

DIRECTORS

A SIVASAILAM Esq.	Chairman
N VENKATARAMANI Esq.	Vice Chairman
K V SHETTY Esq.	Director
R MAHADEVAN Esq.	Director
N GOWRISHANKAR Esq.	Whole Time Director
MASAAKI OTANI Esq.	Director
P M VENKATASUBRAMANIAN Esq.	Director
R NATARAJAN Esq.	Director
S R SRINIVASAN Esq.	Director
S RAMACHANDRA Esq.	Director
S RANGARAJAN Esq.	Associate Vice President (Finance) & Secretary

AUDITORS

Messrs. R.G.N. PRICE & COMPANY, CHENNAI

LEGAL ADVISORS

S RAMASUBRAMANIAM & ASSOCIATES, CHENNAI

BANKERS

STANDARD CHARTERED BANK

CENTRAL BANK OF INDIA

HDFC BANK LIMITED

REGISTERED OFFICE

'Arjay Apex Centre'
51/24, College Road
Chennai 600 006
Tel: (044) 2825 0792 / 2825 0793
E-mail: iprcorp@iprings.com

FACTORY

D 11/12, Industrial Estate
Maraimalai Nagar
Kancheepuram Dist. 603 209
Tel: (044) 2745 2816 / 4740 0597 / 4740 0598
E-mail: iprmmn@iprings.com

NOTICE TO THE MEMBERS

NOTICE is hereby given that the **NINETEENTH ANNUAL GENERAL MEETING** of the Members of **IP Rings Ltd.** will be held at 3.15 p.m. on Thursday, 29th July 2010 at "Rani Seethai Hall", 603, Anna Salai, Chennai 600 006, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2010 together with the Profit and Loss Account for the year ended on that date and the Report of the Directors' and of the Auditor's thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr A Sivasailam, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr K V Shetty, who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Dr R Natarajan, who retires by rotation and is eligible for reappointment.
6. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution.
"RESOLVED that the retiring auditors Messrs. R G N Price & Co., Chartered Accountants, Chennai be and are hereby re-appointed as auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed in this behalf by the Board of Directors of the Company."

SPECIAL BUSINESS:

7. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution.
"RESOLVED that Mr Masaaki Otani, whose term of office as an Additional Director, pursuant to Section 260 of the Companies Act, 1956, expires at this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation."
8. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution.
"RESOLVED that subject to the approval of the Central Government and pursuant to the provisions of Section 198, 309, 310 and all other applicable provisions of the Companies Act, 1956, consent of the Members be and is hereby accorded for the payment of Managerial Remuneration to Mr. K.V. Shetty, Managing Director, amounting to Rs. 16,59,807/-, for the financial year 1.4.2009 to 31.3.2010, which is in excess of the limits laid down under Section 198(1) and Section 309 (3) of the Companies Act, 1956 and which has been duly recommended by the Remuneration Committee."
9. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution.
"RESOLVED that subject to the approval of the Central Government and pursuant to the provisions of Section 198, 309, 310 and all other applicable provisions of the Companies Act, 1956, consent of the Members be and is hereby accorded for the payment of Managerial Remuneration to Dr N Gowrishankar, Whole Time Director, amounting to Rs. 3,31,653/- for the financial year 1.4.2009 to 31.3.2010, which is in excess of the limits laid down under Section 198(1) and Section 309 (3) of the Companies Act, 1956 and which has been duly recommended by the Remuneration Committee."
10. To consider and if thought fit to pass with or without modification, the following Resolution as an Ordinary Resolution.
"RESOLVED that pursuant to Section 198, 269, 309, 310, Schedule XIII and other applicable provisions of the Companies Act 1956, if any, and subject to such approvals as may be required, including from Central Government, the approval of the Company be and is hereby accorded to the payment of remuneration, performance allowance and perquisites to Dr N Gowrishankar, Whole Time Director from 01.04.2010 to 28.01.2012 on the following terms and conditions as set out in the agreement duly approved at the meeting of the Board of Directors of the Company and recommended by the Remuneration Committee or such other remuneration as the Board of Directors may revise / increase / vary from time to time duly recommended in that behalf by the Remuneration Committee.

Salary	:	Basic Salary of Rs. 1,50,000/- per month with increments as may be decided by the Board of Directors/ Committee of Directors.
Performance Allowance	:	Not exceeding 12 months' Basic Salary as may be decided by the Board of Directors / Committee of Directors

Perquisites

(i) Housing:

Either

Free furnished residential accommodation subject to the condition that the expenditure by the Company on hiring a furnished accommodation for the appointee will be subject to the ceiling of 60% of the salary.

or

Free furnished accommodation, subject to a deduction of 10%, of the salary, if the accommodation is owned by the Company.

or

House Rent Allowance subject to a ceiling of 60 % of the Salary.

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Reimbursement of Gas and Electricity, subject to a maximum of 10% of the salary. These shall be valued as per Income Tax Rules 1962.

(ii) Medical Reimbursement:

Reimbursement of expenses incurred for self and family upto one month's basic salary.

(iii) Leave Travel Assistance:

One month's basic salary per annum

(iv) Club Membership:

Fee of Clubs subject to a maximum of two clubs. This will not include Admission and Life Membership Fee.

(v) Personal Accident Insurance:

Personal Accident Insurance – Premium shall not exceed Rs. 4,000/-

(vi) Entertainment Expenses:

Reimbursement of entertainment expenses actually and properly incurred for the business of the Company.

(vii) Other perquisites:

Company's contribution towards Provident Fund as per the Rules of the Company.

Gratuity at one half month's salary for each completed year of service, as per Company's Gratuity Rules.

Company's contribution towards Superannuation Fund as per Rules of the Company.

Leave:

One month's annual privilege leave of absence in India for every eleven months. Leave accumulated shall be encashable at the end of the tenure as per the Leave Policy of the Company.

Telephone & Car:

Provision of Telephone at residence. Provision of Mobile Phone. Facility of Car with Driver.

Minimum Remuneration:

In the event of loss or inadequacy of profit, in any financial year, the Whole Time Director shall be paid remuneration by way of salary, performance allowance and perquisites as specified above.

Termination:

Either party may terminate the Agreement by giving to the other party three months' notice or three months' salary in lieu thereof."

11. To consider and if thought fit to pass with or without modification, the following Resolution as a Special Resolution.

"RESOLVED that pursuant to proviso to Section 309 (1) and other applicable provisions, if any, of the Companies Act, 1956, and subject to the opinion and / or approval of the Central Government, the Company do avail professional services from Dr R Mahadevan, Non-Executive Director of the Company for a period of 3 years with effect from 1st April 2009 at a fee not exceeding Rs. 20,000 p.m. on terms and conditions as set forth in the agreement entered into between the Company and Dr R Mahadevan.

RESOLVED FURTHER that the fee payable for availing of professional services as mentioned above shall be in addition to the commission / sitting fee payable to Dr R Mahadevan, Non Executive Director of the Company."

12. To consider and if thought fit to pass with or without modification, the following Resolution as a Special Resolution.

"RESOLVED that pursuant to proviso to Section 309 (1) and other applicable provisions, if any, of the Companies Act, 1956, and subject to the opinion and / or approval of the Central Government, the Company do avail professional services from Mr K V Shetty, Non-Executive Director of the Company for a period of two years with effect from 1st April 2010 at a fee of Rs. 2,50,000 p.m. on terms and conditions as set forth in the agreement entered into between the Company and Mr K V Shetty.

RESOLVED FURTHER that the fee payable for availing of professional services as mentioned above shall be in addition to the commission / sitting fee payable to Mr K V Shetty, Non Executive Director of the Company."

Chennai
May 27, 2010

By Order of the Board

S RANGARAJAN
Associate Vice President
(Finance) & Secretary

Registered Office:
Arjay Apex Centre
51/24, College Road
Chennai - 600 006

NOTES:

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business under item nos. 7 - 12 as set out above is annexed hereto.
- The proxy form duly completed should be deposited at the Registered Office of the Company / Office of the Share Transfer Agents not later than 48 hours before the commencement of the Meeting.
- The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, July 22, 2010 to Thursday, July 29, 2010 (both days inclusive).
- The Dividend when approved will be made payable on or after July 29, 2010, in respect of shares held in Physical form to those members whose names appear in the Register of Members as on July 29, 2010 and in respect of shares held in the Electronic form to those "Deemed Members" whose names appear in the Register of Beneficial Owners furnished by NSDL and CDSL, in accordance with the provisions of the Depositories Act, 1996.
- Members / Proxies should bring the attendance slip duly filled in for attending the Meeting.
- Members / Proxies are requested to bring their copy of Annual Report to the Meeting.
- Members who have multiple Folios in identical names or joint names in the same order are requested to intimate to the Company those Folios to enable the Company to consolidate all such Share holdings into a single Folio.
- Appointment / Reappointment of Directors:

At the ensuing Annual General Meeting, Mr A Sivasailam, Mr K V Shetty and Dr R Natarajan, Directors, retire by rotation and being eligible offer themselves for reappointment. Mr Masaaki Otani is being appointed as a Director liable to retire by rotation.

As per Clause 49 of the Listing Agreement with Stock Exchanges, the brief background, functional expertise of the Directors proposed for appointment/re-appointment are furnished below along with details of Companies in which they are Directors and the Board Committees of which they are members:

- Mr A Sivasailam, aged about 75 years has been associated with the Company since its incorporation. He is the Chairman of Multi-Crore Amalgamations Group, one of the largest light engineering groups in the Country. He is the Chairman and Managing Director of Tractors and Farm Equipment Limited, one of the promoter companies.

Details of other Directorships / Committee Memberships held by him.

Directorship	Committee Membership
Tractors and Farm Equipment Limited	Audit Committee
Amalgamations Private Limited	
Simpson & Co., Ltd.	Audit Committee
The United Nilgiri Tea Estates Co. Ltd.	
TAFE Access Limited	
Stanes MJF Teas Limited	
Addison & Co., Ltd.	Audit Committee
Amco Batteries Ltd.	Audit Committee
AMCO-SAFT India Limited	
India Pistons Ltd.	
Mahle IPL Limited	
Amalgamations Valeo Clutch Pvt. Ltd.	
TAFE Motors and Tractors Limited	
Wallace Cartwright & Co., Ltd., London	
Stanadyne Amalgamations Pvt. Ltd.	
T.Stanes and Company Ltd.	

- ii. Mr K V Shetty, aged about 76 years served as the Managing Director of the Company from 1st April 1992 to 31st March 2010. He is a Graduate in Commerce and a Fellow Member of the Institute of Chartered Accountants of India. Prior to joining this Company, Mr K V Shetty was a Whole Time Director of India Pistons Ltd. Effective from April 01, 2010, Mr K V Shetty is a Non Executive Director on the Board of this Company.

Details of other Directorships / Committee Memberships held by him.

Directorship	Committee Membership
India Pistons Ltd.	Audit Committee Remuneration Committee (Chairman)
IP Pins & Liners Limited	
Amalgamations Repco Ltd.	
Simpson & General Finance Co. Ltd.	
Mahle IPL Limited	Audit Committee (Chairman) Remuneration Committee (Chairman)

- iii. Dr R Natarajan, aged about 69 years joined the Board of the Company during March 2002 as a Director. He was the Chairman of All India Council for Technical Education (AICTE). He is a member of the Audit and Remuneration Committees of the Company.

