

Board of Directors

Mr. Jayakar Krishnamurthy	Chairman and Managing Director & Chief Financial Officer
Mr. P.P.R. Rao	Executive Director
Mr. S. Muthukrishnan	Director
Mr. S. Natarajan	Director
Dr. M.S. Ananth	Director
Dr. V. Sumantran	Director
Mr. K. Muthukumaran	Nominee Director (upto 30.06.2011)
Mr. R.W. Khanna	Nominee Director (w.e.f. 30.06.2011)
Mr. R. Sundararaman	Director (w.e.f. 27.08.2011)

Audit Committee

Mr. S. Natarajan	Chairman
Dr. M.S. Ananth	Member
Mr. K. Muthukumaran	Member (upto 30.06.2011)
Mr. Jayakar Krishnamurthy	Member (w.e.f. 30.06.2011)

Advisor – Finance

Mr. V.K. Gupta

Company Secretary

Ms. Rekha Raghunathan

Statutory Auditor

M/s. G. Balu Associates
No. 4A Venkatesa Agraharam Road
Mylapore
Chennai - 600 004

Bankers

State Bank of India
Export Import Bank of India
IDBI Bank Limited
Central Bank of India
Corporation Bank
Indian Bank
Bank of India

Registered Office

“Raheja Towers”, Delta Wing – Unit 705
177 Anna Salai
Chennai - 600 002
Tel : 044 - 42208111; Fax : 044 - 28605020
E-mail : investor@ucalfuel.co.in

Factories

Tamil Nadu, Pondicherry and Haryana

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DIRECTORS' REPORT

The Directors have pleasure in presenting the Twenty Fifth Annual Report together with the audited accounts of the company for the year ended 31st March 2011.

FINANCIAL HIGHLIGHTS

The performance of the company for the year ended 31st March 2011 is as follows:

(₹ in lakhs)

Particulars	For the year ended		
	31.03.2011	31.03.2010	% Change
Gross Revenue	52,600	42,613	23
Net Revenue (excluding Excise Duty)	48,154	39,366	23
Total Expenditure	40,069	33,239	21
Operating Income	8,085	6,127	32
Other Income	85	93	(8)
Profit before Interest, Tax & Depreciation	8,170	6,220	31
Interest	2,725	2,852	(4)
Deferred Revenue Expenses	417	418	-
Depreciation	2,357	2,376	(1)
Profit before Tax & Exceptional item	2,671	574	365
Tax Expense	450	(189)	-
Profit after Tax / Net Profit	2,221	763	191
Prior period Adjustments	-	(6)	-
Balance of profit brought forward from last year	6,698	6,199	8
Amount Available for Appropriations	8,919	6,956	-
Appropriations:			
Transfer to General Reserve	415	-	-
Dividend	885	221	300
Tax on Dividend	143	37	289
Balance Carried to Balance Sheet	7,476	6,698	-

DIVIDEND

The Board is pleased to recommend a dividend of 40% i.e. Rs.4 per equity share, aggregating to Rs.885 lakhs (exclusive of tax on dividend) for the financial year ended 2010-2011. This dividend recommended by the Board is the highest dividend payout by the company in absolute terms till date.

TRANSFER TO GENERAL RESERVE

A sum of Rs.415 lakhs has been transferred to the general reserve of the company for the financial year 2010-2011.

PERFORMANCE

The turnover of the company during the financial year 2010-2011 increased to Rs.48,154 lakhs from Rs.39,366 lakhs in the previous financial year thereby recording an increase of 23%. The EBITDA increased by 31% to touch a level of Rs.8,170 lakhs from that of Rs.6,220 lakhs of the previous financial year. The increased offtake from various customers, greater controls established in the areas of capital expenditure, borrowings and other revenue expenditure coupled with better capacity utilization and increased productivity have contributed to the increased EBITDA. Due to better working capital management, the interest cost of the company came down by 4% inspite of increase in interest rates of banks. The company's earning per share was Rs.10.04 during the financial year 2010-2011 which is higher by 137% compared to that of Rs.4.23 per

share of the previous financial year. The exports also surged to Rs.5,189 lakhs during financial year 2010-2011 from Rs.3,799 lakhs in the previous financial year thereby recording a growth of 37%. After market sales of the company during the financial year 2010-2011 increased to Rs.1,103 lakhs as against a sale of Rs.876 lakhs in the previous financial year thereby recording a growth of 26%.

