When the global automotive and construction tools market weakened, Akar Tools strengthened its competencies.

Through capacity expansion. Inorganic growth. Stronger processes. Enhanced efficiencies. Niche approach. And training.

The principal message that we want to convey to our stakeholders is simple.

That when the market revives, Akar Tools is poised for growth.

Corporate Identity

About the Company

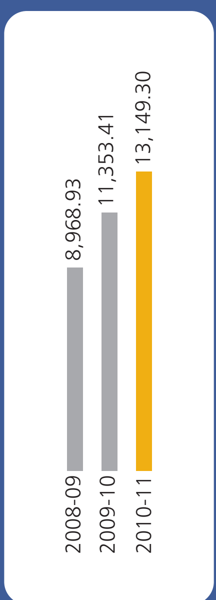
- Akar Tools Limited is an associate company of the Rs. 620 cr Aarel Group headquartered in Aurangabad (Maharashtra), India.
- The Company manufactures and markets quality precision engineered hand tools, auto leaf springs, parabolic springs and commercial automotive forgings across 10 states in India and 30 countries.
- It has four manufacturing units in Aurangabad (two in Waluj, one in Chitegaon and one in Chikalthana)

Certifications

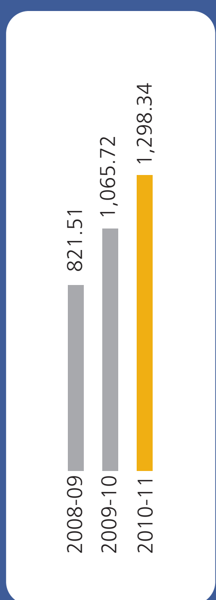
- ISO/TS 16949:2009 for quality standards
- GS certification from TUV (Rheinland) Safety Gmbh, Germany, awarded for its spanners
- Compliance with ANSI and DIN quality standards

Key performance indicators

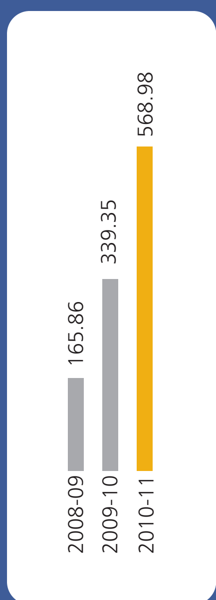
Revenues
(Rs. lacs)



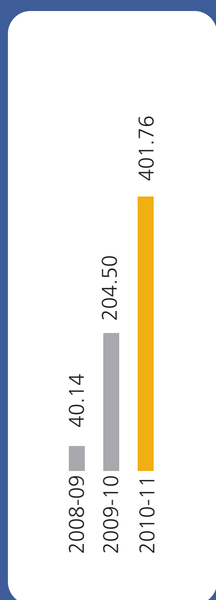
EBIDTA
(Rs. lacs)



Profit before tax
(Rs. lacs)



Post-tax profit
(Rs. lacs)



Clientele

Retail companies
- Shreenath Agencies
- Tool Tech
- Tyebally Dawoodjee
- Jameel Traders
- Metro GB

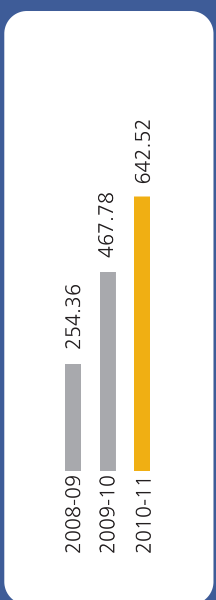
Original equipment manufacturers
- Bajaj Auto Ltd
- Kirloskar Oil Engines Ltd
- Greaves Cotton Ltd
- Piaggio Vehicles Pvt. Ltd
- Mahindra & Mahindra Ltd
- P. M. Diesels Pvt. Ltd
- Maruti Enterprises