Details of other Directorships / Committee Memberships held by him.

Directorship	Committee Membership
Tata Elxsi Limited	Audit Committee

- iv. Mr Masaaki Otani, was inducted to the Board of the Company on 30.07.2009. He is a Director of Nippon Piston Ring Co. Ltd., Japan, Company's Technical Collaborators.

He does not hold Directorship in any other Indian Company.

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

ITEM NO. 7

Mr Masaaki Otani, was appointed as an Additional Director of the Company on 30.07.2009. Pursuant to Section 260 of the Companies Act, 1956 Mr Masaaki Otani, will hold the office as an Additional Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr Masaaki Otani for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Your Directors recommend the Resolution for approval.

Save and except Mr Masaaki Otani, none of the Directors is concerned or interested in this Resolution.

ITEM NO. 8

The remuneration payable to Mr K V Shetty, Managing Director, which includes salary, commission and other benefits was approved by the shareholders at the Annual General Meeting held on July 23, 2009.

The said approved total remuneration payable for the year ended 31st March 2010 to Mr K V Shetty, Managing Director exceeds the limits of overall remuneration under Section 198(1) and 309 (3) of the Companies Act, 1956 by Rs. 16,59,807/-, which forms part of the overall excess remuneration of Rs. 19,91,460/- as per computation shown in Note 21 of Schedule 15 to the Accounts for the year ended March 31, 2010. Section 309 (3) of the Companies Act, 1956, permits payment of excess remuneration in excess of the limits prescribed therein with the approval of the shareholders and the Central Government.

The Shareholders approval is being sought to pay the excess remuneration to the Managing Director.

The Remuneration Committee has considered the excess remuneration payable to the Managing Director and recommended the same to the Board for payment with the approval of the Central Government and the shareholders.

The Company is proposing to make the requisite application to the Central Government seeking its approval in this regard.

Your Directors recommend the Resolution for approval.

Save and except Mr K V Shetty, none of the Directors is concerned or interested in the Resolution.

ITEM NO. 9

The remuneration payable to Dr N Gowrishankar, Whole Time Director, under Section II, Part II of Schedule XIII of the Companies Act, 1956 was approved by the shareholders at the Annual General Meeting held on July 23, 2009.

The said approved total remuneration payable without restricting to the limits specified under Section II, Part II of Schedule XIII of the Companies Act, 1956 for the year ended 31st March 2010 to Dr N Gowrishankar, Whole Time Director exceeds the limits of overall remuneration under Section 198(1) and 309 (3) of the Companies Act, 1956 by Rs. 3,31,653/-, which forms part of the overall excess remuneration of Rs. 19,91,460/- as per computation shown in Note 21 of Schedule 15 to the Accounts for the year ended March 31, 2010. Section 309 (3) of the Companies Act, 1956, permits payment of excess remuneration in excess of the limits prescribed therein with the approval of the shareholders and the Central Government.

The Shareholders approval is being sought to pay the excess remuneration to the Whole Time Director.

The Remuneration Committee has considered the excess remuneration payable to the Whole Time Director and recommended the same to the Board for payment with the approval of the Central Government and the shareholders.

The Company is proposing to make the requisite application to the Central Government seeking its approval in this regard.

Your Directors recommend the Resolution for approval.

Save and except Dr N Gowrishankar, none of the Directors is concerned or interested in the Resolution.

ITEM NO. 10

At the Annual General Meeting of the Company held on 23.07.2009, the shareholders have approved the re-appointment of Dr N Gowrishankar, Whole Time Director of the Company for a period of three years from 29.01.2009 to 28.01.2012 and payment of remuneration to him.

The Board of Directors at their meeting held on May 27, 2010, considering the additional responsibilities of Dr N Gowrishankar, Whole Time Director, have revised the remuneration payable to him, as proposed in the Resolution based on the recommendations of the Remuneration Committee.

Now, it is proposed to seek the approval of the members for payment of the revised managerial remuneration to Dr N Gowrishankar, Whole Time Director for the period 01.04.2010 to 28.01.2012, pursuant to Section I, Part II of Schedule XIII of the Companies Act, 1956.

The variation in terms as stated in this notice may be treated as the abstract of terms and conditions under Section 302 of the Companies Act, 1956.

Your Directors recommend the Resolution for approval.

Save and except Dr N Gowrishankar, none of the Directors is concerned or interested in the Resolution.

ITEM NO. 11

After taking into account, the expert knowledge and experience of Dr R Mahadevan in the fields of New Product Development, covering the areas of design, sample development, engine testing and product approval, customer rapport, it would be most appropriate in the interests of the Company to avail his professional services. The Central Government had already expressed its opinion that Dr R Mahadevan possesses the requisite qualification, to render professional services u/s. 309(1) (b) of the Companies Act, 1956. Consequently, in the opinion of the Board of Directors, the Company will be benefited immensely from Dr R Mahadevan's professional expertise.

As per Clause 49 to the Listing Agreement, any fee / compensation payable to Non-Executive Directors require the approval of shareholders in the General Meeting and hence this Resolution.

Your Directors recommend the Resolution for approval.

Save and except Dr R Mahadevan, none of the Directors is concerned or interested in this Resolution.

ITEM NO. 12

The Board of Directors of the Company at its meeting held on March 29, 2010 approved availing of professional services of Mr K V Shetty, Non Executive Director for a period of 2 years effective from April 01, 2010 to March 31, 2012.

Mr K V Shetty is a Graduate in Commerce and is a Fellow Member of the Institute of Chartered Accountants of India. He is also a Certified Internal Auditor from Institute of Internal Auditors Inc., USA.

Mr K V Shetty served as a Managing Director of the Company from April 01, 1992 till March 31, 2010, during which period he played a key role in the promotion of IP Rings Ltd. assuming complete responsibility for financial and corporate aspects of the venture, which included planning funding strategies, identifying and sourcing capital funds from Banks and Institutions, handling Public Issues and Preferential Issues, liaisoning with SEBI, Stock Exchanges, negotiating Technical Agreements with collaborators and so on.

The Board therefore approved to avail the professional services of Mr K V Shetty, Non-Executive Director, for a period of two years as Advisor on Corporate and Finance matters, under Section 309 (1) (b) of the Companies Act, 1956.

Under the above proposal, Mr K V Shetty shall provide professional services relating to finance, business development, advice on long term strategy of the Company, given his past experience and long association with this Company.

The Company has made necessary application to the Central Government seeking expression of opinion that Mr K V Shetty possesses the requisite qualification for rendering services of a professional nature.

Your Directors recommend the resolution for approval.

Save and except Mr K V Shetty, none of the Directors is concerned or interested in this Resolution.

By Order of the Board

Chennai
May 27, 2010

S RANGARAJAN
Associate Vice President
(Finance) & Secretary

Registered Office:
Arjay Apex Centre
51/24, College Road
Chennai - 600 006

DIRECTORS' REPORT

Your Directors have pleasure in presenting the **Nineteenth Annual Report** together with the Accounts for the year ended March 31, 2010 and the Auditor's Report thereon.

FINANCIAL RESULTS

	2009-2010	2008-2009
	(Rs. in Lakhs)	
Profit before Finance charges, Depreciation and Tax	1366.79	721.88
Finance charges	98.82	75.72
Depreciation	451.65	485.72
Profit before Tax	816.32	160.44
Provision for Taxation (Net)	259.79	51.65
Profit after Tax	556.53	108.79
Add : Balance brought forward from previous year	39.53	13.13
Profit available for appropriation	596.06	121.92
Less : Dividend @ 30%	211.26	70.42
Dividend Tax thereon	35.09	11.97
Transfer to General Reserve	300.00	—
Balance carried forward	49.71	39.53

DIVIDEND

Your Directors recommend a dividend of 30% (Rs. 3/- per share) for the year ended March 31, 2010.

OPERATIONS

The strong recovery in the overall economy during the year 2009-10 led to a significant spurt in the Automotive Industry across all segments; Passenger Cars, Commercial Vehicles and Tractors in particular performed extremely well. The upswing in the economy is expected to continue leading to buoyancy in the market with strengthening of demand for auto components from OEMs and the Aftermarket.

Your company registered a turnover of Rs.73.51 Crores as against Rs.54.93 Crores during the previous year. Both the Rings Division and the Transmission Components Division have contributed significantly to this increased turnover. There has also been an impressive pickup in the Company's profits with the profit before tax this year reaching a level of Rs.816.32 Lakhs as against Rs.160.44 Lakhs, the previous year. This improvement has been achieved despite the steep increase in the input cost of raw materials like steel and higher power costs on account of acute power shortage in the State.

OUTLOOK

Consequent to the continuing buoyancy in the automotive industry the outlook for the company for the current year is encouraging. The Company, has reviewed thoroughly the market requirements and has drawn up plans to invest in capital expenditure to increase the capacity levels and to acquire capability for new emission norms and the requirements of the new generation vehicles that the global players are bringing on to the market. With these investments, your Company is well placed to take full advantage of the opportunities presented by this growth market

Your Directors are pleased to report that the operations of the Transmission Components Division have been fully stabilized and during the year 2009-10 its contribution to the company's profits was significant. The order position for the current year is satisfactory with the confirmed orders from leading OEMs and Tier I customers.

Cost Management and Risk Management as well as strengthening and improving productivity will continue to be the key thrust areas during the current year.

RECOGNITION OF R&D UNIT

Government of India, Ministry of Science and Technology has renewed its recognition to the In-house Research & Development Unit of your Company upto March 31, 2014.

DIRECTORS

Mr. K. V. Shetty retired as the Managing Director of the Company on March 31, 2010 as per his terms of appointment. Mr. K. V. Shetty continues to be on the Board as a Non Executive Director with effect from April 01, 2010. In accordance with the provisions of the Companies Act, 1956, Mr A Sivasailam, Mr K V Shetty and Dr R Natarajan, Directors, retire by rotation and are eligible for reappointment.

Mr Yorishige Maeda resigned from the Board effective from July 23, 2009. Your Directors wish to place on record their appreciation of the valuable contribution made by Mr Yorishige Maeda to the growth of the Company, during his tenure as a Director. In his place, Mr Masaaki Otani, Director – Nippon Piston Ring Co. Ltd. has been co-opted as an Additional Director, who will hold office up to the date of the ensuing Annual General Meeting and is eligible for reappointment. The Company has received notice under Section 257 of the Companies Act, 1956, proposing the candidature of Mr Masaaki Otani as a Director of the Company, subject to retirement by rotation.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed;
- that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates 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 ended March 31, 2010 and of the profit of the Company for that year;
- that the Directors had 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;
- that the accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

A Certificate from the Auditors of the Company regarding compliance of conditions of 'Corporate Governance' as stipulated under Clause 49 of the Listing Agreement is attached to this report.

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance is included in the Annual Report. A Management Discussion and Analysis Report forms part of this Directors' Report. All the mandatory requirements under the Code of Corporate Governance have been complied with.

AUDITORS

Messrs. R.G.N Price & Co., Chartered Accountants retire at the Annual General Meeting and are eligible for reappointment.

