible Preference Shares

The holder of this preference shares shall have right to vote on resolutions placed before the Company which directly affect their rights. Besides they get voting right as specified in Section 87(2) of the Companies Act, 1956. The dividend is payable when recommended by the Board and approved by the members at the Annual General Meeting. In the event of non-declaration of dividend, it gets accumulated. The holders of the preference shares have the right to participate in the profit as per the Subscription Agreement entered into between the shareholders and the Company.

Series I and II of this class of Preference Shares are convertible into equity shares on such terms as may be agreed to between the Company and the holders of this class of preference shares on or before the maturity/conversion date viz. 18.3.2013.

Upon conversion of the preference shares mentioned in (ii) and (iii) above into equity shares, the holders of the preference shares will get the same rights as that of the equity shareholders of the Company.

Shares held by the holding company

Sakthi Sugars Limited

	No. of shares	No. of shares
(i) Equity Shares	4,38,60,000	4,38,60,000
(ii) 15% Participatory Cumulative Optionally Convertible Preference Shares (Series C)	20,00,000	20,00,000

List of shareholders holding more than 5% of the total number of shares

(i) Equity shares		
Sakthi Sugars Limited	4,38,60,000	4,38,60,000
(ii) 15% Participatory Cumulative Optionally Convertible Preference Shares		
Drawbridge Titanium Holdings (Mauritius) Limited	1,62,20,000	1,62,20,000
Sakthi Sugars Limited	20,00,000	20,00,000
(iii) 15% Participatory Cumulative Convertible Preference Shares		
Drawbridge Titanium Holdings (Mauritius) Limited	20,25,000	20,25,000



	As at 31.03.2012	(Rs.in lakhs) As at 31.03.2011
NOTE No. 2		
RESERVES AND SURPLUS		
Securities Premium Account		
Balance as per last Balance Sheet	<u>8493.15</u>	<u>8493.15</u>
	<u>8493.15</u>	<u>8493.15</u>
Debenture Redemption Reserve		
Balance as per last Balance Sheet	532.43	--
Created during the year	<u>359.11</u>	<u>532.43</u>
	<u>891.54</u>	<u>532.43</u>
Revaluation Reserve		
Balance as per last Balance Sheet	8654.90	9062.32
Add:- Created during the year	<u>22901.60</u>	<u>--</u>
	<u>31556.50</u>	<u>9062.32</u>
Less: Depreciation on Revalued Assets (Refer Note No. 25)	327.73	407.42
	<u>31228.77</u>	<u>8654.90</u>
Surplus		
Net Profit/Loss after tax	1093.15	2130.46
Less: Transfer to Debenture redemption reserve	<u>359.11</u>	<u>532.43</u>
	734.04	1598.03
Less: Balance as per last Balance Sheet	<u>(1016.12)</u>	<u>(2614.15)</u>
	<u>(282.08)</u>	<u>(1016.12)</u>
TOTAL	<u>40331.38</u>	<u>16664.36</u>
NOTE No. 3		
LONG TERM BORROWINGS		
(a) Debentures		
Secured Redeemable Non-convertible Debentures	<u>1713.27</u>	<u>380.68</u>
(b) Term Loans		
Secured Loans		
From Banks	<u>10193.74</u>	<u>10144.57</u>
Unsecured Loans		
From Banks	328.12	348.61
From Other Parties	<u>447.33</u>	<u>575.29</u>
	<u>775.45</u>	<u>923.90</u>
	<u>10969.19</u>	<u>11068.47</u>
(c) Loans and Advances from related parties (for details please see Note No.33)	<u>14972.60</u>	<u>15444.42</u>
(d) Long term maturities of finance lease obligations	11.72	21.91
TOTAL	<u>27666.78</u>	<u>26915.48</u>



NATURE OF SECURITY AND OTHER TERMS OF LONG TERM BORROWINGS:

(A) DEBENTURES:

Following Series of 13% Secured Redeemable Non-convertible Cumulative Debentures of Rs.100 each (SRNCD) aggregating to Rs.1468.69 lakhs and 13% Secured Redeemable Non-convertible Non cumulative Debentures of Rs.100 each (SRNNCD) aggregating to Rs.244.58 lakhs (Previous year 12% SRNCD, aggregating to Rs. 380.68 lakhs) are secured by residual charges on the immovable properties of the Company situated at Koonampatti Village, Tirupur Dist, Tamil Nadu and are redeemable on maturity date mentioned against each series.

Series	31.03.2012			31.03.2011		
	No. of Debentures	Amount outstanding (Rs.in lakhs)	Maturity date	No. of Debentures	Amount outstanding (Rs. in lakhs)	Maturity date
12 % SRNCD:						
XXIX				104700	104.70	29/06/2012
XXVIII				99680	99.68	24/06/2012
XXVII				81200	81.20	14/06/2012
XXVI				95100	95.10	31/05/2012
13% SRNCD:						
LXVII	71380	71.38	25/06/2013			
LXVI	68700	68.70	18/06/2013			
LXV	80940	80.94	08/06/2013			
LXIV	55930	55.93	07/06/2013			
LXIII	65480	65.48	23/05/2013			
LXII	70720	70.72	22/05/2013			
LXI	72940	72.94	21/05/2013			
LX	68110	68.11	17/05/2013			
LVIX	58250	58.25	12/05/2013			
LVIII	111130	111.13	06/05/2013			
LVII	72160	72.16	03/05/2013			
LVI	112350	112.35	02/05/2013			
LV	82310	82.31	30/04/2013			
LIV	90820	90.82	26/04/2013			
LIII	76170	76.17	24/04/2013			
LII	49760	49.76	20/04/2013			
L	65960	65.96	18/04/2013			
LI	61490	61.49	18/04/2013			
XLIX	69130	69.13	16/04/2013			
XLVIII	64960	64.96	03/04/2013			
	1468690	1468.69		380680	380.68	
13% SRNNCD:						
NC-II	138640	138.64	22/06/2013			
NC-I	105940	105.94	06/05/2013			
	244580	244.58				
Total		1713.27			380.68	

Interest is payable on maturity in respect of cumulative debentures and on quarterly basis in respect of non-cumulative debentures.



(B) SECURED LOANS FROM BANKS:

Nature of Security

Terms of Repayment

- | | |
|--|---|
| <p>1 Term loans amounting to Rs.1411.75 lakhs (Rs.1501.86 lakhs) are secured by:</p> <ul style="list-style-type: none">a) 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.b) Escrow of receivables from Maruti Suzuki India Ltd on pari passu with Axis Bank Ltd., for their Term Loan.c) Company's movable properties including movable machinery, machinery spares, tools and other current assets, both present and future, (except assets charged on exclusive basis) ranking pari passu with Bank of India. | <p>Repayable in 96 monthly instalments commencing from January 2011.
Rate of Interest : BR +4%</p> |
| <p>2 Term loans amounting to Rs. 4403.11 lakhs (Rs. 4684.24 lakhs) are secured by:</p> <ul style="list-style-type: none">a) 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.b) Escrow of receivables from Maruti Suzuki India Ltd on pari passu with Axis Bank Ltd., for their Term Loan.c) 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. | <p>Repayable in 96 monthly instalments commencing from January 2011.
Rate of Interest : BR +4%</p> |
| <p>3 Term loans amounting to Rs. 627.89 lakhs (Rs. 1465.08 lakhs) are secured by:</p> <ul style="list-style-type: none">a) 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.b) Second charge on the current assets ranking pari passu with Indian Overseas Bank (except assets charged on exclusive basis). | <p>24 equal monthly instalments beginning from six months of the first drawdown or September 2007 whichever is earlier.

Rate of Interest : 250 BPS Over 3 Months LIBOR</p> |
| <p>4 Term loans amounting to Rs. 3750.99 lakhs (Rs. 2347.53 lakhs) are secured by:</p> <ul style="list-style-type: none">a) Exclusive charge on the Machineries purchased out of the term loan.b) Escrow of receivables from Iljin Automotive P Ltd, General Motors India Ltd, Mahindra Renault P Ltd, Mahindra and Mahindra and Haldex India Ltd. | <p>60 equal monthly instalments beginning from 31st January 2012
Rate of Interest : BR +4.50%</p> |



5. Term loan amounting to Nil (Rs.48.68 lakhs) is secured by:
- a) 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; 36 equal monthly instalments beginning from April 2010.
Rate of Interest : BR +3.75%
 - b) Escrow of receivables from Maruti Suzuki India Ltd on pari passu basis with Axis Bank Ltd., for their Term loan;
 - c) 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.
6. Term loan amounting to Nil (Rs.97.18 lakhs) is secured by:
- a) 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; 36 equal monthly instalments beginning from November 2009.
Rate of Interest : BR +2.75%
 - b) Escrowing of receivables from Maruti Suzuki India Ltd and Honda Siel Cars ranking pari passu with Indian Overseas Bank and receivables from Metaldyne & TAFE.
7. Guarantees given by Directors/Others:
- a) Term Loans amounting to Rs.5814.86 lakhs (Rs.6186.10 lakhs) are guaranteed by Chairman and Managing Director, Sri.M.Balasubramaniam and Sri. M. Srinivaasan, Directors.
 - b) Term Loans amounting to Rs.4378.88 lakhs (Rs.3958.47 lakhs) are guaranteed by Chairman and Managing Director.
 - c) Term Loans amounting to Rs.6442.75 lakhs (Rs. 7651.18 lakhs) are further guaranteed by the holding company.

C) UNSECURED LOANS FROM BANKS:

Nature of Security

Terms of Repayment

- 1. Loan amounting to Rs.39.89 lakhs (Nil). 30 equal monthly installments beginning from September 2011.
- 2. Loan amounting to Rs.288.23 lakhs (Rs.348.61 lakhs) is secured by collateral security given by the holding company. 84 equal monthly installments beginning from May 2009.
- 3. Guarantees given by Directors/Others:
 - a) Loan amounting to Rs.288.23 lakhs (Rs.348.61 lakhs) is further guaranteed by the holding company.
 - b) Loan amounting to Rs.328.12 lakhs (Rs.348.61 lakhs) are guaranteed by the Chairman & Managing Director.

(D) UNSECURED LOANS FROM OTHER PARTIES:

Loan under Sales Tax Deferral amounting to Rs.447.33 lakhs (Rs.575.29 lakhs).

Installments beginning from December 2006 to April 2015.

(E) FINANCE LEASE OBLIGATIONS

The Hire Purchase Finance amounting to Rs. 11.72 lakhs (Rs. 21.91 lakhs) are secured by hypothecation of the vehicles so financed.

Repayable in 36 Monthly Instalments.



	As at 31.03.2012	(Rs. in lakhs) As at 31.03.2011
NOTE No. 4		
OTHER LONG TERM LIABILITIES		
Security Deposits	<u>19.33</u>	<u>10.88</u>
NOTE No. 5		
LONG TERM PROVISIONS		
Provision for employee benefits	<u>300.23</u>	<u>237.31</u>
NOTE No. 6		
SHORT TERM BORROWINGS		
(a) Loans Repayable on Demand		
Secured Loans		
From Banks	<u>6964.99</u>	<u>5634.70</u>
Unsecured Loans		
From Banks	2700.00	200.00
From other parties	2958.17	1537.84
	<u>5658.17</u>	<u>1737.84</u>
	<u>12623.16</u>	<u>7372.54</u>
(b) Loans and advances from related parties	868.85	896.22
(for details please refer Note No. 33)		
TOTAL	<u>13492.01</u>	<u>8268.76</u>
NATURE OF SECURITY FOR SHORT TERM BORROWINGS:		
(A) SECURED LOANS FROM BANKS:		
1 Working Capital Facility of Rs.1577.19 lakhs (Rs.1498.05 lakhs) is secured by		
a) 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 Thyssenkrupp Automotive Systems, Mexico, Haldex Brake Products, Sweeden, Gabriel De Columbia and Omnibus B.B transporters, Ecuador.		
b) Second charge on the fixed assets of the Company on pari passu with Bank of India (except asstes charged on exclusive basis).		
c) Second charge on the receivables of the Company on pari passu with Bank of India (except receivables charged to Central Bank of India) on first charge basis.		
2 Working Capital Facility amounting to Rs.3100.71 lakhs (Rs.2525.64 lakhs) is secured by escrow of receivables from Maruti Suzuki India Ltd, Honda Siel Cars and Bosch Chassis ranking pari passu with Axis Bank Ltd.		
3 Working Capital Facility amounting to Rs. 89.96 lakhs (Rs.310.40 lakhs) is secured by		
a) Exclusive charge by way of first security interest on bills drawn on GM Korea company, Korea.		
b) Second charge on inventory, other receivables and fixed assets of the Company ranking pari passu with Indian Overseas Bank.		
4 Working Capital Facility amounting to Rs. 1200.00 lakhs (Rs. 1202.89 lakhs) is secured by		
a) 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 & Mahindra.		
b) Exclusive charge on the specified plant and machinery.		



