



**S A K T H I
F I N A N C E
L I M I T E D**

ANNUAL REPORT 2009

SAKTHI FINANCE LIMITED

BOARD OF DIRECTORS

Sri. M. Manickam *Chairman*
Sri. M. Balasubramaniam
Vice Chairman and Managing Director
Sri. S.A. Murali Prasad
Sri. A. Shanmugasundaram
Sri. P.S. Gopalakrishnan
Sri. M. Srinivaasan
Dr. A. Selvakumar
Sri. S. Ragathanan

SENIOR MANAGEMENT

Sri. M.K. Vijayaraghavan *President (Finance)*
Dr. S. Veluswamy *President (Operations)*
Sri. G. Muniyasamy *General Manager*
Sri. K. Guruprasad *General Manager*
Sri. K. Natesan *General Manager*
Sri. N. Raveendran *General Manager*

COMPANY SECRETARY

Sri. S. Venkatesh

REGISTERED OFFICE

62, Dr. Nanjappa Road
Coimbatore - 641 018
Phone : (0422) 2231471 - 74, 4236200
Fax : (0422) 2231915
E-mail : sakthif_info@sakthifinance.com

REGISTRARS & TRANSFER AGENTS

SKDC Consultants Limited
No.7 (Old No.11), Street No.1
S N Layout (West Power House Road)
Coimbatore - 641 012
Phone : (0422) 6549995
Fax : (0422) 2499574
E- Mail : info@skdc-consultants.com

BANKERS

Indian Overseas Bank
Canara Bank
The Karnataka Bank Ltd
Syndicate Bank
State Bank of Travancore
Bank of India
The Catholic Syrian Bank Ltd
The Lakshmi Vilas Bank Ltd
Central Bank of India
The South Indian Bank Ltd

FINANCIAL INSTITUTIONS

Small Industries Development Bank of India
The Tamilnadu Industrial Investment Corporation Limited

AUDITORS

M/s. P.N. Raghavendra Rao & Co
Chartered Accountants
No. 23/2, Viswa Paradise Apartments
Second Floor, Kalidas Road, Ramnagar
Coimbatore - 641 009

CONTENTS	PAGE
Notice to Members	2
Directors' Report	8
Auditors' Report	23
Balance Sheet	26
Profit and Loss Account	27
Schedules forming part of Accounts	29

SAKTHI FINANCE LIMITED

NOTICE TO MEMBERS

NOTICE is hereby given that the Fifty Second Annual General Meeting of the members of the Company will be held on Friday, 11th September 2009 at 4.30 p.m at Suguna Auditorium, Avanashi Road, Peelamedu, Coimbatore - 641 004 to transact the following business.

You are requested to make it convenient to attend the meeting.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2009 and the Profit and Loss Account for the year ended on that date together with the reports of the Board of Directors and Auditors.
2. To appoint a director in place of Sri A Shanmugasundaram who retires by rotation and is eligible for reappointment.
3. To appoint a director in place of Sri M Srinivaasan who retires by rotation and is eligible for reappointment.
4. To appoint M/s P N Raghavendra Rao & Co, Chartered Accountants, Coimbatore as Statutory Auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on the remuneration and out-of-pocket expenses as recommended by the Audit Committee and approved by the Board of Directors.

M/s P N Raghavendra Rao & Co, Chartered Accountants, Coimbatore retire and are eligible for reappointment.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT Sri S Ragothaman, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 30th June 2009 and who holds office upto the date of this Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Sri S Ragothaman as a candidate for the office of Director of the Company, 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.

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT in supersession of the resolution passed at the 38th Annual General Meeting of the Company held on 1st September 1994 and pursuant to Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money from time to time, as may in the opinion of the Board of Directors be required to be borrowed by the Company, notwithstanding that the monies borrowed and/or to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained and / or to be obtained from the Company's Bankers in the ordinary course of business) will exceed the aggregate of the Paid up Capital of the Company and its Free Reserves, that is to say, Reserves not set apart for any specific purpose, PROVIDED HOWEVER the total monies borrowed and outstanding at any time for the principal amounts of the loans borrowed (apart from temporary loans obtained and / or to be obtained from the Company's Bankers in the ordinary course of business) shall not exceed Rs 1500 crores (Rupees one thousand five hundred crores only) over and above the aggregate of the Paid up Capital of the Company and its Free Reserves.

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolutions:

RESOLVED THAT in supersession of the resolution passed at the 51st Annual General Meeting of the Company held on 25th August 2008 and pursuant to Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act 1956, consent of the Company be and is hereby accorded to the creation by the Board of Directors of the Company of such mortgages, charges and hypothecations in addition to the existing mortgages, charges and hypothecation by the Company as may be necessary on such of the assets of the Company, both present and future, in such manner as the Board may direct, together with power to take over the management of the Company in certain events, to or in favour of the financial institutions, investment institutions and their subsidiaries, banks, mutual funds, trusts and other bodies corporate (hereinafter referred to as the 'Lending Agencies') / Trustees for the holders of debentures / bonds and / or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans/foreign currency loans, debentures, bonds and other instruments of an equivalent aggregate value not exceeding Rs 1500 crores together with interest thereon at the agreed rates, further interest, liquidated damages, premium on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the Trustees under the Trust Deed and to the Lending Agencies under their respective Agreements / Loan Agreements/ Debenture Trust Deeds to be entered into by the Company in respect of the said borrowings.

RESOLVED FURTHER THAT the Board of Directors of the Company or Committee thereof be and is hereby authorised to finalise with the Lending Agencies / Trustees the documents for creating the aforesaid mortgages, charges and/or hypothecations and to accept any modifications to, or to modify, alter or vary, the terms and conditions of the aforesaid documents and to do all such acts and things and to execute all such documents as may be necessary for giving effect to the above Resolution.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM SHOULD BE DEPOSITED WITH THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. As required under Clause 49 (IV)(G) of the Listing Agreement, the relevant details of directors seeking reappointment / appointment under Items Nos. 2, 3 and 5 is annexed.
3. The relative Explanatory Statement as required under Section 173(2) of the Companies Act 1956 setting out the material facts in respect of special business under Item Nos. 5 to 7 is annexed.
4. The Register of Members and Share Transfer Books of the company will remain closed from Friday, 4th September 2009 to Friday, 11th September 2009, both days inclusive.
5. Members holding shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for easy identification of attendance at the meeting.
6. Members holding shares in physical form are requested to intimate, indicating their folio number, the changes, if any, in their registered addresses either to the Company or to the Registrar and Share Transfer Agents, SKDC Consultants Limited, Coimbatore - 641 012 or to their respective Depository Participant (DP) in case the shares are held in dematerialised form.
7. a. As per Section 205A of the Companies Act 1956, all unclaimed dividends up to the financial year ended 31st March 1994 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed their dividend warrant(s) for the said period are requested to forward their claims in prescribed Form No.II to The Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978 to Registrar of Companies, Stock Exchange Building, Second Floor, 683 - 686, Trichy Road, Singanallur, Coimbatore - 641 005.

SAKTHI FINANCE LIMITED

- b. As per Section 205A (5) of the Companies Act 1956, the Company has transferred all unclaimed dividends up to the financial year ended 31st March 1997 which remained unclaimed for a period of seven years to the Investor Education and Protection Fund. Members are informed that no claims shall lie against the fund or the company in respect of individual amounts which were unclaimed or unpaid for a period of seven years from the dates that they first become due for payment and no payment shall be made in respect of each such claim.
- c. The Special Interim Dividend of 5% paid during March 2007 on equity shares for the year ended 31st March 2007 will be transferred to the Investor Education and Protection Fund during May 2014. Members who have not encashed their dividend warrant are requested to claim the warrants at an early date.

Coimbatore
30th July 2009

By Order of the Board

S Venkatesh
Company Secretary

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT 1956

Item No.5

Sri S Ragothaman, aged 63 years, was appointed as an Additional Director of the Company as per Article 68 of the Articles of Association of the Company by the Board of Directors at their meeting held on 30th June 2009. He holds office till the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956 and a resolution to appoint him as a Director of the Company is proposed under Item No. 5 of the Notice.

Sri S Ragothaman holds a Bachelor's Degree in Commerce. He is also a Fellow member of The Institute of Chartered Accountants of India, New Delhi. He was formerly with ICICI Ltd., Chennai for more than three decades and presently, he has been practising as a Financial Consultant. He has got rich experience in banking, finance, accounting etc. Sri S Ragothaman is on the Board of several Companies and is also Chairman / Member of various Committees of the Board, the details of which are given in the Annexure to the Notice.

The Board is of the view that Sri S Ragothaman's knowledge and experience will be of immense benefit and value to the Company and therefore, recommends his appointment to the members.

A notice together with the required deposit has been received from a member under the provisions of Section 257 of the Companies Act 1956 proposing his candidature for the office of director of the company. Sri S Ragothaman has given his consent to act as a director, if appointed.

Except Sri S Ragothaman, none of the other directors is in any way concerned or interested in the resolution.

Sri S Ragothaman holds 4000 equity shares of the Company.

Item No.6

At the 38th Annual General Meeting held on 1st September 1994, members of the Company authorised the Board of Directors to borrow up to Rs 500 crores over and above the Paid up Capital plus Free Reserves of the Company for the purpose of business of the Company.

Section 293(1)(d) of the Companies Act 1956 provides that the Board of Directors of a public limited company shall not except with the consent of the members in General Meeting borrow monies in excess of the Paid-up Capital and Free Reserves (apart from temporary loans obtained and /or to be obtained from the Company's Bankers in the ordinary course of business).

The Board is of the view that to meet the increased business needs of the Company, additional borrowings are required. Accordingly, a resolution to accord consent to the Board of Directors to borrow up to Rs 1500 crores over and above the Paid up Capital plus Free Reserves of the Company is proposed under Item No.6 of the Notice.

The Board of Directors recommend the resolution for the approval of members.

None of the Directors is interested or concerned in the proposed resolution.

Item No.7

The company would be borrowing monies from time to time for the purpose of business of the Company, from financial institutions, investment institutions and their subsidiaries, banks, mutual funds, trusts and other bodies corporate (hereinafter referred to as the 'Lending Agencies')/ Trustees for the holders of debentures/bonds and/or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans/foreign currency loans, debentures, bonds and other instruments.

This in turn necessitates enhanced creation of security by suitable charges and/or mortgages on all or some of the movable and / or immovable properties of the company, both present and future in favour of the lenders/trustees.

Section 293(1)(a) of the Companies Act 1956 provides that the Board of Directors of a public company shall not, except with the consent of the Company in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertakings of the Company.

Accordingly, the consent of the members is required for creation of such charge / mortgage in favour of the lenders. The proposed resolution seeks to authorize the Board of Directors to charge and/or mortgage the movable and / or immovable properties of the Company to secure the loans, debentures, financial assistance/ credit facilities obtained/to be obtained by the Company from the lenders up to Rs 1500 crores.

The Board of Directors recommend the resolution for the approval of members.

None of the Directors is interested or concerned in the proposed resolution.

By Order of the Board

Coimbatore
30th July 2009

S Venkatesh
Company Secretary

SAKTHI FINANCE LIMITED

Item Nos 2 and 3

DETAILS OF DIRECTORS SEEKING REAPPOINTMENT / APPOINTMENT AT THE 52ND ANNUAL GENERAL MEETING AS REQUIRED UNDER CLAUSE 49 (IV)(G) OF THE LISTING AGREEMENT

Name of Director	A Shanmugasundaram	M Srinivaasan
Director's Identification Number (DIN)	00001434	00108327
Date of birth and age	16th September 1936, 72 years	2nd September. 1966, 42 years
Date of appointment on the board	19th September 1979	18th April 1994
Qualifications	Intermediate	B.E., M.B.A
Expertise in specific functional areas	He has got vast and rich experience in many industries such as Automobiles, Tyre retreading, Consumer durables, Agriculture etc. He is the Managing Director of Anamallais Retreading Company Private Limited and Managing Partner of M/s N. Mahalingam & Co, Coimbatore	He holds a Bachelor's degree in Engineering and a Post Graduate degree in Business Administration. He has got rich and varied experience in sugar industry. At present, he is the Managing Director of Sri Chamundeswari Sugars Limited and Joint Managing Director - Technical of Sakthi Sugars Ltd.
Directorships held in other public companies	Sri Sakthi Textiles Limited	<ol style="list-style-type: none"> 1. ABT Ltd. 2. ABT Foods Ltd. 3. ABT Foods Retailing (India) Ltd. 4. ABT Industries Ltd. 5. Sakthi Auto Component Ltd. 6. Sakthi Management Services (Coimbatore) Ltd. 7. Sakthi Properties (Coimbatore) Ltd. 8. Sakthi Realty and Infrastructure Ltd. 9. Sakthi Sugars Ltd. 10. Sri Bhagavathi Textiles Ltd. 11. Sri Chamundeswari Sugars Ltd 12. Sri Sakthi Textiles Ltd. 13. The Gounder and Company Auto Ltd.
Memberships /Chairmanships of committee across public companies	Audit Committee - Member: Sakthi Finance Limited	Shareholders and Investors Grievance Committee - Member: Sri Chamundeswari Sugars Ltd.
No of equity shares held	7,875	2,51,355
Relationship with other directors	Not Applicable	Brother of Sri M Manickam and Sri M Balasubramaniam

Item No.5

Name of Director	S Ragothaman
Director's Identification Number (DIN)	00042395
Date of birth and age	10th May 1946, 63 years
Date of appointment on the Board	30th June 2009
Qualifications	B.Com., F.C.A
Expertise in specific functional areas	He has got rich experience in Banking and Financial institutions.
Directorships held in other public companies	Biax Specialty Films Ltd Hinduja Foundries Ltd Shreyas Shipping & Logistics Ltd The Bombay Dyeing & Manufacturing Company Ltd Xpro India Ltd Xpro Global Ltd
Memberships/ Chairmanships of Committee across public companies	Audit Committee - Chairman: 1. The Bombay Dyeing and Manufacturing Company Ltd. 2. Xpro India Ltd. Audit Committee - Member : 1. Hinduja Foundries Ltd. 2. Shreyas Shipping & Logistics Ltd Investors' Grievance Committee - Member: 1. Hinduja Foundries Ltd. Remuneration Committee - Chairman: 1. Hinduja Foundries Ltd. Remuneration Committee - Member: 1. The Bombay Dyeing and Manufacturing Company Ltd. 2. Shreyas Shipping & Logistics Ltd Executive Committee - Member: 1. The Bombay Dyeing and Manufacturing Company Ltd.
Number of shares held	4000
Relationship with other directors	Not Applicable

SAKTHI FINANCE LIMITED

DIRECTORS' REPORT

To the Members

Your directors are pleased to present their Fifty Second Annual Report together with the audited accounts of the company for the financial year ended 31st March 2009.

FINANCIAL PERFORMANCE

(Rs lakhs)

Particulars	2008-09	2007-08
Profit before tax	806.13	640.05
Less: Provision for:		
- Current Tax	121.43	77.97
- Deferred tax	146.13	231.80
- Fringe Benefit Tax	9.55	7.80
Net Provision for Income Tax (earlier years)	7.65	(3.22)
Profit after tax	521.37	325.70
Add : Surplus brought forward from previous year	659.32	430.48
Less: Provision for Employee Benefits (earlier years)	-	(31.72)
Amount available for appropriation	1180.69	724.46
Appropriations:		
Transfer to Statutory Reserve	104.27	65.14
Surplus carried to balance sheet	1076.42	659.32

BUSINESS

During the year under review, the company's disbursement reached a new record level. The company disbursed **Rs.25637 lakhs** in hire purchase business as against Rs 20278 lakhs during the previous financial year. The collection efficiency has been good. Your directors are hopeful of higher business volumes and profitability in the coming years.