PARTICULARS OF EMPLOYEES

There were no employees in receipt of remuneration of Rs. 2,00,000/- p.m. during the year ended 31.03.2010 coming within the purview of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended.

DISCLOSURE OF PARTICULARS

The information required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure forming part of this Report.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the Technical Assistance and Marketing Services extended by M/s Nippon Piston Ring Co. Ltd., Japan and M/s. India Pistons Limited, Chennai, respectively.

Your Directors also wish to place on record their appreciation of the contribution made by the employees at all levels.

For and on behalf of the Board

Chennai
May 27, 2010

A Sivasailam
Chairman

**Annexure to the Directors' Report for the year ended 31st March 2010.
Statement containing particulars pursuant to the Companies
(Disclosure of particulars in the Report of Board of Directors) Rules, 1988**

I. CONSERVATION OF ENERGY

Various energy conserving/saving measures at all points of manufacturing are continuously being implemented.

A. POWER & FUEL CONSUMPTION

Electricity:

	2009-2010	2008-2009
(a) Purchased :		
Units in Lakhs	34.09	29.89
Total Amount (Rs. in Lakhs)	186.90	143.66
Rate / Unit - Rs*	5.48	4.81
* Increase due to purchase from private suppliers.		
(b) Own Generation :		
Through Diesel Generator		
Units in Lakhs	12.35	3.94
Units per litre of Diesel	3.40	3.25
Cost / Unit - Rs.	11.19	13.98

B. CONSUMPTION PER UNIT OF PRODUCTION (ELECTRICITY)

Products	Standards if any	2009 – 2010	2008 – 2009
Piston Rings	No Standards	0.32 kwh / ring	0.29 kwh / ring
Differential Gears Pole Wheels & Transmission Components	No Standards	0.44 kwh / comp	0.69 kwh / comp

II TECHNOLOGY ABSORPTION AND INNOVATION

A. RESEARCH & DEVELOPMENT:

- | | | |
|----|--|--|
| 1. | Specific areas in which R&D is carried out by the company. | Continuous Research is being undertaken in the following areas: |
| | | <ol style="list-style-type: none"> 1. Piston Rings: New Surface Coatings for improving life and performance with respect to oil consumption, blowby & emission. Main thrust is on state of the art PVD Coatings. Upgradation of Plasma coatings for Euro IV applications is also on. 2. Orbital Cold Forming: Die life improvements, improved process flow, new applications development. 3. Development of smaller dia ring for a new application is on. |
| 2. | Benefits derived as a result of the above R&D: | <ol style="list-style-type: none"> 1. Capability to meet the demands of the next generation engines. 2. Improving competitiveness, Product range diversification. 3. Cost Reduction 4. Weight reduction in Transmission Components |

3. Future Plan of Action:
1. Piston Rings:
 - (a) R & D in new coatings such as PVD coatings for meeting stringent Euro IV and Euro V emission norms. Sample evaluation is on.
 - (b) Extension of usage of current surface coatings for other alternative engine applications.
 2. Orbital Cold Forming:
 - (a) Improvements in productivity, process flow and heat treatment of orbital cold formed components.
 - (b) Development of non-transmission components.
4. Expenditure on R&D:
- | | | |
|--|--|------------------------|
| | Capital | Rs. 2,94,168/- |
| | Revenue | Rs. 53,51,527/- |
| | Total | Rs. 56,45,695/- |
| | Total R & D Expenditure as a % of Total Turnover | 0.77% |

B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION - EFFORTS MADE AND BENEFITS DERIVED:

Imported Technology

Technology	Technology help	Equipment Imported from	Year of absorption	Status of Implementation
Nifflex-H	NPR, Japan	Japan	2003-04	Implemented
Carbon Friction	Miba GmbH	Austria	2005-06	New areas of application under experimentation
PVD	NPR, Japan	Japan	2009-10	Under Implementation

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

- (i) Activities relating to Exports Exploring opportunities for export of Transmission Components
- (ii) Total Foreign Exchange used and earned

Foreign Exchange earned	Rs. 74,59,584/-
Foreign Exchange outgo	Rs. 28,23,66,369/-

AUDITORS' REPORT ON CORPORATE GOVERNANCE

To the Members of IP Rings Ltd, Chennai.

We have reviewed the compliance conditions of Corporate Governance by **IP Rings Ltd.** ("the Company") for the year ended 31st March 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of the Corporate Governance is the responsibility of the management. Our examination is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, the Company has substantially complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement. The Audit Committee with Independent Directors met on 27.05.2009, 30.07.2009, 07.10.2009 and 29.01.2010.

We further state that no material investor grievance is pending for a period exceeding one month against the Company as per records maintained by Registrar and Share Transfer Agent.

We further state that our examination of such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **R G N Price & Co.,**
Chartered Accountants
Firm Regn. No. 002785S

Chennai
27.05.2010

Mahesh Krishnan
Partner
Membership No. 206520

DECLARATION BY CHIEF EXECUTIVE OFFICER (CEO) ON COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for its Board Members and Senior Management Personnel. This Code is available on the Company's Website.

I confirm that the Company has in respect of the financial year ended March 31, 2010, received from the Board Members and Senior Management Personnel, a Declaration of Compliance with the Code of Conduct as applicable to them.

N Gowrishankar

Chennai
May 27, 2010

Chief Executive Officer
Whole Time Director

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Code of Governance

The Board of Directors and the Management of IP Rings Ltd. are committed to:

- Enhancing Shareholder value, keeping in view the interests of other Stakeholders, through proactive management and high standards of ethics.
- Ensuring discipline, transparency and accountability and
- Complying with all statutory / regulatory requirements.

1. Board of Directors

The present strength of the Board is ten. The Board comprises of Executive and Non Executive Directors. The Board of Directors of the Company are:

Mr A Sivasailam	Chairman (Non Executive)
Mr N Venkataramani	Vice Chairman (Non Executive)
Mr K V Shetty	Director (Non Executive)
Dr N Gowrishankar	Whole Time Director (Executive)
Mr Yorishige Maeda*	Director (Non Executive - Independent)
Mr Masaaki Otani#	Director (Non Executive - Independent)
Dr R Mahadevan	Director (Non Executive)
Mr P M Venkatasubramanian	Director (Non Executive - Independent)
Dr R Natarajan	Director (Non Executive - Independent)
Mr S R Srinivasan	Director (Non Executive - Independent)
Mr S Ramachandra	Director (Non Executive - Independent)

* Not re-elected with effect from 23.07.2009

Inducted with effect from 30.07.2009

2. Attendance of each Director at the Board Meetings held during the FY 2009-2010 and at the last AGM and details of other Directorships

Six Board Meetings were held during the year 2009-2010. The dates on which the meetings were held are: 27.05.2009 (two meetings), 30.07.2009, 29.10.2009, 29.01.2010 & 29.03.2010. The attendance records of all Directors are as under:

Director	No. of Board Meetings Attended	Last AGM Attended	Directorships in other Companies	Committee Memberships in other Companies
Mr A Sivasailam	2	No	14	04
Mr N Venkataramani	6	Yes	08	04
Mr K V Shetty	6	Yes	05	04
Dr N Gowrishankar	6	Yes	02	01
Mr Yorishige Maeda	0	No	00	00
Mr Masaaki Otani	2	N.A.	00	00
Dr R Mahadevan	6	Yes	05	02
Mr P M Venkatasubramanian	5	Yes	04	06
Dr R Natarajan	5	Yes	01	01
Mr S R Srinivasan	6	Yes	02	00
Mr S Ramachandra	6	Yes	01	00

3. Remuneration to Directors

The details of remuneration paid / payable to all the Directors for the year 2009-2010 and shares held by Non-Executive Directors in the Company are:

i. Non Executive Director(s)

Director	Sitting Fee (Rs.)	Commission (Rs.)	No. of Shares Held
Mr A Sivasailam	20,000	3,25,000	12,146
Mr N Venkataramani	60,000	3,25,000	24,050
Mr Yorishige Maeda	–	–	–
Mr Masaaki Otani	–	–	–
Dr R Mahadevan	68,500	75,000	600
Mr P M Venkatasubramanian	62,500	87,975	–
Dr R Natarajan	62,500	75,000	–
Mr S R Srinivasan	60,000	25,000	300
Mr S Ramachandra	60,000	25,000	–

Apart from sitting fee, the Non Executive Directors are eligible for commission of 1% of the net profits, cumulatively, as per the provisions of Section 309 (4) of the Companies Act, 1956. Compensation paid to each individual director is limited to a sum as determined by the Board. The Board on an annual basis reviews the performance of the Non Executive Directors.

ii. Managing / Whole Time Director (No Sitting Fee)

	Managing Director (Rs.)	Whole Time Director (Rs.)
Fixed Component		
Salary	38,71,000	28,70,400
Perquisites	3,08,231	67,653
Variable Component		
Commission / Performance Allowance	28,13,924	14,40,000
Total	69,93,155	43,78,053

4. Audit Committee

Terms of Reference:

The broad terms of reference of the Audit Committee are as follows:

- Review of the Company's financial reporting process, and its financial statements
- Review of accounting and financial policies and practices
- Review of the internal control and internal audit systems
- Review of the Audit Report / work of External Auditors
- Review of risk management policies and practices
- Recommend appointment of Statutory Auditors
- Review of Related Party Transactions
- Approval of appointment of CFO

The Audit Committee was reconstituted effective from April 01, 2010 with the following three Directors.

Mr P M Venkatasubramanian	<i>Chairman</i>	Non Executive - Independent
Dr R Natarajan	<i>Member</i>	Non Executive - Independent
Mr K V Shetty	<i>Member</i>	Non Executive

Dr R Mahadevan, Director was a member of the Audit Committee till March 31, 2010.

Mr S Rangarajan, Associate Vice President (Finance) & Secretary is the Secretary of the Committee.

The Audit Committee met four times during the year. The dates on which the meetings were held are: 27.05.2009, 30.07.2009, 07.10.2009 & 29.01.2010. The attendance records of all the members are as under:

Member	No. of Meetings Attended
Mr P M Venkatasubramanian	4
Dr R Natarajan	4
Dr R Mahadevan	3

5. Shareholders / Investors Grievance Committee

The Shareholders/Investors Grievance Committee comprises of two Directors. The name and members of the Committee are as follows:

Dr R Mahadevan	<i>Chairman</i>	Non Executive
Mr K V Shetty	<i>Member</i>	Non Executive

The Investors Grievance Committee met twice during the year. The dates on which the meetings were held are: 12.01.2010 & 10.03.2010. The attendance records of all the members are as under:

Member	No. of Meetings Attended
Dr R Mahadevan	2
Mr K V Shetty	2

Mr S Rangarajan, Associate Vice President (Finance) & Secretary is the Secretary of the Committee.

During the year 9 complaints regarding non-receipt of dividend warrants were received from the shareholders, all of which have been resolved. The Company had no transfers pending at the close of the financial year.

6. Disclosure

All materially significant related party transactions with the Company's Promoters, Directors, the subsidiaries or relatives etc., are disclosed in accounts under note 15 (24) of Notes on Accounts and in the opinion of the Directors, these financial and commercial transactions are not in conflict with the interests of the Company at large.