NOTE No. 6 (Contd.)

- 5 Working Capital Facility amounting to Rs. 300.00 lakhs (Nil) is secured by subservient charge on the current and movable fixed assets of the Company.
- 6 Letter of Credit facility of Rs. 697.13 lakhs (Rs. 97.72 lakhs) is secured by documents of title to goods/accepted hundies.
- 7 Guarantees given by Directors/Others:
 - a) Working Capital Facility outstanding amounting to Rs.5375.02 lakhs (Rs. 4121.40 lakhs) are guaranteed by Chairman and Managing Director, Sri.M.Balasubramaniam and Sri. M.Srinivaasan, Directors.
 - b) Working Capital Facility outstanding amounting to Rs.1589.97 lakhs (Rs. 1513.30 lakhs) are guaranteed by Chairman and Managing Director.
 - c) Working Capital Facility outstanding amounting to Rs.1577.19 lakhs (Rs. 1498.05 lakhs) are further guaranteed by holding company.

(B) UNSECURED LOAN FROM BANKS

Unsecured loan amounting to Rs. 2500 lakhs (Nil) is secured by a collateral security and corporate guarantee provided by a promoter company and an amount of Rs. 200 lakhs (Rs. 200 lakhs) is secured by collateral security and corporate guarantee by a Promoter company and personal guarantee of the Chairman and Managing Director.

	(Rs. in lakhs)	
	As at	As at
	31.03.2012	31.03.2011

NOTE No. 7

OTHER CURRENT LIABILITIES

Current Maturities of long term debts	4413.26	3544.57
Current Maturities of finance lease obligations	17.20	20.25
Interest accrued but not due on borrowings	183.19	105.52
Interest accrued and due on borrowings	274.53	108.54
Unclaimed interest on matured deposits	0.24	0.26
Other payables:		
Statutory remittance	199.07	101.28
Advance from customers	255.45	52.87
Other liabilities	513.53	328.83
Liabilities for capital expenditure	523.32	149.33
	1491.37	632.31
TOTAL	6379.79	4411.45

NOTE No. 8

SHORT TERM PROVISIONS

Provision for employee benefits	9.78	9.97
Provision for expenses	992.64	1327.88
	1002.42	1337.85
TOTAL	1002.42	1337.85



**NOTE No. 9
TANGIBLE ASSETS**

(Rs. in lakhs)

PARTICULARS	GROSS BLOCK			DEPRECIATION			INCREASE DUE TO REVALUATION	NET BLOCK	
	AS ON 01.04.2011	ADDITIONS	DELETIONS/ADJUSTMENTS	AS ON 31.03.2012	UPTO 31.03.2011	WITH-DRAWN		UPTO 31.03.2012	AS ON 31.03.2011
Revalued Assets:									
Land	3900.00	-	-	3900.00	-	-	-	3900.00	15550.00
Buildings	4386.00	823.74	-	5209.74	299.91	148.88	448.79	4086.09	6174.56
Plant and equipment	24413.03	5701.82	-	30114.85	2745.06	1432.34	4177.40	21667.97	35775.44
	32699.03	6525.56	-	39224.59	3044.97	1581.22	4626.19	29654.06	57500.00
Non Revalued Assets:									
Machine tools & implements	2305.78	411.24	-	2717.02	276.07	146.21	422.28	2029.71	2294.74
Furniture and fixtures	43.27	1.05	-	44.32	22.17	2.15	24.32	21.10	20.00
Vehicles	184.90	14.75	0.01	199.64	60.44	19.73	80.16	124.46	119.48
Office equipments	308.93	57.06	-	365.99	120.81	29.57	150.38	188.12	215.61
	2842.88	484.10	0.01	3326.97	479.49	197.66	677.14	2363.39	2649.83
Total	35541.91	7009.66	0.01	42551.56	3524.46	1778.88	5303.33	32017.45	60149.83
Work in Progress	1241.49	76.34	1241.49	76.34	-	-	-	1241.49	76.34
Total for the year	36783.40	7086.00	1241.50	42627.90	3524.46	1778.88	5303.33	33258.94	60226.17
Total for the previous year	33952.08	2831.43	0.11	36783.40	1589.78	1934.68	3524.46	32362.30	33258.94

Note: 1) Land, Buildings, Plant and Equipment have been revalued by an external valuer as on 31.12.2008 and 31.03.2012. Other assets are shown at Written Down book Value.

2) The Net Increase on revaluation on the above dates amounting to Rs.9389.16 lakhs and Rs.22901.60 lakhs respectively have been credited to Revaluation Reserve.

**NOTE No. 10
INTANGIBLE ASSETS**

(Rs. in lakhs)

PARTICULARS	GROSS BLOCK			AMORTISATION			NET BLOCK		
	AS ON 01.04.2011	ADDITION	DELETIONS	AS ON 31.03.2012	UPTO 31.03.2011	FOR THE YEAR	UPTO 31.03.2012	AS ON 31.03.2011	AS ON 31.03.2012
Product Development	3320.40	535.79	-	3856.19	1429.58	332.04	1761.62	1890.82	2094.57
Total for the year	3320.40	535.79	-	3856.19	1429.58	332.04	1761.62	1890.82	2094.57
Total for the previous year	3008.13	247.12	-	3255.25	1053.56	376.02	1429.58	1954.57	1825.67



	As at 31.03.2012	(Rs. in lakhs) As at 31.03.2011
NOTE No. 11		
NON-CURRENT INVESTMENTS - At Cost		
A) Investment in Equity Instruments		
Unquoted		
(i) Subsidiaries		
Sakthi Auto Ancillary Private Ltd 536920 shares of Rs.10 each	62.40	62.40
Orlandofin B.V. 18000 shares of 1 Euro each	32947.33	29494.02
Sakthi Auto Mauritius Limited 5001 shares of 1 USD each	2.26	2.26
	<u>33011.99</u>	<u>29558.68</u>
(ii) Other		
Shamrao Vithal Co-op Bank Ltd 4000 shares of Rs.25 each	1.00	1.00
Total of Unquoted Investments	<u>33012.99</u>	<u>29559.68</u>
B) Investment in Preference Shares		
Subsidiaries		
Sakthi Auto Ancillary Private Ltd 23,55,430 10% Preference Shares	235.54	235.54
Sakthi Auto Ancillary Private Ltd 2,00,000 1% Preference Shares of Rs. 10 each	12.00	12.00
Total of Preference shares	<u>247.54</u>	<u>247.54</u>
C) Investment in Government Securities		
National Savings Certificates (VIII Series)	0.02	0.02
TOTAL	<u>33260.55</u>	<u>29807.24</u>
Aggregate amount of Quoted Investments	--	--
Aggregate amount of Unquoted Investments	33260.55	29807.24
Provisions for diminution in value of Investments	--	--
NOTE No. 12		
LONG TERM LOANS AND ADVANCES - Unsecured, considered good		
a) Capital advances	532.44	1643.39
b) Security deposits	729.41	620.47
c) Loans and advances to related parties (for details please see note no.33)	1024.68	983.67
d) Other loans and advances:		
Advance for purchases and others	--	3106.44
Advance Income-tax (Net of provisions)	1015.25	1103.73
	<u>1015.25</u>	<u>4210.17</u>
TOTAL	<u>3301.78</u>	<u>7457.70</u>



	As at 31.03.2012	(Rs.in lakhs) As at 31.03.2011
NOTE No. 13		
OTHER NON-CURRENT ASSETS		
Sundry deposits	<u>543.71</u>	<u>543.71</u>
TOTAL	<u>543.71</u>	<u>543.71</u>
 NOTE No. 14		
INVENTORIES		
(a) Raw Materials:		
Steel scrap, Pig Iron and others	630.53	634.28
(b) Work in Progress:		
Iron castings	69.52	87.85
(c) Finished goods:		
Iron castings	7213.75	5538.31
(d) Stores and spares	670.23	878.37
TOTAL	<u>8584.03</u>	<u>7138.81</u>
For mode of valuation please refer Sl. No. 2 in Significant Accounting Policies.		
NOTE No. 15		
TRADE RECEIVABLES - Unsecured, considered good		
Trade receivables outstanding for a period exceeding six months	68.87	22.26
Trade receivables outstanding for a period less than six months	8174.82	5478.57
TOTAL	<u>8243.69</u>	<u>5500.83</u>
 NOTE No. 16		
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents :		
Balances with Banks	425.07	387.92
EEFC Account	2.59	--
Cash on hand	3.34	2.84
Margin money with banks/security against borrowings	710.41	473.29
TOTAL	<u>1141.41</u>	<u>864.05</u>
Margin money with bank includes deposits with maturity period of more than 12 months of Rs. 12 lakhs (Rs. 413 lakhs)		



	As at 31.03.2012	(Rs. in lakhs) As at 31.03.2011
NOTE No. 17		
SHORT TERM LOANS AND ADVANCES - Unsecured, considered good		
Other Loans and Advances:		
Loans and advance due by officers	38.77	24.32
Prepaid expenses	276.73	179.18
Deposits with Government authorities	286.65	278.51
Advance for purchases and others	658.27	347.03
TOTAL	<u>1260.42</u>	<u>829.04</u>
NOTE No. 18		
OTHER CURRENT ASSETS		
Outstanding income and interest receivable	<u>297.76</u>	<u>291.22</u>
	Year ended 31.03.2012 (12 months)	Year ended 31.03.2011 (15 months)
NOTE No. 19		
REVENUE FROM OPERATIONS		
a) Sale of products		
Manufactured Goods		
Iron castings	46490.92	49,876.21
Pattern sales	283.18	205.47
Total (a)	<u>46774.10</u>	<u>50081.68</u>
b) Other operating revenues		
Sale of used materials	837.50	570.31
Duty draw back/other export incentives	220.32	291.36
Total (b)	<u>1057.82</u>	<u>861.67</u>
Total (a+b)	<u>47831.92</u>	50,943.35
Less : Excise Duty	3951.72	3,990.13
TOTAL	<u>43880.20</u>	<u>46,953.22</u>
NOTE No. 20		
OTHER INCOME		
(a) Interest income	124.94	104.19
(b) Dividend income from non current investments	0.12	0.12
(c) Other non-operating income:		
Rent receipts	4.85	5.34
Manpower services	63.54	39.65
Sundry balance written off	5.79	78.31
TOTAL	<u>74.18</u>	<u>123.30</u>
	<u>199.24</u>	<u>227.61</u>



	Year Ended 31.03.2012 (12 Months)	(Rs. in lakhs) Year Ended 31.03.2011 (15 Months)
NOTE No. 21		
COST OF MATERIAL CONSUMED		
(a) Opening Stock:		
Steel scrap, pig iron & others	<u>634.28</u>	<u>380.46</u>
Total (a)	<u>634.28</u>	<u>380.46</u>
(b) Purchases:		
Steel scrap, pig iron & others	<u>13,206.29</u>	<u>12,609.52</u>
Total (b)	<u>13,206.29</u>	<u>12,609.52</u>
(c) Closing Stock:		
Steel scrap, pig iron & others	<u>630.53</u>	<u>634.28</u>
Total (c)	<u>630.53</u>	<u>634.28</u>
TOTAL (a+b-c)	<u>13,210.04</u>	<u>12,355.70</u>
NOTE No. 22		
CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS		
(a) Opening Stock		
Finished Goods		
Iron castings	5538.31	4,491.02
Work in Progress		
Iron castings	<u>87.85</u>	<u>71.49</u>
Total (a)	<u>5626.16</u>	<u>4,562.51</u>
(b) Closing Stock		
Finished Goods		
Iron castings	7213.75	5,538.31
Work in Progress		
Iron castings	<u>69.52</u>	<u>87.85</u>
Total (b)	<u>7283.27</u>	<u>5,626.16</u>
TOTAL (a-b)	<u>(1,657.11)</u>	<u>(1,063.65)</u>
NOTE No. 23		
EMPLOYEE BENEFITS EXPENSE		
Salaries and Wages	1442.90	1411.20
Contribution to Provident and other funds	105.25	115.06
Staff welfare expenses	<u>184.09</u>	<u>174.16</u>
TOTAL	<u>1,732.24</u>	<u>1700.42</u>



