ANG INDUSTRIES

Annual Report 2010-11

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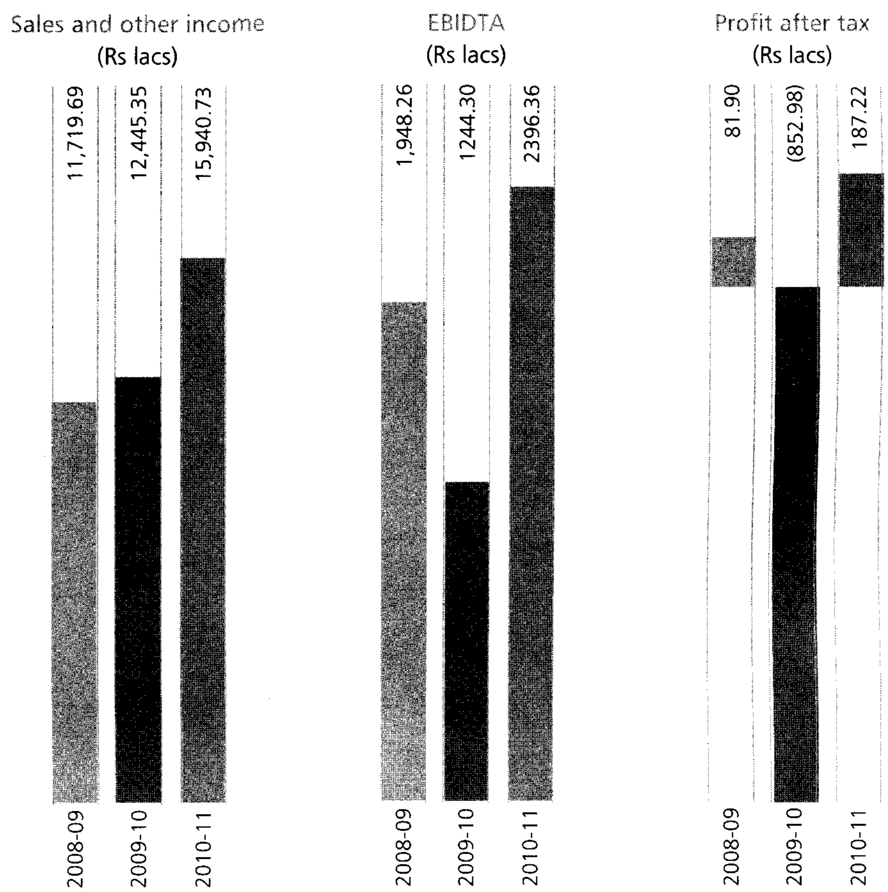
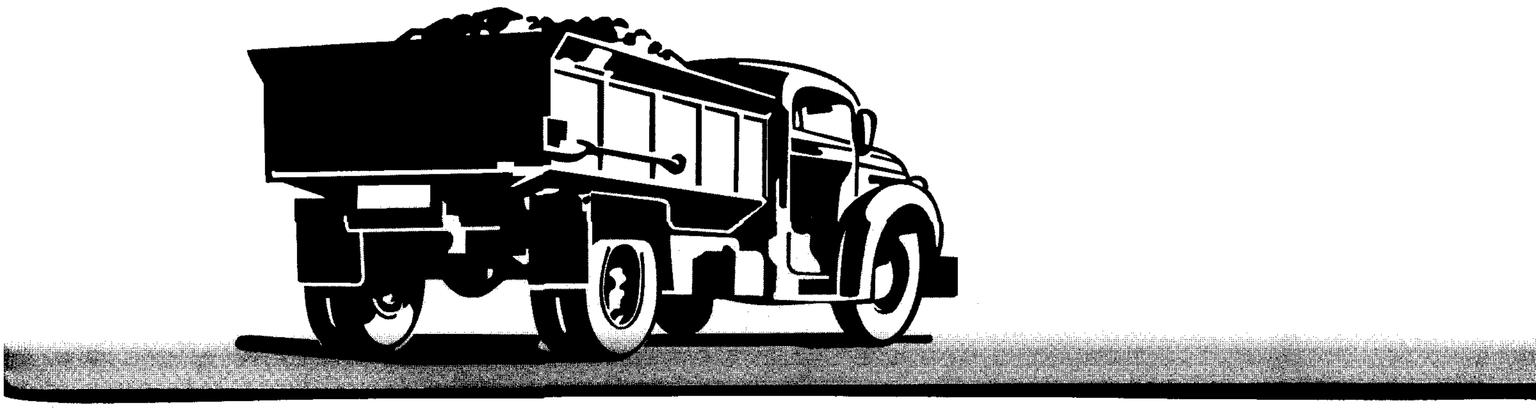
The corporate