There was neither non-compliance by the company nor there were any penalties, strictures imposed on the company by stock exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

7. Annual General Meetings

Location and time of last 3 Annual General Meetings were:

Year	GM	Location	Date	Time
2008-2009	AGM	"Rani Seethai Hall" 603, Anna Salai, Chennai 600 006	23.07.2009	3.15 p.m
2007-2008	AGM	Same as above	24.07.2008	3.15 p.m
2006-2007	AGM	Same as above	26.07.2007	3.15 p.m

8. Postal Ballot

No Special Resolutions were required to be put through Postal Ballot last year.

No Special Resolutions on matters requiring Postal Ballot are placed for shareholders' approval at the ensuing Annual General Meeting.

9. Quarterly Results

The quarterly results are published in "The Financial Express" (all editions) and Makkal Kural (all editions). The quarterly results are also posted on the Company's Website (www.iprings.com), periodically.

10. General Shareholder Information

AGM: Date, Time and Venue	–	29.07.2010 @ 3.15 p.m. "Rani Seethai Hall" 603, Anna Salai, Chennai 600 006
Financial Calendar	–	April to March First Quarter Results - July Half Year - October Third Quarter- January Annual Results - May
Date of Book Closure	–	22.07.2010 to 29.07.2010 (both days inclusive)
Dividend Payment Date	–	Within 30 days from July 29, 2010
Listing		i. Madras Stock Exchange Limited (MSE), Chennai ii. By virtue of a MOU between MSE and National Stock Exchange of India Limited (NSE), our shares are permitted to trade in NSE & iii. Bombay Stock Exchange Limited (BSE), Mumbai
Stock Code		IPRINGS (MSE), 523638 (BSE) & IPRINGSLTD (NSE)
ISIN		INE 558 A01019

Market Price in the Financial Year

Month	IPRL (BSE)	
	LOW (Rs.)	HIGH (Rs.)
April 2009	28.50	34.65
May 2009	30.60	44.00
June 2009	35.15	44.00
July 2009	33.60	46.75
August 2009	40.55	51.60
September 2009	44.50	57.00
October 2009	51.05	64.00
November 2009	58.80	80.00
December 2009	68.65	93.50
January 2010	80.00	102.55
February 2010	72.00	87.95
March 2010	70.00	81.95

Shareholding Pattern

Category	No. of Shares held	% to Capital
Promoters	3649832	51.83
Mutual Funds & UTI	200	0.00
Banks, FI's, Insurance Cos.	229327	3.26
Private Bodies Corporate	703682	9.79
Indian Public	1748597	25.05
NRI's / OCB's	6309	0.08
Foreign Collaborators	704200	9.99
Total	7042147	100.00

Share Price Performance in comparison to broad based indices – BSE Sensex

Month	IPRL (BSE)		BSE Sensex	
	LOW (Rs.)	HIGH (Rs.)	LOW	HIGH
April 2009	28.50	34.65	9546.29	11492.10
May 2009	30.60	44.00	11621.30	14930.54
June 2009	35.15	44.00	14016.95	15600.30
July 2009	33.60	46.75	13219.99	15732.81
August 2009	40.55	51.60	14684.45	16002.46
September 2009	44.50	57.00	15356.72	17142.52
October 2009	51.05	64.00	15805.20	17493.17
November 2009	58.80	80.00	15330.56	17290.48
December 2009	68.65	93.50	16577.78	17530.94
January 2010	80.00	102.55	15982.08	17790.33
February 2010	72.00	87.95	15651.99	16669.25
March 2010	70.00	81.95	16438.45	17793.01

Share Transfer Agents

BTS Consultancy Services Pvt. Ltd.
No.4, Ramakrishna Nagar
Nr. Kumaran Matriculation School
Villivakkam, Chennai - 600 049
Phone Nos. 044 – 2650 3337 Fax 044 – 2650 3339
E-mail: helpdesk@btsindia.co.in

Share Transfer System

A Separate Share Transfer committee has been delegated the responsibility of approving transfer and transmission of shares and other related matters. The committee in general meets once in a fortnight. All Share Transfers are completed within the statutory time limit, provided the documents meet the stipulations of statutory provisions in all aspects.

Dematerialisation of Shares

43.76 % of the Paid up Capital has been dematerialised as on 31.03.2010.

Plant Location

D 11/12, Industrial Estate, Maraimalainagar - 603 209
Tel: (044) 2745 2816 / 4740 0597 / 4740 0598
E-mail: iprmmn@iprings.com

Address for Correspondence

'Arjay Apex Centre'
51/24, College Road, Chennai-600 006
Tel: (044) 2825 0792 / 2825 0793
E-mail: iprcorp@iprings.com

E-mail for Investors

investor@iprings.com

NON-MANDATORY REQUIREMENTS

(a) Remuneration Committee:

The Company has a Remuneration committee. Mr. P M Venkatasubramanian, Dr. R Natarajan & Mr. S Ramachandra are the members of the Remuneration Committee. Mr. P M Venkatasubramanian is the Chairman of the Committee. Mr. S Rangarajan is the Secretary of the Committee. During the year under review, the Committee met once viz., 27.05.2009.

(b) Publication of half yearly results:

The half yearly results of the Company are published in an English Daily having a wide circulation and in a Tamil Daily. The results are not sent to the shareholders individually. However, the Company is displaying the financial results in its web site.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure & Developments:

Supported by Government's fiscal stimulus and moderately soft interest rates the Indian automotive industry achieved a growth of 26.40 % in the total sales of vehicles. The low base of 2008-09 also helped in achieving this good growth.

While the present growth rate is still at some distance from the vision and target set under the Automotive Mission Plan 2016, given the global players' announcements of plans for huge investment outlays in the country there is room for optimism that the industry would attain the targets and realise the vision set out in the Mission Plan.

The auto component industry, despite the set back experienced during the year of the global meltdown is back on track and is set to achieve higher targets both in the domestic and export fronts.

The demand from the rural sector, the increased thrust of Government on infrastructure projects and the increase in the per-capita income are bound to lead to a substantial improvement in domestic demand, which ultimately would be the main driver in vehicular growth.

Increased investments in capacities are being planned by the industry to meet the surge in demand.

Opportunities and Threats:

The presence of very large number of global players who are continuing to set up facilities in India with huge outlays promises an explosive growth in demand for auto components encouraging auto component manufacturers to step up their investments in new technologies and facilities.

The vehicle manufacturers have announced plans for expansions in their ongoing operations also which would lead to further huge growth in demand for the component sector auguring well for the industry.

However, the gradual withdrawal of the fiscal stimulus by the Government as well as the rising input costs, volatile exchange rates, introduction of new emission norms, the likely hike in interest rates and persistent demands for price reduction from OEMs constitute a severe threat to the industry.

Your company is taking all necessary steps to retain its frontline position with all round efforts by the company and strong backup from the collaborators, Nippon Piston Ring Co. Ltd. Japan and excellent support from the promoters, India Pistons Ltd.

Segment-wise Product Performance:

The company's products are all auto components and come under the single product segment.

Outlook:

With the automotive industry continuing to witness buoyant conditions, the outlook for the current year appears to be encouraging. The company, after a thorough review of the market requirements, has drawn up plans to invest in capital expenditure not only to increase the capacity levels but also to cater to the requirements of the new emission norms and the new breed of vehicles that are being launched by the global players. Your company is well placed to take full advantage of the opportunities presented by this growth market.

In the Orbital Cold Forming (OCF) Division, manufacturing mainly Transmission Components capability has been established and considerable business has been won. The division has started making significant contribution to the profits of the company and the order book shows a healthy picture with the confirmed orders from leading OEMs and Tier I customers.

Cost Management and Risk Management will continue to be the key thrust areas besides strengthening and improving productivity during the current year.

Risks and Concerns:

The fortunes of the auto component industry are closely linked with that of the Vehicle Industry. It, therefore, follows that lack of economic growth or any setback in the automotive industry in general or, in any specific segment, in particular, would have its impact on the results of the Company.

Internal Control Systems:

Your Company places great emphasis on integrated internal control systems and has introduced on-line systems for monitoring production and cost control. There is an independent Internal Audit function in place.

Financial Performance:

Your Company registered a turnover of Rs.73.51 Crores as against Rs.54.93 Crores during the previous year. Both the Divisions of the company i.e. Rings Division and the Transmission Components Division contributed significantly to the overall results. The pickup in the profits has been quite impressive with the Company achieving a profit level before tax of Rs.816.32 lakhs as against Rs.160.44 lakhs in the previous year despite the steep increase in the input cost of raw materials like steel and higher power costs on account of acute power shortage in the State.

Human Resource:

Employee training is continuing to receive top priority in the Management's efforts to reach World Class Standards. Systematic training is given at all levels to improve the knowledge and skill level of all employees. Participation in cluster programmes and quality circles contribute in a great way to improve employee morale and job satisfaction. The Company is also engaging Japanese Consultants to train the employees at all levels on improving productivity, cost reduction, TPM, TQM etc.

Corporate Social Responsibility:

IP Rings is continuing its contributions towards corporate social responsibility in engaging in various activities such as Single Teacher School movement, participating in running a hospital, conducting computer awareness programmes for employees' children and conducting blood donation camps.

10 Year Record:

A chart showing 10 years' performance is appended forming part of this Report.

Persons constituting group coming within the definition of "group" as defined in the Monopolies and Restrictive Trade Practices Act, 1969, for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997, include the following:

S.No.	Name of the Entity
01	India Pistons Ltd.
02	Tractors and Farm Equipment Ltd.
03	Simpson & Co., Ltd.
04	Amalgamations Pvt. Ltd.

10 Years Performance at a Glance

Particulars	Rs. in Lakhs									
	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Sales	3361.76	3102.32	3931.36	4767.79	5152.10	5636.23	5802.74	6274.97	5493.23	7350.79
PBDIT	749.62	611.58	867.03	1016.53	1049.95	1193.51	1075.38	927.02	721.99	1366.79
Profit after tax	315.25	178.21	317.72	479.77	499.56	512.07	388.70	250.42	108.79	556.53
Dividend paid	194.01	105.63	158.89	238.33	238.87	283.06	226.57	205.97	82.39	246.35
Dividend %	25.00	15.00	20.00	30.00	30.00	35.00	27.50	25.00	10.00	30.00
Share Capital	704.21	704.21	704.21	704.21	704.21	704.21	704.21	704.21	704.21	704.21
Reserves & Surplus	2877.12	2486.14	2644.97	2886.40	3147.09	3376.09	3538.23	3582.68	3609.08	3919.26
Networth	3549.42	3166.45	3333.14	3587.76	3851.30	4080.30	4242.44	4286.89	4313.29	4623.47
Gross Fixed Assets	3823.76	3948.97	4060.57	4626.19	6158.68	6457.79	7157.32	7436.55	7637.30	8607.94
EPS	4.48	2.53	4.51	6.81	7.09	7.27	5.52	3.56	1.54	7.90
Book Value/Share	50.40	44.96	47.33	50.95	54.69	57.94	60.24	60.88	61.25	65.65
Debt Equity	0.17	0.17	0.14	0.09	0.14	0.08	0.17	0.23	0.14	0.41

REPORT OF THE AUDITORS TO THE MEMBERS OF IP RINGS LIMITED

We have audited the attached Balance Sheet of **IP Rings Limited** as at 31st March 2010 and also the Profit and Loss Account and 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 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.