NEW PROJECTS

The company has invested Rs.4,216 lakhs in capital expenditure during the financial year 2010-2011. A major portion of this capital expenditure has gone towards setting up of a manufacturing facility at Bawal, Haryana to meet the growing customer base in North India and towards establishing another manufacturing facility at Mahindra City, Chengalpattu, Tamil Nadu to consolidate all export operations in a special economic zone. The existing plants have also been strengthened and expanded to meet the growing needs of the customers particularly in the areas of carburettors, oil pumps and vacuum pumps. Commercial production commenced at the Bawal facility on 28th February 2011 and at the Mahindra City facility on 27th June 2011. Further investment will have to be incurred in 2011-2012 to complete these projects keeping in step with the market trends.

DIRECTORS

Subject to the approval of the shareholders and the approval of the Central Government, the Board in its meeting held on 27th August 2011 reappointed Mr.Jayakar Krishnamurthy who is also Chairman and Chief Financial Officer as Managing Director of the company for a further period of five years with effect from 1st September 2011. Appropriate resolution for his reappointment and remuneration has been set out in the Notice convening the Annual General Meeting.

Mr. P.P.R. Rao, Executive Director, is completing his term of three years on 25th September 2011 and he will cease to be a Director from that day.

The Board in its meeting held on 27th August 2011 appointed Mr. R. Sundararaman as Additional Director. As per the provisions of the Companies Act, 1956 his appointment will be confirmed at the ensuing Annual General Meeting of the company. Subject to the approval of the shareholders and Central Government, the Board also appointed Mr. R. Sundararaman as Joint Managing Director of the company for a period of 3 years with effect from 8th September 2011. Appropriate resolutions for his appointment and remuneration have been set out in the Notice convening the Annual General Meeting.

EXIM Bank nominated Mr. R.W. Khanna as a Director on the Board of the company in place of Mr. K.Muthukumaran. The Board co-opted him as Nominee Director on 30th June 2011. The Board wishes to place on record its appreciation and gratitude for the excellent services rendered by Mr.K.Muthukumaran during his tenure as Director.

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

The Board expresses its sincere gratitude to Padma Vibhushan Dr. V. Krishnamurthy for his guidance in all spheres of the business especially in major policy decisions.

AUDITORS

M/s. G Balu Associates, Chartered Accountants, Chennai, Auditors of the company will retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The company has received a certificate from the auditors to the effect that their reappointment if made will be in accordance with the provisions of Section 224(1B) of the Companies Act 1956. The auditors have also confirmed that they hold a Peer Review Certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

AUDIT COMMITTEE

Mr. S.Natarajan, Dr. M.S. Ananth and Mr. K. Muthukumaran were members of the Audit Committee till 30th June 2011. The Audit Committee was reconstituted on 30th June 2011 to include Mr.Jayakar Krishnamurthy, Chairman and Managing Director & Chief Financial Officer as a member in place of Mr. K.Muthukumaran whose nomination was withdrawn by Exim Bank. Mr. S.Natarajan continues to be the Chairman of the Audit committee.

SUBSIDIARY COMPANIES

The company has two wholly owned subsidiaries.

UCAL Polymer Industries Limited(UPIL) — The operations of UPIL continue to be satisfactory. The turnover for the financial year 2010-2011 was Rs.1,750 lakhs up by 40% compared to that of Rs. 1,253 lakhs of the previous financial year.

The net profit after tax was higher at Rs.88 lakhs recording a growth of 46% as against Rs.60 lakhs of the previous financial year. A dividend of 10% has been declared by UPIL.

Amtec Precision Products Inc, USA(Amtec) — The turnover of the company was Rs.13,265 lakhs during the financial year 2010-2011 up from Rs.11,040 lakhs of the previous financial year thereby recording an increase of 20%. Amtec has for the first time earned a cash profit of Rs.226 lakhs during the current financial year.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31st March 2011 of the company and its subsidiaries together with the auditor's report thereon is enclosed. The statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies forms a part of the accounts. A summary of the key financials of the company's subsidiaries is also included in the Annual Report.

The consolidated results of the company and its subsidiaries show that a net profit after tax of Rs.1,926 lakhs has been achieved during the financial year 2010-2011 as against a loss of Rs.2,376 lakhs in the previous financial year. This can be attributed to an improvement in the operations of AMTEC and greater controls established in the operations of UCAL Fuel Systems Limited.