	Year Ended 31.03.2012 (12 Months)	(Rs. in lakhs) Year Ended 31.03.2011 (15 Months)
NOTE No. 24		
FINANCE COSTS		
Interest expense:		
On borrowings	3336.08	2,850.38
On trade payables	61.31	--
Other borrowing costs	25.28	95.52
Loss/Gain on foreign currency transaction	66.08	(13.84)
TOTAL	<u>3488.75</u>	<u>2932.06</u>
NOTE No. 25		
DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation	1778.86	1934.68
Less : Transfer to Revaluation reserve	<u>327.73</u>	<u>407.42</u>
	1451.13	1527.26
Amortisation expense	<u>332.04</u>	<u>376.02</u>
TOTAL	<u>1783.17</u>	<u>1903.28</u>
NOTE No. 26		
OTHER EXPENSES		
Manufacturing Expenses :		
Consumption of stores and spares	10729.62	12,819.60
Power and fuel	6088.04	6,534.59
Water charges	60.34	61.33
Fettling charges	1503.02	1,643.91
Rent	82.44	21.76
Repairs to buildings	40.06	58.48
Repairs to machinery	930.38	1,104.08
Repairs to others	131.22	127.56
Insurance	41.20	47.63
Rates and taxes excluding taxes on income	22.72	36.07
Royalty	27.11	34.80
Selling and distribution expenses :		
Packing materials	1293.97	1,499.51
Selling and distribution expenses	58.30	42.08
Freight and transport on finished goods	1680.11	1,979.09
Other Administrative expenses :		
Travelling expenses	162.85	198.37
Printing, postage, telephone & telex	54.32	58.15
Freight and transport	124.00	153.20
Donation	47.96	--



	Year Ended 31.03.2012 (12 Months)	(Rs. in lakhs) Year Ended 31.03.2011 (15 Months)
NOTE No. 26 (Contd.)		
Legal and Professional charges	116.46	108.17
Excise Duty on stock adjustments (Net)	234.88	122.10
Administrative and other expenses	88.56	103.36
Bank charges	64.46	104.36
Payment to Auditor		
As Auditors	10.00	12.50
Taxation matters	2.85	1.88
Management services & others	1.49	1.13
Service tax	1.51	1.68
Reimbursement of expenses	0.05	0.09
Managerial remuneration	--	14.09
Directors sitting fees	4.80	2.95
Deferred revenue expenditure written off	26.62	88.10
Irrecoverable advances written off	2.40	40.55
TOTAL	<u>23631.74</u>	<u>27,021.17</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS

	(Rs. in lakhs)	
Particulars	Year ended 31 st March 2012 (12 Months)	Year ended 31 st March 2011 (15 Months)
27. Value of imports calculated on C.I.F. basis:		
(i) Stores and spares	111.73	467.07
(ii) Capital goods	1929.36	64.61
28. Expenditure in foreign currency:		
(i) Travelling expenses	20.07	38.43
(ii) Royalty	10.44	--
(iii) Professional consultancy charges	55.88	65.91
(iv) Interest	58.40	101.16
(v) Ware house rent	72.46	--
(vi) Terminal Handling, testing charges and others	40.95	10.88
Total	<u>258.20</u>	<u>216.38</u>



(Rs. in lakhs)

Particulars	Year Ended 31.03.2012 (12 Months)		Year Ended 31.03.2011 (15 Months)	
	Value	%	Value	%
29. Value of Raw materials, Chemicals and Stores and Spares Consumed:				
Raw Material and Chemicals :				
Imported	4.54	0.03	15.17	0.12
Indigenous	13205.50	99.97	12340.53	99.88
Total	13210.04	100.00	12355.70	100.00
Stores and Spares :				
Imported	227.52	2.12	472.51	3.69
Indigenous	10502.10	97.88	12347.09	96.31
Total	10729.62	100.00	12819.60	100.00

(Rs. in lakhs)

Particulars	Year ended 31 st March 2012 (12 Months)	Year ended 31 st March 2011 (15 Months)
30. Earnings in Foreign Currency on account of:		
FOB value of exports	7145.39	8193.45

31. Employee Benefits:

Gratuity and Provident Fund:

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

(Rs. in lakhs)

Particulars	31.03.2012 (12Months)	31.03.2011 (15Months)
Gratuity	34.22	23.23
Provident Fund	87.73	116.57
Employees State Insurance	25.84	19.09

Disclosure report under Accounting Standard-15 – Leave Salary

Type of Plan: Long Term Compensated Absence as per Actuarial valuation

(Rs. in lakhs)

Particulars	31.03.2012	31.03.2011
I Principal Actuarial Assumptions (Expressed as weighted average)		
Discount Rate	8.00%	8.00%
Salary escalation rate	7.00%	6.50%
Attrition rate	3.00%	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	46.34	34.97
Interest Cost	3.57	2.68
Current Service Cost	7.94	5.73



Disclosure report under Accounting Standard-15 – Leave Salary (Contd.)

(Rs. in lakhs)

Particulars	31.03.2012	31.03.2011
Past Service cost-(non vested benefits)	--	--
Past service cost-(vested benefits)	--	--
Benefits paid	(3.52)	(3.07)
Actuarial loss/ (gain) on obligation (balancing figure)	13.05	6.03
PVO as at the end of the period	67.38	46.34
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	3.52	3.07
Benefits paid	(3.52)	(3.07)
Actuarial gain/ (loss) on obligation (balancing figure)	--	--
Fair value on plan assets as at the end of the period	--	--
IV Actual Return on Plan Assets		
Expected return on plan assets	--	--
Actuarial gain/(loss) on plan assets	--	--
Actual return on plan assets	--	--
V Actual Gain/ Loss Recognized		
Actuarial gain/(loss) for the period-Obligation	13.05	6.03
Actuarial gain/(loss) for the period-Plan Assets	--	--
Total (gain)/loss for the period	13.05	6.03
Actuarial (gain) /loss recognized in the period	13.05	6.03
Unrecognized actuarial(gain)/ loss at the end of the year	--	--
VI Amounts Recognised in the Balance Sheet and Related Analyses		
Present value of the obligation	67.38	46.34
Fair value of plan assets	--	--
Difference	67.38	46.34
Unrecognised transitional liability	--	--
Unrecognised past service cost-non vested benefits	--	--
Liability recognized in the balance sheet	67.38	46.34
VII Expenses Recognised in the Statement of Profit and Loss		
Current service cost	7.94	5.73
Interest Cost	3.57	2.68
Expected return on plan assets	--	--
Net actuarial (gain)/loss recognised in the year	13.05	6.03
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	24.56	14.44



Disclosure report under Accounting Standard-15 – Leave Salary (Contd.)

(Rs. in lakhs)

Particulars	31.03.2012	31.03.2011
VIII Movements in the Liability Recognized in the Balance Sheet		
Opening net liability	46.34	34.97
Expenses as above	24.56	14.44
Contribution paid	(3.52)	(3.07)
Closing net liability	67.38	46.34
IX Amount for the Current Period		
Present value of obligation	67.38	46.34
Plan Assets	--	--
Surplus(Deficit)	(67.38)	(46.34)
X Major Categories Of Plan Assets (As Percentage of Total Plan Assets)	NIL	Nil

32. The Company has secondary Geographical Market

(Rs. in lakhs)

Particulars	31.03.2012 (12Months)	31.03.2011 (15Months)
Outside India	7145.39	8251.66
In India	36734.81	38701.57

33. 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. Associates

ABT Limited

ABT Industries Limited

Sakthi Finance Limited

Nachimuthu Industrial Association

d. Key Managerial Personnel (KMP)

Dr. M Manickam, Chairman and Managing Director

Sri M Balasubramaniam, Director

Sri M Srinivaasan, Director

e. Relatives of Key Managerial Personnel

There has been no transaction with the relatives of key managerial personnel

f. Enterprises in which KMP/relatives of KMP have significant influence

N.Mahalingam & Company

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



II. Related Parties Transactions :

(Rs. in lakhs)

Nature of Transactions	Holding Company	Subsidiaries	Associates	Key Managerial Personnel	Relatives of Key Managerial Personnel	Entities in which KMP/relatives of KMP have significant influence	Total
Purchase							
Purchase of Materials	16.98 (25.82)						16.98 (25.82)
Purchase of Power	149.13 (350.87)						149.13 (350.87)
Sales							
Sales of Materials	3.56 (4.96)	573.17 (331.73)					576.73 (336.69)
Receiving of services							
Conversion charges		1896.07 (2645.72)					1896.07 (2645.72)
Interest			177.14 (176.54)				177.14 (176.54)
Fettling charges			- (26.63)				- (26.63)
Printing charges			5.43 (12.56)				5.43 (12.56)
Lease Rent			3.60 (3.00)				3.60 (3.00)
Vehicle Purchase/ Maintenance			4.08 (20.19)			34.25 (12.37)	38.33 (32.56)
Transport charges			15.96 --				15.96 --
Servicing of vehicles			3.59 (28.96)				3.59 (28.96)
Others			3.14 (2.62)				3.14 (2.62)
Managerial Remuneration							
Remuneration to Chairman & Managing Director				-- (14.09)			-- (14.09)
Sitting Fees					2.10 (0.80)		2.10 (0.80)
Investment							
Orlandofin B.V		3453.31 (2192.43)					3453.31 (2192.43)
Sakthi Auto Mauritius Ltd.		-- (2.26)					-- (2.26)
Balance outstanding at the end of the year							
Payable to Key Managerial Personnel				5.87 (7.18)			5.87 (7.18)
Loans and advances		1024.68 (983.67)					1024.68 (983.67)
Borrowing	13111.11 (13753.31)	576.85 (882.89)	2153.49 (1704.43)				15841.45 (16340.64)

Figures in brackets are that of the previous year



34. Earnings per Share:

Particulars	2011-12 (12 Months)	2010-11 (15 Months)
Basic :		
a) Net Profit as per the Statement of Profit and Loss (Rs. in lakhs)	1093.15	2130.52
b) Less: Dividend attributable to Preference shareholders (including tax)	4039.91	3526.08
c) Net Profit/loss after Preference Dividend	(2946.76)	(1395.58)
d) No. of Equity Shares - Basic	43860000	43860000
e) Nominal value per Equity Share (Rs.)	10	10
f) Earnings per Share Basic (Rs.)	(6.72)	(3.18)
Diluted :		
a) Net Profit Attributable (Rs. in lakhs)	1093.15	2130.52
b) Weighted average number of shares	246310000	246310000
c) Earnings per Share (Diluted) (Rs.)	0.44	0.86

35. Deferred Tax:

(Rs. in lakhs)

Particulars	31.03.2012	31.03.2011
A) Deferred Tax Liability:		
Arising out of depreciation of Fixed Assets (Net)	2365.49	1868.38
Difference in treatment of expenses/income (Net)	278.89	217.90
Total	2644.38	2086.28
B) Deferred Tax Asset:		
Carried forward losses/expenses	2012.93	2252.28
Net Deferred Tax Liability (+) /Asset (-)	631.45	(166.00)

36. Contingent Liabilities:

(Rs. in lakhs)

Particulars	31.03.2012	31.03.2011
A) Claims against the Company not acknowledged as debts:-		
(i) Income tax matters	61.56	32.63
(ii) Sales tax matters	85.12	85.12
(iii) Service tax matters	343.97	244.08
(iv) Electricity tax	81.63	55.69
B) Guarantees issued by bankers	28.35	28.35
C) Corporate guarantee given for loans to subsidiaries		
(i) Guarantee amount	57895.00	26855.00
(ii) Outstanding amount	43323.78	26946.40
D) Export obligation		
Duty component to be paid in case of non fulfillment of obligation	188.64	341.00

37. Commitments:

(Rs. in lakhs)

Particulars	31.03.2012	31.03.2011
Estimated amount of contracts remaining to be executed on capital account and not provided for	1717.48	3805.43



38. Borrowing cost capitalised during the year Rs. 510.76 lakhs (Rs. 121.12 lakhs)

39. Micro, Small and Medium Enterprises Development Act, 2006

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 have not been made.

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

During the year , a 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.

41. During the year under review, the Company has opted to recognize foreign exchange fluctuation based on maturity of obligations in conformity with the option given by Notification No: GSR 913(E) dated 29th December 2011 issued by Ministry of Corporate Affairs.

42. The Revised Schedule VI has become effective from 1st April 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / restated wherever necessary to correspond with the current year's classification/ disclosure.

43. Current year figures are not comparable with the previous year figures as the current year is for a period of 12 months whereas previous year figures are for a period of 15 months.

Vide our report annexed

For P N RAGHAVENDRA RAO & Co

Chartered Accountants

(ICAI Regn. No. : FRN003328S)

P R VITTEL

Partner

M.No. 018111

Coimbatore

30th May 2012

M MANICKAM

Chairman & Managing Director

C RANGAMANI

Director

S KAVITHA

Company Secretary



SIGNIFICANT 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. Investment :

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.
- d. The Excise duty on sale of Finished Goods is deducted from turnover to arrive at the net sales as shown in the Statement of Profit and Loss.

b) Expenditure Recognition:

The Excise Duty appearing in the Statement of Profit and Loss as an expenditure represents Excise duty provisions for difference between opening and closing stock of Finished Goods.

**9. Foreign Currency Transactions:**

Recognition of foreign exchange fluctuation is based on the maturity of obligations.

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 statement of profit and loss.

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 31.03.2012.

11. 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.