ANG Industries provides specialised auto components for heavy commercial vehicles, trailers and trailer parts. The Company also fabricates boiler support structures. It is an approved vendor for BHEL and L&T-MHI Boilers (Pvt) Ltd. Headquartered in New Delhi, the Company has various manufacturing facilities in Noida, Noida SEZ, Faridabad, Greater Noida and Sitarganj.

Highlights, 2010-11

- Gross sales grew 28% from Rs 12,445.35 lacs in 2009-10 to Rs 15,940.73 lacs
- EBIDTA grew 92.58% from Rs 1,244.30 lacs in 2009-10 to Rs 2,396.36 lacs in 2010-11
- Profit after tax rebounded from Rs (852.98) in 2009-10 to Rs 187.22 lacs
- Production of auto-components and assemblies increased from 2,798,889 in 2009-10 to 3,254,159
- Heavy fabrication production increased three-fold from 1,554.56 MT in 2009-10 to 5,500.40 MT
- Issued 1,100,000 convertible warrants to promoters and others at Rs. 48 each on a preferential basis





Statement from the Managing Director

"The new verticals will accelerate business and profitability growth, improving shareholder returns."

Dear Shareholders

At the start of 2010-11, we had our back against the wall for various reasons: we had sustained a net loss of Rs 852.98 lacs in 2009-10, our new business vertical was yet to establish and our conventional businesses ran into an unexpected plateau.

The big message that we wish to send out to our shareholders is this: we overcame these challenges in 2010-11. We grew our conventional businesses. We established a strong presence in new verticals. We rebounded to report a profit after tax of Rs 187.22 lacs.

The one reason why we turned around was our timely diversification into the heavy fabrication of boiler support structures (Rs 3,402.76 lacs revenues in 2010-11), a high growth profitable business.