The Ministry of Corporate Affairs vide its General Circular No 2/2011 dated February 8, 2011 has granted a general exemption subject to certain conditions to holding companies from complying with the provisions of Section 212(1) of the Act which requires the attaching of the balance sheet, profit & loss account and other documents of its subsidiary companies to its Annual Report. The Board in its meeting held on 27th May 2011 passed the necessary resolution for complying with all the conditions regarding the circulation of the Annual Report of the company without attaching all the documents of the subsidiary companies referred to in Section 212(1) of the Act. Accordingly, the said documents are not being included in this Annual Report. The annual accounts, reports and other documents of the subsidiary companies will be available for inspection during business hours, by any shareholder of the company at the registered office of the company and also at the registered office of the concerned subsidiary. The annual accounts, reports and other documents of the subsidiary companies will be despatched to the shareholders upon receipt of a request from them.

DIRECTORS' RESPONSIBILITY STATEMENT

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

In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

Such accounting policies have been selected and applied consistently and such judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 31st March 2011 and of the profit of the company for the year ended 31st March 2011;

Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

The annual accounts have been prepared on a "going concern" basis.

FIXED DEPOSITS

The company has not accepted any fixed deposits from the public during the financial year 2010-2011 and there is no outstanding fixed deposit as on date.

PERSONNEL

Particulars of employees as required under sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 form a part of this report. In terms of section 219(1)(b)(iv) of the Companies Act 1956, the Annual Report and accounts are being sent to the shareholders of the company excluding the statement of particulars of employees under section 217(2A) of the Companies Act 1956. Any shareholder interested in obtaining such statement may write to the Company Secretary at the registered office of the company.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information required under Section 217(1) (e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the report of the Board of Directors) rules 1988, on energy conservation, technology absorption, foreign exchange earnings and outgo, is given in Annexure-A and forms an integral part of this report.

CORPORATE GOVERNANCE

The Company adheres to all the requirements of the code of corporate governance as stipulated in Clause 49 of the listing agreement with the stock exchanges as well as to the standards set by the Securities and Exchange Board of India. A Report on corporate governance along with certification of the Chairman and Managing Director & Chief Financial Officer is attached in Annexure-B. A certificate from the Auditors of the company regarding compliance of the conditions of corporate governance as stipulated by Clause 49 of the listing agreement is attached in Annexure-C. The Management Discussion & Analysis Report is attached in Annexure-D.

ACKNOWLEDGEMENT

The Board acknowledges with sincere gratitude the cooperation and assistance of all its stakeholders: – the customers, for their continued support, the bankers, for their understanding and timely financial support, the suppliers and vendors, for their continued association, the governmental agencies, for their assistance, the employees, for their commitment and more importantly the shareholders for continuously reposing their confidence in the company.

For and on behalf of the Board

Place : Chennai
Date : 27.08.2011

JAYAKAR KRISHNAMURTHY
Chairman and Managing Director &
Chief Financial Officer

ANNEXURE-A TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

a. Energy conservation measures under taken

The company has a programme to continuously optimize the energy utilization through introduction of energy efficient machine tools, in-built circuits to switch off machines and air conditioners not in operation. Similarly an auto off controller for compressor, hydraulic pump has been installed. Provisions have been made for natural lighting in the factory and the traditional lights are gradually being replaced with energy efficient CFL in machine shop and assembly. The company has optimized the heater capacity in solenoid oven by changing flat type heater into U-type heater. Conversion of the pneumatic cylinder to Hydro pneumatic cylinder has also been done to reduce energy consumption. In the plant at Maraimalai Nagar, the company has resorted to purchase of private power instead of generating power through diesel generators to address the power cut situation prevailing in Tamil Nadu.

b. Additional investments and proposal, if any, being implemented for energy conservation

In respect of the plant at Pondicherry, the company proposes to replace the old die casting machines with energy efficient die casting machines to reduce the power consumption substantially. In respect of the plant at Bawal the company proposes to use gas in place of electric power for firing furnace. There is also a proposal to improve furnace lining and install high speed automated die casting machines which will result in substantial energy conservation.