12. Earnings 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 statement of profit and loss.



STATEMENT OF INFORMATION OF SUBSIDIARY COMPANIES

(Rs. in lakhs)

Name of the Subsidiary Company	Sakthi Auto Ancillary Pvt. Ltd	Orlandofin BV	Sakthi Netherlands BV	Sakthi European Foreign Sales Corpn BV	Sakthi Holdings BV	Sakthi Service GmbH	Sakthi Portugal SA	Sakthi Auto Mauritius Ltd
	a	b	c	d	e	f	g	h
Financial Year ended	31.03.2012	31.12.2011	31.12.2011	31.12.2011	31.12.2011	31.12.2011	31.12.2011	31.12.2011
Share Capital	359.13	12.30	20.16	12.44	12.30	18.45	4124.63	2.56
Reserves	836.10	20095.24	65211.52	65549.00	39122.67	15841.96	10487.64	(26.95)
Total Assets	5558.17	49182.77	77829.18	65631.58	45408.60	15900.56	49073.67	6.30
Total Liabilities	4362.94	29075.23	12597.50	70.14	6273.62	40.14	34461.39	30.70
Details of Investments (except investment in subsidiaries)	--	--	--	--	--	--	--	--
Turnover	7125.10	--	--	--	--	--	54244.48	--
Profit before taxation	223.80	(1782.98)	(199.02)	(9.85)	(10.10)	(3.67)	60.31	(7.78)
Provision for taxation	59.50	--	--	--	--	--	(135.89)	--
Profit after taxation	164.30	(1782.98)	(199.02)	(9.85)	(10.10)	(3.67)	196.20	(7.78)
Proposed dividend	--	--	--	--	--	--	--	--

Note: In respect of subsidiaries under b to h, the financial statements are translated at the exchange rate as on 31.03.2012 i.e. EUR 1 = Rs 68.34 and USD 1 = Rs. 51.16.



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 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year 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 eight of the subsidiaries viz Sakthi Auto Ancillary P Ltd, Sakthi Portugal SA, Orlandofin BV, Sakthi Netherlands BV, Sakthi European Foreign Sales Corporation BV, Sakthi Holding BV, Sakthi Service GmbH and Sakthi Auto Mauritius Ltd whose financial statements reflects total assets of Rs. 968.19 crores as at 31st March 2012 with respect to Sakthi Auto Ancillary P Limited and 31st December 2011 with respect to other companies, total revenue of Rs 621.99 crores and net cash flow of Rs. 0.57 crore for the period then ended.

With respect to three of the subsidiaries viz., Sakthi Auto Ancillary P Ltd, Sakthi Portugal SA and Sakthi Auto Mauritius Ltd 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

In Orlandofin BV Netherlands, a wholly owned subsidiary, an Investment of Rs.329.47 crores has been made and loan of Rs.10.25 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 31.03.2012,
- ii) In the case of the Consolidated Statement of Profit and Loss, the consolidated PROFIT of Sakthi Auto Component Limited and its subsidiaries for the year 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 year ended on that date.

For P.N. RAGHAVENDRA RAO & CO
Chartered Accountants
(ICAI Regn. No.: FRN003328S)
P.R.VITTEL

Place : Coimbatore
Date : 30th May 2012

Partner
M.No.018111



CONSOLIDATED BALANCE SHEET AS AT 31.03.2012

(Rs. in lakhs)

	Note No.	As at 31.03.2012	As at 31.03.2011
I. EQUITY AND LIABILITIES			
(1) SHAREHOLDERS' FUNDS :			
(a) Share Capital	1	24,631.00	24,631.00
(b) Reserves and Surplus	2	36,990.82	14,449.14
		<u>61,621.82</u>	<u>39,080.14</u>
(2) MINORITY INTEREST		452.65	373.51
(3) NON-CURRENT LIABILITIES			
(a) Long-term borrowings	3	30,512.57	37,645.99
(b) Deferred tax liabilities (Net)		1,210.75	349.39
(c) Other Long term liabilities	4	625.27	628.71
(d) Long term Provisions	5	317.94	254.29
		<u>32,666.53</u>	<u>38,878.38</u>
(4) CURRENT LIABILITIES			
(a) Short-term borrowings	6	23,355.92	19,031.61
(b) Trade Payables		18,209.47	15,876.38
(c) Other current liabilities	7	39,757.46	27,617.26
(d) Short term Provisions	8	4,850.13	3,887.62
		<u>86,172.98</u>	<u>66,412.87</u>
TOTAL (1 to 4)		<u>180,913.98</u>	<u>144,744.90</u>
II. ASSETS			
(1) NON-CURRENT ASSETS			
(a) Fixed Assets			
(i) Tangible Assets	9	85,307.08	56,349.43
(ii) Intangible Assets	10	2,493.56	2,682.50
(iii) Capital work-in-progress		764.54	1,508.57
		<u>88,565.18</u>	<u>60,540.50</u>
(b) Non-current investments	11	45,468.40	42,080.04
(c) Long term loans and advances	12	3,198.43	7,032.68
(d) Other non-current assets	13	543.71	543.71
		<u>137,775.72</u>	<u>110,196.93</u>
(2) CURRENT ASSETS			
(a) Inventories	14	23,484.15	18,086.55
(b) Trade receivables	15	13,678.53	11,699.90
(c) Cash and cash equivalents	16	2,969.60	2,749.50
(d) Short term loans and advances	17	2,708.22	1,720.80
(e) Other current assets	18	297.76	291.22
		<u>43,138.26</u>	<u>34,547.97</u>
TOTAL (1 and 2)		<u>180,913.98</u>	<u>144,744.90</u>

The Notes form part of these financial statements.

Vide our report annexed
For P N RAGHAVENDRA RAO & Co
Chartered Accountants
(ICAI Regn. No.: FRN003328S)
P R VITTEL
Partner
M.No. 018111
Coimbatore
30th May 2012

M MANICKAM
Chairman & Managing Director

C RANGAMANI
Director

S KAVITHA
Company Secretary



Sakthi Auto Component Limited

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2012

		(Rs. in lakhs)	
	Note No.	Year Ended 31.03.2012 (12 Months)	Year Ended 31.03.2011 (15 Months)
I. Revenue from Operations (Gross)		107,620.51	97,890.95
Less : Excise duty		4,839.96	4,969.90
Revenue from Operations (Net)	19	102,780.55	92,921.05
II. Other Income	20	1,034.04	1,078.23
III. Total Revenue (I + II)		103,814.58	93,999.28
IV. Expenses			
Cost of material consumed	21	42,059.57	32,348.84
Changes in inventories of finished goods, work in progress and stock in trade	22	(3,815.34)	(1,633.58)
Employee benefits expense	23	11,415.02	10,330.67
Finance costs	24	6,738.89	5,418.97
Depreciation and amortisation expense	25	4,757.38	4,991.85
Other expenses	26	42,497.75	41,451.17
Total expenses		103,653.27	92,907.91
V. Profit before exceptional and extraordinary items and tax (III-IV)		161.31	1,091.37
VI. Exceptional Items		-	-
VII. Profit before extraordinary items and tax (V-VI)		161.31	1,091.37
VIII. Extraordinary items		-	-
IX. Profit before tax (VII-VIII)		161.31	1,091.37
X. Tax Expenses:			
1. Current Tax		438.70	591.03
Mat Credit Entitlement		(423.01)	(532.50)
2. Deferred Tax		705.38	361.67
		721.07	420.20
XI. Profit after tax (IX-X)		(559.76)	671.17
XII. Minority interest		79.15	65.58
XIII. Profit after tax (after adjustment of Minority interest)		(638.91)	605.59
XIV. Earning per equity share of Rs. 10/- each			
1. Basic		(10.67)	(6.66)
2. Diluted		(0.26)	0.25

The Notes form part of these financial statements.

Vide our report annexed

For P N RAGHAVENDRA RAO & Co

Chartered Accountants

(ICAI Regn. No.: FRN 003328S)

P R VITTEL

Partner

M.No. 018111

Coimbatore

30th May 2012

M MANICKAM

Chairman & Managing Director

C RANGAMANI

Director

S KAVITHA

Company Secretary



Sakthi Auto Component Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

Particulars	(Rs. in lakhs)	
	2011-12 (12 months)	2010-11 (15 months)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax as per Statement of Profit and Loss	161.31	1,091.37
Adjustment for:		
Depreciation and Amortisation Expenses	4,757.38	4,991.85
Finance Costs	6,738.89	5,418.97
Miscellaneous Expenses & Other exp. written off	26.62	88.10
Loss on Sale of Assets	425.87	-
Dividend Income	(0.12)	(0.12)
Interest Income	(415.45)	(244.82)
Operating Profit before Working Capital Changes	<u>11,694.50</u>	<u>11,345.35</u>
Adjustment for:		
Inventories	(5,397.61)	(2,366.50)
Trade and Other Receivables	(1,978.63)	(1,368.95)
Other Current Assets	(6.54)	(813.28)
Loans and Advances	2,731.73	(546.45)
Trade and Other Payables	4,825.49	2,546.39
Misc. Expenditure Paid	-	272.51
Intangible Assets	(723.89)	(908.53)
Cash Generated from Operations	<u>11,145.05</u>	<u>8,160.54</u>
Foreign Exchange Fluctuation (net)	(63.85)	68.30
Income Tax Paid	<u>72.79</u>	<u>295.78</u>
Net Cash from Operating Activities	<u>11,153.99</u>	<u>8,524.62</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(8,055.60)	(4,078.92)
Sale of Fixed Assets	11.90	1,357.77
Investment Income	415.57	244.94
Sale / Purchase of Investments	(4,428.24)	(153.31)
Net Cash used in investing Activities	<u>(12,056.37)</u>	<u>(2,629.52)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Finance Costs Paid	(6,189.99)	(5,003.01)
Loss due to Foreign Exchange Fluctuation	(62.43)	(75.04)
Proceeds from Long Term Borrowings	3,817.50	4,786.29
Repayment of Long Term Borrowings	(766.91)	(6,264.84)
Short Term Borrowings (net)	<u>4,324.31</u>	<u>1,366.61</u>
Net Cash (used in) / from Financing Activities	<u>1,122.48</u>	<u>(5,189.99)</u>
Net Increase in Cash and Cash Equivalents	220.10	705.11
Opening Balance of Cash and Cash Equivalents	2,749.50	2,044.39
Closing Balance of Cash and Cash Equivalents	<u>2,969.60</u>	<u>2,749.50</u>

Vide our report annexed

For P N RAGHAVENDRA RAO & Co

Chartered Accountants

(ICAI Regn. No.: FRN003328S)

P R VITTEL

Partner

M.No. 018111

Coimbatore

30th May 2012

M MANICKAM

Chairman & Managing Director

C RANGAMANI

Director

S KAVITHA

Company Secretary



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in lakhs)

	As at 31.03.2012	As at 31.03.2011
NOTE No. 1		
SHARE CAPITAL		
Authorised		
5,00,00,000 Equity Shares of Rs.10 each (5,00,00,000)	5,000.00	5,000.00
2,25,00,000 Preference Shares of Rs. 100 each (2,25,00,000)	22,500.00	22,500.00
	<u>27,500.00</u>	<u>27,500.00</u>
Issued, Subscribed and Paidup		
4,38,60,000 Equity Shares of Rs.10 each fully paid up (4,38,60,000)	4,386.00	4,386.00
60,82,500 Series A 15% Participatory Cumulative optionally (60,82,500) Convertible Preference Shares of Rs. 100 each fully paid up	6,082.50	6,082.50
1,01,37,500 Series B 15% Participatory Cumulative optionally (101,37,500) Convertible Preference Shares of Rs. 100 each fully paid up	10,137.50	10,137.50
20,00,000 Series C 15% Participatory Cumulative optionally (20,00,000) Convertible Preference Shares of Rs. 100 each fully paid up	2,000.00	2,000.00
12,15,000 Series I 15% Participatory Cumulative Convertible (12,15,000) Preference Shares of Rs. 100 each fully paid up	1,215.00	1,215.00
8,10,000 Series II 15% Participatory Cumulative Convertible (8,10,000) Preference Shares of Rs. 100 each fully paid up	810.00	810.00
TOTAL	<u>24,631.00</u>	<u>24,631.00</u>

Reconciliation of Number of Shares

	No. of shares	No. of shares
Equity shares at the beginning of the year	4,38,60,000	4,38,60,000
Equity shares at the end of the year	4,38,60,000	4,38,60,000
Preference shares at the beginning of the year	2,02,45,000	2,02,45,000
Preference shares at the end of the year	2,02,45,000	2,02,45,000

Rights, Preferences and Restrictions of each class of Shares

The Company has following three class of shares:

(i) Equity

The Company has only one class of Equity shares having face value of Rs.10 each. Each shareholder is eligible for one vote per share. Dividend is payable when it is recommended by the Board of Directors and approved by the Members at the Annual General Meeting. In the event of liquidation, the equity shareholders will get the remaining assets after payment of all the preferential amounts.