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
 - I. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - II. 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 those books;
 - III. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - IV. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - V. On the basis of the written representations received from the Directors, as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the Director is disqualified from being appointed as a Director of the company in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date.
 - VI. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
 - (b) in the case of Profit and Loss Account, of the Profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **R G N Price & Co.**,
Chartered Accountants
Firm Regn. No. 002785S

Mahesh Krishnan
Partner
Membership No. 206520

Chennai
27.05.2010

Annexure referred to in paragraph 1 of our report of even date.

- I.
 - a. The Company has maintained proper records for its Fixed Assets showing full particulars including quantitative details and situation of those Assets.
 - b. The Company has a policy of physically verifying its Fixed Assets once in two years which in our opinion is reasonable having regard to the size of the company and nature of its business. The fixed assets were physically verified during the previous year.
 - c. The Fixed Assets that have been sold / disposed off during the year do not constitute a substantial part of the total Fixed Assets of the Company.
- II.
 - a. Physical verification of inventory has been conducted by the management at reasonable intervals.
 - b. The procedures for physical verification of inventory followed by the Management are in our opinion, reasonable and adequate in relation to the size of the company and the nature of its business.
 - c. The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification were not material as compared to book records and have been properly dealt within the books of accounts.
- III The Company has not granted or taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- 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 with regard to purchase of inventory, fixed assets and for sale of goods and services. During the course of our audit, we have not observed any major weaknesses in the internal control system.
- V
 - a) We are of the opinion that particulars of contracts or arrangements referred to in Section 301 of Companies Act, 1956 have been entered into the register maintained under the said Act.
 - b) In our opinion, and according to the information and explanation 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 price at the relevant time.
- VI The Company has not accepted any deposit from the public.
- VII In our opinion, the Company has an internal audit system commensurate with the 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 for manufacture of Automotive Parts and Accessories. On the basis of the records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India under Section 209(1) (d) of the Companies Act, 1956 have been made and maintained.
- IX
 - a. The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to it. There are no arrears of undisputed outstanding statutory dues as at 31st March 2010 for a period of more than six months from the date they become payable.
 - b. According to the information and explanations given to us, there are no disputed amounts that remain unpaid in respect of Wealth tax, Sales Tax, Customs Duty, Excise Duty, Cess and Service tax as at 31st March 2010. However, in respect of Income Tax, the disputed amounts that remain unpaid are disclosed hereunder:

Financial Year	Assessment Year	Disputed Amount Unpaid (Rs. in Lakhs)	Appeal Pending with
1996–1997	1997–1998	2.46	CIT (Appeals)
1998–1999	1999–2000	38.00	CIT (Appeals)
1999–2000	2000–2001	11.36	CIT (Appeals)
2000–2001	2001–2002	4.75	CIT (Appeals)
2002–2003	2003–2004	6.05	CIT (Appeals)
2003–2004	2004–2005	41.98	CIT (Appeals)
2004–2005	2005–2006	3.73	CIT (Appeals)
2005–2006	2006–2007	5.03	CIT (Appeals)
	TOTAL	113.36	

- X The Company has no accumulated losses. The Company has also not incurred cash losses during this financial year and in the immediately preceding financial year.
- XI The Company has not defaulted in repayment of loans availed from banks. The Company has no borrowings from financial institutions and has not issued debentures.
- XII The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII The provisions of special statute applicable to chit funds / nidhi / mutual benefit funds / society do not apply to the Company.
- XIV The Company has made certain investments in shares and mutual funds. Proper investment records have been maintained by the Company. Transactions have been regularly updated as and when taken place. All investments of the Company are held in its own name.
- XV The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- XVI Loan availed from a bank has been utilized towards the intended purpose.
- XVII According to the information and explanations given to us and on an overall review of utilization of funds, we observed that no short-term funds have been used for long-term investments.
- XVIII During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- XIX During the year, the Company has not raised any money by public issue.
- XX According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported.

For **R G N Price & Co.**,
 Chartered Accountants
 Firm Regn. No. 002785S

Mahesh Krishnan
 Partner
 Membership No. 206520

Chennai
27.05.2010

BALANCE SHEET AS AT 31st MARCH 2010

	Schedule	31.03.2010 Rs.	31.03.2009 Rs.
SOURCES OF FUNDS :			
SHARE HOLDERS' FUNDS			
Share Capital	1	7,04,21,470	7,04,21,470
Reserves and Surplus	2	39,19,25,839	36,09,08,305
LOAN FUNDS			
Secured Loan	3	19,06,31,601	5,95,47,663
Unsecured Loan		1,96,82,211	—
DEFERRED TAX LIABILITY (NET)	4	5,07,25,102	5,27,46,153
TOTAL		<u>72,33,86,223</u>	<u>54,36,23,591</u>
APPLICATION OF FUNDS :			
FIXED ASSETS			
Cost	5	86,07,94,286	76,37,29,920
Less : Depreciation		47,59,52,868	43,11,42,466
Net Block		38,48,41,418	33,25,87,454
Capital Work - in - Progress & Advances		15,57,35,285	3,96,68,720
		<u>54,05,76,703</u>	<u>37,22,56,174</u>
INVESTMENTS	6	88,000	88,000
CURRENT ASSETS, LOANS AND ADVANCES			
Current Assets			
Inventories	7	13,11,39,472	11,11,72,153
Sundry Debtors		12,66,40,933	9,56,83,729
Cash and Bank Balances		1,34,97,727	1,12,00,934
Loans and Advances			
	8	3,41,37,111	2,64,62,287
		30,54,15,243	24,45,19,103
Less : Current Liabilities and Provisions	9	12,26,93,723	7,32,39,686
Net Current Assets		<u>18,27,21,520</u>	<u>17,12,79,417</u>
TOTAL		<u>72,33,86,223</u>	<u>54,36,23,591</u>
Significant Accounting Policies	14		
Notes on Accounts	15		

The Schedules 1 to 9 and 14 & 15 form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our Report of even date

S. RANGARAJAN
Associate Vice President
(Finance) & Secretary

A. SIVASAILAM
N. VENKATARAMANI
K. V. SHETTY
P. M. VENKATASUBRAMANIAN
Directors

N. GOWRISHANKAR
Whole Time Director

For R.G.N. PRICE & Co.,
Chartered Accountants
Firm Regn. No. 002785S

MAHESH KRISHNAN
Partner

Membership No. 206520

Chennai
May 27, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

	Schedule	31.03.2010 Rs.	31.03.2009 Rs.
Sales		73,50,78,892	54,93,23,176
Less : Excise Duty		5,65,31,228	6,44,06,769
		67,85,47,664	48,49,16,407
Other Income	10	9,52,493	10,14,020
		67,95,00,157	48,59,30,427
Material Cost	11	23,92,66,730	17,58,50,709
Employees' Remuneration and Benefits	12	9,08,90,820	7,28,40,814
Other Expenditure	13	21,26,64,303	16,50,50,087
Finance charges		98,81,937	75,72,727
Depreciation		4,51,64,606	4,85,72,323
		59,78,68,396	46,98,86,660
Profit before Tax		8,16,31,761	1,60,43,767
Less : Provision for Taxation - Current (inclusive of wealth tax)		2,80,00,000	95,00,000
- Deferred Tax		(20,21,051)	(52,85,208)
- Fringe Benefit Tax		-	9,50,000
Profit after Tax		5,56,52,812	1,08,78,975
Profit and Loss-Surplus Brought Forward		39,53,182	13,13,167
		5,96,05,994	1,21,92,142
APPROPRIATIONS			
Proposed Dividend Rs.3/- per Share		2,11,26,441	70,42,147
Tax on Dividend		35,08,837	11,96,813
Transfer to General Reserve		3,00,00,000	-
Surplus Carried to Balance Sheet		49,70,716	39,53,182
		5,96,05,994	1,21,92,142
Significant Accounting Policies	14		
Notes on Accounts	15		
Basic and Diluted Earnings Per Share (in Rs.)		7.90	1.54
Nominal Value Per Equity Share (in Rs.)		10.00	10.00
(Refer Notes on Accounts - 25 of Schedule 15)			

The Schedules 10 to 15 form an integral part of the Profit and Loss Account

This is the Profit and Loss Account referred to in our Report of even date

S. RANGARAJAN
Associate Vice President
(Finance) & Secretary

A. SIVASAILAM
N. VENKATARAMANI
K. V. SHETTY
P. M. VENKATASUBRAMANIAN
Directors

N. GOWRISHANKAR
Whole Time Director

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Firm Regn. No. 002785S

MAHESH KRISHNAN
Partner

Membership No. 206520

Chennai
May 27, 2010

SCHEDULES TO BALANCE SHEET

	31.03.2010 Rs.	31.03.2009 Rs.
1. SHARE CAPITAL		
Authorised		
1,50,00,000 Equity Shares of Rs. 10 each	15,00,00,000	15,00,00,000
50,00,000 Preference Shares of Rs. 10 each	5,00,00,000	5,00,00,000
	<u>20,00,00,000</u>	<u>20,00,00,000</u>
Issued, Subscribed and Paid - Up		
70,42,147 Equity Shares of Rs.10 each, fully paid up Of the above 36,47,832 Equity Shares of Rs.10 each (previous year 36,47,832) are held by the Ultimate Holding Company, Amalgamations Private Ltd and its Subsidiaries	7,04,21,470	7,04,21,470
	<u>7,04,21,470</u>	<u>7,04,21,470</u>
2. RESERVES AND SURPLUS		
Share Premium	10,54,28,400	10,54,28,400
General Reserve		
As per Last Balance Sheet	25,15,26,723	25,15,26,723
Add: Transfer from Profit and Loss Account	3,00,00,000	—
	<u>28,15,26,723</u>	<u>25,15,26,723</u>
Profit and Loss Account - Surplus	49,70,716	39,53,182
	<u>39,19,25,839</u>	<u>36,09,08,305</u>
3. LOAN FUNDS		
SECURED LOAN		
From Banks	18,75,54,803	5,86,87,500
From Others	30,76,798	8,60,163
	<u>19,06,31,601</u>	<u>5,95,47,663</u>
UNSECURED LOAN		
From Banks	16,82,211	—
From Others	1,80,00,000	—
	<u>1,96,82,211</u>	<u>—</u>
4. DEFERRED TAX LIABILITY (NET)		
Deferred Tax Liability	5,27,78,812	5,46,07,824
Deferred Tax Asset	(20,53,710)	(18,61,671)
	<u>5,07,25,102</u>	<u>5,27,46,153</u>

SCHEDULES TO BALANCE SHEET – (Contd.)