New vertical

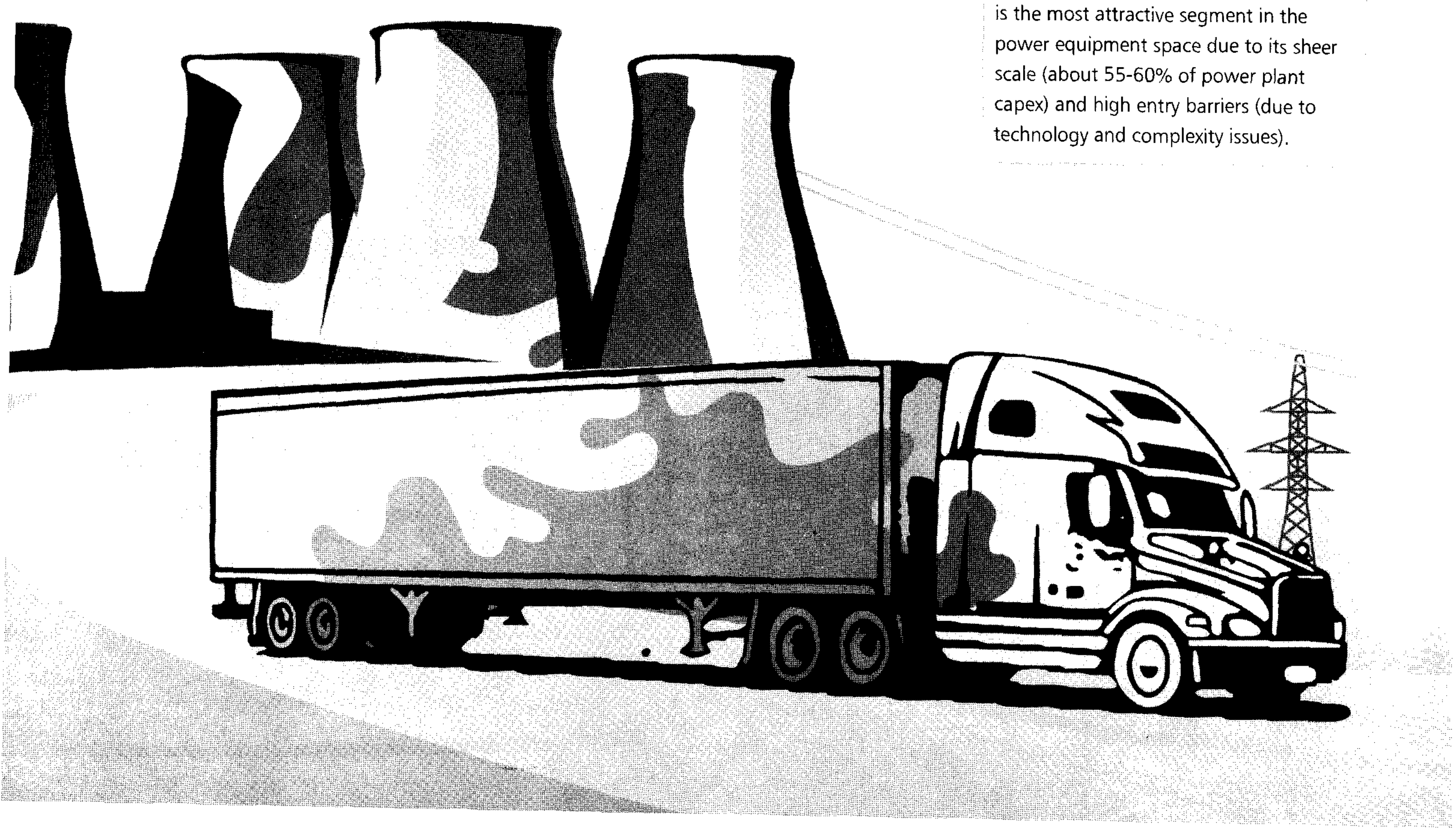
My optimism is based on the projected growth of the power sector in India

India is a power deficit country. During 2010-11, India suffered a peak power shortage of 10.3% and an energy deficit of 8.8%. The aggregate loss of state T&D utilities at 2008 tariff for 2010-11 was estimated at Rs. 686 billion and projected to increase to Rs 1,000 billion by 2013-14 *(Source: Indian Electricity Conference, 2010)*.

As the average Indian becomes more affluent (urban and rural), the country emerges as a global manufacturing hub and reinforces its position as the back-office to the world, energy needs will accelerate (comparison with China below).

Parameters	India	China
Population	1.1 billion	1.3 billion
Power generation capacity	169 GW	860 GW
Per capita consumption	700 kWh (2009-10)	2,500 kWh (2008)

The boiler-turbine-generator (BTG) market is the most attractive segment in the power equipment space due to its sheer scale (about 55-60% of power plant capex) and high entry barriers (due to technology and complexity issues).



Parameters	Eighth Plan	Ninth Plan	Tenth Plan	Eleventh Plan
Planned addition (GW)	31	40	41	79
Actual addition (GW)	16	19	21	55 (E)

India's electricity demand is expected to increase from 900 billion kWh to 1,400 billion kWh by March 2017, necessitating capacity addition of 100 GW during the Twelfth Plan. Despite favourable regulatory policies to attract large investments, India's power capacity accretion has been poor, which indicates that the industry growth will extend into the long-term.