(ii) 15% Participatory Cumulative Optionally Convertible Preference Shares

The holder of this preference shares shall have right to vote on resolutions placed before the Company which directly affect their rights. Besides they get voting right as specified in Section 87(2) of the Companies Act, 1956. The dividend is payable when recommended by the Board and approved by the members at the Annual General Meeting. In the event of non-declaration of dividend, it gets accumulated. The holders of the preference shares have the right to participate in the profit as per the Subscription Agreement entered into between the shareholders and the Company.



All the Series of this class of Preference Shares are convertible into equity shares at the option of the holders of these shares on the terms as may be agreed to between the Company and the holders of this class of preference shares.

This class of preference shares have convertible/redeemable on 26.4.2012. However after 31.3.2012, the above preference shares have been made mandatorily convertible and the date of maturity/conversion has been extended to 26.4.2013.

(iii) 15% Participatory Cumulative Convertible Preference Shares

The holder of this preference shares shall have right to vote on resolutions placed before the Company which directly affect their rights. Besides they get voting right as specified in Section 87(2) of the Companies Act 1956. The dividend is payable when recommended by the Board and approved by the members at the Annual General Meeting. In the event of non-declaration of dividend, it gets accumulated. The holders of the preference shares have the right to participate in the profit as per the Subscription Agreement entered into between the shareholders and the Company.

Series I and II of this class of Preference Shares are convertible into equity shares on such terms as may be agreed to between the Company and the holders of this class of preference shares on or before the maturity/ conversion date viz. 18.3.2013.

Upon conversion of the preference shares mentioned in (ii) and (iii) above into equity shares, the holders of the preference shares will get the same rights as that of the equity shareholders of the Company.

Shares held by the holding company

	No. of shares	No. of shares
Sakthi Sugars Limited		
(i) Equity Shares	4,38,60,000	4,38,60,000
(ii) 15% Participatory Cumulative Optionally Convertible Preference Shares (Series c)	20,00,000	20,00,000

List of shareholders holding more than 5% of the total number of shares

(i) Equity shares		
Sakthi Sugars Limited	4,38,60,000	4,38,60,000
(ii) 15% Participatory Cumulative Optionally Convertible Preference Shares		
Drawbridge Titanium Holdings (Mauritius) Limited	1,62,20,000	1,62,20,000
Sakthi Sugars Limited	20,00,000	20,00,000
(iii) 15% Participatory Cumulative Convertible Preference Shares		
Drawbridge Titanium Holdings (Mauritius) Limited	20,25,000	20,25,000

NOTE No. 2

RESERVES AND SURPLUS

(Rs. in lakhs)
As at 31.03.2012 As at 31.03.2011

Capital reserve

Balance as per last Balance Sheet	12,293.15	11,343.88
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Securities premium account

Balance as per last Balance Sheet	<u>8,493.15</u>	<u>8,493.15</u>
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Debenture redemption reserve

Balance as per last Balance Sheet	532.43	--
Add: Transfer from Surplus	359.11	532.43
	<u>891.54</u>	<u>532.43</u>



Sakthi Auto Component Limited

	As at 31.03.2012	(Rs. in lakhs) As at 31.03.2011
NOTE No. 2 (Contd.)		
Revaluation reserve		
Balance as per last Balance Sheet	8,654.90	9,062.32
Add:- Created during the year	<u>22,901.60</u>	<u>--</u>
	<u>31,556.50</u>	<u>9,062.32</u>
Less: Depreciation on Revalued Assets (Refer Note No. 25)	<u>327.73</u>	<u>407.42</u>
	<u>31,228.77</u>	<u>8,654.90</u>
Preference share redemption reserve		
Balance as per last Balance Sheet	57.00	38.00
Add: Transferred from Surplus	<u>19.00</u>	<u>19.00</u>
	<u>76.00</u>	<u>57.00</u>
Foreign exchange fluctuation reserve		
On account of Investment/Advances in Orlandofin BV	485.63	828.16
Surplus		
Balance as per last Balance Sheet	(15,460.38)	(15,514.54)
Net Profit/(Loss) after tax	<u>(638.93)</u>	<u>605.59</u>
	<u>(16,099.31)</u>	<u>(14,908.95)</u>
Less: Transfer to Debenture redemption reserve	359.11	532.43
Transfer to Preference share redemption reserve	<u>19.00</u>	<u>19.00</u>
	<u>(16,477.42)</u>	<u>(15,460.38)</u>
TOTAL	<u>36,990.82</u>	<u>14,449.14</u>
NOTE No. 3		
LONG TERM BORROWINGS		
(a) Debentures		
Secured Redeemable Non-convertible Debentures	1,713.27	380.68
(b) Term Loans		
Secured Loans		
From Banks	<u>10,819.36</u>	<u>18,738.71</u>
	<u>10,819.36</u>	<u>18,738.71</u>
Unsecured Loans		
From Banks	2,203.25	1718.97
From Other Parties	<u>503.76</u>	<u>581.35</u>
	<u>2,707.01</u>	<u>2,300.32</u>
	<u>13,526.37</u>	<u>19,137.66</u>
(c) Loans and advances from Related parties (for details, please see Note No.28)	15,031.92	15,473.98
(d) Long term maturities of finance lease obligations	<u>241.01</u>	<u>752.30</u>
TOTAL	<u>30,512.57</u>	<u>37,645.99</u>



NOTE No. 3 (Contd.)

NATURE OF SECURITY AND OTHER TERMS OF OF LONG TERM BORROWINGS:

(A) DEBENTURES:

SAKTHI AUTO COMPONENT LIMITED (HOLDING COMPANY):

Following Series of 13% Secured Redeemable Non-convertible Cumulative Debentures of Rs.100 each (SRNCD) aggregating to Rs.1468.69 lakhs and 13% Secured Redeemable Non-convertible Non cumulative Debentures of Rs.100 each (SRNNCD) aggregating to Rs.244.58 lakhs (previous year 12% SRNCD, aggregating to Rs. 380.68 lakhs) are secured by residual charges on the immovable properties of the Company situated at Koonampatti Village, Tirupur Dist, Tamil Nadu and are redeemable on maturity date mentioned against each series.

Series	31.03.2012			31.03.2011		
	No. of Debentures	Amount outstanding (Rs.in lakhs)	Maturity date	No. of Debentures	Amount outstanding (Rs. in lakhs)	Maturity date
12 % SRNCD:						
XXIX				104700	104.70	29/06/2012
XXVIII				99680	99.68	24/06/2012
XXVII				81200	81.20	14/06/2012
XXVI				95100	95.10	31/05/2012
13% SRNCD:						
LXVII	71380	71.38	25/06/2013			
LXVI	68700	68.70	18/06/2013			
LXV	80940	80.94	08/06/2013			
LXIV	55930	55.93	07/06/2013			
LXIII	65480	65.48	23/05/2013			
LXII	70720	70.72	22/05/2013			
LXI	72940	72.94	21/05/2013			
LX	68110	68.11	17/05/2013			
LVIX	58250	58.25	12/05/2013			
LVIII	111130	111.13	06/05/2013			
LVII	72160	72.16	03/05/2013			
LVI	112350	112.35	02/05/2013			
LV	82310	82.31	30/04/2013			
LIV	90820	90.82	26/04/2013			
LIII	76170	76.17	24/04/2013			
LII	49760	49.76	20/04/2013			
L	65960	65.96	18/04/2013			
LI	61490	61.49	18/04/2013			
XLIX	69130	69.13	16/04/2013			
XLVIII	64960	64.96	03/04/2013			
	1468690	1468.69		380680	380.68	
13% SRNNCD:						
NC-II	138640	138.64	22/06/2013			
NC-I	105940	105.94	06/05/2013			
	244580	244.58				
Total		1713.27			380.68	

Interest is payable on maturity in respect of cumulative debentures and on quarterly basis in respect of non-cumulative debentures.



NOTE No. 3 (Contd.)

(B) SECURED LOANS FROM BANKS:

SAKTHI AUTO COMPONENT LIMITED (HOLDING COMPANY)

Nature of Security	Terms of Repayment
1. Term loans amounting to Rs.1411.75 lakhs (Rs.1501.86 lakhs) are secured by:	
a) 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.	Repayable in 96 monthly instalments commencing from January 2011. Rate of Interest : BR +4%
b) Escrow of receivables from Maruti Suzuki India Ltd on pari passu with Axis Bank Ltd., for their Term Loan.	
c) Company's movable properties including movable machinery, machinery spares, tools and other current assets, both present and future, (except assets charged on exclusive basis) ranking pari passu with Bank of India.	
2. Term loans amounting to Rs. 4403.10 lakhs (Rs. 4684.24 lakhs) are secured by:	
a) 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.	Repayable in 96 monthly instalments commencing from January 2011. Rate of Interest : BR +4%
Escrow of receivables from Maruti Suzuki India Ltd on pari passu with Axis Bank Ltd., for their Term Loan.	
c) 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.	
3. Term loans amounting to Rs. 627.89 lakhs (Rs. 1465.08 lakhs) are secured by:	
a) 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.	24 equal monthly instalments beginning from Six months of the first drawdown or September 2007 whichever is earlier. Rate of Interest : 250 BPS Over 3 Months LIBOR
b) Second charge on the current assets ranking pari passu with Indian Overseas Bank (except assets charged on exclusive basis).	
4. Term loans amounting to Rs. 3750.99 lakhs (Rs. 2347.53 lakhs) are secured by:	
a) Exclusive charge on the Machineries purchased out of the term loan.	60 equal monthly instalments beginning from 31st January 2012 Rate of Interest : BR + 4.50%



NOTE No. 3 (Contd.)

- b) Escrow of receivables from Iljin Automotive P Ltd, General Motors India Ltd, Mahindra Renault P Ltd, Mahindra and Mahindra and Haldex India Ltd.
- 5. Term loan amounting to Nil (Rs.48.68 lakhs) is secured by:
 - a) 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; 36 equal monthly instalments beginning from April 2010.
Rate of Interest : BR + 3.75%
 - b) Escrow of receivables from Maruti Suzuki India Ltd on pari passu basis with Axis Bank Ltd., for their Term loan;
 - c) 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.
- 6. Term loan amounting to Nil (Rs.97.18 lakhs) is secured by:
 - a) 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; 36 equal monthly instalments beginning from November 2009.
Rate of Interest : BR + 2.75%
 - b) Escrowing of receivables from Maruti Suzuki India Ltd and Honda Siel Cars ranking pari passu with Indian Overseas Bank and receivables from Metaldyne & TAFE.
- 7. Guarantees given by Directors/Others:
 - a) Term Loans amounting to Rs.5814.86 lakhs (Rs.6186.10 lakhs) are guaranteed by Chairman and Managing Director, Sri.M.Balasubramaniam and Sri. M.Srinivaasan, Directors.
 - b) Term Loans amounting to Rs.4378.88 lakhs (Rs.3958.47 lakhs) are guaranteed by Chairman and Managing Director.
 - c) Term Loans amounting to Rs.6442.75 lakhs (Rs. 7651.18 lakhs) are further guaranteed by the holding company.

SAKTHI AUTO ANCILLARY PRIVATE LIMITED (SAAPL):

Nature of Security

Terms of Repayment

- | | |
|--|--|
| 1. a) Term loan amounting to Rs.2.10 lakhs (Rs.7.47 lakhs) } | 35 equal monthly installments beginning from October 2010. |
| b) Term loan amounting to Rs.9.75 lakhs (Rs.30.50 lakhs) } | |
| c) Term loan amounting to Rs.28.85 lakhs (Rs.53.02 lakhs) } | 43 equal monthly installments beginning from October 2010. |
| d) Term loan amounting to Rs.25.84 lakhs (Rs.49.53 lakhs) } | |
| e) Term loan amounting to Rs.46.53 lakhs (Rs.74.32 lakhs) } | 48 equal monthly installments beginning from October 2010. |

The above loans are secured by:

Equitable mortgage of the Company's immovable properties and are primarily secured by exclusive charge on the plant and machinery, equipments and other fixed assets.

Personal guarantee by the Managing Director and Joint Managing Director of SAAPL and corporate guarantee by the Holding Company.



NOTE No. 3 (Contd.)

EUROPEAN SUBSIDIARY:

Nature of Security

Terms of Repayment

1. Term Loan amounting to Rs.512.56 lakhs (Rs.790.50 lakhs) is secured by the Pledge over land and buildings of the Portugal unit. Repayable during April 2014.
2. Term loan amounting to Nil (Rs.7588.80 lakhs) is secured by Pledge/promissory pledge of shares and assets of European subsidiaries.
3. Guarantees given by Directors/Others:
Term loan amounting to Nil (Rs.7588.80 lakhs) is Guaranteed by the Indian Holding companies and Chairman and Managing Director.
4. An amount of Rs. 25969.20 lakhs (Rs. 25537.39 lakhs) included in current maturities of long term debts is secured by pledge/promissory pledge of shares and assets of European subsidiaries and guaranteed by the Indian holding companies and by Dr. M. Manickam.