5. FIXED ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	Cost as at 01.04.2009 Rs.	Additions / (Disposal) Rs.	Cost as at 31.03.2010 Rs.	Upto 31.03.2009 Rs.	For the Year Rs.	Upto 31.03.2010 Rs.	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
Land - Free Hold	19,16,525	-	19,16,525	-	-	-	19,16,525	19,16,525
Land - Lease Cum Sale *	13,23,080	-	13,23,080	-	-	-	13,23,080	13,23,080
Buildings	5,37,26,363	1,16,30,027	6,53,56,390	2,00,68,251	18,49,524	2,19,17,775	4,34,38,615	3,36,58,112
Plant and Machinery	61,12,19,000	7,83,03,993	68,95,22,993	34,39,68,350	3,58,91,198	37,98,59,548	30,96,63,445	26,72,50,650
Electrical Installations	1,61,93,445	31,63,002	1,93,56,447	84,87,024	12,15,881	97,02,905	96,53,542	77,06,421
Furniture and Fittings	91,60,786	15,750	91,76,536	61,49,310	4,88,897	66,38,207	25,38,329	30,11,476
Vehicles	1,00,89,070	26,98,636	1,24,22,431	38,42,631	9,37,273	47,79,904	79,86,711	62,46,439
Office Equipments	3,69,15,442	13,44,065	3,82,39,507	3,11,51,492	18,04,061	3,29,55,553	52,93,974	57,63,950
Intangible Assets - Technical Knowhow Fee	1,54,55,478	(20,000)	1,54,55,478	1,10,37,938	22,46,537	1,32,84,475	21,71,003	44,17,540
- New Product Development	77,30,731	-	80,24,899	64,37,470	7,31,235	71,68,705	8,56,194	12,93,261
- New Product Development - Research & Development		2,94,168						
	76,37,29,920	9,74,49,641	86,07,94,286	43,11,42,466	4,51,64,606	47,63,07,072	38,48,41,418	33,25,87,454
		(3,85,275)				(3,54,204)		
Capital Work - in - Progress & Advances							15,57,35,285	3,96,68,720
							54,05,76,703	37,22,56,174

* Refer notes on accounts - 1 of Schedule 15

SCHEDULES TO BALANCE SHEET – (Contd.)

6. INVESTMENTS	31.03.2010 Rs.	31.03.2009 Rs.
Long Term Investments		
Quoted		
1,100 Equity Shares of Rs. 10 each fully paid in Corporation Bank	88,000	88,000
	<u>88,000</u>	<u>88,000</u>
Aggregate Market value of Quoted Investment	5,28,605	1,97,835
Note:		
Refer Notes on Accounts - 3 of Schedule 15 for purchase and sale of Investments during the year.		
7. CURRENT ASSETS		
Inventories		
(As Valued and Certified by Management)		
Raw Materials	4,45,38,003	3,70,38,458
Work - in - Progress	2,84,14,158	2,12,86,748
Finished Goods	1,20,84,895	1,56,70,545
Stores and Spares	2,41,31,024	2,14,23,371
Loose Tools	85,45,636	60,73,333
Goods in Transit	1,34,25,756	96,79,698
	<u>13,11,39,472</u>	<u>11,11,72,153</u>
Sundry Debtors		
Unsecured and Considered Good		
More than 6 Months	13,66,967	55,40,275
Others	12,52,73,966	9,01,43,454
	<u>12,66,40,933</u>	<u>9,56,83,729</u>
Cash and Bank Balances		
Cash on Hand	68,167	48,950
With Scheduled Banks		
– Current Account	1,18,29,029	95,23,444
– Dividend - Current Account	16,00,531	16,28,540
	<u>1,34,97,727</u>	<u>1,12,00,934</u>

SCHEDULES TO BALANCE SHEET – (Contd.)

	31.03.2010 Rs.	31.03.2009 Rs.
8. LOANS AND ADVANCES		
Unsecured and Considered Good		
Advances recoverable in Cash or in Kind or for Value to be received		
Considered Good	1,22,40,738	58,59,677
Considered Doubtful	16,81,000	16,81,000
	<u>1,39,21,738</u>	<u>75,40,677</u>
Less: Provision for Doubtful Advances	16,81,000	16,81,000
	<u>1,22,40,738</u>	<u>58,59,677</u>
Balance with Central Excise	58,05,086	33,65,721
Deposits	47,50,834	43,63,834
Prepaid Expenses	15,94,677	13,41,423
Advance Payments - Taxation	6,72,77,257	4,10,63,113
Less: Provision for Taxation	(5,75,31,481)	(2,95,31,481)
	<u>3,41,37,111</u>	<u>2,64,62,287</u>
9. CURRENT LIABILITIES AND PROVISIONS		
Acceptances	3,27,71,041	2,16,57,394
Sundry Creditors		
– Micro and Small Enterprises	36,56,650	32,30,652
– Other Creditors and Accrued Expenses	4,91,81,399	3,13,68,102
Other Liabilities	1,08,48,824	71,16,038
Unclaimed Dividend	16,00,531	16,28,540
PROVISIONS		
Proposed Final Dividend	2,11,26,441	70,42,147
Tax on Dividend	35,08,837	11,96,813
	<u>12,26,93,723</u>	<u>7,32,39,686</u>

Note : There is no amount due to Investor Education and Protection Fund

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	31.03.2010	31.03.2009
	Rs.	Rs.
10. OTHER INCOME		
Interest*	1,20,000	1,63,689
Dividend	83,461	3,14,941
Provision Written Back	5,67,515	2,50,349
Miscellaneous	1,81,517	2,85,041
	<u>9,52,493</u>	<u>10,14,020</u>
*Tax Deducted at Source	—	—
11. MATERIAL COST		
Raw Materials:		
Opening Stock	3,70,38,458	4,54,75,940
Add : Purchases	<u>25,03,08,035</u>	<u>16,49,79,345</u>
	28,73,46,493	21,04,55,285
Less : Closing Stock	<u>4,45,38,003</u>	<u>3,70,38,458</u>
	24,28,08,490	17,34,16,827
(Increase) / Decrease in Work-in-Progress	(71,27,410)	50,50,682
(Increase) / Decrease in Finished Goods	35,85,650	(26,16,800)
	<u>23,92,66,730</u>	<u>17,58,50,709</u>
12. EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, Wages, Bonus and Commission	7,41,56,684	5,80,59,246
Contribution to Provident and Other Funds	57,17,050	48,98,422
Welfare Expenses	1,07,82,565	96,46,150
Reimbursement of Expenses for Seconded Employees	2,34,521	2,36,996
	<u>9,08,90,820</u>	<u>7,28,40,814</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT – (Contd.)

	31.03.2010 Rs.	31.03.2009 Rs.
13. OTHER EXPENDITURE		
Sub - Contracting Expenses	4,35,83,622	3,45,76,622
Power and Fuel	3,04,96,901	1,90,47,682
Stores Consumed	4,82,60,872	3,50,06,170
Rent	20,64,645	15,95,677
Rates and Taxes	22,38,780	18,84,707
Insurance	24,07,472	17,86,691
Travelling and Conveyance	86,48,041	84,44,233
Packing and Forwarding	61,02,870	43,56,362
Advertisement	4,96,632	6,06,366
Royalty	91,85,070	71,30,401
Service Fee	1,72,88,402	1,22,54,729
Directors' Sitting Fees	3,93,500	3,13,500
Commission to Non Whole Time Directors	9,37,975	–
Payment to Auditors		
Statutory Audit Fee	3,25,000	2,50,000
Tax Audit Fee	45,000	35,000
Certification Fees	2,82,500	2,35,000
Reimbursement of Expenses	4,150	3,930
Repairs and Maintenance		
Buildings	9,97,689	17,02,261
Machinery & Electrical Installations	91,53,952	69,81,898
Vehicles	14,51,214	12,57,666
Operating Expenses – Computer System	21,55,745	27,50,881
Warranty Claims	4,63,313	4,29,793
Loss on Sale of Assets	4,970	–
Research and Development		
Salaries, Wages and Bonus	29,32,945	24,44,431
Materials, Consumables and Spares	6,59,366	4,19,429
Other Expenditure	17,59,216	18,34,985
Miscellaneous Expenses	2,03,24,461	1,97,01,673
	21,26,64,303	16,50,50,087

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

14. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The Financial Statements have been prepared on accrual basis in accordance with the generally accepted accounting norms, except insurance claims, which are accounted when accepted by the insurance company.

2. Revenue Recognition

Sales are recognised at the point of despatch of goods to the customers and include excise duty but exclude Sales Tax and other levies.

3. Fixed Assets

- a) Fixed Assets including Assets for Research and Development other than Land are accounted at Cost Less Depreciation and impairment loss, if any.
- (b) Assets acquired under Hire Purchase Agreements / Financial Lease Agreements are capitalised to the extent of their Principal Value, while Hire charges / Finance charges on Lease are charged to revenue in the years in which they are payable.
- (c) Depreciation is provided on Straight Line Method in accordance with the rates as per Schedule XIV of the Companies Act, 1956 as amended from time to time.
- (d) Application Software, Die and Core and New Product Development are amortised over a period of 3 years. Technical know-how fee is amortised over a period of 5 years.
- (e) Borrowing Costs, if any are capitalised as part of qualifying fixed assets when it is probable that they will result in future economic benefits. Other borrowing costs are expensed.

4. Investments

Investments are categorised into Long Term and Current Investments. Long Term Investments are normally valued at cost, unless there is a permanent fall in value. Current Investments are valued at cost or Market Value whichever is lower. Dividend on Investments is accounted as and when the right to receive the payment is established.

5. Inventories

Basis of Valuation

- | | |
|-----------------------------|--|
| (a) Raw Materials | At Cost on Weighted Average Basis |
| (b) Work-in-Progress | At Lower of the Cost and Net Realisable Value |
| (c) Finished Goods | At Lower of the Cost and Net Realisable Value and includes Excise Duty |
| (d) Stores and Spares | At Cost on Weighted Average Basis |
| (e) Special Purpose Tooling | Amortised over a period of 3 years |
| (f) Goods - in Transit | At Cost |
| (g) Goods under Bond | At Cost including Customs Duty Payable |

6. Sundry Debtors

Sundry Debtors amount is exclusive of the value of Bills Discounted, the liability for which is disclosed under "Contingent Liabilities."

7. Excise Duty

Excise Duty on goods manufactured is accounted only at the time of removal of goods from the factory except in respect of year end inventory of finished goods, excise duty is included as part of inventory.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT – (Contd.)

14. SIGNIFICANT ACCOUNTING POLICIES (Contd.....)

8. Foreign Currency Transactions

- (a) Foreign Currency Transactions are recognised in the books at the exchange rates prevailing on the date of transaction.
- (b) In the case of Current Assets/Liabilities the difference (Gain or Loss) between the actual payment and the amount recognised in the books is accounted as Exchange Gain or Loss. Where the transaction is not settled within the year, profit/loss arising on the restatement at the year-end rates is recognised as exchange gain or loss in the profit and loss account
- (c) In case of Depreciable Capital assets having long term foreign currency monetary arrangement the Company opts to add or deduct the exchange differences to the cost of the depreciable capital assets and depreciate it over the balance life of the asset. In case of other long term foreign currency monetary items the company opts to accumulate the exchange differences in a “foreign currency monetary translation difference account” which are amortised over the balance period of such long term asset or liability not beyond 31st March 2011, by recognition as income or expense in each of such periods.

9. Employee Benefits

1. Defined Contribution Plan

The Company's Provident Fund Scheme, Superannuation Scheme and ESI plans are Defined Contribution Plans and the Company's contribution paid/payable is recognised as expense in the Profit and Loss Account during the period in which the employees render the related service.