Over the Eleventh and Twelfth plans (FY12-22), India targets to add 200 GW, creating huge investment opportunities across the power value chain. Assuming a rough capex of US$ 1.11 million per MW for generation, and a similar spend for T&D with a 1:1 ratio, India is likely to invest Rs 20 trillion over FY2012-22.

At ANG, we commissioned a state-of-the-art greenfield fabrication facility which is among the best in India. The Company received approvals from BHEL and L&T-MHI Boilers (Pvt) Ltd within six months of commissioning. In 2010-11, we trebled our heavy fabrication output over the previous year.

Conventional business

Auto-components: India is gaining recognition as the auto component hub of the global automobile industry.

According to the Investment Commission of India, India is among the world's most competitive auto component manufacturing and research hubs. Global brands like Daimler Chrysler, Bosch, Suzuki and Johnson Controls commissioned development centres in India while global auto component majors like Delphi, Visteon, Bosch and Meritor established Indian operations. The global auto ancillary industry is expected to grow to US$1.9 trillion by 2015, of which around 40% (US$700 billion) is expected to be sourced from low-cost countries like India.

The country's auto component sector is expected to capitalise on the following realities: robust industrial growth, the country's freight shift from rail to road, highways improving and an additional 1.8 million CVs expected to be operational by 2018. This will generate a significant increase in the demand for heavy duty auto components, especially single piece axles.

Trailers: I am optimistic of the growth of our trailer business for the following reasons:

- India plans to construct 35,000 km of highways by 2014 for an additional estimated US$ 67 billion.
- India plans to create additional capacity of 485 million tonnes in major ports and 345 million tonnes in non-major ports by 2012
- Fuel prices will stay strong as crude is expected to hover around US$100 per barrel by 2013
- Increasing containerisation will save costs and minimise logistics expenses.

Message to shareholders

We are excited about our prospects. Our mature businesses will capitalise on emerging opportunities while our new verticals will accelerate growth.

We expect to strengthen revenues with a corresponding increase in profitability, translating into enhanced value for our shareholders.

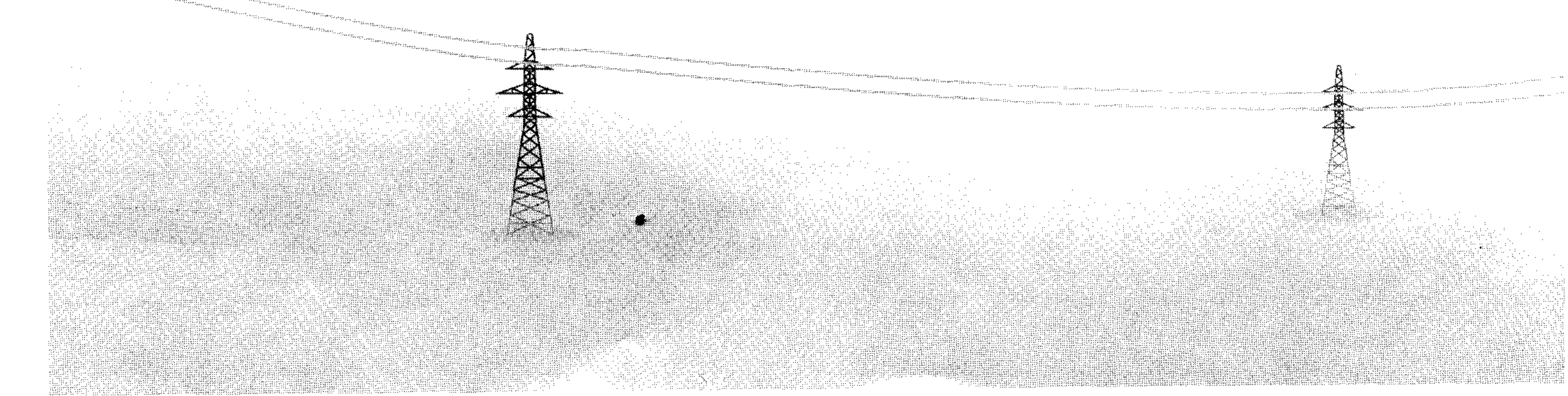
Warm regards

Premjit Singh

Power opportunity (Twelfth Plan capacity addition)