Public transport departments
- MSRTC
- KSRTC
- TNSRTC

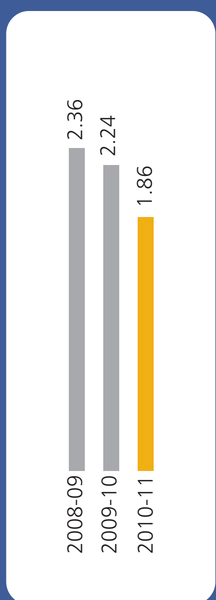
Production facilities

Location	Products	Capacity	Capacity utilisation	Expansion plans
Waluj (Aurangabad)	Hand tools for export	2,400 TPA	150%	–
Waluj (Aurangabad)	Hand tools and automotive commercial forgings	2,400 TPA	104%	Machine shop for commercial forging
Chitegaon (Aurangabad)	Parabolic springs	14,400 TPA	32%	–
Chikalthana (Aurangabad)	Leaf springs	5,400 TPA	71%	–

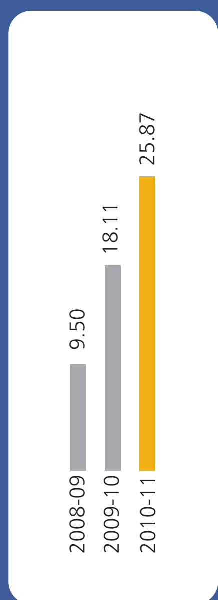
Cash profit
(Rs. lacs)



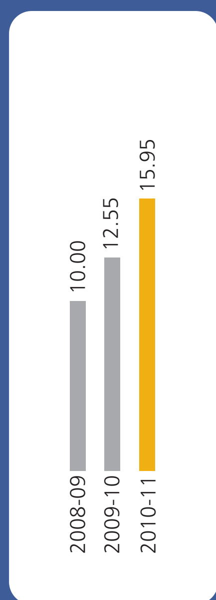
Debt-equity ratio



Return on net worth
(%)



Return on capital employed
(%)



CHAIRMAN'S REVIEW

"We are engaged in expansion, new capacity creation and acquisition to accelerate our growth"

Chairman Mr. R. L. Gupta discusses the Company's performance and prospects

Q: How would you review the performance of the Company in 2010-11?

A: The year 2010-11 was satisfying as our business segments registered growth despite a challenging economic scenario and a sharp rise in average raw material prices. Your Company's revenues grew 15.82% to Rs. 13,149.29 lacs in 2010-11 with an EBITDA of Rs. 1,298.34 lacs and profit after tax of Rs. 401.76 lacs. More importantly, we reduced our leverage and strengthened our balance sheet in a challenging year.

Q: What were the primary reasons for this growth?

A: During the year, all the Company's businesses – hand tools, automotive forgings and springs – reported a higher capacity utilisation. Our production increased from 12,009.77 tonnes in 2009-10 to 14,488.53 tonnes in 2010-11, boosted by a 53% growth in our forgings business. The average capacity utilisation across all our units was 59% compared with 55% in 2009-10. The Company also focused on supplies to original equipment manufacturers (OEMs) and large retailers, attracting higher volumes on the one hand and superior margins through the sale of value-added products on the other.

Q: Do you expect this momentum to sustain?

A: We expect it to accelerate for some good reasons. The Company recorded a compounded growth of 23% in its revenues in the last five years. But this just appears to be the beginning as the Company is poised for organic and inorganic growth.

Expansion: In line with our business plan, we initiated capacity expansion at our commercial forging and machining shop.

New plants: We plan to set up manufacturing units in Pune and commission new lines for machining and assembling parts for various automakers. This will enable the Company to widen its product and customer base.

Acquisition: We intend to acquire a US forging unit to tap local demand and acquire clientele and technology of the target. The Company also plans to acquire a company in West India for its forging business.

International presence: We commissioned a US office during the year under review to enhance our understanding of that geography, leading to customer acquisition and other opportunities.