RESERVES AND SURPLUS

As required under Section 45IC of the Reserve Bank of India Act, 1934, the Company has transferred 20% of the net profit after tax to Statutory Reserve.

DIVIDEND

With a view to conserve resources for future requirements, the Board of Directors have not recommended dividend on equity shares for the year ended 31st March 2009.

DEPOSITS

The total deposits with the company as at 31st March 2009 stood at **Rs.3692 lakhs** as against Rs 6436 lakhs for the corresponding previous year.

As at the end of the financial year, 1169 public deposits amounting to Rs.359.13 lakhs were due for repayment but remained to be claimed or renewed. The Company has been reminding the depositors regularly about the maturity and out of the said deposits, 466 deposits amounting to Rs. 134.42 lakhs have since been claimed and repaid / renewed as per their instructions.

DIRECTORS

The following directors retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

1. Sri A Shanmugasundaram
2. Sri M Srinivaasan

Sri S Ragothaman, formerly with ICICI Ltd was co-opted as an additional director of the Company with effect from 30th June 2009. Sri S Ragothaman holds office up to the ensuing Annual General Meeting. The Company has received a notice in writing from a member signifying his intention to propose him as a candidate for the office of Director. A resolution proposing him as a Director of the Company is placed before the members for their approval at the ensuing Annual General Meeting.

The profiles of these directors, as required under Clause 49 (IV) (G) of the Listing Agreement entered into with stock exchanges are given in the Annexure to the Notice of the 52nd Annual General Meeting.

AUDIT COMMITTEE

The Audit Committee is functioning with the following non-executive directors:

1. Sri S A Murali Prasad, Chairman
2. Dr A Selvakumar, Member
3. Sri A Shanmugasundaram, Member

SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act 1956, the audited financial statements for the year ended 31st March 2009 of Sakthi Properties (Coimbatore) Limited, a wholly owned subsidiary, along with the Schedules and the reports of the Directors and Auditors and also the statement under the said section are attached.

CONSOLIDATED ACCOUNTS

The Consolidated Financial Statements of the Company and its subsidiary prepared in accordance with the Accounting Standard (AS-21) forms part of the Annual Report.

CORPORATE GOVERNANCE REPORT

As required under Clause 49 of the Listing Agreement, a report on Corporate Governance (including Management Discussion and Analysis Report) and a certificate from the auditors of the company regarding compliance of the conditions of corporate governance as stipulated under the listing agreement form part of the Annual Report.

PARTICULARS REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT 1956

As 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:

- a. The Company has no activity involving conservation of energy or technology absorption;
- b. The Company does not have any Foreign Exchange Earnings; and
- c. Foreign Exchange Outgo : Rs 12.50 lakhs

The company has no employee drawing remuneration more than the limits prescribed under Section 217(2A) of the Companies Act 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act 1956, your directors confirm, to the best of their knowledge and belief, that:

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed and that no material departure had been made from it;
- b. the Directors had selected such accounting policies and applied them consistently and made judgements 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 and of the profit of the company for the financial year;

SAKTHI FINANCE LIMITED

- c. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- d. the Directors had prepared the annual accounts on a going concern basis.

AUDITORS

M/s P N Raghavendra Rao & Co, Chartered Accountants, Coimbatore retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The company has obtained a confirmation from the auditors that their reappointment, if made, at the forthcoming annual general meeting would be within the limits specified under Section 224 (1B) of the Companies Act 1956.

ACKNOWLEDGEMENTS

Your Directors wish to place on record the valuable assistance and co-operation extended by the members, banks, financial institutions and government authorities. The Board of Directors wish to convey their sincere thanks to the depositors and debenture holders of the company for their continued patronage. They also wish to appreciate the excellent services rendered by the employees of the company.

We pray the Goddess SAKTHI to continue to shower Her blessings and to guide us in all our endeavours.

For and on behalf of the Board

Coimbatore
30th July 2009

M Manickam
Chairman

CORPORATE GOVERNANCE REPORT

(Pursuant to Clause 49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy on corporate governance continues to aim at high levels of transparency, accountability and equity in all areas of its operations and its dealing with members, employees, customers, lenders, regulatory and government agencies so as to enhance the shareholder value in all possible way.

2. BOARD OF DIRECTORS**a. Composition and size of the Board**

The Board of Directors presently consist of eight members, out of which one is a Vice Chairman and Managing Director and seven are Non-Executive Directors who bring in a wide range of skills and experience to the Board. The Board has a Non-Executive Chairman and the number of independent directors is 50% of the number of Directors.

As per the recent amendment to Clause 49 of the Listing Agreement, if the non-executive Chairman is a promoter of the Company or is related to any promoter or person occupying the management positions at the Board level or at one level below the Board, at least one half of the Company's Board shall consist of independent directors. As our Chairman represents the promoter's family, the Company has to appoint an Independent Director to comply with the requirement on or before 31st March 2009. However, the Board of Directors at their Meeting held on 30th June 2009 have appointed an Independent Director and the Company has since complied with the revised Clause 49 of the Listing Agreement.

The Board of Directors and its Committees meet at periodic intervals. Policy formulation, setting up of goals and evaluation of performance and control function vest with the Board. The Board has constituted five Committees, namely, Audit Committee, Nomination and Remuneration Committee, Shareholders' / Investors' Grievance Committee, Asset Liability Management Committee and Risk Committee.

None of the Directors on the Company's Board is a member of more than ten Committees and Chairman of more than five Committees across all Companies in which he is a Director. The necessary disclosures regarding committee positions have been made by the Directors.

b. Number of Board Meetings held during the year

During the financial year, five Board Meetings were held on 30th May 2008, 28th June 2008, 28th July 2008, 30th October 2008 and 30th January 2009. The gap between two meetings did not exceed four months. The information as required under Annexure - IA to Clause 49 of the Listing Agreement is being made available to the Board for discussion and consideration at Board Meetings. The Board has also taken on record the certificates given by the senior management personnel regarding compliance with the applicable laws on quarterly basis.

c. Code of Conduct

The Board of Directors have adopted a Code of Conduct and Ethics ("the Code") to ensure compliance with the legal requirements and standards of business conduct. The purpose of the Code is to deter wrong doing and promote ethical conduct.

The Code applies to all Directors and members of Senior Management of the company. All Board Members and Senior Management personnel of the company have affirmed compliance with the Code. A declaration to this effect, signed by Vice Chairman and Managing Director is annexed. The Code has been hosted on the website of the company.

SAKTHI FINANCE LIMITED

d. Attendance and other Directorships

The composition of the Board of Directors, category, relationship with other Board Members, attendance at board meetings held during the financial year and at the last Annual General Meeting, number of other directorships and committee Chairmanship / Membership held are given below.

Name of the Director	Category of Directors	Relationship with other Directors	Financial year 2008-09 Attendance at		As on 30th July 2009		
			Board meeting	Last AGM	No. of other directorships ¹	Committee position	
						Chairman ²	Member ²
Sri M Manickam DIN : 00102233	Non-executive Chairman, Promoter	Brother of Sri M Balasubramaniam and Sri M Srinivaasan	3	Yes	14	-	1
Sri M Balasubramaniam DIN : 00377053	Vice Chairman and Managing Director, Promoter	Brother of Sri M Manickam and Sri M Srinivaasan	5	Yes	14	1	2
Sri M Srinivaasan DIN : 00102387	Non-executive Director, Promoter	Brother of Sri M Manickam and Sri M Balasubramaniam	5	Yes	13	-	1
Sri A Shanmugasundaram DIN : 00001434	Non-executive Director, Non-Independent	None	4	Yes	1	-	-
Sri S A Murali Prasad DIN : 00001432	Non-executive Director, Independent	None	5	Yes	1	-	1
Dr A Selvakumar DIN : 01099806	Non-executive Director, Independent	None	4	No	3	-	1
Sri P S Gopalakrishnan DIN : 00001446	Non-executive Director, Independent	None	4	Yes	3	1	1
Sri S Ragothaman ³ DIN: 00042395	Non-executive Director, Independent	None	Nil	Nil	6	2	3

- 1 excludes directorships in private limited companies and Section 25 company
- 2 only Audit Committee and Shareholders' / Investors' Grievance Committee of public limited companies are considered for this purpose.
- 3 appointed as an Additional Director of the Company with effect from 30th June 2009.

3. COMMITTEES OF THE BOARD

A. Audit Committee

The brief terms of reference of the Audit Committee are:

- Reviewing the financial statements before they are submitted to the board of directors
- Reviewing the internal control systems
- Any other matters that are relevant

The committee consists of 3 non-executive directors, of which 2 are independent directors.

ANNUAL REPORT 2009

The composition of the Audit Committee and the attendance of its members are given below:

Name	No. of meetings held	No. of meetings attended
Sri S A Murali Prasad, Chairman	4	4
Dr A Selvakumar, Member	4	4
Sri A Shanmugasundaram, Member	4	3

The committee held four meetings during the financial year on 28th June 2008, 28th July 2008, 30th October 2008 and 30th January 2009.

All members of Audit Committee are financially literate. The minutes of the Audit Committee are placed before the Board of Directors at their meetings. The Chairman of Audit Committee was present at the last Annual General Meeting.

B. Nomination and Remuneration Committee

The Nomination and Remuneration Committee determines and recommends to the Board the appointment of Independent directors to the Board. It also recommends remuneration including commission, perquisites and allowances payable to Vice Chairman and Managing Director. The company has complied with the non-mandatory requirement of Clause 49 regarding Nomination and Remuneration committee.

The committee consists of three non-executive, independent directors.

The composition of the Nomination and Remuneration Committee is given below:

Sri S A Murali Prasad, Chairman

Dr A Selvakumar, Member

Sri P S Gopalakrishnan, Member

Remuneration policy of the company is given below:

For Vice Chairman and Managing Director

The total remuneration, subject to members' approval, consists of a fixed component viz. salary, perquisites and allowances as per company's Rules and a variable component, linked to the performance of the company, consisting of commission within the limits approved by the members.

For Non-Executive Directors

Sitting fees as permitted under the Companies Act 1956 plus reimbursement of actual travelling and out-of-pocket expenses incurred for attending such meetings. Non-executive directors are not being paid any commission.

The details of remuneration / fees paid to the executive / non-executive directors for the year 2008-09 and the shares held by them are given below. (Rs. Lakhs)

Name of the Director	Salary	Comm- ission	Perqui- sites	Sitting Fees	Total	No. of equity shares held
Sri M Manickam	-	-	-	0.06	0.06	92,813
Sri M Balasubramaniam	6.00	8.70	3.92	-	18.62	1,92,000
Sri M Srinivaasan	-	-	-	0.10	0.10	2,51,355
Sri A Shanmugasundaram	-	-	-	0.10	0.10	7,875
Sri S A Murali Prasad	-	-	-	0.14	0.14	Nil
Dr A Selvakumar	-	-	-	0.12	0.12	Nil
Sri P S Gopalakrishnan	-	-	-	0.08	0.08	Nil
Sri S Ragothaman*	-	-	-	-	-	4000

* appointed as an Additional Director of the Company with effect from 30th June 2009.

SAKTHI FINANCE LIMITED

Notes:

1. The appointment of Vice Chairman and Managing Director is governed by the Articles of Association of the company and the resolutions passed by the Board of Directors and members of the company. These cover the terms and conditions of such appointment. Sri M Balasubramaniam was reappointed as Managing Director of the company for a period of 5 years with effect from 29th September 2005. He will hold office up to 29th September 2010. The company does not have any service contract with Vice Chairman and Managing Director.
2. In terms of the Articles of Association, the resignation of a director becomes effective upon its acceptance by the Board.
3. No severance fee is payable to the Directors on termination of employment.
4. The company has no stock option scheme either to its directors or to employees.
5. None of the non-executive directors have any pecuniary relationship or transactions with the company.

C. Shareholders' / Investors' Grievance Committee

The function of the committee is to redress the grievances of Shareholders' / Investors' and to create and review the systems for improving the services.

Composition

The present composition of the Shareholders' and Investors' Grievance Committee is given below:

Sri M Manickam, Chairman

Sri M Balasubramaniam, Member

Dr A Selvakumar, Member

Sri S Venkatesh, Company Secretary, is the Compliance Officer.

The Committee meets periodically to attend to transfer / transmission of shares, issue of duplicate share certificates and other grievances of shareholders. The Committee met one time during the year on 30th October 2008 and all the members attended the meeting.

During the year, the Company received 4 grievances from shareholders in addition to the requests for transfer / transmission of shares and issuance of duplicate share certificates. They were expeditiously attended to the satisfaction of the shareholders. No complaint was pending as at the close of the financial year.

D. Asset Liability Management Committee

The Asset Liability Management Committee reviews the company's fiscal and risk management policies and practices adopted by the company.

The committee consists of the following Director / executives:

Sri M Balasubramaniam, Vice Chairman and Managing Director - Chairman

Sri N Srinivasan, President (Finance)

Dr S Veluswamy, President (Operations)

The committee held two meetings during the financial year on 30th June 2008 and 31st October 2008 and all the members attended the meetings.

E. Risk Management Committee

The Risk Management Committee has been formed for the purposes of managing the integrated risks faced by the Company. The Committee was reconstituted during the year and consists of following members:

- Dr. S. Veluswamy - President (Operations)
 Sri. K. Guruprasad - General Manager (Operations)
 Sri. G. Muniyasamy - General Manager (Resources)
 Sri. V. Kumaragurunathan - Advisor
 Sri. S. Venkatesh - Company Secretary

The Committee met on 20th October 2008 during the year and all the members attended the meeting.

4. SUBSIDIARY COMPANY

The Company does not have a material non-listed Indian subsidiary company and hence, it is not required to have an independent director of the company on the Board of such subsidiary company.

The Audit Committee reviews the financials of the subsidiary company. The minutes of subsidiary is being placed before the Board of Directors of the company.

5. GENERAL BODY MEETINGS

Details of date, time and venue where the last three Annual General Meetings held are given below:

Year	AGM	Date	Time	Venue
2008	51st	25th August 2008	4.30 p.m	President Hall
2007	50th	20th August 2007	3.00 p.m	734, Avanashi Road
2006	49th	6th September 2006	3.00 p.m	Coimbatore - 641 018

Details of Special Resolutions passed in the previous three Annual General Meetings are as follows:

Date of AGM	Particulars of Special Resolutions passed
25th August 2008 (51st AGM)	Nil
20th August 2007 (50th AGM)	1. Alteration of Articles with regard to affixation of Common Seal 2. Issue of Secured Redeemable Non-Convertible Debentures up to Rs 100 crores on private placement basis 3. Mortgaging/ charging the assets of the Company up to Rs 100 crores in favour of Debenture Trustees
6th September 2006 (49th AGM)	Nil

No special resolution has been put through postal ballot during the last three years. The company has no proposal to pass any Special Resolution by way of Postal Ballot at the ensuing Annual General Meeting.