GDP growth	GDP/electricity elasticity	Electricity generation required (BU)	Peak demand (GW)	Capacity addition required during Twelfth Plan (GW)
8%	0.8	1,415	215.70	70.80
	0.9	1,470	224.60	82.20
9%	0.8	1,470	224.60	82.20
	0.9	1,532	233.30	94.30
10%	0.8	1,525	232.30	92.80
	0.9	1,597	244.00	107.50

[Source: Ministry of Power]



Management discussion and analysis

Economic overview

Global: The global economy grew at a robust 5.1% in 2010 against (0.5)% in 2009. Advanced and emerging economies contributed to this recovery. Advanced economies sustained their moderate growth, owing to stronger-than-expected private consumption. Growth in emerging and developing economies was fuelled by private demand, accommodative policy stances and resurgent capital inflows. Financial turbulence re-emerged in the periphery of the euro area in the last quarter of 2010. Natural global disasters posed a significant challenge for global economic growth, taking a massive toll on human life, resulting in wealth erosion. Going forward, global GDP is projected to grow about 4.3% in 2011, with developing economies expanding at an estimated 6.6%, about three times the 2.2% growth expected for advanced economies.

India: India's GDP grew 8.5% in 2010-11 (8.0% during 2009-10), primarily driven by significant agricultural sector growth. The industrial sector registered a robust performance in the first half of the 2010-11 but decelerated significantly in the second half of 2010-11. Significant volatility was evident not only in the numbers but also in sentiment, primarily driven by global cues and policy responses addressing inflation. Headline inflation witnessed a relentless rise during 2010-11 (it remained in double digits for almost five months in 2010). Despite these roadblocks, net capital inflows increased to US$ 52.7 billion (April-December, 2010) from US$ 37.6 billion in the previous year; India's foreign exchange reserves grew to US$305 billion as on March 31, 2011, compared with US$ 293 billion as on March 31, 2010.

Initial government estimates placed India's GDP growth at over 8.75% in 2011-12. But global economic factors (namely the US downgrade and the widespread impact of the euro zone crisis) are expected to impact India's growth. Additionally, the government's initiative to curb inflation will affect economic growth. In view of this, the International Monetary Fund scaled down India's growth projection for 2011 to 8.2%. The Indian government is hopeful of achieving a GDP growth between 8-8.2% in 2011-12.

Auto component sector

The Indian auto component sector is among the most competitive globally, with the domestic auto parts being preferred by global automobile majors. The original equipment (OE) market is predominantly catered to by the organised sector.

The auto component industry registered a 34% growth in 2010-11 to US$ 39.9 billion; exports grew at 54% to US$ 5.2 billion. The sector participants invested about US$ 2-2.5 billion on capacity addition and facility modernisation in 2010-11.

The first quarter of 2011-12 witnessed a marginal slowdown as vehicle offtake was impacted by climbing interest rates. Estimates suggest that the auto component sector should grow at about 12-15% in the current fiscal.

Long-term estimates: According to the Automotive Component Manufacturers' Association of India (ACMA) and Ernst & Young report, the domestic auto component industry is expected to achieve an annual turnover of US$110 billion by 2020; it will contribute about 3.6% of India's GDP from the current level of 2.1%.

Indian commercial vehicle sector

Commercial vehicles: India is the world's fourth-largest commercial vehicle manufacturer.

In India, truck demand is a function of incremental freight, dependent on economic/industrial growth. Domestic truck volumes grew at a CAGR of over 30% during 2008-09 and 2010-11(E) in line with the country's robust economic growth and a shift in freight movement from rail to road. Road freight increased an estimated 13% CAGR against 9% for railways between 2008-09 and 2010-11(E).