Q: What is the net impact of these initiatives?

A: We plan to raise funds to a maximum of Rs. 1,650 lacs through a rights issue to meet our automobile forging expansion plans and additional working capital needs. Since the Company has a debt-equity ratio of less than 1.0 there is adequate room to source external funds. Following capacity expansion and acquisition, we expect a topline growth of 40-50% in two years.

Q: How does the Company expect to enhance shareholder value?

A: The Company expects to enhance shareholder value through a number of initiatives: The captive and cost-efficient sourcing of alloy steel from its group company. The Company had an order book of Rs. 2,731 lacs as on 31st August 2011 which will sustain production for two-and-half months. It intends to commercialise capacity expansion and acquisition programmes on schedule coupled with high capacity utilisation. It aims to reduce overheads by reducing its leverage. The cumulative result will be a projected topline of Rs. 15,000 lacs in 2011-12 accompanied by higher margins.

our strengths

Niche
The Company is a prominent global brand engaged in the manufacture of a wide range of precision-engineered hand tools, automotive forgings and springs.

Technology
The Company is equipped with modern machining technology like CNC machines, polishing machines, automated vibrators and other sophisticated machines that contribute to high precision quality standards.

Quality
The Company follows stringent quality control initiatives to manufacture world-class products. Its products are ISO 9001:2000 and DIN-certified. It is also accredited with GS certifications from TUV (Rheinland) Safety Gmbh and ANSI.

Scale
The Company has a cumulative capacity of 24,600 MTPA, resulting in attractive economies of scale. It embarked on expansion plans in the machining shop even though installed capacity will not increase, the profitability of the Company will enhance.

Portfolio
The Company's four business verticals manufacture a variety of products catering to multiple customer requirements.

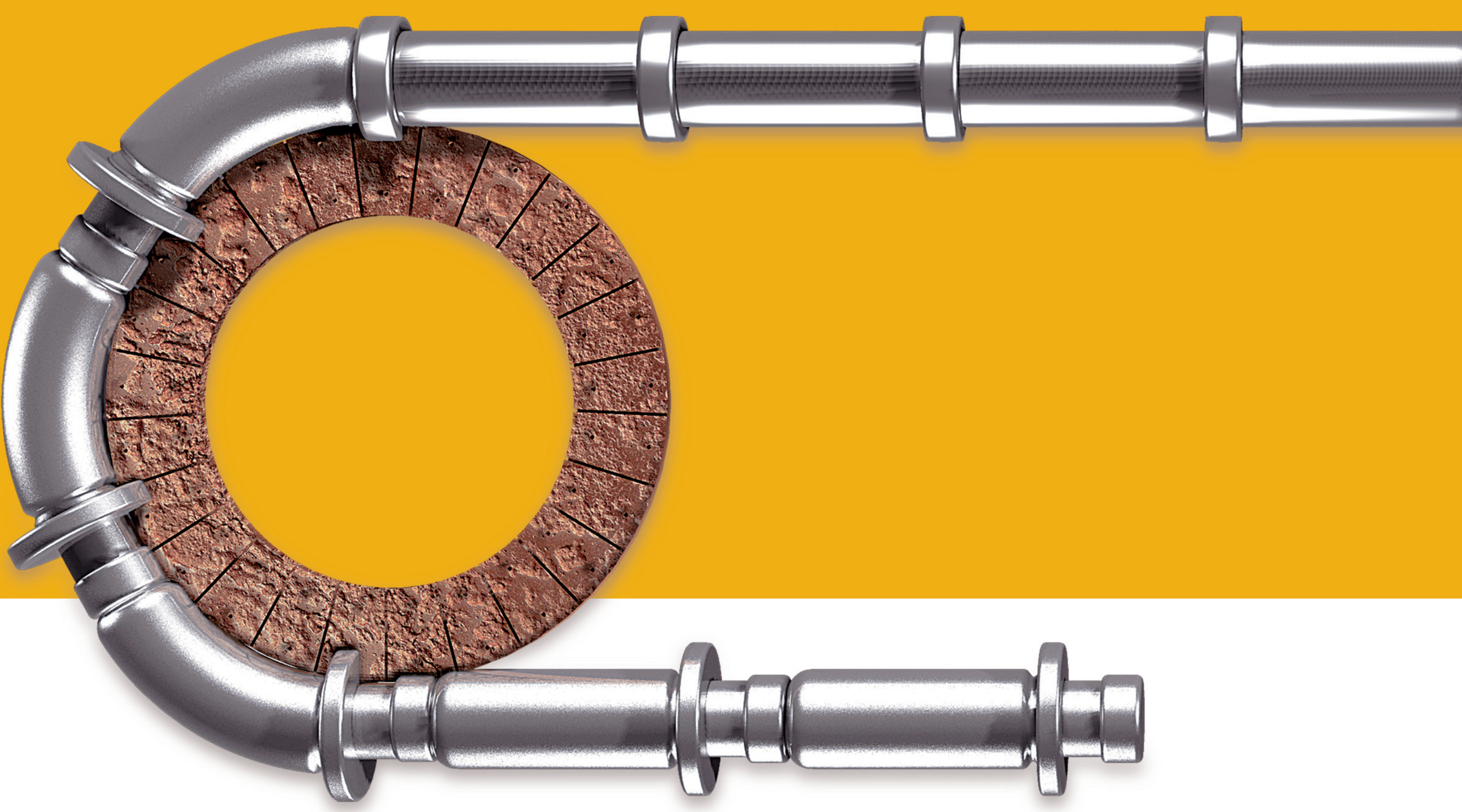
Integration
Manufactures alloy steel and downstream products.