6. DISCLOSURES

- The details of related party disclosures are furnished in Note 10 Schedule No. 19 to the accounts. The Company has not entered into any other transactions of material nature with its promoters, directors or management, their subsidiaries or relatives etc. that may have a potential conflict with the interest of the company at large. The register of contracts containing the transaction in which the directors are interested or concerned is placed before the Board for its approval.
- The Audit Committee is periodically briefed of related party transactions entered into by the company in the ordinary course of business.

SAKTHI FINANCE LIMITED

- c. The senior management has made disclosures to the Board relating to all material financial and commercial transactions stating that they did not have personal interest that may have a potential conflict with the interest of the company at large.
- d. There are no instances of non-compliance by the company on any matters relating to capital markets, nor have any penalty / strictures been imposed on the company by Stock Exchanges or SEBI or any other statutory authority on any matter relating to capital markets during the last three years except the following:
1. The Company has to appoint an Independent Director to comply with the revised Clause 49 of the Listing Agreement on or before 31st March 2009. However, the Board of Directors at their Meeting held on 30th June 2009 have appointed an Independent Director and the Company has since complied with the revised Clause 49 of the Listing Agreement.
 2. The Company had a balance share application money of Rs 138.91 lakhs from a non-resident investor. The Company made an application to RBI for issue of Redeemable Preference Shares to the extent of share application money. But our applications were declined by RBI and RBI advised the Company to refund the share application money.

In compliance of RBI directions, the Company refunded the share application money to the non-resident shareholder. Further, RBI advised the company to make an application for compounding the contravention in delay of refund of share application money. Accordingly, the Company made an application to Compounding Authority, RBI and the Compounding Authority of RBI imposed a compounding fee of Rs 14 lakhs, which was deposited by the Company with RBI as per their instructions.
- e. The company follows Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006 and in the preparation of financial statements, the company has not adopted a treatment different from that prescribed in an Accounting Standard.

In accordance with Clause 49 V of the Listing Agreement relating to CEO/CFO certification, Vice Chairman and Managing Director and President (Finance) have given necessary certificate to the Board for the financial year ended 31st March 2009.

7. MEANS OF COMMUNICATION

The quarterly results are published in national / regional daily ("Business Line" in English and "Malaimalar" in Tamil). The half-yearly results are not individually sent to the shareholders.

8. MANAGEMENT

A detailed Management Discussion and Analysis Report forms part of the Annual Report.

9. DIRECTORS' APPOINTMENT

Details of disclosure regarding appointment/reappointment of directors liable to retire by rotation are given in the Annexure to the Notice.

10. GENERAL SHAREHOLDER INFORMATION

52nd Annual General Meeting

Day, Date and Time : Friday, 11th September 2009 at 4.30 p.m

Venue : Suguna Auditorium, Avanashi Road, Peelamedu
Coimbatore - 641 004

FINANCIAL CALENDAR FOR 2009-10

Unaudited financial results for the quarter ending June 2009 : Before 31st July 2009
 Unaudited financial results for the quarter ending Sept. 2009 : Before 31st October 2009
 Unaudited financial results for the quarter ending Dec. 2009 : Before 31st January 2010
 Audited financial results for the year ending March 2010 : Before 30th June 2010
 Annual General Meeting for the year ending March 2010 : August / September 2010

BOOK CLOSURE DATES

From Friday, 4th September 2009 to Friday, 11th September 2009, both days inclusive.

LISTING ON STOCK EXCHANGES AND STOCK CODE

a. Listing

The equity shares are listed at Bombay and Madras Stock Exchanges. The listing fee has been paid to both the exchanges. The company has paid the annual custodial fee for the year 2008-09 to National Securities Depository Limited and Central Depository Services (India) Limited on the basis of beneficial accounts maintained by them as on 31st March 2009.

b. The Company's Stock Codes are as follows:

Stock Exchange	Stock Code
Bombay Stock Exchange Limited, Mumbai	511066
Madras Stock Exchange Limited, Chennai	SKF
c. International Securities Identification Number (ISIN)	INE302E01014
d. Corporate Identification Number (CIN)	L65910TZ1955PLC000145

Market Price Data

The monthly high and low market price of the company's shares traded on Bombay Stock Exchange Limited, Mumbai for the financial year 2008-09 is furnished below:

Month	BSE Price		BSE Sensex	
	High (Rs)	Low (Rs)	High	Low
April 2008	13.33	10.50	17481	15298
May 2008	15.20	10.15	17736	16496
June 2008	13.04	8.31	16633	13406
July 2008	11.24	7.75	15130	12514
August 2008	12.19	7.76	15580	14002
September 2008	11.75	6.50	15107	12154
October 2008	9.10	4.70	13204	7697
November 2008	8.10	4.21	10945	8316
December 2008	9.15	4.40	10189	8467
January 2009	7.48	4.99	10470	8632
February 2009	6.99	4.87	9725	8619
March 2009	5.95	4.07	10127	8047

SAKTHI FINANCE LIMITED

REGISTRARS AND SHARE TRANSFER AGENTS

SKDC Consultants Limited

(Unit: Sakthi Finance Limited)

Regd Office: No.7 (Old No.11), Street No.1,
S N Layout (West Power House Road), Coimbatore - 641 012

Phone: (0422) 6549995 Fax: (0422) 2499574 E-Mail: info@skdc-consultants.com

SHARE TRANSFER SYSTEM

All transfers received are processed by the Registrars and Share transfer agents and are approved by the Share Transfer Committee. Share transfers are registered and returned to the shareholders within the stipulated time if the documents are in order.

Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates, on half-yearly basis, have been issued by a Company Secretary in practice for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participant's) Regulations 1996, certificates have also been received from a Company Secretary in Practice for timely dematerialisation of shares of the company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the company.

DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2009

The distribution of shareholding as on 31st March 2009 is as under:

Share holdings	No. of share holders	% of share holders	No. of shares	% of share holding
1 - 500	14,355	89.84	20,73,148	6.89
501 - 1000	950	5.94	7,38,349	2.45
1001 - 2000	385	2.41	5,65,678	1.88
2001 - 3000	107	0.67	2,70,571	0.90
3001 - 4000	32	0.20	1,14,459	0.38
4001 - 5000	35	0.22	1,64,927	0.55
5001 - 10000	54	0.34	3,89,613	1.29
10001 & above	60	0.38	2,57,90,236	85.66
Total	15,978	100.00	3,01,06,981	100.00

SHAREHOLDING PATTERN AS ON 31ST MARCH 2009

The shareholding pattern as on 31st March 2009 is as under:

Category	Percentage
Promoters	58.98
Other bodies corporate	6.33
Banks, Financial Institutions and mutual funds	0.01
Non-resident Incorporated Entity	14.78
Non-Resident Indians	0.03
Resident public	19.87
Total	100.00

DEMATERIALISATION OF SHARES AND LIQUIDITY

The Company's shares are compulsorily traded in dematerialized form and are admitted for trading under both the depositories of India viz. National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL). 44,75,794 Equity Shares of the Company constituting 14.87% of the paid-up capital were dematerialised as on 31st March 2009.

NOMINATION FACILITY

The company is accepting nomination forms from shareholders in the prescribed Form No.2B. Any member, who is desirous of making a nomination, is requested to contact the share department at the Registered Office of the company or the Registrar and Share Transfer Agents. Members holding shares in dematerialised form are requested to forward their nomination instructions to the depository participant concerned. Nomination is only optional and can be cancelled or varied by the member at any time.

OUTSTANDING GDR'S/ADR'S/WARRANTS OR ANY CONVERTIBLE INSTRUMENT'S CONVERSION DATE AND LIKELY IMPACT ON EQUITY

The company has not issued any GDRs/ADRs/ Warrants or any convertible instruments.

ADDRESS FOR CORRESPONDENCE

Sakthi Finance Limited, 62, Dr.Nanjappa Road, Post Box No. 3745,
Coimbatore - 641 018 Tel: (0422) 2231471 - 474, 4236200 Fax: (0422) 2231915
E-mail:sakthif_info@sakthifinance.com

INVESTOR CORRESPONDENCE

All shareholders' correspondence should be addressed to the company's registrars and share transfer agents at the address mentioned above.

Contact Person: Sri.K Marimuthu

Shareholders may also contact Sri S.Venkatesh, Company Secretary and Compliance Officer at the Registered Office of the company for any investor grievance related matters.

Tel. Nos : (0422) 2231471- 474, 4236207

E-mail : svenkatesh@sakthifinance.com

Pursuant to Clause 47(f) of the Listing Agreement, the company has designated the following exclusive E-mail Id for the convenience of investors.

svenkatesh_shares@sakthifinance.com

11. AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

As stipulated in Clause 49 of the Listing Agreement, the Auditors' certificate on compliance of conditions of corporate governance is annexed to the Annual Report.

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS

The company has adopted all mandatory requirements of Clause 49 of the Listing Agreement and the status of compliance in respect of **non-mandatory requirements** stipulated by the said clause is as under:

- No separate office is maintained for non-executive Chairman at the company's expense.
The tenure of independent directors is not being restricted to a period of nine years in the aggregate since the Board of Directors is unanimously of the opinion that the length of the tenure on the Board would not have any material negative impact on the performance of independent directors and discharge of their duties towards the company.
- The Company has voluntarily constituted a Nomination and Remuneration Committee as required under the Listing Agreement.
- The half-yearly financial results are published in leading newspapers as mentioned above. Therefore, the results are not being separately circulated to the shareholders.
- The company takes concrete and conscious steps in ensuring that the Auditors do not have any qualifications on the financial statements. Queries and suggestions on financial statements, if any, are addressed by the company officials to the satisfaction of auditors.

SAKTHI FINANCE LIMITED

- The directors are kept informed of the latest developments in laws, rules and regulations, as also the various risks to which the company is exposed and the manner in which these risks are mitigated / minimised. Therefore, the need for formal training on these issues is not felt necessary.
- No separate mechanism has been formulated to evaluate the non-executive Board members.
- At present, the Company does not have a documented Whistle Blower Policy in place. However, the company personnel are free to report to the management of any concern they may have about various aspects.

For and on behalf of the Board

Coimbatore
30th July 2009

M MANICKAM
Chairman

ANNUAL DECLARATION BY VICE CHAIRMAN AND MANAGING DIRECTOR PURSUANT TO CLAUSE 49(I)(D)(II) OF THE LISTING AGREEMENT

As required under Clause 49(I)(D)(ii) of the Listing Agreement with the Stock Exchanges, I declare that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Company's Code of Conduct and Ethics for the year ended 31st March 2009.

For Sakthi Finance Limited

Coimbatore
30th July 2009

M BALASUBRAMANIAM
Vice Chairman and Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the members of Sakthi Finance Limited

We have examined the compliance of conditions of Corporate Governance by Sakthi Finance Limited for the year ended on 31st March 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It 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 explanations given to us, we certify that the company has complied with the conditions of Corporate Governance *except that, as on 31st March 2009, the Company had only 3 independent directors on its Board as against the requirement of 4 independent directors as per the revised clause 49 of the listing agreement.* The Company has, however, complied with the above requirement by appointing an Independent Director on 30th June, 2009.

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

For P N Raghavendra Rao & Co
Chartered Accountants

Coimbatore
30th July 2009

P R VITTEL
Partner
Membership No:18111

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND OVERVIEW

The Indian economy has fared relatively better in the current global scenario. Various measures like stimulus packages announced by the Government have made an impact and there are already signs of recovery in select segments of industrial sector. The current financial year has commenced on a positive note. Despite the setback experienced by the industrial sector in October 2008-March 2009, the growth in GDP for the past year is estimated at 6.7% though slightly lower than the earlier estimate of 7.1%. This performance is due to an increase of 2.6% in the contribution by Agricultural and allied sector and 9.6% by the business sector. The growth in GDP in 2009-10 is now estimated at 7% to 7.5%.

Commercial Vehicle industry in India is segmented into Light Commercial Vehicle and Medium/Heavy Commercial Vehicles. In India, it is predominantly controlled by small truck owners. It is predicted that Commercial Vehicle Industry would be influenced by small and medium truck owners in the near future and this would give advantage to NBFCs which focus on them.

OPPORTUNITIES

The Commercial Vehicle Industry is expected to grow at 7% to 8% during the current year. With the stimulus packages announced by the Government of India, the demand for Commercial Vehicles are likely to pick up.

Though the Commercial Vehicle Industry had a negative growth last year, the current financial year has commenced on a positive note. As per research estimates, the market size of pre-owned commercial vehicle industry is put at Rs 65,000 crores. Our company is focussing on refinancing of small and medium trucks, which will lead to increased volume of business and profitability in the coming years.

THREATS

With the reports of early recovery in the developed countries, the demand for petroleum products are likely to be sustained which will make its prices remain firm with its impact on the economics of transport sector. Further, the high cost of funding and input cost remain crucial factors affecting the profitability of NBFCs.

The perceived lack of rainfall and the fear of a drought could affect the rural economy. This could affect the overall growth to a certain measure.

BUSINESS OUTLOOK

With the estimate of positive growth in GDP and greater activity in many sectors, the Road Transport Industry, in which our company is vitally interested, will be in a position to transact higher volume of business. Further, the stimulus packages, monetary policy and lower interest rates will be helpful in securing the required finance for Road Transport operations and NBFCs.

PERFORMANCE AND FINANCIAL REVIEW

For the year under review, the company's disbursement reached a new high. The total disbursement for the year is **Rs.25637 lakhs** in hire purchase finance business as against Rs.20278 lakhs in the previous financial year. As on 31st March 2009, the total deposits with the company stood at Rs.3692 lakhs.

The gross income for the year was **Rs.5769 lakhs** and the net profit after tax for the year was at **Rs.521.37 lakhs**. The company has charged in profit and loss account **Rs.131.33 lakhs** as depreciation.

RISKS AND CONCERNS

The Company is exposed to normal industry risks such as credit, market, interest and operational risks. These risks are mitigated by adopting prudent business and risk management policies. The risk management policies are periodically reviewed by the Audit Committee so as to modify them to suit Company's business needs.

SAKTHI FINANCE LIMITED

INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

The Company has a sound and adequate system of internal controls to monitor and regulate all the activities. The Company complies with internal control policies and procedures and other regulatory requirements.

HUMAN RESOURCES DEVELOPMENT

During the year, the Company maintained very harmonious and cordial relations with its employees. As on 31st March 2009, there were 246 employees. The Company's human resources philosophy is to establish and build a strong performance and competency driven culture with higher sense of accountability and responsibility among its employees. The Company has taken necessary steps to strengthen organizational competency through training programmes at various levels and installing effective system.

For and on behalf of the Board

Coimbatore
30th July 2009

M MANICKAM
Chairman

AUDITORS' REPORT

To the Members of the Company

1. We have audited the attached Balance Sheet of Sakthi Finance Limited as at 31st March 2009, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act 1956, we give below a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 - i. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c. In our opinion, the Company has not disposed of substantial part of fixed assets during the year.
 - ii. The Company does not hold any inventories and therefore Clause 4 (ii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
 - iii.
 - a. The Company has not granted any loan during the year to companies covered in the register maintained under Section 301 of the Companies Act, 1956. The Company has, however, granted loan to a company in the earlier year and the balance outstanding as at 31st March 2009 is Rs. 161.02 lakhs.
 - b. In our opinion and according to the information and explanations given to us, the rate of interest, and other terms and conditions of the loans granted are *prima facie* not prejudicial to the interest of the Company.
 - c. The receipt of principal amount and interest on loans granted are regular.
 - d. The Company has not taken any loans, secured or unsecured 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 for purchase of fixed assets and for sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
 - a. In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, that need to be entered into the register maintained under that section have been so entered.