In 2010-11, commercial vehicle sales grew 27% to 6.8 lac units. Medium and heavy commercial vehicles (M & HCVs) grew faster at 32% while light commercial vehicle growth remained subdued at 23%, owing to improving highways making it cost-effective to use heavier vehicles.

India's industrial growth is expected to remain robust. With the country's freight continuing to shift from rail to road, improving state highway conditions and development of expressways, the Indian CV market will grow into a demand of more than 1.8 million CVs by 2018.

Trailers: Trailer use is still nascent in India. The government's thrust on improving road infrastructure, proper implementation of overload restriction of commercial vehicles and increasing global trade are expected to catalyse demand.

During 2010-11, 50 road projects of 5,060 km were awarded, while around 15,450 kms of national highways were completed under NHDP as on March 31, 2011. Additionally, the government plans on constructing 35,000 km of highways by 2014 at an estimated investment of over US$ 67 billion, increasing trailer viability.

Ports: The capacity of Indian ports crossed 1 billion tonnes per annum in 2010-11. India plans to create an additional capacity of 485 million tonnes in major ports and 345 million tonnes in non-major ports by 2012 which is expected to increase trailer demand.

Power sector

The country added more than 12,160 MW in power generation capacity in 2010-11, the highest addition to the country's power generation in a single fiscal since Independence. The addition was 27% higher than 2009-10 but fell short of the targeted 21,441 MW. India suffered a peak demand shortage of around 10.5% and energy deficit of 8.2% during the year under review.

In March 2011, India's installed capacity (excluding captive plants) was 173,626 MW. Thermal sources continue to enjoy a dominant share of 64.98% (112,824 MW) followed by hydro (21.63%), renewable (10.62%) and nuclear (2.75%).

Importance: As the Indian economy continues to surge, its power sector has been expanding concurrently. Thermal power in India is responsible for more than two-thirds of the power generation in India which includes using gas, liquid fuel and coal. According to Government of India estimates, investments of more than US$ 100 billion will be required to be invested in power generation in ten years.

Thermal power, 2010-11: Thermal power improved 3.82% in 2010-11 against 5.52% in 2009-10. Thermal power generation was 665 BU in 2010-11 as against the target of 690.86 BU. Some thermal units had to be put under reserve shut down and scheduling of generation from costlier liquid fuel and gas-based plants were also affected. Delay in commissioning/stabilisation of some new thermal units, unscheduled/extended planned maintenance of some of the thermal units and a shortage of domestic/imported coal affected thermal generation.

Coal remained the mainstay of the country's electricity generation. Coal accounted for 85% (10,359.5 MW) of the total capacity addition and 92% of

India's power generation capacity (in MW)

Thermal	Nuclear	Hydro	RES*	Total
112,824.48	4,780.00	37,567.40	18,454.52	173,626.40

[Source: Indian Infrastructure, May 2011]

*Renewable energy sources (RES) includes small hydro projects, biomass gasifier, biomass power, urban and industrial power and wind power

the thermal capacity addition during 2010-11. Coal-based generation suffered a shortfall of 22,238 MU during 2010-11, mainly due to the materialisation of only 92.6% of coal requirements.

Planned addition

India's total installed capacity in 2011 is estimated to be around 1,76,990.40 mega watt (MW).

To fulfil the objectives of National Electricity Policy (NEP), a mid-term appraisal target capacity addition of 62,374 MW was revised for the Eleventh Plan out of which 27,711 MW (thermal) was commissioned (till January 31, 2011) and 23,564 MW of the same is under construction.

In recent years, there has been an uninterrupted policy focus resulting in the forward-looking India Electricity Act 2003, delicensing thermal power generation, restructuring of SEBs, proper market for power and setting up power exchanges, among others. Significant project opportunities are expected in the power generation sector where interest is high.

Road ahead

- India's power demand is estimated to grow 7.8% between 2010 and 2015 on the back of GDP growth of 8% to 8.5% against which 95 GW is expected to be added (33 GW addition over the previous five years). The incremental capacity addition is expected to warrant an investment of Rs. 9.3 trillion *(Source: CRISIL)*.