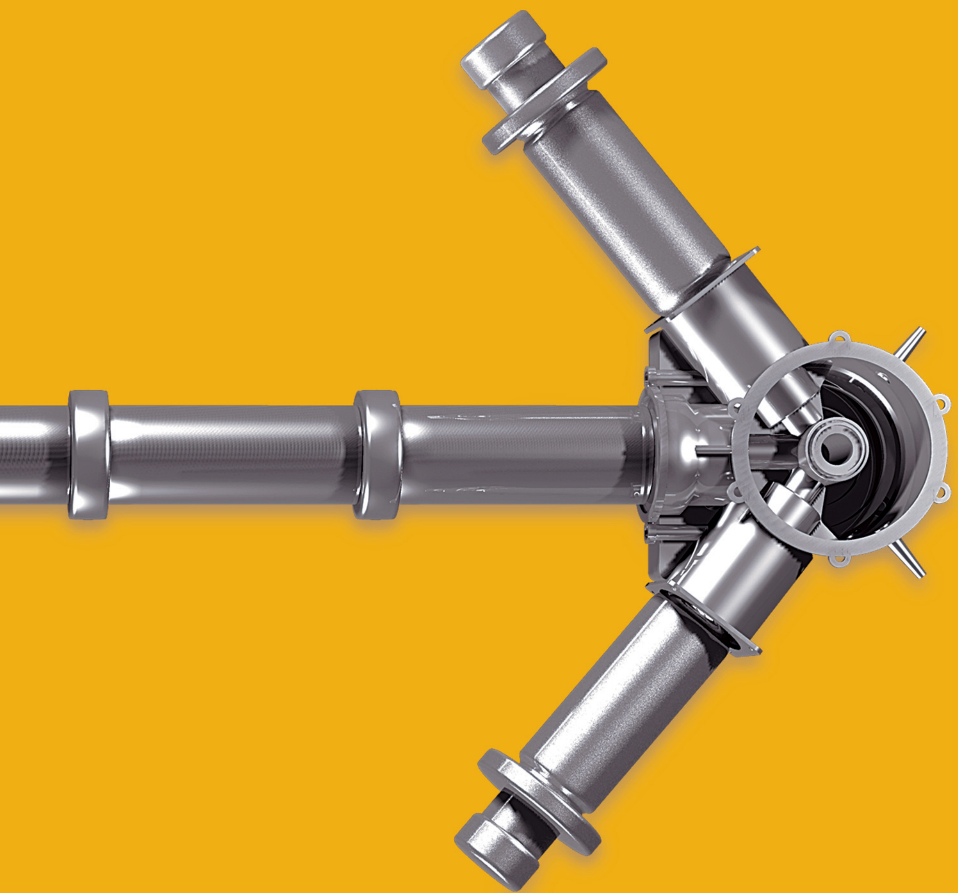
Customers
Customers include reputed OEMs like Bajaj Auto, Tata Motors, Force Motors and Escorts, among others