SAKTHI FINANCE LIMITED

- b. In our opinion and according to the information and explanations given to us, transactions made in pursuance of such contracts or arrangements and exceeding the value of five lakh rupees in respect of any party have been made at prices which are, *prima facie*, reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has accepted deposits from the public and has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder, wherever applicable.
- vii. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
- viii. The Central Government has not prescribed the maintenance of any Cost Records under Section 209 (1)(d) of the Companies Act, 1956.
- ix. In respect of statutory dues:
- a. According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Customs duty, Service tax and other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2009 for a period of more than six months from the date of becoming payable.
- b. The disputed statutory dues aggregating to Rs.31.11 Lakhs that have not been deposited on account of matters pending before appropriate authorities are as under:

Sl. No	Name of the Statute	Nature of the dues	Amount Rs. in Lakhs	Period to which the amount relates	Forum where the dispute is pending
1	Income Tax Act, 1961	Income Tax	31.11	1987-88 to 1993-94	Supreme Court of India

- x. The Company has no accumulated losses as at 31st March 2009 and it has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- xii. In our opinion and according to the information and explanations given to us, adequate documents and records have been maintained in respect of loans granted by the Company on the basis of security by way of pledge of debentures.
- xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- xiv. The Company is not dealing in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.
- xvi. In our opinion, the term loans obtained during the year have been utilised for the purpose for which it was obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the Company has not utilised short term funds for long term investments.

ANNUAL REPORT 2009

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. In our opinion and according to the information and explanations given to us, the Company has issued Secured Redeemable Non-Convertible debentures amounting to Rs.15,644.72 Lakhs. The Company has created adequate securities and charges in respect of debentures issued during the year.

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

xxi. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.

4. Further to our comments referred to in Paragraph 3 above, we report that:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account, as required by law have been kept by the Company, so far as appears from our examination of those books;
- c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d. In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 and
- e. On the basis of written representations received from the directors and taken on record by the Board of Directors of the Company, none of the Directors is disqualified as on 31st March, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act 1956;
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
 - ii. in so far as it relates to the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - iii. in so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Coimbatore
30th June 2009

For P.N.Raghavendra Rao & Co
Chartered Accountants
P R VITTEL
Partner
Membership No.18111

SAKTHI FINANCE LIMITED

BALANCE SHEET AS AT 31ST MARCH 2009

(Rupees)

	Schedule	As at 31.3.2009	As at 31.3.2008
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	30,10,69,810	30,10,69,810
Share application money pending allotment		5,53,63,340	1,38,91,125
Reserves and Surplus	2	29,48,45,885	24,27,08,880
Loan Funds			
Secured Loans	3	2,93,86,15,226	1,74,74,37,386
Unsecured Loans	4	36,91,89,676	64,36,15,902
Total funds employed		3,95,90,83,937	2,94,87,23,103
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	39,42,75,263	29,93,61,491
Less: Accumulated depreciation		12,80,43,520	11,59,60,618
Net Block		26,62,31,743	18,34,00,873
Investments	6	12,80,87,710	13,93,14,710
Current Assets, Loans and Advances			
Stock-on-Hire	7	3,67,19,73,045	2,60,22,87,400
Cash and Bank Balances	8	17,18,49,760	15,52,97,232
Other Current Assets	9	22,28,813	28,58,363
Loans and Advances	10	29,22,63,637	28,77,76,624
SUB TOTAL - (i)		4,13,83,15,255	3,04,82,19,619
Less: Current Liabilities and Provisions			
Current Liabilities	11	54,93,95,852	40,78,62,592
Provisions	12	2,41,54,919	1,43,49,507
SUB TOTAL - (ii)		57,35,50,771	42,22,12,099
Net Current Assets (i) - (ii)		3,56,47,64,484	2,62,60,07,520
Total assets (Net)		3,95,90,83,937	2,94,87,23,103

Notes on accounts

19

The Schedules referred to above form an integral part of the Balance Sheet

Subject to our Report of even date

For and on behalf of the Board

For P.N. Raghavendra Rao & Co

Chartered Accountants

P.R. Vittel

Partner

Membership No.18111

Coimbatore

30th June 2009

S. VENKATESH
Company Secretary

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

M. MANICKAM
Chairman

ANNUAL REPORT 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

(Rupees)

	Schedule	2008-09	2007-08
INCOME			
Income from operations	13	55,67,13,556	39,94,95,163
Other Income and Receipts	14	2,01,87,325	2,14,28,053
TOTAL - A		57,69,00,881	42,09,23,216
EXPENDITURE			
Interest and financial charges	15	34,34,81,145	22,05,67,014
Staff Salaries and Other benefits	16	5,52,63,184	5,50,97,556
Operating and Administrative expenses	17	7,21,90,705	6,42,09,091
Provisions and write-off (net)	18	1,22,19,257	89,03,725
Depreciation		1,31,33,020	81,41,065
TOTAL - B		49,62,87,311	35,69,18,451
PROFIT BEFORE TAX (A-B)		8,06,13,570	6,40,04,765
Less : Provision for Taxation			
- Current Tax		1,21,43,299	77,97,340
- Deferred Tax		1,46,13,310	2,31,79,964
- Fringe Benefit Tax		9,54,946	7,79,442
Net provision for Taxation (earlier years)		7,65,010	(3,21,731)
PROFIT AFTER TAX		5,21,37,005	3,25,69,750
Balance brought forward from previous year		6,59,31,658	4,30,47,858
Amount available for appropriation		11,80,68,663	7,56,17,608
Less : Provision for Employee benefits (earlier years)		-	31,72,000
Transfer to Statutory Reserve		1,04,27,401	65,13,950
Balance carried to Balance Sheet		10,76,41,262	6,59,31,658
Earnings per share : Basic (Rs.)		1.73	1.50
Diluted (Rs.)		1.46	1.41

Notes on accounts 19

The Schedules referred to above form an integral part of the Profit and Loss account

Subject to our Report of even date

For and on behalf of the Board

For P.N. Raghavendra Rao & Co

Chartered Accountants

P.R. Vittel

Partner

Membership No.18111

Coimbatore

30th June 2009

S. VENKATESH
Company Secretary

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

M. MANICKAM
Chairman

SAKTHI FINANCE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

(Rupees)

	2008 - 09		2007 - 08	
A CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax	8,06,13,570		6,40,04,765	
Add: Financial charges	34,34,81,145	42,40,94,715	22,05,67,014	28,45,71,779
Adjustments for:				
Depreciation		1,31,33,020		81,41,065
(Decrease) in value of investments		-		(35,900)
Increase in provision against Non performing assets		44,50,296		1,02,657
Loss / (Profit) on sale of assets		(77,453)		5,33,638
Loss on sale of long term investments		5,70,000		33,32,960
Interest income		(2,90,65,934)		(2,06,88,585)
Dividend income		(2,20,000)		(9,20,250)
Operating profit before working capital changes		41,28,84,644		27,50,37,364
Adjustments for:				
(Increase) in net stock on hire	(1,06,96,85,644)		(56,04,79,224)	
(Increase) / Decrease in bank deposits	(57,40,142)		40,75,657	
(Increase) / Decrease in loans and advances	84,39,537		(4,33,85,971)	
(Increase) / Decrease in other receivables	(2,04,45,822)		(3,90,59,957)	
Increase in current liabilities	8,89,53,938	(99,84,78,133)	8,36,42,261	(55,52,07,234)
Cash used in operations		(58,55,93,489)		(28,01,69,870)
Financial charges	(31,40,70,166)		(20,03,30,177)	
Direct taxes paid	88,50,599	(30,52,19,567)	91,61,785	(19,11,68,392)
Net Cash used in Operating Activities (A)		(89,08,13,056)		(47,13,38,262)
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets		(9,60,13,236)		(9,80,29,576)
Sale of fixed Assets		1,26,800		45,050
Purchase of investments		-		(3,33,23,000)
Sale of long term investments		1,06,57,000		4,38,28,275
Interest income		2,96,66,903		2,19,28,098
Dividend income		2,20,000		9,20,250
Net Cash used in Investing Activities (B)		(5,53,42,533)		(6,46,30,903)
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds / Refund of share application money		4,14,72,215		(3,66,946)
Right issue Expenses		-		(30,93,112)
Increase in bank borrowings/other term loans		23,96,57,001		14,15,79,092
Increase in Secured Non convertible debentures		95,15,20,839		61,39,05,530
Increase / (Decrease) in Fixed deposits		(27,44,26,226)		(17,49,95,563)
Net cash from Financing Activities (C)		95,82,23,829		57,70,29,001
Net Increase in Cash and Cash Equivalents(A+B+C)		1,20,68,240		4,10,59,836
Cash and cash equivalents at the beginning of the year		13,79,52,219		9,68,92,383
Cash and cash equivalents at the end of the year		15,00,20,459		13,79,52,219
Components of cash and cash equivalents at the end of the year:				
Cash on hand		3,89,19,292		2,08,83,741
Current accounts-with banks		11,11,01,167		11,70,68,478

Subject to our Report of even date

For P.N. Raghavendra Rao & Co

Chartered Accountants

P.R. Vittel

Partner

Membership No. 18111

Coimbatore

30th June 2009

For and on behalf of the Board

M. MANICKAM

Chairman

S. VENKATESH

Company Secretary

M. BALASUBRAMANIAM

Vice Chairman and Managing Director

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

(Rupees)

	As at 31.3.2009	As at 31.3.2008
1. SHARE CAPITAL		
AUTHORISED		
4,00,00,000 Equity Shares of Rs.10 each	40,00,00,000	40,00,00,000
5,00,000 Redeemable Cumulative Preference Shares of Rs.100 each	5,00,00,000	5,00,00,000
	45,00,00,000	45,00,00,000
ISSUED, SUBSCRIBED AND PAID-UP		
3,01,06,981 Equity Shares of Rs. 10 each fully paid up	30,10,69,810	30,10,69,810
	30,10,69,810	30,10,69,810
2. RESERVES AND SURPLUS		
Capital Reserve	52,61,238	52,61,238
Securities Premium Account	13,35,66,908	13,35,66,908
Statutory Reserve:		
As per last Balance Sheet	3,79,49,076	
Add: Transfer during the year	1,04,27,401	3,79,49,076
Balance in Profit and Loss account	10,76,41,262	6,59,31,658
	29,48,45,885	24,27,08,880
3. SECURED LOANS		
Redeemable Non-Convertible Debentures	2,28,99,73,754	1,33,84,52,915
Term Loans from:		
- Financial Institutions	10,96,68,000	7,06,68,000
- Corporates	13,36,30,537	15,00,00,000
Cash Credit and Demand Loans from Banks	40,12,34,958	17,46,79,372
Loan against pledge of Securities	-	1,25,00,000
Interest accrued and due on Bank Cash Credit	41,07,977	11,37,099
	2,93,86,15,226	1,74,74,37,386
4. UNSECURED LOANS		
Fixed Deposits	36,91,89,676	64,36,15,902

SAKTHI FINANCE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

5. FIXED ASSETS

(Rupees)

Description	Gross Block				Depreciation				Net Block	
	As at 31.3.2008	Additions	Deductions/ Adjustments	As at 31.3.2009	As at 31.3.2008	For the Year	Withdrawn / Adjustments	As at 31.3.2009	As at 31.3.2009	As at 31.3.2008
Assets on Own use:										
Land	1,31,40,430	3,27,42,378	-	4,58,82,808	-	-	-	-	4,58,82,808	1,31,40,430
Building - Freehold	2,40,61,920	-	41,286	2,40,20,634	39,83,160	3,79,584	12,786	43,49,958	1,96,70,676	2,00,78,760
Building - Leasehold	1,99,93,001	-	-	1,99,93,001	71,60,504	3,12,634	-	74,73,138	1,25,19,863	1,28,32,497
Plant and Machinery	55,45,079	1,26,962	27,340	56,44,701	40,43,124	2,30,525	6,493	42,67,156	13,77,545	15,01,955
Plant - Wind Mill - Unit-I	9,85,06,435	-	-	9,85,06,435	6,57,46,626	52,04,985	-	7,09,51,611	2,75,54,824	3,27,59,809
Plant - Wind Mill - Unit-II	9,04,99,522	6,17,40,000	-	15,22,39,522	26,660	47,78,375	-	48,05,035	14,74,34,487	9,04,72,862
Furniture, Fitting & Office Equipments	4,04,95,664	11,15,882	1,600	4,16,09,946	3,08,31,470	18,21,662	1,600	3,26,51,532	89,58,414	96,64,194
Vehicles	71,19,440	2,88,015	10,29,239	63,78,216	41,69,074	4,05,255	10,29,239	35,45,090	28,33,126	29,50,366
Total	29,93,61,491	9,60,13,237	10,99,465	39,42,75,263	11,59,60,618	1,31,33,020	10,50,118	12,80,43,520	26,62,31,743	18,34,00,873
Previous Year	20,24,88,810	9,80,29,575	11,56,894	29,93,61,491	10,83,97,760	81,41,065	5,78,207	11,59,60,618	18,34,00,873	9,40,91,050

Note: Assets on own use includes Rs.8,44,000 being the cost of ownership flats in a Co-operative Society in respect of which shares have been allotted under their bye laws in the company's name.

6. INVESTMENTS (at cost)

(Rupees)

Sl. No	Description	Face Value Number	Per Unit	As at 31.3.2009	As at 31.3.2008
Long Term Investments (at Cost) Other than Trade					
I. Government Securities #					
a) Quoted					
1	Central Government Stock and State Government Loans (Face value of Rs.1,06,57,000 matured during the year)	10,00,000	100	10,00,65,870	11,12,92,870
Total - A				10,00,65,870	11,12,92,870
b) Unquoted					
2	National Savings Certificates			6,600	6,600
Total - B				6,600	6,600
II. Equity Shares - Fully Paid up					
a) Quoted					
3	Sakthi Sugars Limited	5,52,833	10	2,26,09,690	2,26,09,690
4	Sri Bhagavathi Textiles Limited.	5	100	3,625	3,625
5	Sri Chamundeswari Sugars Limited	1,40,000	10	7,82,625	7,82,625
6	Bannari Amman Sugars Ltd.	10,000	10	7,60,000	7,60,000
7	Chokani International Ltd.	100	10	2,000	2,000
8	Stiles India Ltd.	100	10	2,300	2,300
Total - C				2,41,60,240	2,41,60,240
III. Equity Shares - Fully Paid up					
a) Unquoted					
9	ABT Co-operative Stores Ltd.	500	10	5,000	5,000
10	ABT Industries Ltd.	1,50,000	10	15,00,000	15,00,000
11	Sakthi Beverages Ltd.	1,25,000	10	12,50,000	12,50,000
12	Sakthi Soft Drinks Ltd.	30,000	10	3,00,000	3,00,000
13	PSTS Heavy Lift & Shift Ltd.	30,000	10	3,00,000	3,00,000

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**6. INVESTMENTS (at Cost) (continued)**

(Rupees)

Sl. No	Description	Face Value Number	Per Unit	As at 31.3.2009	As at 31.3.2008
b) Subsidiary - Unquoted					
14	Sakthi Properties (Coimbatore) Ltd.	50,000	10	5,00,000	5,00,000
Total - D				38,55,000	38,55,000
Total - (A+B+C+D)				12,80,87,710	13,93,14,710
Aggregate Value of Quoted Investments					
Cost				12,42,26,110	13,54,53,110
Market value				11,35,71,217	13,15,62,343
Aggregate Value of Unquoted Investments - At Cost				38,61,600	38,61,600

Investments made to comply with the requirements of the directives issued by the Reserve Bank of India.