- The Ministry of Power and Central Electricity Authority (CEA) projected a US$ 4.30 billion power industry renovation and modernisation programme, which will extend the life span of old power plants during Eleventh and Twelfth Five Year Plans. Of this, US$ 1.50 billion is planned for the Eleventh Plan and US$ 3 billion for the Twelfth Plan (over the investment of US$ 213.70 billion proposed for the capacity addition of 78,700 MW in the Eleventh Plan and US$ 235.10 billion for 94,431 MW in the Twelfth Plan).

Human resource

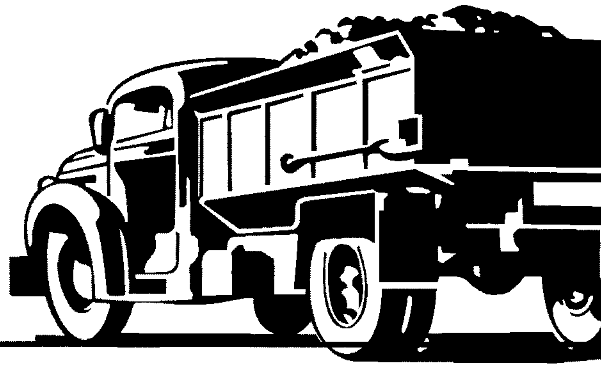
The Company recognises that its personnel constitute an important pillar. A major exercise in employee training and development was undertaken. The Company emphasised the importance of human resource activities, which helped retain employees.

Internal control systems and adequacy

The Company has adequate internal control procedures commensurate with the size and nature of business. The Company deployed a strong system of internal controls to allow optimal use and protection of assets, facilitate accurate and timely compilation of financial statements and management reports and ensure compliance with statutory laws, regulations and management policies. The Company also devised an extensive monitoring and review mechanism, whereby the management regularly reviews actual performance with reference to business plans --both financial and operational.

The functional heads are responsible for regular internal assurance reviews to ensure the adequacy of the internal controls systems and adherence to management policies and statutory requirements. The functional heads deploy an annual internal assurance plan based on an assessment of major risks in each of the businesses. Risk assessment helps identify and focus on all high–risk areas. The reviews cover business critical functions like revenue assurance, collection, credit and risk, MIS and information technology and network security, procurement and financial reporting.

The Audit Committee periodically reviews audit plans, observations of both internal and external audit teams, risk assessment and adequacy of internal controls.



Analysis of financial statements

The Company registered robust business growth of 25%+ in 2010-11 was matched by a turnaround in business profitability.

Profit and loss account

Revenue: Income from operations increased from Rs 12,445.35 lacs in 2009-10 to Rs 15,940.72 lacs in 2010-11, owing to a revenue increase from the heavy fabrication vertical. Income from the transportation business nearly doubled from Rs 315.78 lacs to Rs 603.35 lacs in 2010-11.

Cost: Total operating costs increased 28.79% from Rs 10,250.51 lacs in 2009-10 to Rs 13,202.34 lacs in 2010-11, owing to increased scale and inflation, which increased input costs – steel being the largest contributor to the cost increase. The Company charged a one-time Rs 126.08 lacs of claims from other parties, which were non-recoverable.