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

The measures undertaken to conserve energy have resulted in annual savings of Rs.61 lakhs. The proposed measures are estimated to result in an annual savings of Rs.65 lakhs.

d. Total energy consumption and energy consumption per unit of production

Not applicable

B. TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT

1. Specific areas in which R&D is carried out by the company:

- Development of carburettors and secondary Air valves for 2-Wheelers & 3-Wheelers
- Development of oil pump for passenger cars and commercial vehicles
- Development of vacuum pump for diesel engine of passenger cars
- Development of water pump for petrol and diesel engine applications
- Electronic engine management system for 2-Wheelers
- Electronic EGR controller
- CAE focusing on developing the required theoretical, design, technologies and simulation capability as related to our product range and future technologies
- Focused value engineering and value analysis activities for standardization and cost reduction

2. Benefits derived out of R&D

- Capability to address market needs through indigenous product development by way of faster turn around of products and its variants.
- Support the customer by development of new products.
- Development of indigenous technology and building a technology repository
- Building knowledge capital within the organization
- Reduction in cost through value engineering / value analysis
- Alternate sourcing of critical parts

3. Future Plan of action

Developing new technologies that can be used for developing products for our existing customers as well as new customers such as:

- electronic throttle valve for gasoline engines
- 4 Stroke Port Injection system for 2-Wheelers
- water pump
- develop a library of vacuum pump with higher capacity to meet future needs.
- variable flow oil pump

4. Expenditure on R&D

Particulars	Rs in Lakhs
a. Capital	120.91
b. Revenue(Recurring)	888.72
c. Total	1009.63
d. Total R&D expenditure as a percentage of total turnover	2.10%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**1. Efforts in brief made towards technology absorption, adaptation and innovation**

The company has reached a technologically self reliant stage, as evidenced by the following:

- Ability to design products to suit the changing needs of the customers.
- Identify suitable substitutes for materials and processes to meet ELV (End of Life Vehicle) requirement and to use ethanol blended petrol as required by some of the customers / applications.
- Re-design products to meet the requirements of the customers.
- Incorporate innovative features in the carburetor – Throttle Position Sensor, Solenoid operated starter for cold starting.
- Ability to develop products to meet the customer targets in terms of fuel economy, emission levels.

2. Benefits derived as a result of the above efforts

- The company has been able to develop new products meeting the customer timelines and price targets.
- The company has been able to expand into new domains like pumps – oil pump, vacuum pump and water pump.
- The company has been able to approach new customers with new products by demonstrating its design capabilities.
- The R&D center continues to enjoy the recognition of DSIR (Department of Scientific & Industrial Research).
- R&D engineers have presented papers in National & International conferences.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), the following information may be furnished

- (a) Technology imported - Technology has been imported in the areas of pumps, carburetors and direct injection systems
- (b) Year of Import - 2005-06 to 2009-10
- (c) Has technology been fully absorbed - Yes
- (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action - Not applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The earnings of foreign exchange were on account of export of carburetors, MPFI parts and secondary air valves during the year. The foreign exchange outgo was mainly on account of components, capital goods, foreign travel, royalty and technical know-how fee. During the financial year 2010-2011, the total foreign exchange outgo was Rs.6,445 Lakhs while the foreign exchange earned was Rs.5,189 Lakhs resulting in a net foreign exchange outgo of Rs.1,256 Lakhs.

For and on behalf of the Board

Place : Chennai
Date : 27.08.2011

JAYAKAR KRISHNAMURTHY
Chairman and Managing Director &
Chief Financial Officer

ANNEXURE B TO THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PHILOSOPHY

The objective of the company is to ensure high standards of transparency, accountability, ethical operating practices and professional management that will generate long term wealth and create value for all its stakeholders. The company is committed to the adherence of all the principles of corporate governance in its true spirit and at all times.

1. BOARD OF DIRECTORS

a) Composition

As on 31st March 2011 the Board comprises of seven Directors. The Board formulates strategy, reviews corporate performance and suggests actions to improve the overall efficiency of the company. The Board has an Executive Chairman i.e. Mr. Jayakar Krishnamurthy who is Chairman and Managing Director & Chief Financial Officer and hence as per the Clause 49 of the listing agreement fifty percent of its Directors are non-executive and independent Directors. The day-to-day management of the company was carried on by the two Executive Directors of the company.

Chairman and Managing Director & Chief Financial Officer	Mr. Jayakar Krishnamurthy (was Vice Chairman and Managing Director from 1 st April 2010 to 30 th April 2010 and was appointed Chairman with effect from 30 th April 2010)
Executive Director	Mr. P.P.R. Rao
Non-Executive Director	Mr. S. Muthukrishnan (was Non-Executive Chairman from 1 st April 2010 to 30 th April 2010 and stepped down as Chairman on 30 th April 2010)
Non-Executive and Independent directors	Mr. S. Natarajan Dr. V. Sumantran Dr. M.S. Ananth Mr. K. Muthukumaran (EXIM Bank Nominee).