As at 31.3.2009	As at 31.3.2008
--------------------	--------------------

7. STOCK ON HIRE

Net investment in Stock on Hire	3,66,76,09,810	2,60,06,13,980
Stock on hire of assets repossessed	43,63,235	16,73,420
	3,67,19,73,045	2,60,22,87,400

8. CASH AND BANK BALANCES

Cash on hand	3,89,19,292	2,08,83,741
Balances with Scheduled Banks in:		
- Current Accounts	11,11,01,167	11,70,68,478
- Deposit Accounts	2,15,04,823	1,57,64,682
Unpaid Dividend Account	3,24,478	15,80,331
	17,18,49,760	15,52,97,232

9. OTHER CURRENT ASSETS

Stock of Stationery, Stamps etc (at cost)	89,538	1,18,119
Interest accrued on Govt. Securities and Bank deposits	21,39,275	27,40,244
	22,28,813	28,58,363

10. LOANS AND ADVANCES

Loans and Advances in the nature of loans	10,01,46,578	10,85,86,115
Other advances and Deposits recoverable in cash or in kind or for value to be received	15,96,33,172	14,62,37,667
Deferred Tax Assets	1,67,60,496	1,60,53,506
Advance payment of Tax	1,57,23,391	1,68,99,336
	29,22,63,637	28,77,76,624

SAKTHI FINANCE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

(Rupees)

	As at 31.3.2009	As at 31.3.2008
11. CURRENT LIABILITIES		
Sundry Creditors:		
- For Expenses	96,02,400	1,00,34,774
- For Others	34,45,82,885	24,31,21,798
Unpaid dividend	3,24,478	15,80,331
Interest accrued but not due on Deposits /NCD	14,51,92,457	11,87,52,357
Deferred Tax Liability	4,96,93,632	3,43,73,332
	<u>54,93,95,852</u>	<u>40,78,62,592</u>
12. PROVISIONS		
For Non-performing assets	1,51,03,484	1,06,53,188
For Investments	4,100	4,100
For Income tax and Fringe Benefit Tax (net)	51,47,335	12,85,968
For Employee Benefits - earlier years (net)	39,00,000	24,06,251
	<u>2,41,54,919</u>	<u>1,43,49,507</u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	2008-09	2007-08
13. INCOME FROM OPERATIONS		
Income from Hire purchase operations	51,34,39,898	32,87,92,592
Interest on loans and Other receipts	2,16,55,088	1,10,27,127
Dividend from long term Investments	2,20,000	9,20,250
Interest from long term Investments	74,10,846	96,61,458
Income from sell-down receivables	42,54,117	3,85,85,068
Bad debts recovery	97,33,607	1,05,08,668
	<u>55,67,13,556</u>	<u>39,94,95,163</u>
14. OTHER INCOME AND RECEIPTS		
Profit on Sale of Assets	94,700	29,750
Sale of Electricity	1,67,85,806	81,11,672
Miscellaneous Income	33,06,819	1,32,86,631
	<u>2,01,87,325</u>	<u>2,14,28,053</u>
15. INTEREST AND FINANCIAL CHARGES		
Interest on:		
- Non-Convertible Debentures	20,13,73,529	11,50,00,907
- Term Loans from Financial Institutions/Corporates	3,19,46,170	23,52,182
- Loans from Banks	4,78,19,531	3,57,56,051
- Public Deposits	5,79,20,956	6,44,23,295
Bank Charges	43,56,259	28,94,804
Other Financial Charges	64,700	1,39,775
	<u>34,34,81,145</u>	<u>22,05,67,014</u>

ANNUAL REPORT 2009

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(Rupees)

	2008-09	2007-08
16. STAFF SALARIES AND OTHER BENEFITS		
Salary, Bonus and Gratuity	4,36,67,522	4,58,91,984
Contribution to Provident and other Funds	26,30,525	25,37,898
Employees Welfare Expenses	89,65,137	66,67,674
	5,52,63,184	5,50,97,556
17. OPERATING AND ADMINISTRATIVE EXPENSES		
Rent	33,96,972	26,33,168
Rates, Taxes and Licences	29,22,094	26,54,623
Communication	34,37,167	33,58,562
Insurance	5,64,535	7,45,280
Travelling and Conveyance	1,14,02,336	1,07,72,538
Printing and Stationery	28,99,430	25,68,404
Power and Fuel	19,72,500	17,20,377
Advertisements	15,75,119	27,41,772
Resources mobilisation Expenses	2,24,31,643	1,79,33,397
Legal and Professional Charges	45,47,827	39,74,772
Repairs and Maintenance on:		
- Buildings	26,27,062	22,62,458
- Machinery	35,42,436	27,42,352
- Other Assets	58,37,354	52,25,638
Filing Fees	1,87,123	2,54,083
Directors' Sitting Fees	60,000	96,000
Managing Director's Remuneration	18,61,946	17,76,690
Miscellaneous Expenses	29,25,161	27,48,977
	7,21,90,705	6,42,09,091
18. PROVISIONS AND WRITE-OFF (NET)		
Provision for non-performing assets	70,82,607	60,10,618
Bad debts written off	77,62,098	57,67,961
Loss on Sale of Assets	17,247	5,63,388
Loss on Sale of SLR Investments	5,70,000	33,32,960
Less: Provision for investments	-	35,900
Provision for non-performing assets no longer required	32,12,695	67,35,302
	1,22,19,257	89,03,725

SAKTHI FINANCE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

SCHEDULE - 19 : NOTES ON ACCOUNTS

1.0 SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention on accrual basis of accounting and comply with the mandatory Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules 2006, the relevant provisions of the Companies Act 1956 and the guidelines issued by the Reserve Bank of India applicable to Non-Banking Financial Companies.

1.2 FIXED ASSETS

Fixed assets are stated at historical cost less accumulated depreciation.

1.3 DEPRECIATION

- a) Depreciation on assets on own use is provided for, on straight line method by adopting the rates as prescribed under Schedule XIV to the Companies Act 1956.
- b) For assets under own use acquired during the current year costing Rs.5,000 each or below, the total cost of the asset has been depreciated.

1.4 REVENUE RECOGNITION

The prudential norms for Income Recognition and Provisioning for Non-performing assets as prescribed by the Reserve Bank of India for Non - Banking Financial Companies have been followed.

Accordingly, revenue recognition has been considered in the accounts on accrual basis only on those assets classified as standard assets as stated below:

- 1) a) Hire purchase finance charges are recognized as income under the internal rate of return method.
b) Interest on advances by way of loans are accounted for, to the extent accrued during the year.
- 2) Income from Investments by way of dividend is recognized when the right to receive payment is established.
- 3) Income by way of interest on Government securities is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.
- 4) In respect of sell-down receivables, the difference between the book value of the assets and the sale consideration, after netting of incidental expenses incurred is recognized as revenue.
- 5) Income from power generation is recognized as per the Power Purchase Agreements with State Electricity Board and on supply of power to the grid.

1.5 INVESTMENTS

Long term investments are carried at cost. Provision for diminution in value is made to recognize a decline, if any, other than temporary, in the value of investments.

1.6 RETIREMENT BENEFITS (ALSO REFER NOTE 9.0 OF SCHEDULE-19)

I. DEFINED CONTRIBUTION PLANS

PROVIDENT FUND (PF)

Contributions are made periodically to the PF Commissioner, under the Employees Provident Fund Scheme, in accordance with the provisions of PF and Miscellaneous Provisions Act. The Company does not have any obligation other than the stipulated periodical contribution to the Provident Fund. The obligations to make a fixed and determinable amount of contributions are recognised as an expense in the year incurred.

II. DEFINED BENEFIT PLANS**GRATUITY AND SICK LEAVE**

The Company makes annual contributions to a Fund administered by Trustees and managed by Life Insurance Corporation of India (LIC). The Company accounts its liability for gratuity and sick leave benefits based on actuarial valuation as at the Balance Sheet date, determined every year by LIC using the Projected Unit Credit method. The Company, in addition, also ascertains the appropriateness of the obligations under gratuity and sick leave by taking an actuarial valuation.

III. OTHER BENEFITS

Other benefits made available to employees include contributions made by the Company under (a) ESI Scheme, (b) Employees Deposit Linked Insurance, (c) Group Personal Accident Insurance and (d) Group Mediclaim benefits. Obligations under these benefits, which are in the nature of staff welfare, are recognized as expense in the year in which they arise.

1.7 TAXES ON INCOME

Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with the provisions of the Income Tax Act 1961.

Deferred tax is recognized, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of being reversed in one or more subsequent periods.

Deferred tax assets in respect of carry forward losses are recognized if there is a virtual certainty that there will be sufficient future taxable income available to realize such losses. Other deferred tax assets are recognized if there is reasonable certainty that there will be sufficient future taxable income available to realize such assets.

1.8 STOCK ON HIRE

Stock on hire under Hire purchase agreements are stated at agreement value less instalments received.

1.9 PROVISION AS PER RBI NORMS

Provision for non-performing assets, doubtful debts, loans and advances have been made as per the Non-Banking Financial Companies Prudential Norms (Reserve Bank of India) Directions 2007.

2.0 BALANCE SHEET**2.1 RESERVES AND SURPLUS**

A Statutory Reserve as per the requirements of Section 45IC of the Reserve Bank of India Act 1934 has been created at 20% of the profits after tax available for appropriation.

2.2 SECURED LOANS

- a) 295 Secured Redeemable Non-Convertible Debentures of the face value of Rs.1,000 each and 2,28,96,78,754 Secured Redeemable Non-Convertible Debentures of the face value of Rs.1 each issued and redeemable at par are secured by specified Hire Purchase receivables and immovable properties; the earliest date of redemption is reckoned at 12 to 36 months from the date of first allotment for each series.
- b) Term Loans from Small Industries Development Bank of India is secured by hypothecation of specified hire purchase assets and by collateral security of a Lease hold land/building and further guaranteed by two directors of the company. Amount outstanding Rs.4,74,00,000 (Sanctioned limit: Rs.6,00,00,000).
- c) Term Loans from The Tamilnadu Industrial Investment Corporation Limited is secured by mortgage of immovable properties consisting of land and buildings and three Wind Electric Generators. Further, the loan is also guaranteed by two directors of the company. Amount availed and outstanding Rs.6,22,68,000 (Sanctioned limit: Rs.6,62,68,000).

SAKTHI FINANCE LIMITED

- d) Term Loan from a Corporate is secured by hypothecation of specified hire purchase assets and further guaranteed by two directors of the company. Amount outstanding Rs.13,36,30,537 (Sanctioned limit : Rs.15,00,00,000).
- e) Cash Credits/Working Capital Demand Loans from Scheduled Banks are secured by hypothecation of specified hire purchase assets; the related book debts and personal guarantee of directors. Amount availed and outstanding Rs.40,12,34,958 (Sanctioned limit : Rs.45,00,00,000).

2.3 INVESTMENTS

In accordance with the Reserve Bank of India Circular no. RBI/2006-2007/225/DNBS(PD)C.C No.87/03.02.004/2006-07 dated 4th January 2007, the Company has created a floating charge on the statutory liquid assets comprising investment in Government Securities for Rs.1000.66 lakhs, Bank Deposits of Rs.44 lakhs and Rs.25.21 lakhs interest accrued on the above investments in favour of trustees representing the fixed deposit holders of the company.

2.4 DEFERRED TAX

The break-up of deferred tax asset and liability is as under:

	As at 31.3.2009	(Rupees) As at 31.3.2008
Deferred Tax Liability		
Depreciation	4,96,93,632	3,43,73,332
Deferred Tax Asset		
Brought forward losses	1,18,22,701	1,24,31,094
Provision for non-performing assets	49,37,795	36,22,412
	1,67,60,496	1,60,53,506

2.5 CURRENT ASSETS

As per Accounting Standard (AS-19) on Lease, the details of hire purchase receivables as on 31st March 2009 for the contracts executed on or after 1st April 2001 are given below.

- a) Maturity pattern of Hire Purchase Receivables as on 31.03.2009.

Particulars	Gross	Net
Less than one year	2,09,46,95,794	1,59,90,23,841
Later than one year and not later than 5 years	2,41,98,91,606	2,06,85,85,969
Later than 5 years	-	-
Total	4,51,45,87,400	3,66,76,09,810

- b) Maturity pattern of Hire Purchase payable as on 31.03.2009

Particulars	Principal	Interest
Less than one year	4,33,427	11,819
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
Total	4,33,427	11,819

- c) Balance with Scheduled Banks in deposit accounts include **Rs. 6,25,503** (Rs.6,12,500) pledged with Sales Tax Authorities and under lien to a Bank. Rs.44,00,000 deposited with scheduled banks for Statutory Liquid assets as per RBI Norms.
- d) Bank deposits of **Rs.1,39,90,781** (Rs.1,15,94,941) are under lien towards managed business.

2.6 LOANS AND ADVANCES

- i) Loans and Advances include:
 - a) Loans considered good in respect of which the Company is fully secured: **Rs.2,58,79,716** (Rs. 2,34,91,249).
 - b) Loans considered good and unsecured in respect of which the Company holds no security other than the debtors' personal security: **Rs.7,13,06,717** (Rs. 8,40,30,377).
 - c) Loans considered as bad and doubtful: **Rs.29,60,145** (Rs.10,64,489) for which provision has been made.
 - d) Amount due from an Officer of the Company **Rs.53,736** (nil). Maximum amount outstanding during the year **Rs.77,242** (nil).
 - e) Amount due from wholly owned subsidiary: **Rs.9,84,637** (Rs.2,03,51,100).

2.7 CURRENT LIABILITIES

- a) There is no amount due to be transferred to Investor Education and Protection Fund as on 31st March 2009.
- b) Micro, Small and Medium Enterprises Development Act 2006
The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act 2006 and, hence, disclosures, if any, relating to the amounts unpaid as at 31st March 2009 together with interest paid/payable as required under the said Act have not been given.

3.0 PROFIT AND LOSS ACCOUNT

3.1 Income-tax deducted at source on interest **Rs.8,94,073** (Rs.12,77,060) and on other receipts **Rs.5,30,951** (Rs.3,59,511).