Relationships
Longstanding client relationships ensure revenue predictability. Akar has clients in Australia, Egypt, Europe, India, Japan and North America.

Presence
Present across 30 countries, Akar has plants in Maharashtra (generates 38% of India's automobile output), home to automotive brands like Bajaj Auto Ltd, Daimler Chrysler, Fiat, Skoda Auto, John Deere, Tata Motors, Kinetic Engineering and Cummins.

Global auto majors target Rs. 80,000 cr investments in India in four years. An increased opportunity for Akar Tools.





- Akar Tools embarked on a capacity expansion plan from 24,600 MTPA to 30,000 MTPA by 2015 for an investment of Rs. 2,000 lacs
- The Company intends to acquire forging units to enhance capacity and competence; its investment in modern technology will enhance product acceptance among major OEMs
- The Company extended its product offering from hand tools to value-added specialised products (parabolic springs, automotive forgings and leaf springs), attracting higher margins
- The Company integrated backwards to source quality raw material, stabilise high quality and reduce production costs.
- The Company provided training to enhance work skills leading to a higher average plant utilisation of 59%

HAND TOOLS

Revenue, 2010-11	Proportion of Company's revenues, 2010-11	Revenue growth	Product portfolio	Presence
Rs. 4,070 lacs	31%	12%	- Spanners - Wrenches - Striking tools - Pliers - Screw drivers	- The USA - Japan - Australia - Europe

Overview

The Company commenced hand tool manufacture in 1989, responding to the growing international market. The division manufactures general do-it-yourself (DIY) tools that are non-powered and designed for general maintenance works, house repair, woodworking, building construction, gardening and mechanics.

Highlights, 2010-11

- Revenues increased from Rs. 3,630.32 lacs in 2009-10 to Rs. 4,070.42 lacs.
- Exports increased from Rs. 2,953.95 lacs in 2009-10 to Rs. 3,222.24 lacs in 2010-11, accounting for 9% of the unit's revenues.
- Capacity utilisation increased 64% in 2009-10 to 70%.