The names of the Directors and the details of other Chairmanship / Directorship / Committee Membership of each Director as on 31st March 2011 is given below:

Name of Director	Category	No. of Directorships in other companies		No. of Committee Memberships in other companies	
		Chairman	Member	Chairman	Member
Mr. Jayakar Krishnamurthy Chairman and Managing Director & Chief Financial Officer	Executive	2	2	-	1
Mr. P.P.R. Rao Executive Director	Executive	-	-	-	-
Mr. S. Muthukrishnan	Non-Executive	-	1	-	-
Mr. S. Natarajan	Non-Executive & Independent	-	8	1	-
Dr. M.S. Ananth	Non-Executive & Independent	1	2	-	-
Dr. V. Sumantran	Non-Executive & Independent	2	5	1	2
Mr. K. Muthukumaran Nominee of Exim Bank	Non-Executive & Independent	-	-	-	-

Mr. Jayakar Krishnamurthy and Mr. S. Muthukrishnan are relatives as defined in Section 6 (c) of the Companies Act, 1956.

Notes:

- Other Directorships exclude foreign companies, private limited companies and alternate directorships.
- Only membership in Audit Committees and Shareholders'/Investors' Grievance Committees have been reckoned for other committee memberships.
- Mr. K. Muthukumaran's nomination has subsequently been withdrawn by Exim Bank and Mr. R.W. Khanna has been nominated in his place with effect from 30th June 2011
- Mr. R. Sundararaman has been appointed additional director w.e.f. 27th August 2011 and Joint Managing Director of the company w.e.f. 8th September 2011.

b) Details of Directors Appointment / Reappointment

Relevant details are furnished in the Notice convening the Annual General Meeting to be held on 30.09.2011

c) Board Meetings and Attendance at Board Meetings

The Board met 6 times during the financial year 2010-2011. The gap between two meetings was less than 4 months. The relevant details are as under:

S.No	Date	Board Strength	No. of Directors present
1	30.04.10	7	7
2	02.07.10	7	4
3	31.07.10	7	7
4	31.08.10	7	5
5	30.10.10	7	6
6	25.01.11	7	7

The company regularly places before the Board all those details as required under Annexure 1A to Clause 49 of the listing agreement. Sufficient notice is given to all Directors regarding the date of Board Meeting and detailed agenda notes are sent to the Directors. Decisions taken at the Board Meetings are communicated to the respective departmental heads and the Board is briefed on the actions taken in this regard periodically. The Board also takes on record the declaration made by the Company Secretary and Chairman and Managing Director & Chief Financial Officer regarding compliances of all laws on a quarterly basis.

d) Attendance of each Director at Board Meetings and at the Previous Annual General Meeting (AGM)

S.No	Name	No.of Board Meetings held	No.of Board Meetings attended	Attendance at the last AGM
1.	Mr.Jayakar Krishnamurthy	6	6	Present
2.	Mr.P.P.R.Rao	6	5	Present
3.	Mr.S.Muthukrishnan	6	6	Present
4.	Mr.S.Natarajan	6	6	Present
5.	Dr.M.S.Ananth	6	3	Present
6.	Dr.V.Sumantran	6	5	-
7	Mr.K.Muthukumaran	6	5	Present

2. AUDIT COMMITTEE

The terms of reference of the audit committee covers all matters specified in Clause 49 of the listing agreement and also those specified in section 292 A of the Companies Act 1956. The terms of reference broadly include periodical review of annual internal audit plan and scope of internal auditors, assessment of the efficacy of the internal control systems/ financial reporting systems and reviewing the adequacy of the policies and practices followed by the company. The Audit Committee also reviews the compliance with legal and statutory requirements. The Audit Committee reviews all the items of reference on a quarterly basis and reports its findings to the Board. The Audit Committee comprised of the following Directors for the year ended 31st March 2011:

1. Mr. S. Natarajan – Chairman
2. Dr. M.S. Ananth
3. Mr. K. Muthukumaran

Mr.K.Muthukumaran's nomination has subsequently been withdrawn by Exim Bank and with effect from 30th June 2011 Mr.Jayakar Krishnamurthy Chairman and Managing Director & Chief Financial Officer of the company has been inducted in his place in the audit committee.

As on 31st March 2011 the committee comprised of three independent directors, all of whom are financially literate and have relevant finance / audit exposure. The Chief Financial Officer and Statutory Auditors are permanent invitees to the meetings of the committee. The Company Secretary acts as the Secretary to the committee. The composition of the audit committee is as per Clause 49 of the Listing Agreement. Chairman of the audit committee was present at the previous