2. Defined Benefit Plan / Other long term employee benefits

- (a) The Company's Gratuity and Long-Term compensated absences are Defined Benefit Plans/ other long term employee benefits respectively. The Company's liability towards Gratuity are determined using the Projected Unit Credit Method which recognises each period of service as giving rise to additional unit of Employee Benefit Entitlement. The Gratuity scheme is operated through Group Gratuity Scheme of LIC.
 - (b) The Gratuity liabilities are provided based on Actuarial Valuation certified by LIC. Actuarial gains and losses are charged to Profit and Loss account.
 - (c) Long term compensated absences are provided for based on independent Actuarial valuation. Actuarial gains and losses are charged to Profit and Loss account.
- 3. Short term employee benefits are recognised as an expense at the undiscounted amount in the year in which the employee render the services/vesting period of the benefit.**

10. Impairment of Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

11. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

12. Product Warranty Expenses

Product Warranty expenses are accounted based on the claims received and accepted during the year and estimates in accordance with the warranty policy of the company.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT – (Contd.)

15. NOTES ON ACCOUNTS

		2010	2009
		(Rs. in Lakhs)	
1.	The factory land at C-15/3 Maraimalai Nagar for expansion activities was acquired from C.M.D.A., under Lease-Cum-Sale Agreement for a total consideration of Rs.13.23 Lakhs. The title for the land will be transferred by C.M.D.A., after completion of one year of commencement of commercial production and completion of 8 years of Lease Period. Discussions are in progress with CMDA regarding the compliance of the conditions for transfer of land to the company.		
2.	(a) Capital work-in-progress and advances shown under Fixed Assets Schedule No.5 includes advance against capital expenditure	17.68	193.39
	(b) The amount of Borrowing costs capitalised during the year	56.93	–
3.	Purchase and sale of investments during the year :	No. of Units	Costs (Rs.)
	– Refer Schedule No. 6 in Schedules to Balance Sheet Purchased and sold during the year		
	– Sundaram BNP Paribas Mutual Fund	13,46,911	1,35,50,711
			2010
			2009
			(Rs. in Lakhs)
4.	(a) The term loan availed for purchase of machinery relating to Orbital Forming & PVD Projects is secured by hypothecation of specific assets purchased out of the said loan.	1,675.55	46.88
	(b) Working capital loan is secured by hypothecation of stocks and book debts present and future.	200.00	540.00
	(c) The Loan availed for purchase of Vehicles is secured by hypothecation of vehicles purchased out of the said loan.	30.77	8.60
		<u>1,906.32</u>	<u>595.48</u>
5.	Contingent liability exists in respect of		
	(a) Bills Discounted	306.62	250.00
	(b) Outstanding Letters of Credit	99.32	561.16
	(c) Bank Guarantees	2.50	1.00
	(d) Income Tax matters under appeal	209.24	204.21
	(Amounts remitted against the disputed tax upto March 2010 – Rs.95.88 lakhs and included in advance tax under the Schedule Loans and Advances – Schedule No.8)		
	(e) The Company had imported Plant and Machinery (Capital Goods) in the earlier years at concessional rate of duty under the Export Promotion Capital Goods Scheme. The Export Obligation to be met in this regard by the company / group company, as per the Scheme between 2007-08 to 2014-15 amounts to Rs.2713.11 Lakhs. The company / group company has to meet the obligations to the extent of Rs.1216.65 lakhs by June 2010. Towards this the Company / Group Company had met the obligations to the extent of Rs.1121.10 lakhs as at the Balance Sheet date. The EPCG regulation provides for seeking extension of obligation period. However, in case of non-fulfillment of export obligation, unless the period is extended, liability to pay the proportionate duty saved along with interest will arise.		

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT – (Contd.)

15. NOTES ON ACCOUNTS – (Contd.)	2010	2009
	(Rs. in Lakhs)	
6. Sundry Creditors		
(a) In terms of the Micro, Small and Medium Enterprises Development Act, 2006, the company during the year had settled the bills to the units covered by the above Act within 45 days. The bills outstanding at the Balance Sheet date are less than 45 days.		
(b) Amount due to Directors' shown under Other Creditors and Accrued Expenses	51.92	19.63
7. Value of Closing Inventories includes Excise Duty with regard to the following items of Inventories		
Finished Goods at Factory	13.51	12.52
Finished Goods at Depots	1.42	3.69
The inclusion of Excise duty in closing inventories does not have any impact on the Profit for the Year		
8. Amount of exchange difference on import of materials as per AS11 – “Accounting for the effects of Changes in Foreign Exchange Rates” included in material cost.– (Gain) / Loss	(13.84)	47.28
9. Estimated value of contracts on Capital Account not provided for (net of advances)	81.32	1,417.95
10. Figures for the previous year have been regrouped / reclassified wherever necessary to make them comparable with current year figures		
11. Figures are rounded off to the nearest Rupee		

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT – (Contd.)

15. NOTES ON ACCOUNTS (Contd...)	2010		2009	
	Quantity	Value Rs.	Quantity	Value Rs.
12. Sales				
Piston Rings	Nos	1,03,87,032	86,31,671	35,22,10,754
Differential Gears, Pole Wheel and other Transmission Components	Nos	15,49,477	10,00,739	11,41,96,327
Sale of Scrap		12,93,101		13,23,346
Revenue from Sub-contracts and Jobbing Charges		<u>2,15,02,190</u>		<u>1,71,85,980</u>
		<u>67,85,47,664</u>		<u>48,49,16,407</u>
13. Consumption of Raw Materials				
Steel Wire	Kgs.	62,865	46,858	5,79,19,327
Bought-out Components	Nos.	23,73,406	19,16,041	71,72,435
Ring Blanks	Nos.	42,37,503	33,69,399	6,03,08,009
Plasma Powder	Lbs.	13,750	9,198	1,88,90,925
Steel Rods	Kgs.	5,67,269	4,38,520	2,91,26,131
		<u>24,28,08,490</u>		<u>17,34,16,827</u>
14. Opening and Closing Stocks of Goods Produced (P)				
Piston Rings (P) Nos.				
Opening Stock		3,69,477	3,28,424	1,20,17,254
Closing Stock		3,42,907	3,69,477	1,42,86,801
Differential Gears, Pole Wheel and Other Transmission Components (P) Nos.				
Opening Stock		6,238	3,690	10,36,491
Closing Stock		904	6,238	13,83,744
15. Capacities of Production				
Piston Rings Nos.				
Licensed Capacity per annum		150.00 Lakhs		150.00 Lakhs
Installed Capacity per annum (as Certified by the Mangement)		120.00 Lakhs		100.00 Lakhs
Production during the year		1,03,60,462*		86,72,724
*This includes 27,89,491 Nos. (19,16,041 Nos. for 2008 – 09) of Piston Rings purchased from outside, for the purpose of making into sets.				
Differential Gears, Pole Wheel and Other Transmission Components Nos.				
Licensed Capacity per annum		18 Lakhs		18 Lakhs
Installed Capacity per annum (as Certified by the Mangement)		18 Lakhs		12 Lakhs
Production during the year		15,44,143		10,03,287

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT – (Contd.)

15. NOTES ON ACCOUNTS (Contd...)		2010		2009	
16. Consumption of Materials		Rs.	%	Rs.	%
Raw Material	Imported	11,20,30,881	47.88	7,68,84,701	46.25
	Indigeneous	12,19,44,934	52.12	8,93,59,691	53.75
		23,39,75,815	100.00	16,62,44,392	100.00
Components	Imported	14,64,487	16.58	10,48,472	14.62
	Indigeneous	73,68,188	83.42	61,23,963	85.38
		88,32,675	100.00	71,72,435	100.00
Machinery Spares	Imported	10,51,877	12.37	2,89,147	5.61
	Indigeneous	74,51,253	87.63	48,66,071	94.39
		85,03,130	100.00	51,55,218	100.00
17. Value of Imports on CIF basis		Rs.		Rs.	
Raw Materials		11,87,88,183		6,69,39,079	
Machinery Spares		14,46,952		5,12,046	
Capital Goods		13,40,88,444		1,42,932	
Stores		30,96,902		36,79,931	
18. Earnings in Foreign Currency (on Receipt Basis)					
Exports		74,59,584		66,90,357	
19. Expenditure in Foreign Currency (on Payment Basis)					
Royalty		71,57,221		71,13,545	
Travel		28,75,705		27,53,320	
Professional Fee/ Technical Services		24,09,962		16,61,436	
Technical Knowhow		1,07,50,962		35,97,997	
Capital expenditure / advance		8,14,858		1,12,56,543	
Others		2,32,980		2,27,309	
20. Amounts remitted in Foreign Currency on account of Dividends to non-resident Shareholder(s)					
Number of Shareholders		1		1	
Number of Shares held		7,04,200		7,04,200	
Amount remitted		7,04,200		17,60,500	

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT – (Contd.)

15. NOTES ON ACCOUNTS (Contd...)

	2010	2009
	Rs.	Rs.
21. Remuneration to Directors		
Salary and Allowances	73,99,000	61,98,919
Commission (as per annexure)	37,51,899	7,19,019
Contribution to Provident and Other Funds	7,82,400	6,73,000
Estimated Costs of Other Benefits	3,75,884	3,19,097
	<u>1,23,09,183</u>	<u>79,10,035</u>

Note: Remuneration to Directors, includes Rs.19,91,460/- which is in excess of the limits of overall Managerial Remuneration U/s.198(1) of the Companies Act, 1956. The payment is subject to the approval of the Shareholders and the Central Government, where necessary.

ANNEXURE REFERRED TO IN NOTE 21 OF SCHEDULE 15 Computation of Commission Payable to Directors under section 349 of the Companies Act, 1956

	Rs.	Rs.
Profit for the Year		8,16,31,761
Add : Directors' Remuneration	1,23,09,183	
Sitting Fees	3,93,500	
Loss on sale of assets	4,970	
		<u>1,27,07,653</u>
		9,43,39,414
Less : Provision Written Back	5,41,935	
		<u>5,41,935</u>
NET PROFIT AS PER SECTION 349/350		<u>9,37,97,479</u>
Commission to the Managing Director at 3%		28,13,924
Commission to the Non Whole Time Directors at 1%		9,37,975
		<u>37,51,899</u>
Overall Managerial Remuneration @ 11% of the Net Profits		1,03,17,723
Excess Managerial remuneration provided for		19,91,460

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT – (Contd.)

15. NOTES ON ACCOUNTS – (Contd.)

22. Employee Benefits under Accounting Standard – 15 (Revised)

Defined Contribution Plan

Contribution to Defined Contribution Plan, are charged off for the year as under

Employer's Contribution to Provident Fund – Rs.31,11,573/-

Employer's Contribution to Superannuation Fund – Rs.9,57,924/-

Employer's Contribution to Employees State Insurance – Rs.4,14,622/-

Defined Benefit Plan

Gratuity

The Company operates gratuity plan through Life Insurance Corporation of India. Every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service depending on the date of joining, subject to a maximum of Rs.3,50,000/-, except in the case of Managing Director where there is no maximum limit. The benefit vests after five years of continuous service. The present value of obligation is determined based on actuarial valuation.