3.2 Computation of Commission to Vice Chairman and Managing Director under Section 349 of the Companies Act 1956.

	(Rupees)
Profit before Tax as per Profit and Loss Account:	8,06,13,570
Add : Depreciation as per books:	1,31,33,020
Loss on sale of investment	5,70,000
Provision against Non performing assets	70,82,607
Directors' sitting fees	60,000
Managing Director's remuneration	9,92,192
Commission to Managing Director	8,69,754
	2,27,07,573
	10,33,21,143
Less : Depreciation as per Section 350 of the Companies Act 1956	1,31,33,020
Provision no longer required written back	32,12,695
Adjusted Net Profit	8,69,75,390
Commission payable at 1%	8,69,754

3.3 Remuneration to Vice Chairman and Managing Director.

Particulars	2008-09	2007-08
Salary	6,00,000	6,00,000
Provident Fund contribution	72,000	72,000
Perquisites	3,20,192	4,20,192
Commission	8,69,754	6,84,498
Total	18,61,946	17,76,690

SAKTHI FINANCE LIMITED

3.4 Miscellaneous Expenses include remuneration to Auditors towards: (Rupees)		
Particulars	2008-09	2007-08
Statutory Audit	2,50,000	1,00,000
Tax Audit	66,500	30,000
Taxation Matters, Management services, certification etc	4,08,203	5,40,149
Total	7,24,703	6,70,149

4.0 CONTINGENT LIABILITIES		
Particulars	2008-09	2007-08
Collaterals given to a bank / financial institution	95,71,056	2,06,13,783
Income Tax and Interest Tax issues pending before appellate authorities	31,11,447	35,49,221

5.0 EXPENDITURE IN FOREIGN CURRENCY (on payment basis)		
Particulars	2008-09	2007-08
Travelling	-	3,73,376

6.0 AMOUNT OF NET DIVIDEND REMITTED IN FOREIGN EXCHANGE		
Particulars	2008-09	2007-08
No. of non-resident shareholder	1	1
No. of equity shares held	See note below	-
Amount remitted (Rs)	12,50,000	-
	(15815 UK pounds)	-
Year to which it relates	2007	-

Note: The Special Interim Dividend of 5% for the year ended 31st March 2007 on 25,00,000 equity shares held by a non-resident incorporated entity was paid in April 2008.

7.0 QUANTITATIVE DETAILS OF POWER GENERATION		
Additional information pursuant to the provisions of paragraph 3, 4C and 4D of Part II of Schedule VI to the Companies Act 1956.		
Particulars	2008-09	2007-08

Licensed capacity	Not applicable	Not applicable
Installed capacity*	5325 KWH	4550 KWH
Units generated	61,43,959	30,84,698
Units sold	60,52,018	30,17,746
Sale value (Rupees)	1,67,85,806	81,11,672

* Installed capacity is as certified by the management and the auditors' have relied on it, this being a technical matter.

8.0 SEGMENT REPORTING

The Company is primarily engaged in the business of asset finance. All the activities of the Company revolve around the main business. This in the context of Accounting Standard 17 on "Segment Reporting" notified by the Companies (Accounting Standards) Rules 2006 is considered to constitute a single primary segment.

ANNUAL REPORT 2009

9.0 DISCLOSURE REQUIREMENTS UNDER AS-15 ON EMPLOYEE BENEFITS

Disclosures relating to the AS-15 on Employee Benefits for the year ended 31st March 2009 are furnished below: (Rupees)

Sl. No.	Particulars	2008-09		2007-08	
		Gratuity	Sick Leave	Gratuity	Sick Leave
I	Principal Actuarial Assumptions (Expressed as weighted averages)				
	Discount rate	7.34%	7.34%	8.00%	8.00%
	Salary Escalation rate	3.52%	3.52%	3.52%	3.52%
	Attrition rate	18.60%	18.60%	18.01%	18.01%
	Expected rate of return on Plan Assets	8.00%	8.00%	8.00%	8.00%
II	Changes in the present value of the obligation (PVO) – Reconciliation of Opening and closing balances				
	PVO at the beginning of the period	60,06,000	14,96,000	49,46,000	13,02,000
	Interest cost	4,62,000	1,09,000	-	1,01,000
	Current service cost	6,14,000	3,96,000	5,56,000	3,56,000
	Past service cost – (non-vested benefits)	-	-	-	-
	Past service-cost – (vested benefits)	-	-	-	-
	Benefits paid	(4,68,000)	(2,76,000)	(5,16,000)	(71,000)
	Actuarial loss / (gain) on obligation	11,80,000	91,000	10,20,000	(1,92,000)
	PVO as at the end of the period	77,94,000	18,16,000	60,06,000	14,96,000
III	Changes in the fair value of plan assets – Reconciliation of Opening & Closing balances				
	Fair value of plan Assets at the beginning of the period	34,75,000	4,05,000	30,76,000	-
	Expected return on plan assets	2,81,000	68,000	2,44,000	15,000
	Contributions	5,45,000	11,65,000	4,67,000	4,56,000
	Benefits paid	(4,68,000)	(2,76,000)	(5,16,000)	(71,000)
	Actuarial loss/(gain) on plan assets	61,000	13,000	2,04,000	5,000
	Fair value of Plan Assets as at the end of the period	38,94,000	13,75,000	34,75,000	4,05,000
IV	Actual Return on Plan Assets				
	Expected return on plan assets	2,81,000	68,000	2,44,000	15,000
	Actuarial gain/(loss) on plan assets	61,000	13,000	2,04,000	5,000
	Actual return on plan assets	3,42,000	81,000	4,48,000	20,000
V	Actuarial Gain / Loss recognized				
	Actuarial gain/(loss) for the period – Obligation	(11,80,000)	(91,000)	(10,20,000)	1,92,000
	Actuarial gain/(loss) for the period – Plan Assets	61,000	13,000	2,04,000	5,000
	Total (gain)/ loss for the period	11,19,000	78,000	8,16,000	(1,97,000)
	Actuarial (gain)/loss recognized in the period	11,19,000	78,000	8,16,000	(1,97,000)
	Unrecognised actuarial (gain)/loss at the end of the year	-	-	-	-
VI	Amounts recognized in the Balance Sheet and related Analysis				
	Present value of the obligation	77,94,000	18,16,000	60,06,000	14,96,000
	Fair value of Plan Assets	38,94,000	13,75,000	34,75,000	4,05,000
	Difference	39,00,000	4,41,000	25,31,000	10,91,000
	Unrecognised transitional liability	-	-	-	-
	Unrecognised past service cost – non vested benefits	-	-	-	-
	Liability recognized in the Balance Sheet	39,00,000	4,41,000	25,31,000	10,91,000

SAKTHI FINANCE LIMITED

(Rupees)

Sl. No.	Particulars	2008-09		2007-08	
		Gratuity	Sick Leave	Gratuity	Sick Leave
VII	Expenses recognized in the statement of Profit and Loss				
	Current service cost	6,14,000	3,96,000	5,56,000	3,56,000
	Interest cost	4,62,000	1,09,000	-	1,01,000
	Expected return on plan assets	(2,81,000)	(68,000)	(2,44,000)	(15,000)
	Actuarial (gain)/loss recognized in the year	11,19,000	78,000	8,16,000	(1,97,000)
	Transitional liability recognized in the year	-	-	-	-
	Past service cost - (non-vested benefits)	-	-	-	-
	Past service cost - (vested benefits)	-	-	-	-
	Expenses recognized in the statement of Profit and Loss	19,14,000	5,15,000	11,28,000	2,45,000
VIII	Movements in the liability recognized in the Balance Sheet				
	Opening net liability	25,31,000	10,91,000	18,70,000	13,02,000
	Expenses as above	19,14,000	5,15,000	11,28,000	2,45,000
	Contributions paid	(5,45,000)	(11,65,000)	(4,67,000)	(4,56,000)
	Closing net liability	39,00,000	4,41,000	25,31,000	10,91,000
IX	Amount for the current period				
	Present value of obligations	77,94,000	18,16,000	60,06,000	14,96,000
	Plan Assets	38,94,000	13,75,000	34,75,000	4,05,000
	Surplus (Deficit)	(39,00,000)	(4,41,000)	(25,31,000)	(10,91,000)
	Experience adjustments on plan liabilities - (loss) / gain	(9,46,000)	(36,000)	(10,20,000)	1,92,000
	Exp. adjustments on plan assets - (loss)/gain	61,000	13,000	2,04,000	5,000
X	Major categories of Plan Assets				
	Fund manager by insurer	100%	100%	100%	100%
XI	Enterprise's best estimate of contribution during next year	5,44,646	2,83,400	4,70,000	2,72,000

10.0 Related party disclosures for the year ended 31st March 2009

Relationships

A	Subsidiary	Sakthi Properties (Coimbatore) Ltd
B	Enterprises in which the key management personnel and their relatives have significant influence	ABT Ltd. ABT Industries Ltd Sakthi Beverages Ltd. Sakthifinance Financial Services Ltd. Sakthi Logistic Services Ltd. Sakthi Sugars Ltd. Sri Bhagavathi Textiles Ltd. Sri Chamundeswari Sugars Ltd. Sri Sakthi Textiles Ltd. The Gounder and Company Auto Ltd. N Mahalingam & Co ARC Retreading Co. Pvt. Ltd. Nachimuthu Industrial Association

ANNUAL REPORT 2009

C	Key Management Personnel	Sri M Balasubramaniam, Vice Chairman and Managing Director
D	Relatives of Key Management Personnel	Dr N Mahalingam, Father Sri M Manickam, Brother Sri M Srinivaasan, Brother Smt Vinodhini Balasubramaniam, Wife

Transactions with Related Parties made during the year

(Rupees)

Sl No	Nature of Transactions	Subsidiary	Related parties where controls exist	Key Management Personnel	Relatives of Key Management Personnel	Total 2008-09	Previous Year 2007-08
1	Income						
	Rent received:						
	Sakthifinance Financial Services Ltd		2,10,000			2,10,000	2,10,000
	ABT Industries Ltd.		12,14,860			12,14,860	12,27,860
2	Expenses						
	Purchase of fuel:						
	N.Mahalingam & Co		15,64,155			15,64,155	15,26,260
	Repairing of vehicles:						
	ABT Maruti Ltd.		16,699			16,699	78,352
	Rent paid:						
	M.Balasubramaniam		2,40,000			2,40,000	2,40,000
	M. Srinivaasan		48,000			48,000	48,000
	Rendering of services:						
	Sakthi Properties (Coimbatore) Ltd.	1,92,000				1,92,000	1,92,000
	Resource Mobilisation Charges:						
	Sakthifinance Financial Services Ltd.		2,10,57,870			2,10,57,870	1,37,42,509
	Printing charges:						
	Rukmani Offset Press		6,89,222			6,89,222	11,39,850
	Finance Charges & Interest:						
	Sri Bhagavathi Textiles Ltd.		5,07,055			5,07,055	31,31,604
	ABT Limited		19,04,665			19,04,665	24,95,961
	Sri Sakthi Textiles Ltd.		7,99,957			7,99,957	23,33,745
	Sakthifinance Financial Services Ltd.		6,802			6,802	1,45,460

SAKTHI FINANCE LIMITED

Sl No	Nature of Transactions	Subsidiary	Related parties where controls exist	Key Management Personnel	Relatives of Key Management Personnel	Total 2008-09	Previous Year 2007-08
	Remuneration: M.Balasubramaniam			9,92,192		9,92,192	10,92,192
	Commission: M.Balasubramaniam			8,69,754		8,69,754	6,84,498
	Sitting Fees: Dr.N. Mahalingam				-	-	10,000
	M.Manickam				8,000	8,000	14,000
	M.Srinivasan				8,000	8,000	12,000

11.0 EARNINGS PER SHARE

(Rupees)

Particulars	2008-09	2007-08
Profit after tax (A)	5,21,37,005	3,25,69,750
Weighted average number of equity shares (B)	3,01,06,981	2,17,71,351
The nominal value per equity share (Rs)	10	10
Earnings per share - Basic (Rs) (A/B)	1.73	1.50
- Diluted (Rs)	1.46	1.41

12.0 Disclosure as required under Clause 32 of the Listing Agreement

Amount of loans/advances in the nature of loans outstanding from subsidiaries and associates for the year ended 31st March 2009.

Name of the Company	Outstanding as on 31.3.2009	Maximum amount outstanding during the year	Investment in shares of the company	Investment in shares of subsidiary of the company
	Rupees	Rupees	No. of shares	No. of shares
a Subsidiary				
Sakthi Properties (Coimbatore) Ltd	9,84,637	2,03,51,100	—	—
b Associates				
ABT Ltd	1,61,01,911	1,61,01,911	87,27,400	—
ABT Industries Ltd	1,12,263	11,87,674	9,19,926	—
Sakthi Management Services Ltd.	10,02,280	12,10,411	5,00,840	—
Sakthifinance Financial Services Ltd	17,34,360	17,34,360	33,90,025	—
Sri Sakthi Textiles Ltd	6,09,040	1,36,28,782	7,000	—
Sakthi Financial Services (Cochin) Pvt. Ltd.	30,46,062	30,46,062	18,61,336	—

13.0 Disclosure as required in terms of paragraph 13 of Non-Banking Financial (Deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Directions 2007

Sl. No.	Particulars	Amount Outstanding	Amount overdue
		(Rupees)	(Rupees)
(1)	LIABILITIES SIDE Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid		
	(a) Debentures: - Secured	2,39,52,03,758	-
	- Unsecured	-	-
	(Other than falling within the meaning of Public deposits)		
	(b) Deferred Credits	-	-
	(c) Term Loans	64,93,10,930	-
	(d) Inter-Corporate Loans and Borrowings	-	-
	(e) Commercial Paper	-	-
	(f) Public Deposits	40,84,82,670	3,59,13,215 [#]
	(g) Other Loans	-	-
(2)	Break-up of (1)(f) above (outstanding public deposits inclusive of interest accrued thereon but not paid)		
	(a) In the form of unsecured debentures	-	-
	(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	-	-
	(c) Other Public deposits	40,84,82,670	3,59,13,215 [#]
	[#] represents unclaimed deposits		
(3)	ASSETS SIDE Break-up of Loans and Advances including bills receivables (Other than those included in (4) below)		Amount Outstanding
	(a) Secured		7,85,53,622
	(b) Unsecured		18,12,26,129
(4)	Break-up of Leased Assets and Stock on Hire and Hypothecation Loans counting towards AFC activities		
	(i) Leased Assets including lease rentals under Sundry Debtors		
	(a) Financial Lease		-
	(b) Operational Lease		-
	(ii) Assets on Hire including Hire charges under Sundry Debtors		
	(a) Assets on Hire		3,66,76,09,810
	(b) Repossessed Assets		43,63,235
	(iii) Hypothecation Loans counting towards AFC Activities		
	(a) Loans where assets have been repossessed		-
	(b) Loans other than (a) above		-
(5)	Break-up of Investments	Amount Outstanding	Market Value
	Current Investments:		
	(1) Quoted		
	(i) Shares: (a) Equity	-	-
	(b) Preference	-	-
	(ii) Debentures and Bonds	-	-
	(iii) Units of Mutual Funds	-	-
	(iv) Government Securities	-	-
	(v) Others	-	-