(C) UNSECURED LOANS FROM BANKS:

SAKTHI AUTO COMPONENT LIMITED (HOLDING COMPANY):

Nature of Security

Terms of Repayment

1. Loan amounting to Rs.39.89 lakhs (Nil). 30 equal monthly installments beginning from September 2011.
2. Loan amounting to Rs.288.23 lakhs (Rs.348.61 lakhs) is secured by collateral security given by the holding Company. 84 equal monthly installments beginning from May 2009.
3. Guarantees given by Directors/Others:
 - a) Loan amounting to Rs.328.12 lakhs (Rs.348.61 lakhs) are guaranteed by the Chairman & Managing Director.
 - b) Loan amounting to Rs.288.23 lakhs (Rs.348.61 lakhs) is guaranteed by the holding Company.

SAKTHI AUTO ANCILLARY PRIVATE LIMITED (SAAPL):

Nature of Security

Terms of Repayment

1. Loan amounting to Rs.221.38 lakhs (Rs.246.20 lakhs) is secured by one specific asset of the holding company. 84 equal monthly installments beginning from May 2009 after initial moratorium period of 5 Months
2. Loans amounting to Rs.28.72 lakhs (Nil) is secured by demand promissory note. 36 equal monthly installments beginning from January 2012.
3. Loans amounting to Rs.4.22 lakhs (Rs.13.29 lakhs) is secured by demand promissory note. 36 equal monthly installments beginning from September 2009.
4. Loans amounting to Rs.31.26 lakhs (Nil) is secured by demand promissory note. 36 equal monthly installments beginning from January 2012.
5. Guarantees given by Directors/Others:
 - a) Loan amounting to Rs.221.38 lakhs (Rs.246.20 lakhs) is guaranteed by the Chairman & Managing Director of the holding company.
 - b) Loans amounting to Rs.64.20 lakhs (Rs.13.29 lakhs) are guaranteed by the Managing Director and Joint Managing Director.



NOTE No. 3 (Contd.)

EUROPEAN SUBSIDIARY:

Nature of Security

Loan amounting to Rs.1589.55 lakhs (Rs.1110.87 lakhs).

Terms of Repayment

Installments beginning from January 2013 to October 2015.

(D) UNSECURED LOANS FROM OTHER PARTIES:

SAKTHI AUTO COMPONENT LIMITED (HOLDING COMPANY):

Loan under Sales Tax Deferral amounting to Rs.447.33 lakhs (Rs.575.29 lakhs).

Installments beginning from December 2006 to April 2015.

SAKTHI AUTO ANCILLARY PRIVATE LIMITED (SAAPL):

Nature of Security

Terms of Repayment

1. Loans amounting to Rs 38.12 lakhs (Nil).
36 equal monthly installments beginning from February 2012.
2. Loans amounting to Rs.18.31 lakhs (Nil).
36 equal monthly installments beginning from May 2011.
3. Loans amounting to Nil (Rs.6.06 lakhs).
36 equal monthly installments beginning from March 2009.
4. Guarantees given by Directors:
Loans amounting to Rs.56.43 lakhs (Rs.6.06 lakhs) are guaranteed by the Managing Director and Joint Managing Director.

(E) FINANCE LEASE OBLIGATIONS:

SAKTHI AUTO COMPONENT LIMITED (HOLDING COMPANY):

The Hire Purchase Finance amounting to Rs. 11.72 lakhs (Rs. 21.91 lakhs) are secured by hypothecation of the vehicles so financed.

Repayable in 36 Monthly Instalments.

SAKTHI AUTO ANCILLARY PRIVATE LIMITED (SAAPL):

1. HP Vehicle loans amounting to Rs.13.64 lakhs (Rs.8.40 lakhs) are secured by hypothecation of vehicles so financed.
Repayable in 36 Monthly Instalments.
2. HP Machinery loans amounting to Rs.198.54 lakhs (Rs.48.05 lakhs) are secured by hypothecation of machineries so financed.
Repayable in 48 Monthly Instalments.
3. Guarantees given by Directors:
Loans amounting to Rs.198.54 lakhs (Rs.48.05 lakhs) are guaranteed by the Managing Director and Joint Managing Director.

EUROPEAN SUBSIDIARY:

Lease Finance Facility amounting to Rs.17.11 lakhs (Rs.673.94 lakhs) are secured by the equipments so financed.

Repayable during May 2013.



	As at 31.03.2012	(Rs. in lakhs) As at 31.03.2011
NOTE No. 4		
OTHER LONG TERM LIABILITIES		
Trade Payables	605.94	617.83
Sundry Deposits	19.33	10.88
TOTAL	<u>625.27</u>	<u>628.71</u>
NOTE No. 5		
LONG TERM PROVISIONS		
Provision for employee benefits	317.94	254.29
TOTAL	<u>317.94</u>	<u>254.29</u>
NOTE No. 6		
SHORT TERM BORROWINGS		
(a) Loans Repayable on Demand		
Secured Loans		
From Banks	9,386.72	8,720.71
From Other Parties	258.99	--
	<u>9,645.71</u>	<u>8,720.71</u>
Unsecured Loans		
From Banks	10,140.12	8266.03
From Other Parties	3,073.08	1,638.25
	<u>13,213.20</u>	<u>9,904.28</u>
	<u>22,858.91</u>	<u>18,625.00</u>
(b) Loans and advances from related parties (For details please refer Note No. 28)		
	497.01	406.61
TOTAL	<u>23,355.92</u>	<u>19,031.61</u>
I. NATURE OF SECURITY FOR SHORT TERM SECURED BORROWINGS:		
(A) SECURED LOANS FROM BANKS:		
SAKTHI AUTO COMPONENT LIMITED (HOLDING COMPANY):		
1. Working capital facility of Rs.1577.19 lakhs (Rs.1498.05 lakhs) is secured by:		
a) 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, Sweeden, Gabriel De Columbia and Omnibus B.B transporters, Ecuador.		
b) Second charge on the fixed assets of the company on pari passu with Bank of India (except assets charges on exclusive basis).		
c) Second charge on the receivables of the company on pari passu with Bank of India (except receivables charged to Central Bank of India) on first charge basis.		
2. Working capital facility amounting to Rs.3100.71 lakhs (Rs.2525.64 lakhs) is secured by:		
Escrow of receivables from Maruti Suzuki India Ltd, Honda Siel Cars and Bosch Chassis ranking pari passu with Axis Bank Ltd.		

**NOTE No. 6 (Contd.)**

3. Working capital facility amounting to Rs. 89.96 lakhs (Rs.310.40 lakhs) is secured by:
 - a) Exclusive charge by way of first security interest on Bills drawn on GM Korea company, Korea.
 - b) Second charge on inventory, other receivables and fixed assets of the company ranking pari passu with Indian Overseas Bank.
4. Working capital facility amounting to Rs.1200.00 lakhs (Rs.1202.89 lakhs) is secured by:
 - a) 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 & Mahindra.
 - b) Exclusive charge on the specified plant and machinery.
5. Working capital facility amounting to Rs. 300.00 lakhs (Nil) is secured by Subservient charge on the current and movable fixed assets of the company.
6. Letter of Credit facility of Rs. 697.12 lakhs (Rs. 97.71 lakhs) is secured by Documents of title to goods/accepted hundies.
7. Guarantees given by Directors/Others:
 - a) Working Capital facility outstanding amounting to Rs.5375.02 lakhs (Rs.4121.40 lakhs) are guaranteed by Chairman and Managing Director, Sri.M.Balasubramaniam and Sri. M.Srinivaasan, Directors.
 - b) Working Capital facility outstanding amounting to Rs.1589.96 lakhs (Rs.1513.29 lakhs) are guaranteed by Chairman and Managing Director.
 - c) Working Capital facility outstanding amounting to Rs.1577.19 lakhs (Rs.1498.05 lakhs) are further guaranteed by the holding company.

SAKTHI AUTO ANCILLARY PRIVATE LIMITED (SAAPL):

1. Working capital facility of Rs.668.98 lakhs (Rs.839.23 lakhs)
2. Letter of Credit facility of Rs.146.44 lakhs (Rs.134.45 lakhs)

The above facilities are secured by:

First charge by way of hypothecation of finished goods, raw materials, stock in process and stores and spares of the company, equitable mortgage of the company's immovable properties and exclusive charge on the plant and machinery, equipments and other fixed assets.

Personal guarantee by the Managing Director and Joint Managing Director of SAAPL and corporate guarantee by the holding company.

EUROPEAN SUBSIDIARY:

Loans amounting to Rs.1606.32 lakhs (Rs.2112.34 lakhs) are secured by the pledge over land and buildings of the Portugal unit.

(B) SECURED LOANS FROM OTHER PARTIES:**SAKTHI AUTO ANCILLARY PRIVATE LIMITED (SAAPL):**

Sale Bill factoring facility of Rs.258.99 lakhs (Nil) is secured by assignment of supply bills discounted and guaranteed by the Managing Director and Joint Managing Director, of SAAPL.

II. SHORT TERM UNSECURED BORROWINGS:**(A) UNSECURED LOANS FROM BANKS:****SAKTHI AUTO COMPONENT LIMITED (HOLDING COMPANY):**

Unsecured loan amounting to Rs.2500 lakhs (Nil) is secured by a collateral security and corporate guarantee provided by a promoter company and an amount Rs.200 lakhs (Rs.200 lakhs) is secured by collateral security and corporate guarantee by a Promoter company and personal guarantee of the Chairman and Managing Director.



Note No. 6 (Contd.)

SAKTHI AUTO ANCILLARY PRIVATE LIMITED (SAAPL):

Overdraft facility of Rs.202.45 lakhs (Rs.202.51 lakhs) is secured by one specific asset of the holding company and personal guarantee of the Chairman & Managing Director of the holding company.

EUROPEAN SUBSIDIARY:

Bill factoring facility amounting to Rs.7237.67 lakhs (Rs.7863.52 lakhs) are repayable in installments commencing from January 2013 to October 2015.

(B) UNSECURED LOANS FROM OTHER PARTIES:

SAKTHI AUTO ANCILLARY PRIVATE LIMITED (SAAPL):

Sale Bill factoring facility of Rs.114.91 lakhs (Rs.100.41 lakhs) is guaranteed by the Managing Director and Joint Managing Director of SAAPL and corporate guarantee of the Holding Company.

	As at 31.03.2012	(Rs. in lakhs) As at 31.03.2011
NOTE No. 7		
OTHER CURRENT LIABILITIES		
Current maturities of long term debts	30,485.78	20,097.54
Current maturities of finance lease obligations	832.20	1,098.87
Interest accrued but not due on borrowings	183.19	105.52
Interest accrued and due on borrowings	2,093.06	1,621.77
Unclaimed matured deposits	0.24	0.26
Other payables:		
Statutory remittance	773.57	872.06
Advance from customers	285.45	52.87
Other liabilities	4,242.34	3,381.86
Liabilities for capital expenditure	861.63	386.51
	<u>6,162.99</u>	<u>4,693.30</u>
TOTAL	<u>39,757.46</u>	<u>27,617.26</u>

NOTE No. 8

SHORT TERM PROVISIONS

Provision for employee benefits	16.49	15.36
Provision for expenses	4,833.64	3,872.26
TOTAL	<u>4,850.13</u>	<u>3,887.62</u>



**NOTE NO. 9
TANGIBLE ASSETS**

(Rs. in lakhs)

PARTICULARS	GROSS BLOCK		DEPRECIATION		INCREASE DUE TO REVALUATION	NET BLOCK			
	AS ON 01.04.2011	ADDITIONS	DELETIONS/ADJUSTMENTS	AS ON 31.03.2012		UPTO 31.03.2011	WITHDRAWN	UPTO 31.03.2012	AS ON 31.03.2011
REVALUED ASSETS (SAKTHI AUTO COMPONENT LTD.)									
Land	3900.00	-	-	3900.00	-	-	-	3900.00	15550.00
Buildings	4386.00	823.74	-	5209.74	299.91	148.88	448.79	4086.09	6174.56
Plant and equipment	24413.03	5701.82	-	30114.85	2745.06	1432.34	4177.40	21667.97	35775.44
	32699.03	6525.56	-	39224.59	3044.97	1581.22	4626.19	29654.06	57500.00
NON-REVALUED ASSETS									
Land	1226.48	-	-	1226.48	-	-	-	1226.48	1226.48
Buildings	6991.05	200.82	-	7191.87	719.18	355.03	1074.21	6271.87	6117.66
Plant and equipment	22852.29	1548.38	556.63	23844.04	4366.57	1930.62	6175.73	18485.72	17668.31
Machine tools & implements	2305.78	411.23	-	2717.01	276.07	146.21	422.28	2029.71	2294.73
Furniture and fixtures	63.74	2.89	-	66.63	33.87	3.51	37.38	29.87	29.25
Vehicles	269.75	36.62	4.28	302.09	82.94	28.91	110.17	186.81	191.92
Office equipments	612.29	82.31	-	694.60	352.89	62.98	415.87	259.40	278.73
	34321.38	2282.25	560.91	36042.72	5831.52	2527.26	8235.64	28489.86	27807.08
Total	67020.41	8807.81	560.91	75267.31	8876.49	4108.48	12861.83	58143.92	85307.08
Work in progress	1516.71	1593.56	2345.74	764.54	-	-	-	1516.71	764.54
Total for the year	68537.12	10401.37	2906.65	76031.85	8876.49	4108.48	12861.83	59660.63	86071.62
Total for the previous year	65796.67	5046.35	2305.91	68537.12	5797.99	4046.09	8876.49	59998.68	59660.63

Note: 1) Land, Buildings, Plant and Equipment of Sakthi Auto Component Ltd. have been revalued by an external valuer as on 31.12.2008 and 31.03.2012. Other assets are shown at Written Down Book Value.