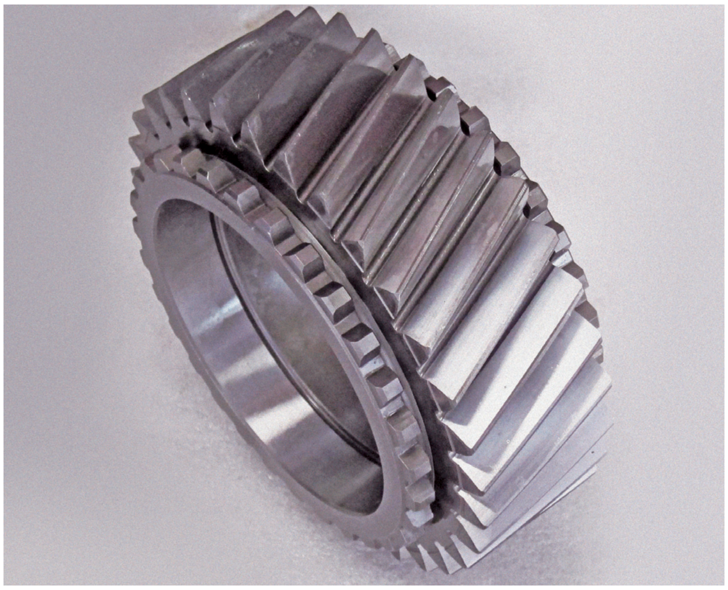
Strengths

- **Production capacity:** India's largest hand tools manufacturer catering to the US market.
- **Product portfolio:** The unit manufactures more than 20 product categories that find applications in various household, repairing and construction works.
- **Strong relationships:** The unit enjoys longstanding relationships with large US retail brands. Almost 70% of the clientele is more than five years old.

Road ahead

- Enhance production capacity and achieve 100% capacity utilisation.
- Achieve revenues of Rs. 4,500 lacs in 2011-12.
- Increase product portfolio to widen customer base.

Hand tools (Domestic) and automotive forgings



Revenue, 2010-11	Proportion of Company's revenues, 2010-11	Revenue growth	Product portfolio	Presence
Rs. 4,865 lacs	37%	20%	Steel vices Screw drivers Automotive forgings	Pan-India

Overview

The unit (installed capacity 2,400 MTPA) commenced operations in December 2008. The unit manufactures tools that find applications in various household and industrial applications.

The division diversified into the manufacture of automotive commercial forgings widely used by original equipment manufacturers (OEMs) viewing the growing automotive market in India and the entry of major MNC OEMs in the Indian market. The division manufactures a range of products (sizes ranging from less than an ounce to more than 27 kgs) finding applications in machines, vehicles and equipment.

Highlights, 2010-11

- Revenues increased from Rs. 3,365.04 lacs in 2009-10 to Rs. 4,864.70 lacs
- Enhanced capacity utilisation from 134% in 2009-10 to 150%
- Sales to OEMs increased 80% during the year
- Proportion of value-added products increased from 70% in 2009-10 to 85%

Strengths

- **Pan-India presence:** The unit distributes products across the country through a network of over 200 dealers.
- **Product range:** The unit offers a product range that finds applications in household, industrial and automotive sectors.
- **Product acceptance:** The unit's stringent quality standards resulted in product registration with major OEMs like Bajaj Auto, M&M, Tata Motors, Escorts, and Kirloskar, among others.

Road ahead

- Target to achieve revenues of Rs. 6,000 lacs in 2011-12.
- Receive more product approvals from OEMs in India.
- Customise products to address specified customer requirements.

Parabolic springs

Revenue, 2010-11	Proportion of Company's revenues, 2010-11	Revenue growth	Product portfolio	Presence
Rs. 2,451 lacs	19%	9.77%	Parabolic springs; Laminated leaf springs	Domestic and international

Overview

The unit commenced operations in 2009 (installed capacity 14,400 MTPA) to cater to global replacement markets. The unit manufactures light parabolic springs used in automobiles with a superior shock absorbing capability and smooth running.

Highlights, 2010-11

- Revenues increased from Rs. 2,233.20 lacs in 2009-10 to Rs. 2,451.40 lacs.
- Exports decreased from Rs. 1,325.43 lacs in 2009-10 to Rs. 999.09 lacs.
- Products exported to Turkey, Iran and the Middle East.

Strengths

- **Production capacity:** The unit possesses a large manufacturing capacity to meet growing global demand.
- **Low production cost:** The unit's backward integration with a captive Group alloy steel plant enables it to source superior raw materials at a lower logistics cost.
- **Exports:** The unit derives over 60% of its revenues from exports. Thus, the growing domestic demand for automobiles will enhance revenues.

Road ahead

- Revenue target of Rs. 2,500 lacs in 2011-12 through capacity utilisation levels of 35%.
- Enhance presence in India to tap the growing demand for automobile springs.