SAKTHI FINANCE LIMITED

				(Rupees)
Sl. No.	Particulars	Amount Outstanding	Market Value	
(5)	(2) Unquoted			
	(i) Shares: (a) Equity	—	—	—
	(b) Preference	—	—	—
	(ii) Debentures and Bonds	—	—	—
	(iii) Units of Mutual Funds	—	—	—
	(iv) Government Securities	—	—	—
	(v) Others	—	—	—
	Long Term Investments:			
	(1) Quoted			
	(i) Shares: (a) Equity	2,41,60,240	1,35,05,347	—
	(b) Preference	—	—	—
	(ii) Debentures and Bonds	—	—	—
	(iii) Units of Mutual Funds	—	—	—
	(iv) Government Securities	10,00,65,870	10,00,65,870	—
	(v) Others	—	—	—
	(2) Unquoted			
	(i) Shares: (a) Equity	38,55,000	38,55,000	—
	(b) Preference	—	—	—
	(ii) Debentures and Bonds	—	—	—
	(iii) Units of Mutual Funds	—	—	—
	(iv) Government Securities	6,600	6,600	—
	(v) Others	—	—	—
(6)	Borrower group-wise classification of assets financed as in 3 & 4 above			
	Category	Amount net of provisions		
		Secured	Unsecured	Total
	(1) Related Parties			
	(a) Subsidiaries	—	9,84,637	9,84,637
	(b) Companies in the same group	—	—	—
	(c) Other related parties	1,61,01,911	65,04,005	2,26,05,916
	(2) Other than related parties	3,72,22,81,416	17,07,77,342	3,89,30,58,758
	Total	3,73,83,83,327	17,82,65,984	3,91,66,49,311
(7)	Investor group-wise classification of all Investments (Current and Long term) in shares and securities (both quoted and unquoted)			
	Category	Market Value/ Break up or fair value or NAV		Book value (Net of provisions)
	(1) Related Parties			
	(a) Subsidiaries	5,00,000		5,00,000
	(b) Companies in the same group	—		—
	(c) Other related parties	1,54,98,217		2,61,45,940
	(2) Other than related parties	10,14,34,600		10,14,37,670
	Total	11,74,32,817		12,80,83,610
(8)	Other Information			
	(1) Gross non-performing Assets			
	(a) Related parties			—
	(b) Other than related parties			2,79,10,718
	(2) Net Non-Performing Assets			
	(a) Related parties			—
	(b) Other than related parties			1,28,07,229
	(3) Assets acquired in satisfaction of debt			—

14.0 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	:	L65910TZ1955PLC000145
State Code	:	181
Balance Sheet Date	:	31.03.2009

**II. Capital raised during the year
(Amount in Rupees)**

Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private placement	:	Nil

**III. Position of Mobilisation and Deployment
of Funds (Amount in Rupees)**

Total Liabilities	:	4,53,26,34,708
Total Assets	:	4,53,26,34,708

Sources of Funds

Paid up Capital and share application money	:	35,64,33,150
Reserves and Surplus	:	29,48,45,885
Secured Loans	:	2,93,86,15,226
Unsecured Loans	:	36,91,89,676
Deferred tax liability	:	4,96,93,632
Current Liabilities	:	52,38,57,139

Application of Funds

Net Fixed Assets	:	26,62,31,743
Investments	:	12,80,87,710
Deferred Tax Asset	:	1,67,60,496
Current Assets	:	4,12,15,54,759

**IV. Performance of the Company
(Amount in Rupees)**

Turnover	:	57,69,00,881
Total Expenditure	:	49,62,87,311
Profit before Tax	:	8,06,13,570
Profit after Tax	:	5,21,37,005
Earnings per share (Rs.)	:	1.73
Dividend Rate (%)	:	Nil

**V. Generic Names of Three Principal products/
Services of the Company (as per monetary terms)**

Item Code (ITC Code)	:	Not Applicable
Product Description	:	Deposit taking Asset Finance Company

15.0 Previous year's figures have been regrouped / rearranged wherever necessary to conform to current year's presentation.

Subject to our Report of even date
For P.N. Raghavendra Rao & Co
Chartered Accountants

P.R. Vittel
Partner
Membership No. 18111

Coimbatore
30th June 2009

For and on behalf of the Board

M. MANICKAM
Chairman

S. VENKATESH
Company Secretary

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

SAKTHI FINANCE LIMITED

Statement pursuant to Section 212 of the Companies Act 1956 relating to subsidiary company

1	Name of the Company	Sakthi Properties (Coimbatore) Ltd
2	Financial year of the subsidiary ended on	31st March 2009
3	Shares of the subsidiary held by the Company on the above date	
	a) Number and face value	50,000 Equity shares of Rs 10 each
	b) Extent of shareholding	100%
4	Net aggregate amount of the profits / (losses) of the subsidiary not dealt with in the holding company's accounts	
	a) For the financial year of the subsidiary company	(Rs 44,56,555)
	b) For the previous financial years of the subsidiary company	(Rs 1,55,54,369)
5	Net aggregate amount of the profits/(losses) of the subsidiary dealt with in the holding company's accounts	
	a) For the financial year of the subsidiary company	Nil
	b) For the previous financial years of the subsidiary company	Nil

For and on behalf of the Board

M. MANICKAM
Chairman

Coimbatore
30th June 2009

S. VENKATESH
Company Secretary

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

SAKTHI PROPERTIES (COIMBATORE) LIMITED

DIRECTORS' REPORT

To the Members

Your Directors are pleased to present their Eighth Annual Report together with the audited accounts of the Company for the year ended 31st March 2009.

WORKING RESULTS

The Company incurred a loss of Rs 44,56,555 for the year ended 31st March 2009. As the company has taken up property developmental activities, it hopes to make profit in coming years and will wipe out the accumulated losses.

BUSINESS

The Company's properties continue to be let out for commercial purpose.

DEPOSITS

The Company has not invited any deposits from the public.

DIRECTORS

Sri M Manickam, Director retire by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

Sri M Balasubramaniam, Director of the Company resigned from the Directorship with effect from 30th April 2009 due to other pre-occupations. The Board of Directors place on record the valuable contributions made by him during his long tenure.

Sri M Srinivaasan was co-opted as an additional director of the Company with effect from 29th April 2009. Sri M Srinivaasan holds office up to the end of the ensuing Annual General Meeting. The Company has received a notice in writing from a member signifying his intention to propose him as a candidate for the office of Director. A resolution proposing him as a Director of the Company is brought at the ensuing Annual General Meeting for the approval of members.

AUDITORS

M/s P N Raghavendra Rao & Co, Chartered Accountants, Coimbatore retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. A certificate under Section 224(1B) has been obtained from them.

PARTICULARS REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT 1956

The particulars required to be given in terms of Section 217(1)(e) of the Companies Act 1956 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are not applicable to your company. The company has no employee drawing remuneration more than the limits prescribed under Section 217(2A) of the Companies Act 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act 1956, your directors confirm, to the best of their knowledge and belief, that:

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed;
- b. the directors had selected such accounting policies and applied them consistently and made judgements 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 and of the loss of the company for the financial year;
- c. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors wish to place on record the valuable assistance and co-operation extended by the government and debentureholders.

We pray the Goddess SAKTHI to continue to shower Her blessings and to guide us in all our endeavors.

For and on behalf of the Board

M. MANICKAM
Chairman

Coimbatore
30th June 2009

SAKTHI PROPERTIES (COIMBATORE) LIMITED

AUDITORS' REPORT

To the Members of the Company

1. We have audited the attached Balance Sheet of Sakthi Properties (Coimbatore) Limited as at 31st March 2009 and also the Profit and Loss Account 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.
2. 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.
3. As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give below a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 - i. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c. In our opinion, the Company has not disposed of substantial part of fixed assets during the year.
 - ii. The Company does not hold any inventories and therefore Clause 4 (ii) of the Companies (Auditor's Report) Order 2003 is not applicable.
 - iii.
 - a. The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - b. The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - iv. During the year, the company has not purchased or sold any goods and hence commenting on the internal control procedures in this regard does not arise.
 - v.
 - a. The Company has not entered into any contract or arrangement that need to be entered in the register required to be maintained under Section 301 of the Companies Act 1956.
 - b. Since the Company has not entered into any contract or arrangement referred to in Section 301 of the Companies Act 1956, Clause 4(v)(b) of the Order is not applicable.
 - vi. The Company has not accepted deposits from the public.
 - vii. The reporting on the internal audit system is not applicable to the Company.
 - viii. The Central Government has not prescribed the maintenance of any Cost Records under Section 209 (1)(d) of the Companies Act, 1956.
 - ix. The Company is regular in depositing income tax dues and depositing of other statutory dues is not applicable to the Company.
 - x. The accumulated losses of the Company as at the end of the year are more than fifty percent of its net worth. The Company has incurred cash loss during this financial year. However the Company has not incurred cash loss in the preceding financial year.
 - xi. The Company has not defaulted in repayment of dues to the debentureholders during the year.

ANNUAL REPORT 2009

- xii. In our opinion and according to the information and explanations given to us, the Company has not granted any loans on the basis of security by way of pledge of shares, debentures and other securities.
 - xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
 - xiv. According to the information and explanations given to us, the Company is not dealing in shares, securities, debentures and other investments.
 - xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
 - xvi. According to the information and explanations given to us, the Company has not obtained any term loans during the year.
 - xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the Company has not utilised short term funds for long term investment.
 - 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. In our opinion and according to the information and explanations given to us, the Company has issued Secured Redeemable Non Convertible Debentures amounting to Rs.429.84 Lakhs. The Company has created adequate securities and charges in respect of debentures issued during the year.
 - xx. The Company has not raised any money by way of public issue during the year.
 - xxi. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year, that causes the financial statements to be materially misstated.
4. Further to our comments referred to in paragraph 3 above, we report that:
- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. In our opinion, and based on the written representations received from the Directors and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956;
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required, and present a true and fair view, in conformity with the accounting principles generally accepted in India:
 - i. in so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March 2009; and
 - ii. in so far as it relates to the Profit and Loss Account, of the Loss of the Company for the year ended on that date.

Coimbatore
30th June 2009

For P N Raghavendra Rao & Co
Chartered Accountants

P.R. Vittel
Partner

Membership No.18111

SAKTHI PROPERTIES (COIMBATORE) LIMITED

BALANCE SHEET AS AT 31ST MARCH 2009

(Rupees)

	Schedule	As at 31.3.2009	As at 31.3.2008
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	5,00,000	5,00,000
Loan Funds			
Secured Loans	2	5,41,16,000	6,03,87,000
TOTAL		5,46,16,000	6,08,87,000
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	13,07,07,319	13,07,07,319
Less: Accumulated Depreciation		1,40,59,688	1,18,96,567
Net Block		11,66,47,631	11,88,10,752
Current Assets, Loans and Advances			
Cash and Bank Balances	4	22,10,019	3,67,718
Loans and Advances	5	5,85,759	6,29,464
Other Current Assets	6	1,64,67,979	3,69,22,695
SUB TOTAL - (i)		1,92,63,757	3,79,19,877
Less: Current Liabilities and Provisions			
Current Liabilities	7	10,13,06,312	11,13,97,998
SUB TOTAL - (ii)		10,13,06,312	11,13,97,998
NET CURRENT ASSETS	(i) - (ii)	(8,20,42,555)	(7,34,78,121)
Profit and Loss Account	8	2,00,10,924	1,55,54,369
TOTAL		5,46,16,000	6,08,87,000
Notes on accounts	13		

The Schedules referred to above form an integral part of the Balance Sheet

Subject to our Report of even date
For P.N. Raghavendra Rao & Co
Chartered Accountants

P.R. Vittel
Partner
Membership No.18111
Coimbatore
30th June 2009

For and on behalf of the Board

M.MANICKAM
Director

S. CHANDRASEKHAR
Director

ANNUAL REPORT 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

(Rupees)

	Schedule	2008-09	2007-08
INCOME			
Rent Receipts (TDS received - Rs. 17,34,959)		76,00,394	59,03,870
Other Receipts	9	-	91,58,839
TOTAL - A		76,00,394	1,50,62,709
EXPENDITURE			
Interest and Financial charges	10	67,03,604	1,07,46,548
Staff Salaries and Other benefits	11	1,44,000	1,75,359
Administrative and other expenses	12	30,46,225	36,92,301
Depreciation		21,63,120	21,63,130
TOTAL - B		1,20,56,949	1,67,77,338
NET LOSS (A-B)		(44,56,555)	(17,14,629)
Less: Provision for Taxation - Current year		-	14,24,800
Balance carried to Balance Sheet		(44,56,555)	(31,39,429)
Notes on accounts	13		

The Schedules referred to above form an integral part of the Profit and Loss account

Subject to our Report of even date

For and on behalf of the Board

For P.N. Raghavendra Rao & Co

Chartered Accountants

M. MANICKAM

P.R. Vittel

Director

Partner

Membership No. 18111

S. CHANDRASEKHAR

Coimbatore, - 30th June 2009

Director

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	As at 31.3.2009	As at 31.3.2008
1. SHARE CAPITAL		
Authorised		
50,000 - Equity Shares of Rs. 10/- each	5,00,000	5,00,000
Issued, Subscribed and Paid up		
50,000 - Equity Shares of Rs.10/-each fully paid-up (All the shares are held by the holding company Sakthi Finance Limited)	5,00,000	5,00,000
2. SECURED LOANS		
Non-convertible Debentures	5,41,16,000	6,03,87,000
3. FIXED ASSETS		

Description	Gross Block				Depreciation				Net Block	
	As at 31.3.2008	Additions	Deductions/ Adjustments	As at 31.3.2009	Up to 31.3.2008	For the Year	Withdrawn/ Adjustments	Up to 31.3.2009	As at 31.3.2009	As at 31.3.2008
Building	12,99,00,319	-	-	12,99,00,319	1,15,29,064	21,17,376	-	1,36,46,440	11,62,53,879	11,83,71,256
Plant, Machinery and Eqpts.	3,38,000	-	-	3,38,000	1,06,208	16,056	-	1,22,264	2,15,736	2,31,792
Furniture, Fitting & Office Eqpts.	4,69,000	-	-	4,69,000	2,61,296	29,688	-	2,90,984	1,78,016	2,07,704
Total	13,07,07,319	-	-	13,07,07,319	1,18,96,568	21,63,120	-	1,40,59,688	11,66,47,631	11,88,10,752
Previous year	14,36,14,165	3,04,29,079	4,33,35,925	13,07,07,319	97,33,437	21,63,130	-	1,18,96,567	11,88,10,752	13,38,80,728

SAKTHI PROPERTIES (COIMBATORE) LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

(Rupees)

	As at 31.3.2009	As at 31.3.2008
4. CASH AND BANK BALANCES		
Balance with Scheduled Banks in:		
- Current Account	<u>22,10,019</u>	<u>3,67,718</u>
5. LOANS AND ADVANCES		
Other Advances recoverable	<u>5,85,759</u>	<u>6,29,464</u>
6. OTHER CURRENT ASSETS		
Advance for purchase of Vehicle / Land	<u>1,37,13,492</u>	<u>3,57,13,492</u>
Rent receivable	<u>2,73,739</u>	<u>4,63,414</u>
Advance Income Tax / TDS (net of provisions)	<u>24,80,748</u>	<u>7,45,789</u>
	<u>1,64,67,979</u>	<u>3,69,22,695</u>
7. CURRENT LIABILITIES		
Sundry Creditors:		
- For Expenses	<u>19,561</u>	<u>1,31,114</u>
- For Other Finance	<u>25,64,311</u>	<u>31,71,125</u>
- For purchases and capital expenditure	<u>2,39,25,017</u>	<u>3,64,15,480</u>
Advance from Customers	<u>7,13,56,648</u>	<u>6,65,15,722</u>
Interest accrued but not due on Debentures	<u>34,40,775</u>	<u>51,64,557</u>
	<u>10,13,06,312</u>	<u>11,13,97,998</u>
8. PROFIT AND LOSS ACCOUNT		
Opening Balance	<u>1,55,54,369</u>	<u>1,24,14,940</u>
Add: Loss for the year	<u>44,56,555</u>	<u>31,39,429</u>
	<u>2,00,10,924</u>	<u>1,55,54,369</u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	2008-09	2007-08
9. OTHER RECEIPTS		
Other Sundry income	-	<u>65,686</u>
Profit on Sale of Assets	-	<u>90,93,153</u>
	-	<u>91,58,839</u>
10. INTEREST AND FINANCIAL CHARGES		
Interest on Non-convertible Debentures	<u>61,96,210</u>	<u>69,33,941</u>
Interest - Others	<u>4,81,089</u>	<u>37,97,151</u>
Bank Charges	<u>26,305</u>	<u>15,456</u>
	<u>67,03,604</u>	<u>1,07,46,548</u>
11. STAFF SALARIES AND OTHER BENEFITS		
Salaries, Bonus and Other Benefits	<u>1,44,000</u>	<u>1,75,359</u>
	<u>1,44,000</u>	<u>1,75,359</u>

ANNUAL REPORT 2009

	(Rupees)	
	2008-09	2007-08
12. ADMINISTRATIVE AND OTHER EXPENSES		
Rent	12,60,000	13,02,000
Rates, Taxes and Licences	4,60,724	9,88,357
Telephone Expenses	28,000	-
Audit fees - Statutory Audit	20,000	20,000
- For Other Services	1,124	11,248
Printing and Stationery	-	5,623
Electricity and Fuel Charges	15,836	6,706
Travelling Expenses	1,052	50
Insurance	15,389	32,169
Repairs and Maintenance	20,896	1,85,896
Legal expenses and Stamp charges	52,454	1,53,238
Brokerage and Commission	10,04,125	7,94,014
Filing Fees	61,547	35,960
Professional Service Charges	72,379	1,46,031
General Expenses	32,699	11,009
	30,46,225	36,92,301

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

SCHEDULE - 13 NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention on accrual basis and have been prepared to comply in all material respects with the mandatory Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules 2006 and the relevant provisions of the Companies Act 1956.