2) The Net Increase on revaluation on the above dates amounting to Rs.9389.16 lakhs and Rs.22901.60 lakhs respectively have been credited to revaluation Reserve.

**NOTE NO. 10
INTANGIBLE ASSETS**

(Rs. in lakhs)

PARTICULARS	GROSS BLOCK		AMORTISATION		NET BLOCK				
	AS ON 01.04.2011	ADDITION	DELETIONS	AS ON 31.03.2012	UPTO 31.03.2011	FOR THE YEAR	UPTO 31.03.2012	AS ON 31.03.2011	AS ON 31.03.2012
Product Development	8191.80	723.89	-	8915.69	5445.45	976.68	6422.13	2746.34	2493.56
Total for the year	8191.80	723.89	-	8915.69	5445.45	976.68	6422.13	2746.34	2493.56
Total for the previous year	7348.42	908.53	-	8191.80	4092.27	1353.18	5445.45	3256.15	2746.35



	As at 31.03.2012	(Rs. in lakhs) As at 31.03.2011
NOTE No. 11		
NON-CURRENT INVESTMENTS - At Cost		
(a) Investments in Equity Instruments		
Unquoted		
i. Subsidiaries		
SakthiAuto Mauritius Limited 5001 shares of 1 USD each	--	2.26
Sakthi Europe Verwaltungs GmbH, Germany	<u>20.63</u>	<u>19.10</u>
	20.63	21.36
ii. Others		
Shamarao Vithal Co-op Bank 25 Shares of Rs.25 each	<u>1.00</u>	<u>1.00</u>
Total of Equity Instruments	<u>21.63</u>	<u>22.36</u>
(b) Investments in Government Securities		
Investment in Govt. Securities	56.61	56.94
Investment in Partnership firm		
Sakthi Europe GmbH & Co Germany	<u>45,390.16</u>	<u>42,000.74</u>
TOTAL	<u>45,468.40</u>	<u>42,080.04</u>
Aggregate of Quoted Investments	--	--
Aggregate amount of Unquoted Investments	45,468.40	42,080.04
Provision for diminution in value of Investments	--	--
NOTE No. 12		
LONG TERM LOANS AND ADVANCES - Unsecured, considered good		
(a) Capital advances	532.44	1,643.39
(b) Security deposits	929.54	761.07
(c) Loans and advances to related parties (for details please see Note No. 28)	14.35	--
(d) Other loans and advances:		
Advance for purchases and others	706.85	3,524.49
Advance Income-tax (Net of provisions)	<u>1,015.25</u>	<u>1,103.73</u>
	<u>1,722.10</u>	<u>4,628.22</u>
TOTAL	<u>3,198.43</u>	<u>7,032.68</u>
NOTE No. 13		
OTHER NON-CURRENT ASSETS		
Sundry Deposits	<u>543.71</u>	<u>543.71</u>
TOTAL	<u>543.71</u>	<u>543.71</u>



	As at 31.03.2012	(Rs. in lakhs) As at 31.03.2011
NOTE No. 14		
INVENTORIES		
(a) Raw Materials		
Steel Scrap, Pig Iron and others	<u>6,433.89</u>	<u>5,109.02</u>
(b) Work in Progress:		
Iron castings and Industrial valves	<u>3,934.66</u>	<u>2,532.21</u>
(c) Finished goods:		
Iron castings and Industrial valves	<u>12,289.80</u>	<u>9,392.28</u>
(d) Stores and spares	<u>825.80</u>	<u>1,053.04</u>
TOTAL	<u>23,484.15</u>	<u>18,086.55</u>
For mode of valuation please refer Sl. No. 2 in significant Accounting Policies.		
NOTE No. 15		
TRADE RECEIVABLES - Unsecured considered Good		
Trade Receivables outstanding for a period exceeding six months	321.77	1,119.84
Trade receivable outstanding for a period less than six months	<u>13,356.76</u>	<u>10,580.06</u>
TOTAL	<u>13,678.53</u>	<u>11,699.90</u>
NOTE No. 16		
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents:		
Balances with Banks	1,243.50	1,281.90
EEFC Account	2.59	--
Cash on hand	14.86	9.62
Margin money with banks/security against borrowings	<u>1708.65</u>	<u>1457.98</u>
TOTAL	<u>2,969.60</u>	<u>2,749.50</u>
Margin money with banks includes deposits with maturity period of more than 12 months of Rs. 66.48 lakhs (Rs. 452.12 lakhs)		



	As at 31.03.2012	(Rs. in lakhs) As at 31.03.2011
NOTE No. 17		
SHORT TERM LOANS AND ADVANCES - Unsecured, considered good		
Loans and Advances to related parties (for details please see Note No. 28)	321.84	150.33
Other Loans and Advances:		
Loans and advance due by officers	38.77	24.32
Prepaid expenses	576.85	565.99
Deposits with Government authorities	950.58	491.71
Advance for purchases & others	658.27	347.03
Advance Income-tax	161.91	141.42
	<u>2,386.38</u>	<u>1,570.47</u>
TOTAL	<u>2,708.22</u>	<u>1,720.80</u>
NOTE No. 18		
OTHER CURRENT ASSETS		
Outstanding income and interest receivable	297.76	291.22
TOTAL	<u>297.76</u>	<u>291.22</u>
	Year ended 31.03.2012 (12 Months)	Year ended 31.03.2011 (15 Months)
NOTE NO. 19		
REVENUE FROM OPERATIONS:		
(a) Sale of products		
 Manufactured Goods		
Iron castings	105,615.61	96,272.83
Pattern sales	283.18	205.47
Industrial valves	283.76	353.38
Total (a)	<u>106,182.55</u>	<u>96,831.68</u>
(b) Sale of Services		
	949.51	542.77
(c) Other operating revenues		
Sale of used materials	264.33	225.15
Duty drawback/other export incentive	224.11	291.36
Total (c)	<u>488.44</u>	<u>516.51</u>
Total (a+b+c)	<u>107,620.51</u>	<u>97,890.95</u>
Less : Excise Duty	4,839.96	4,969.90
TOTAL	<u>102,780.55</u>	<u>92,921.05</u>



	Year ended 31.03.2012 (12 Months)	(Rs. in lakhs) Year ended 31.03.2011 (15 Months)
NOTE No. 20		
OTHER INCOME		
(a) Interest income	415.45	314.69
(b) Dividend income	0.12	0.12
(c) Other non-operating income:		
Rent receipts	4.85	5.34
Manpower services	63.54	39.65
Miscellaneous income	537.02	405.93
Development cost received	1.47	5.09
Foreign exchange fluctuation	5.56	--
Extraordinary income/gains-European subsidiary	--	229.02
Sundry balance written off	6.03	78.39
	<u>618.47</u>	<u>763.42</u>
TOTAL	<u>1,034.04</u>	<u>1,078.23</u>
NOTE No. 21		
COST OF MATERIAL CONSUMED		
(a) Opening Stock:		
Steel scrap, pig iron & others	5,455.30	4,340.06
Total (a)	<u>5,455.30</u>	<u>4,340.06</u>
(b) Purchases:		
Steel scrap, pig iron & others	43,038.15	33,117.79
Total (b)	<u>43,038.15</u>	<u>33,117.79</u>
(c) Closing Stock:		
Steel scrap, pig iron & others	6,433.88	5,109.01
Total (c)	<u>6,433.88</u>	<u>5,109.01</u>
TOTAL (a+b-c)	<u>42,059.57</u>	<u>32,348.84</u>
NOTE No. 22		
CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS		
(a) Opening Stock		
Finished Goods		
Iron castings	9,699.63	8,001.26
Work in Progress		
Iron castings	2,709.51	1,995.59
Total (a)	<u>12,409.14</u>	<u>9,996.85</u>
(b) Closing Stock		
Finished Goods		
Iron castings	12,289.81	9,181.16
Work in Progress		
Iron castings	3,934.67	2,449.28
Total (b)	<u>16,224.48</u>	<u>11,630.43</u>
TOTAL (a-b)	<u>(3,815.34)</u>	<u>(1,633.58)</u>



	Year ended 31.03.2012 (12 Months)	(Rs. in lakhs) Year ended 31.03.2011 (15 Months)
NOTE No. 23		
EMPLOYEE BENEFITS EXPENSE		
Salaries and Wages	8,649.66	7,796.12
Contribution to Provident and other funds	2,080.03	1,530.69
Staff welfare expenses	<u>685.33</u>	<u>1,003.86</u>
TOTAL	<u>11,415.02</u>	<u>10,330.67</u>
NOTE No. 24		
FINANCE COSTS		
Interest Expenses		
On borrowings	6,569.52	5,332.86
On trade payable	61.31	--
Other borrowing costs	39.89	103.57
Loss on foreign currency transactions	68.17	(17.46)
TOTAL	<u>6,738.89</u>	<u>5,418.97</u>
NOTE No. 25		
DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation	4,108.44	4,046.10
Less : Transfer to Revaluation reserve	<u>327.73</u>	<u>407.42</u>
	3,780.71	3,638.68
Amortisation expenses	<u>976.67</u>	<u>1,353.17</u>
TOTAL	<u>4,757.38</u>	<u>4,991.85</u>
NOTE No. 26		
OTHER EXPENSES		
Manufacturing Expenses:		
Consumption of stores and spares	14,903.62	14,574.22
Power and fuel	12,660.98	11,915.82
Water charges	133.33	61.33
Fettling & machining charges	2,415.49	2,861.36
Rent	336.94	254.45
Lease rent	45.53	60.56
Repairs to buildings	47.48	562.06
Repairs to machinery	2,763.87	2,755.66
Repairs to others	160.85	150.28
Insurance	320.27	255.80
Rates and taxes, excluding taxes on income	47.36	58.35
Royalty	27.11	34.80
Selling and distribution expenses:		
Packing materials	1,293.97	1,499.51
Selling and distribution expenses	2,734.83	1,678.25
Freight and transport on finished goods	1,680.11	1,979.09



(Rs. in lakhs)

Year ended
31.03.2012
(12 Months)

Year ended
31.03.2011
(15 Months)

Note No. 26 (Contd.)

Other Administrative Expenses:

Travelling expenses	186.65	283.21
Printing, postage, telephone & telex	153.33	154.55
Freight and transport	124.00	153.20
Donation	48.20	0.59
Legal and professional charges	937.07	957.61
Excise duty on stock adjustments	234.88	122.10
Administrative and other expenses	653.23	364.83
Bank charges	96.23	136.70
Payment to Auditor		
As Auditors	11.25	13.75
Taxation matters	3.60	2.63
Consolidated audit report	1.49	1.13
Management services & others	2.61	3.18
Reimbursement of expenses	0.05	0.09
Managerial remuneration	13.68	31.18
Directors sitting fees	4.80	2.95
Loss on sale of fixed assets	425.87	--
Deferred revenue expenditure written off	26.62	88.10
Irrecoverable advances written off	2.45	40.55
Extra-ordinary cost/expenses - European subsidiaries	--	393.28
TOTAL	<u>42,497.75</u>	<u>41,451.17</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS

27. Employee Benefits:

Gratuity and Provident Fund:

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

(Rs. in lakhs)

Particulars	31.03.2012 (12 Months)	31.03.2011 (15 Months)
Gratuity	38.22	27.89
Provident Fund	114.68	144.82
Employees State Insurance	35.54	27.63



SAKTHI AUTO COMPONENT LIMITED (HOLDING COMPANY)

Disclosure report under Accounting Standard-15 – Leave Salary

Type of Plan : Long term Compensated Absence as per Actuarial Valuation

(Rs. in lakhs)

Particulars	31.03.2012	31.03.2011
I Principal Actuarial Assumptions (Expressed as weighted average)		
Discount Rate	8.00%	8.00%
Salary escalation rate	7.00%	6.50%
Attrition rate	3.00%	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	46.34	34.97
Interest Cost	3.57	2.68
Current Service Cost	7.94	5.73
Past Service cost-(non vested benefits)	--	--
Past service cost-(vested benefits)	--	--
Benefits paid	(3.52)	(3.07)
Actuarial loss/ (gain) on obligation (balancing figure)	13.05	6.03
PVO as at the end of the period	67.38	46.34
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	3.52	3.07
Benefits paid	(3.52)	(3.07)
Actuarial gain/ (loss) on obligation (balancing figure)	--	--
Fair value on plan assets as at the end of the period	--	--
IV Actual Return on Plan Assets		
Expected return on plan assets	--	--
Actuarial gain/(loss) on plan assets	--	--
Actual return on plan assets	--	--
V Actual Gain / Loss Recognized		
Actuarial gain/(loss) for the period-Obligation	13.05	6.03
Actuarial gain/(loss) for the period-Plan Assets	--	--
Total (gain)/loss for the period	13.05	6.03
Actuarial (gain) /loss recognized in the period	13.05	6.03
Unrecognized actuarial (gain)/ loss at the end of the year	--	--
VI Amounts Recognised in the Balance Sheet and Related Analyses		
Present value of the obligation	67.38	46.34
Fair value of plan assets	--	--
Difference	67.38	46.34
Unrecognised transitional liability	--	--
Unrecognised past service cost-non vested benefits	--	--
Liability recognized in the balance sheet	67.38	46.34



Disclosure report under Accounting Standard-15 – Leave Salary (Contd.)