Leave Salary Encashment

Eligible employees can carry forward and encash leave on superannuation or death or permanent disablement subject to a maximum accumulation of 120 days except in the case of Managing Director where there is no limit to maximum accumulation. The present value of obligation is determined based on actuarial valuation.

	in Rupees	
	Gratuity (Funded)	Leave Encashment (Unfunded)
(a) Reconciliation of Opening and closing balances of Defined Benefit Obligation		
Defined Benefit Obligation at the beginning of the year	70,32,958	42,28,815
Current Service Cost	6,08,503	4,19,732
Interest Cost	5,62,637	3,37,380
Actuarial (gain)/loss	11,08,259	2,349
Benefits paid	(1,68,105)	23,584
Defined Benefit obligation at year end	91,44,252	49,64,692
(b) Reconciliation of Opening and closing balances of fair value of plan assets		
Fair value of plan assets at beginning of the year	60,96,276	–
Expected return on plan assets	6,31,846	–
Actuarial gain/(loss)	–	–
Employer contribution	9,36,682	–
Benefits paid	(1,68,105)	–
Fair value of plan assets at year end	74,96,699	–
Actual return on plan assets	6,31,846	–
(c) Reconciliation of fair value of plan assets and obligations		
Fair value of plan assets as at 31 st March, 2010	74,96,699	–
Present value of obligation as at 31 st March, 2010	91,44,252	49,64,692
Amount recognised in Balance Sheet	16,47,553	49,64,692
(d) Expenses recognised during the year		
Current Service Cost	6,08,503	4,19,732
Interest Cost	5,62,637	3,37,380
Expected return on plan assets	(6,31,846)	–
Net Actuarial (gain) / loss	11,08,259	2,349
Net Cost	16,47,553	7,59,461
(e) Actuarial assumptions Mortality Table (L.I.C.)	1994-96	1994-96
Discount rate (per annum)	8.00%	8.00%
Expected rate of return on plan assets (per annum)	8.00%	–
Rate of escalation in salary (per annum)	5.00%	5.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT – (Contd.)

15. NOTES ON ACCOUNTS – (Contd.)

23. Segment Reporting under Accounting Standard – 17

The Company operates in a single primary business segment namely, manufacture of Auto Component – Piston Rings, Differential Gears, Pole Wheel and other Transmission Components. Hence no separate disclosure is required.

24. Related Party Disclosures under Accounting Standard - 18

Names of Related Parties and description of relationship:

Holding Company	Amalgamations Private Ltd.,
Subsidiaries	NIL
Fellow Subsidiaries	Simpson & Company Ltd, Addison & Company Ltd, Addisons Paints & Chemicals Ltd, Amco Batteries Ltd, George Oakes Ltd, India Pistons Ltd, IP Pins & Liners Ltd, Shardlow India Ltd, Simpson & General Finance Company Ltd, Sri Rama Vilas Service Ltd, Tractors & Farm Equipment Ltd, TAFE International LLC, TAFE Access Ltd, Southern Tree Farms Ltd, TAFE USA Inc, T.Stanes & Company Ltd, Stanes Motors (South India) Ltd, Stanes Agencies Ltd, Wheel & Precision Forgings India Ltd, Associated Printers (Madras) Pvt Ltd, Associated Publishers (Madras) Pvt Ltd, Higginbothams Pvt Ltd, The Madras Advertising Company Pvt Ltd, Speed-A-Way Pvt Ltd, Bimetal Bearings Ltd, Amalgamations Repco Ltd, Stanes Amalgamated Estates Ltd, Stanes Motor Parts Ltd., Wallace Cartwright & Company Ltd, London, W.J.Groom & Company Ltd, London, L.M.Van Moppes Diamond Tools India Pvt Ltd. BBL Daido Pvt Ltd. TAL Precision Parts Ltd. TAFE Reach Ltd, TAFE Motors & Tractors Limited, Alpump Limited.
Associates	NIL
Key Management Personnel (Whole Time Directors)	Mr.K.V.Shetty, Dr. N. Gowrishankar
Relative of Key Management Personnel	Mrs.Sheela V.Shetty, Mr.Harin Shetty, Mr.Bharath Shetty

Description	Rs. in Lakhs			
	Holding Company	Fellow Subsidiaries	Key Management Personnel	Relatives of Key Management Personnel
Sale of goods	–	1,212.61	–	–
Rendering of services - Income	–	188.63	–	–
Purchase of goods	–	881.56	–	–
Receiving of services – Expense	3.73	234.94	113.71	–
Management contracts including for deputation of employees – Expense	–	2.35	–	–
Dividend Paid	3.84	32.66	0.03	0.01
Finance (including loans) – ICD				
– Granted	–	–	–	–
– Outstanding	–	180.00	–	–
– Interest Paid	–	6.03	–	–
Amounts Outstanding Dr / (Cr)	(0.10)	132.61	(42.54)	–

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT – (Contd.)

15. NOTES ON ACCOUNTS – (Contd.)

25. Earnings Per Share under Accounting Standard – 20

Description	2010 Rs.	2009 Rs.
Profit after Taxation as Per Profit & Loss Account	5,56,52,812	1,08,78,975
Number of Equity Shares Outstanding	70,42,147	70,42,147
Basic and Diluted Earnings Per Share	7.90	1.54
Nominal Value Per Equity Share	10.00	10.00

26. Accounting for Taxes on Income under Accounting Standard – 22

Description	Rs. in Lakhs	Rs. in Lakhs
COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES (NET)		
Deferred Tax Assets		
Provision for Leave Salary	16.49	14.38
Provision for Bonus	4.05	4.24
	<u>20.54</u>	<u>18.62</u>
Deferred Tax Liabilities		
Accumulated depreciation	527.79	546.08
	<u>527.79</u>	<u>546.08</u>
NET DEFERRED TAX LIABILITIES	507.25	527.46

27. Research and Development Expenditure

Particulars	2009-2010 Rs.	2008-2009 Rs.
Capital		
– Intangible Assets – New Product Development	2,94,168	9,36,888
(A)	<u>2,94,168</u>	<u>9,36,888</u>
Revenue		
– Salaries, wages and bonus	29,32,945	24,44,431
– Materials, consumables and spares	6,59,366	4,19,429
– Other Expenditure	17,59,216	18,34,985
(B)	<u>53,51,527</u>	<u>46,98,845</u>
Total (A + B)	<u>56,45,695</u>	<u>56,35,733</u>

This disclosure is being made pursuant to the requirement of the guidelines published by the Department of Scientific and Industrial Research (Ministry of Science & Technology) with regard to the approval of Research and Development expenditure U/s.35 (2AB) of the Income Tax Act, 1961.

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
AS PER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956**

I. Registration Details

Registration No.	18-20232/1991	State Code	18
Balance Sheet Date	31st March 2010		

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

Public Issue	—	Rights Issue	—
Bonus Issue	—	Private Placement	—

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	7,23,386	Total Assets	7,23,386
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Sources of Funds

Paid up Capital	70,421
Advance against Convertible Share Warrants	—
Reserves and Surplus	3,91,926
Secured Loans	1,90,632
Unsecured Loans	19,682
Deferred Tax Liability	50,725

Application of Funds

Net Fixed Assets	5,40,577
Investments	88
Net Current Assets	1,82,721
Miscellaneous Expenditure	—
Accumulated Losses	Nil

IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover (including Other Income)	6,79,500	Total Expenditure	5,97,868
Profit/Loss before Tax (+)	81,632	Profit/Loss after Tax (+)	55,653
Earning per Share in Rs.	7.90	Dividend rate %	30.00

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY
(as per Monetary Terms)**

Item Code No. (ITC Code)	840991.05, 840999.05 & 848340.00
Product Description	Piston Rings & Transmission Components

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

	2010 Rs.	2009 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary Items	8,16,31,761	1,60,43,767
ADJUSTMENTS FOR		
Depreciation	4,51,64,606	4,85,72,323
(Gain) / Loss in Foreign Exchange	(13,83,633)	47,27,591
Interest Received	(1,20,000)	(1,63,689)
Dividend Received	(83,461)	(3,14,941)
Interest and Finance charges	98,81,937	75,72,727
Loss on Sale of Fixed Asset	4,970	—
Profit on Sale of Fixed Asset	—	(80,000)
Total Adjustments	5,34,64,419	6,03,14,011
Operating Profit Before Working Capital Changes	13,50,96,180	7,63,57,778
ADJUSTMENTS FOR		
Trade and Other Receivables	(4,04,17,884)	5,41,49,610
Inventories	(1,99,67,319)	47,11,713
Trade Payables	3,28,77,757	(1,09,23,913)
Total Adjustments	(2,75,07,446)	4,79,37,410
Cash Generated from Operations	10,75,88,734	12,42,95,188
Interest Paid	(82,90,332)	(76,27,269)
Direct Taxes Paid	(2,62,14,144)	(1,70,55,839)
CASH FLOW BEFORE EXTRAORDINARY ITEMS	7,30,84,258	9,96,12,080
Extraordinary Items	—	—
NET CASH FROM OPERATING ACTIVITIES (TOTAL A)	7,30,84,258	9,96,12,080

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010 – (Contd.)

	2010 Rs.	2009 Rs.
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(21,35,16,206)	(4,81,25,924)
Sale of Fixed Assets	26,100	80,000
Purchase of Investment	(1,35,50,711)	(5,91,54,640)
Sale of Investment	1,35,50,711	5,91,54,640
Interest Received	1,20,000	1,63,689
Dividend Received	83,461	3,14,941
NET CASH USED IN INVESTMENT ACTIVITIES (TOTAL B)	(21,32,86,645)	(4,75,67,294)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Secured Loans	18,97,71,438	—
Proceeds from Unsecured Loans	1,96,82,211	—
Repayment of Secured Loans	(5,86,87,500)	(3,81,04,573)
Dividend Paid	(70,70,156)	(1,75,63,049)
Dividend Tax Paid	(11,96,813)	(29,92,033)
NET CASH USED IN FINANCING ACTIVITIES (TOTAL C)	14,24,99,180	(5,86,59,655)
D. NET INCREASE / (DECREASE) IN CASH OR CASH EQUIVALENTS (A+B+C)	22,96,793	(66,14,869)
E. Cash and Cash Equivalents (Opening Balance)	1,12,00,934	1,78,15,803
F. Cash and Cash Equivalents (Closing Balance) (D+E)	1,34,97,727	1,12,00,934

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

	2010 Rs.	2009 Rs.
CASH AND CASH EQUIVALENTS		
Cash and bank balances as per Balance Sheet – (Note below)	1,34,97,727	1,12,00,934
Cash and Cash Equivalents as per Cash Flow Statement	1,34,97,727	1,12,00,934
Note : Includes Balance in Unpaid Dividend Account	16,00,531	16,28,540

The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India

This is the Cash Flow referred to in our Report of even date

S. RANGARAJAN
Associate Vice President
(Finance) & Secretary

A. SIVASAILAM
N. VENKATARAMANI
K. V. SHETTY
P. M. VENKATASUBRAMANIAN
Directors

N. GOWRISHANKAR
Whole Time Director

For R.G.N. PRICE & Co.,
Chartered Accountants
Firm Regn. No. 002785S

MAHESH KRISHNAN
Partner

Chennai
May 27, 2010

Membership No. 206520