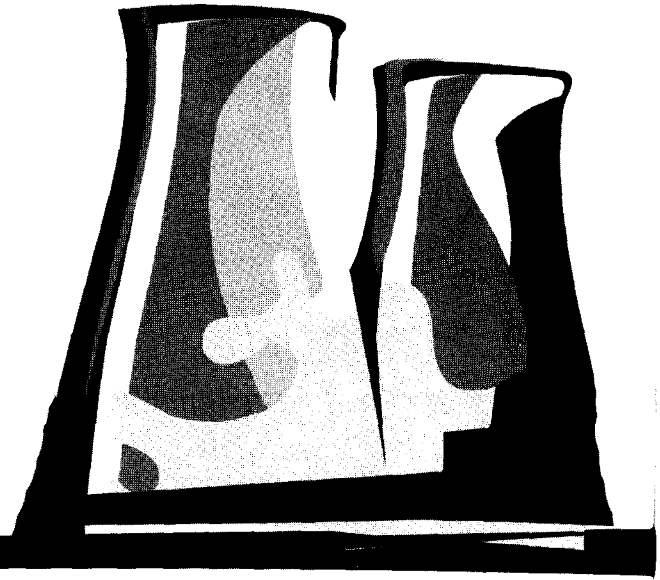
Profitability: The Company registered a significant improvement in profitability in absolute and percentage terms. EBIDTA grew 92.58% from Rs 1,244.30 lacs in 2009-10 to Rs 2,396.36 lacs in 2010-11; it registered a profit before and after tax of Rs 283.33 lacs and Rs 212.75 lacs respectively in 2010-11 against losses before and after tax of Rs 641.06 lacs and Rs 852.33 lacs respectively in 2009-10.

Balance sheet

The Company grew its reserves, repaid debt and added to its gross block, enabling it to capitalise on emerging opportunities.

Sources of funds: The capital employed in the business increased 10.52% from Rs 1,254 lacs in 2009-10 to Rs 1,386 lacs in 2010-11, owing to an increase in share capital (preferential issue to promoters during the year at Rs 48 per share), expanding reserves and surplus balance and increased external funds.

Application of funds: The additional funds deployed in the business during the year under review were utilised to expand the gross block and fund day-to-day operations. The addition to the gross block was primarily in machinery and tools, buildings and vehicles, strengthening the Company's competitive advantage. The increase in working capital requirement was to fund increased input costs (primarily steel) and to the extended debtors' cycle as the Company focused on the heavy fabrication business (a space characterised by a long receivables cycle). The interesting aspect in the net current assets is an increase in inventory was primarily due to work-in-progress, signifying a healthy order book which will cascade into revenue in the current year; raw material inventory declined while finished goods inventory remained at previous year levels



Minimising risks.
Maximising returns.

Risk represents the face of business uncertainty, affecting corporate performance and prospects. At ANG Industries, the overarching objective is to reinforce a culture of responsible risk management. Thanks to its rich experience acquired over the years, the Company developed a risk management framework encompassing effective processes, catalysed by qualified professionals. As a result, business decisions balance risk and reward for profitable and sustainable growth.

Often the difference between a successful man and a failure is not one's better abilities or ideas, but the courage that one has to bet on his ideas, to take a calculated risk and to act. **Maxwell Maltz**

Slow Growth in the power sector could hamper prospects.

Mitigation: Energy is critical to progress. Despite India featuring among the top five fastest- growing nations and positioned as a global manufacturing and services hub, it is an energy- deficit nation. As a result, the power sector is high on the government's priority list. Favourable regulatory policies attracted large corporates to this space, highlighting a high growth path over the medium term. While certain road blocks could result in growth deviating from estimates, long-term prospect remain unaltered.

Slowdown in the auto-component business may adversely impact the Company's performance.

Mitigation: India is a global automotive hub with international players establishing manufacturing bases in India to leverage low-cost operations and high-quality products. Besides, India has a huge vehicle population (estimated at 94.7 million – Source: Hindustan Times, February 15, 2011) of which close to 35% are trucks and buses. They need to be serviced frequently. Additionally, the shift from logistical preference towards road over rail (owing to better roads, timely delivery and cost optimisation) is only expected to increase the heavy commercial vehicle and trailer population, translating into enhanced auto component offtake.

Lack of funds could impede the Company's ability to undertake growth initiatives.

Mitigation: The Company has a strong balance sheet. A low 1.32 debt-equity ratio (as on March 31, 2011), a healthy reserves and surplus balance at Rs 8,019.66 lacs and a strong cash and bank balance at Rs 895.40 lacs strengthened the Company's ability to finance growth initiatives. Besides, in 2009-10, it commissioned a state-of-the-art heavy fabrication unit for an investment of Rs 10,000 lacs which will strengthen profits.