(Rs. in lakhs)

Particulars	31.03.2012	31.03.2011
VII Expenses Recognised in the Statement of Profit and Loss		
Current service cost	7.94	5.73
Interest Cost	3.57	2.68
Expected return on plan assets	--	--
Net actuarial (gain)/loss recognised in the year	13.05	6.03
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	24.56	14.44
VIII Movements in the Liability Recognized in the Balance Sheet		
Opening net liability	46.34	34.97
Expenses as above	24.56	14.44
Contribution paid	(3.52)	(3.07)
Closing net liability	67.38	46.34
IX Amount for the Current Period		
Present value of obligation	67.38	46.34
Plan Assets	--	--
Surplus(Deficit)	(67.38)	(46.34)
X Major Categories of Plan Assets (As Percentage of Total Plan Assets)	NIL	Nil

SAKTHI AUTO ANCILLARY PVT LTD (SAAPL)

(Rs. in lakhs)

Particulars	31.03.2012	31.03.2011
I Principal Actuarial Assumptions (Expressed as weighted average)		
Discount Rate	8.57%	8.40%
Salary escalation rate	5.50%	6.50%
Attrition rate	2.00%	2.83%
Expected rate of return on Plan Assets	8.00%	9.00%
II Changes in the Present Value of the Obligation (PVO)- Reconciliation of Opening and Closing Balances		
PVO as at the beginning of the period	33.65	23.14
Interest Cost	2.87	2.21
Current Service Cost	6.84	4.72
Past Service cost-(non vested benefits)	-	-
Past service cost-(vested benefits)	-	-
Benefits paid	(0.34)	(1.51)
Actuarial loss/ (gain) on obligation (balancing figure)	2.87	2.21
PVO as at the end of the period	40.78	33.65
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	15.03	14.34
Expected return on plan assets	1.21	1.53
Contributions	-	-
Benefits paid	(0.34)	(1.51)
Actuarial gain/ (loss) on obligation (balancing figure)	1.48	0.69
Fair value on plan assets as at the end of the period	17.38	15.04



SAKTHI AUTO ANCILLARY PVT LTD (SAAPL) (Contd.)

(Rs. in lakhs)

Particulars	31.03.2012	31.03.2011
IV Actual Return on Plan Assets		
Expected return on plan assets	1.21	1.53
Actuarial gain/(loss) on plan assets	1.48	0.69
Actual return on plan assets	2.69	2.21
V Actual Gain / Loss Recognized		
Actuarial gain/(loss) for the period-Obligation	(2.24)	5.08
Actuarial gain/(loss) for the period-Plan Assets	(1.48)	(0.69)
Total (gain)/loss for the period	(3.72)	4.39
Actuarial (gain) /loss recognized in the period	(3.72)	4.39
Unrecognized actuarial (gain)/ loss at the end of the year	-	-
VI Amounts Recognised in the Balance Sheet and Related Analyses		
Present value of the obligation	40.78	33.65
Fair value of plan assets	21.38	15.04
Difference	(19.39)	(18.61)
Unrecognised transitional liability	-	-
Unrecognised past service cost-non vested benefits	-	-
Liability recognized in the balance sheet	(19.39)	(18.61)
VII Expenses Recognised in the Statement of Profit and Loss		
Current service cost	6.84	4.72
Interest Cost	2.87	2.21
Expected return on plan assets	(1.21)	(1.53)
Net actuarial (gain)/loss recognised in the year	(3.71)	4.39
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	4.78	9.80
VIII Movements in the Liability Recognized in the Balance Sheet		
Opening net liability	(18.61)	(8.80)
Expenses as above	(4.78)	(9.80)
Contribution paid	4.00	-
Closing net liability	(19.39)	(18.61)
IX Amount for the Current Period		
Present value of obligation	33.65	23.14
Plan Assets	15.04	14.34
Surplus (Deficit)	(18.61)	(8.80)
X Major Categories of Plan Assets (As Percentage of Total Plan Assets)	Nil	Nil

28. Related Parties Disclosure:**I. Related Parties:****a. Holding Company**

Sakthi Sugars Limited

b. Subsidiary Companies

Sakthi Auto Ancillary Private Limited

Orlandofin BV

Sakthi Auto Mauritius Limited



c. Associates

- ABT Limited
- ABT Industries Limited
- Sakthi Finance Limited
- Nachimuthu Industrial Association
- J S Auto Cast Foundry India Pvt. Ltd

d. Key Managerial Personnel (KMP)

- 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.

e. Relatives of Key Managerial Personnel

There has been no transaction with relatives of key managerial personnel

f. Enterprises in which KMP/relatives of KMP have significant influence

- N. Mahalingam & Company

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

II. Related Parties Transactions :

(Rs. in lakhs)

Nature of Transactions	Holding Company	Associates	Key Managerial Personnel	Relatives of Key Managerial Personnel	Enterprises in which KMP/relatives of KMP have significant influence	Total
Purchase						
Purchase of Materials	16.98 (25.82)	5.02 (5.73)				22.00 (31.55)
Purchase of Power	204.37 (549.18)					204.37 (549.18)
Sales						
Sales of Materials	4.28 (12.21)	13.98 (15.87)				18.26 (28.08)
Rendering of services						
Interest Receipts	64.14 (69.87)					64.14 (69.87)
Receiving of services						
Interest Payments		177.14 (176.54)				177.14 (176.54)
Printing charges		5.43 (12.56)				5.43 (12.56)
Courier charges		3.14 (2.62)				3.14 (2.62)
Fettling charges		- (26.63)				- (26.63)
Lease rent		3.60 (3.00)				3.60 (3.00)



Related Parties Transactions (Contd.)

(Rs. in lakhs)

Nature of Transactions	Holding Company	Associates	Key Managerial Personnel	Relatives of Key Managerial Personnel	Enterprises in which KMP/ relatives of KMP have significant influence	Total
Vehicle Purchase/ Maintenance		7.67 (49.15)			34.25 (12.37)	41.92 (61.52)
Transport charges		15.96 (-)				15.96 (-)
Managerial Remuneration						
Remuneration to Managing Director and Joint Managing Director			13.68 (31.18)			13.68 (31.18)
Sitting Fees			2.10 (0.80)			2.10 (0.80)
Balance outstanding at the end of the year						
Key Managerial Personnel			6.88 (8.28)			6.88 (8.28)
Loans and advances	250.96 (70.75)	85.23 (79.58)				336.19 (150.33)
Borrowing	13111.11 (13753.31)	2417.82 (2127.28)				15528.93 (15880.59)

Figures in brackets are that of the previous year

29. Earnings per Share:

Particulars	2011-12 (12 Months)	2010-11 (15 months)
Basic:		
a) Net Profit as per the Statement of Profit and Loss (Rs. in lakhs)	1093.15	605.59
b) Less: Dividend attributable to Preference shareholders (including tax)	4039.91	3526.08
c) Net Profit/loss after Preference Dividend	(4678.82)	(2920.49)
d) No. of Equity Shares - Basic	43860000	43860000
e) Nominal value per Equity share (Rs.)	10	10
f) Earnings per share (Basic) (Rs.)	(10.67)	(6.66)
Diluted:		
a) Net Profit Attributable (Rs. in lakhs)	(638.91)	605.59
b) Weighted average number of shares	246310000	246310000
c) Earnings per share (Diluted) (Rs.)	(0.26)	0.25



30. Deferred Tax:

(Rs. in lakhs)

Particulars	31.03.2012	31.03.2011
A. For Indian Companies:		
i) Deferred Tax Liability:-		
Arising out of depreciation of Fixed Assets (Net)	2613.03	2274.32
Difference in treatment of expenses/income (Net)	278.89	(75.06)
Total	2891.92	2199.26
ii) Deferred Tax Asset:-		
Carried forward losses/Unabsorbed depreciation	2012.93	2177.22
Net Deferred Tax Liability (+) / Asset (-)	878.99	22.04
B. For Foreign Companies:		
i) Deferred Tax Liability:-		
Revaluation of tangible Fixed Assets	1113.63	1246.79
Non reimbursable investment subsidies	119.08	67.21
Total	1232.71	1314.00
ii) Deferred Tax Assets:-		
Provisions not tax deductible	32.46	42.38
Corporate income tax credit	280.07	259.17
Tax losses	588.42	685.10
Total	900.95	986.65
Net Deferred Tax Liability (+) / Asset (-)	331.76	327.35
Deferred Tax Liability (+) / Asset (-) (A+B)	878.99	1210.75

31. Contingent Liabilities:

(Rs. in lakhs)

Particulars	31.03.2012	31.03.2011
A) Claims against the Company not acknowledged as debts:-		
(i) Income tax matters	61.56	32.63
(ii) Purchase tax/sales tax matters	85.12	85.12
(iii) Others	425.60	299.77
B) Guarantees issued by bankers	1861.83	2176.32
C) Corporate guarantee given for loans to subsidiaries:-		
(i) Guarantee amount	57895.00	26855.00
(ii) Outstanding amount	43323.78	26946.40
D) Export obligation		
Duty component to be paid in case of non fulfillment of obligation	188.64	341.00

32. Commitments:

(Rs. in lakhs)

Particulars	31.03.2012	31.03.2011
Estimated amount of contracts remaining to be executed on capital account and not provided for :	1717.48	3805.43



33. The Revised Schedule VI has become effective from 1st April 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's have been regrouped / restated wherever necessary to correspond with the current year's classification/disclosure.

34 Disclosure pursuant to AS-28 on Impairment of Assets

During the year , a 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.

35. During the year under review, the company has opted to recognize foreign exchange fluctuation based on maturity of obligation in conformity with the option given by Notification No: GSR 913(E) dated 29th December 2011 issued by Ministry of Corporate Affairs.

36. Current year figures are not comparable with the previous year figures as the current year is for a period of 12 months whereas previous year figures were for a period of 15 months in the case of parent and Indian subsidiaries.



SIGNIFICANT 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:

Inventories of raw materials, work-in-progress, stores, finished products and stock-in-trade are valued at the lower of cost and net realizable value. By-products and Standing crops are valued at Net realizable value.

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 of 12th January.

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:

I) Parent Company and Indian Subsidiaries:

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 of 12th January.

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. 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.

- 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 Statement of Profit and Loss.

b) Expenditure Recognition:

Parent Company:

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

9. Foreign currency transactions:

Recognition of foreign exchange fluctuation is based on the maturity of obligations.

10. Retirement Benefits:

Parent Company and Indian Subsidiaries:

Contribution payable by the Company under defined contribution schemes towards Provident fund, Employees State Insurance and Superannuation fund for the year are charged to statement of profit and loss. Gratuity is recognized based on the defined contribution plan/actuarial valuation depending on the unit wise adoption of the same.

Provision for liability in respect of Leave encashment benefits are made based on actuarial valuation made by an independent actuary in the units where the policy of accumulation of leave for encashment on retirement is there.

11. 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.

12. Earnings 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 applicable Accounting Standard.



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 cancelable in nature. The lease rentals paid or received under such arrangements are accounted in the statement of profit and loss.

16. Basis of Consolidation:

The Consolidated Financial Statements include the Financial Statements of Sakthi Auto Component Limited and its following subsidiaries:

Name of the subsidiary	Country of incorporation	Proportion of ownership interest (%)
Sakthi Auto Ancillary P Ltd	India	51.83
Orlandofin BV	Netherlands	100.00
Sakthi Netherlands BV	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
Sakthi Auto Mauritius Ltd	Mauritius	100.00

The following step down subsidiaries viz. Sakthi Europe Verwaltungs, GmbH and the Sweden subsidiaries, are not consolidated since there is a long term restriction in the flow of cash from these subsidiaries to the holding company as the said subsidiaries are under the control of the Administrators appointed by the respective Courts in Germany and Sweden.

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.
- 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.



SAKTHI AUTO COMPONENT LIMITED

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