1.2 FIXED ASSETS

Fixed assets are stated at historical cost less accumulated depreciation.

1.3 DEPRECIATION

- a) Depreciation on assets on own use is provided for, on straight line method by adopting the rates as prescribed under Schedule XIV to the Companies Act 1956.
- b) For assets under own use acquired during the current year costing Rs.5,000 each or below, full depreciation has been provided for irrespective of the period of use.

1.4 REVENUE RECOGNITION

Income from rentals is recognized on accrual basis.

2. BALANCE SHEET

SECURED LOANS

48,717 Secured Redeemable Non-Convertible Debentures of the face value of Rs.1000 each issued and redeemable at par are secured by immovable properties; the earliest date of redemption is reckoned at 12 to 36 months from the date of allotment.

As per the clarification issued by the Department of Company Affairs dated 18th April 2002, the Company is not required to create Debenture Redemption Reserve as the company has suffered loss during the year.

SAKTHI PROPERTIES (COIMBATORE) LIMITED

3. RELATED PARTY DISCLOSURES DURING THE YEAR ENDED 31ST MARCH 2009

a. Related Party and their relationship

Related Party : Sakthi Finance Ltd
Relationship : Holding Company

b. Transactions with Related Party

Receiving of services : **Rs. 1,92,000** (Rs. 1,92,000)
Rent paid : **Rs.12,60,000** (Rs. 12,60,000)

4. EARNINGS PER SHARE

(Rupees)

Particulars	2008-09	2007-08
Loss after tax (A)	44,56,555	31,39,429
Weighted average number of equity shares (B)	50,000	50,000
The nominal value per equity share (Rs)	10	10
Earnings per share - Basic (Rs) (A/B)	-89.13	-62.79
- Diluted (Rs) (A/B)	-89.13	-62.79

5. GENERAL

Additional particulars as per clause 4D of Part II of Schedule VI to the Companies Act 1956 are not applicable to the company.

6. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. (CIN) : U07010TZ2001PLC009699
 State Code : 181
 Balance Sheet Date : 31.03.2009

II. Capital raised during the year (Amount in Rupees)

Public Issue : Nil
 Rights Issue : Nil
 Bonus Issue : Nil
 Private placement : Nil

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

Total Liabilities : 5,46,16,000
 Total Assets : 5,46,16,000

Sources of Funds

Paid up Capital : 5,00,000
 Secured Loans : 5,41,16,000
 Unsecured Loans : —

Application of Funds

Net Fixed Assets : 11,66,47,631
 Investments : —
 Net Current Assets : (8,20,42,555)
 Misc. Expenditure : —
 Profit and Loss Account balance : 2,00,10,924

IV. Performance of the Company (Amount in Rupees)

Turnover : 76,00,394
 Total Expenditure : 1,20,56,949
 Profit / (Loss) before Tax : (44,56,555)
 Profit / (Loss) after Tax : (44,56,555)
 Earnings per share (Rs.) : (89.13)
 Dividend Rate (%) : —

V. Generic Names of Three Principal products/Services of the Company (as per monetary terms)

Item Code (ITC Code) : Not Applicable
 Product Description : Property Development Activities

7. Previous year's figures have been regrouped / rearranged wherever necessary to conform to current year's presentation.

Subject to our Report of even date
 For P.N. Raghavendra Rao & Co
 Chartered Accountants

For and on behalf of the Board

P.R. Vittel
 Partner
 Membership No.18111
 Coimbatore
 30th June 2009

M.MANICKAM
 Director

S. CHANDRASEKHAR
 Director

SAKTHI FINANCE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS OF SAKTHI FINANCE LIMITED AND ITS SUBSIDIARY

Auditors' Report on Consolidated Financial Statements

To the Board of Directors of Sakthi Finance Limited

1. We have audited the attached Consolidated Balance Sheet of Sakthi Finance Limited and its subsidiary company as at 31.3.2009, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance 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.
3. We report that the Consolidated Financial Statements have been prepared by the company in accordance with the requirements of the Accounting Standard (AS-21) "Consolidated Financial Statements" notified by the Companies (Accounting Standards) Rules, 2006 and on the basis of the individual audited financial statements of the company and its subsidiary company included in the Consolidated Financial Statements.
4. On the basis of the information and explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Sakthi Finance Limited and its subsidiary as at 31st March 2009;
 - b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of Sakthi Finance Limited and its subsidiary for the year ended on that date; and
 - c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flow of Sakthi Finance Limited and its subsidiary for the year ended on that date.

For P.N.Raghavendra Rao & Co
Chartered Accountants

P.R. Vittel

Partner

Membership No.18111

Coimbatore
30th June 2009

ANNUAL REPORT 2009

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009

(Rupees)

	Schedule	As at 31.3.2009	As at 31.3.2008
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	30,10,69,810	30,10,69,810
Share application money pending allotment		5,53,63,340	1,38,91,125
Reserves and Surplus	2	27,48,34,961	22,71,54,511
Loan Funds			
Secured Loans	3	2,99,27,31,226	1,80,78,24,386
Unsecured Loans	4	36,91,89,676	64,36,15,902
Total funds employed		3,99,31,89,013	2,99,35,55,734
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	52,49,82,582	43,00,68,810
Less: Accumulated depreciation		14,21,03,208	12,78,57,186
Net Block		38,28,79,374	30,22,11,624
Investments			
	6	12,75,87,710	13,88,14,710
Current Assets, Loans and Advances			
Stock-on-Hire	7	3,67,19,73,045	2,60,22,87,400
Cash and Bank Balances	8	17,40,59,779	15,56,64,950
Other Current Assets	9	22,28,813	28,58,363
Loans and Advances	10	30,83,32,739	30,51,74,136
SUB TOTAL - (i)		4,15,65,94,376	3,06,59,84,849
Less: Current Liabilities and Provisions			
Current Liabilities	11	64,97,17,528	49,91,05,942
Provisions	12	2,41,54,919	1,43,49,507
SUB TOTAL - (ii)		67,38,72,447	51,34,55,449
NET CURRENT ASSETS (i) - (ii)		3,48,27,21,929	2,55,25,29,400
Total assets (Net)		3,99,31,89,013	2,99,35,55,734
Notes on accounts	19		

The Schedules referred to above form an integral part of the Consolidated Balance Sheet

Subject to our Report of even date
For P.N. Raghavendra Rao & Co
Chartered Accountants

P.R. Vittel
Partner
Membership No.18111
Coimbatore
30th June 2009

For and on behalf of the Board

M. MANICKAM
Chairman

S. VENKATESH
Company Secretary

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

SAKTHI FINANCE LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

(Rupees)

	Schedule	2008-09	2007-08
INCOME			
Income from operations	13	55,67,13,556	39,95,60,849
Other Income and Receipts	14	2,77,87,719	3,64,25,076
TOTAL - A		58,45,01,275	43,59,85,925
EXPENDITURE			
Interest and financial charges	15	35,01,84,749	23,13,13,562
Staff Salaries and Other benefits	16	5,54,07,184	5,52,72,915
Operating and Administrative expenses	17	7,52,36,930	6,79,01,392
Provisions and write off (net)	18	1,22,19,257	89,03,725
Depreciation		1,52,96,140	1,03,04,195
TOTAL - B		50,83,44,260	37,36,95,789
PROFIT BEFORE TAX (A-B)		7,61,57,015	6,22,90,136
Less : Provision for Taxation			
- Current Tax		1,21,43,299	92,22,140
- Deferred tax		1,46,13,310	2,31,79,964
- Fringe Benefit Tax		9,54,946	7,79,442
Net provision for Taxation (earlier years)		7,65,010	(3,21,731)
PROFIT AFTER TAX		4,76,80,450	2,94,30,321
Surplus brought forward from previous year		5,03,77,289	3,06,32,917
Amount available for appropriation		9,80,57,739	6,00,63,238
Less : Provision for Employee benefits (earlier years)		-	31,72,000
Transfer to Statutory Reserve		1,04,27,401	65,13,950
Balance carried to Balance Sheet		8,76,30,338	5,03,77,289
Earnings per Share : Basic (Rs.)		1.58	0.98
Diluted (Rs.)		1.34	0.93

Notes on accounts

19

The Schedules referred to above form an integral part of the Consolidated Profit and Loss account

Subject to our Report of even date

For and on behalf of the Board

For P.N. Raghavendra Rao & Co

Chartered Accountants

M. MANICKAM

P.R. Vittel

Chairman

Partner

Membership No. 18111

Coimbatore

30th June 2009

S. VENKATESH

Company Secretary

M. BALASUBRAMANIAM

Vice Chairman and Managing Director

ANNUAL REPORT 2009

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

(Rupees)

	2008 - 09	2007 - 08
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	7,61,57,015	6,22,90,136
Add : Financial charges	<u>35,01,84,749</u>	<u>23,13,13,562</u>
Adjustments for:		
Depreciation	1,52,96,140	1,03,04,195
(Decrease) in value of investments	-	(35,900)
Increase in provision against Non performing assets	44,50,296	1,02,657
Loss / (Profit) on sale of assets	(77,453)	(85,59,515)
Loss on sale of long term investments	5,70,000	33,32,960
Interest received	(2,90,65,934)	(2,07,54,270)
Dividend received	<u>(2,20,000)</u>	<u>(9,20,250)</u>
Operating profit before working capital changes	41,72,94,813	27,70,73,575
Adjustments for:		
(Increase) in net stock on hire	(1,06,96,85,644)	(56,04,79,224)
(Increase) / Decrease in bank deposits	(57,40,142)	40,75,658
(Increase) / Decrease in loans and advances	94,67,879	(2,32,43,652)
(Increase) / Decrease in other receivables	(17,26,065)	(6,21,00,126)
Increase in current liabilities	<u>7,96,01,398</u>	<u>8,68,78,336</u>
Cash used in operations	(57,07,87,760)	(55,48,69,008)
Financial charges	(32,24,97,553)	(21,19,90,746)
Direct taxes paid	<u>1,05,85,559</u>	<u>1,05,93,414</u>
Net cash used in Operating Activities (A)	(88,26,99,755)	(47,91,92,766)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(9,60,13,236)	(12,84,58,655)
Sale of fixed Assets	1,26,800	5,24,74,129
Purchase of investments	-	(3,33,23,000)
Sale of long term investments	1,06,57,000	4,38,28,275
Interest received	2,96,66,903	2,19,93,784
Dividend received	2,20,000	9,20,250
Net cash used in Investing Activities (B)	(5,53,42,533)	(4,25,65,217)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds /Refund of share application money	4,14,72,215	(3,66,946)
Right issue Expenses	-	(30,93,112)
Increase in bank borrowings/other term loans	23,96,57,001	14,15,79,092
Increase in Secured Non convertible debentures	94,52,49,839	59,97,08,530
Increase / (Decrease) in Fixed deposits	<u>(27,44,26,226)</u>	<u>(17,49,95,563)</u>
Net cash from Financing Activities (C)	95,19,52,829	56,28,32,001
Net increase in cash and cash equivalents (A+B+C)	1,39,10,541	4,10,74,018
Cash and cash equivalents at the beginning of the year	13,83,19,937	9,72,45,919
Cash and cash equivalents at the end of the year	<u>15,22,30,478</u>	<u>13,83,19,937</u>
Components of cash and cash equivalents at the end of the year		
Cash on hand	3,89,19,292	2,08,83,741
Current accounts with banks	<u>11,33,11,186</u>	<u>11,74,36,196</u>

Subject to our Report of even date

For P.N. Raghavendra Rao & Co

Chartered Accountants

P.R. Vittel

Partner

Membership No.18111

Coimbatore, 30th June 2009

For and on behalf of the Board

M. MANICKAM

Chairman

S. VENKATESH

Company Secretary

M. BALASUBRAMANIAM

Vice Chairman and Managing Director

SAKTHI FINANCE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rupees)

	As at 31.03.09	As at 31.03.08
1. SHARE CAPITAL		
Authorised (Holding Company)		
4,00,00,000 Equity Shares of Rs.10 each	40,00,00,000	40,00,00,000
5,00,000 Preference Shares of Rs 100 each	5,00,00,000	5,00,00,000
	45,00,00,000	45,00,00,000
Issued, Subscribed and Paid up		
3,01,06,981 Equity Shares of Rs.10 each fully paid up	30,10,69,810	30,10,69,810
2. RESERVES AND SURPLUS		
Capital Reserve	52,61,238	52,61,238
Securities Premium Account	13,35,66,908	13,35,66,908
Statutory Reserve: As per last Balance Sheet	3,79,49,076	3,79,49,076
Add: Transfer during the year	1,04,27,401	4,83,76,477
Balance in Profit and Loss account	8,76,30,338	5,03,77,289
	27,48,34,961	22,71,54,511
3. SECURED LOANS		
Redeemable Non-Convertible Debentures	2,34,40,89,754	1,39,88,39,915
Term Loans from: Financial Institutions	10,96,68,000	7,06,68,000
Corporates	13,36,30,537	15,00,00,000
Cash Credit and Demand Loans from Banks	40,12,34,958	17,46,79,372
Loan against pledge of Securities	-	1,25,00,000
Interest accrued and due on Bank Cash Credit	41,07,977	11,37,099
	2,99,27,31,226	1,80,78,24,386
4. UNSECURED LOANS		
Fixed Deposits	36,91,89,676	64,36,15,902
5. FIXED ASSETS		

Description	Gross Block				Depreciation				Net Block	
	As at 31.3.2008	Additions	Deductions/ Adjustments	As at 31.3.2009	Upto 31.3.2008	For the Year	Withdrawn/ Adjustments	Upto 31.3.2009	As at 31.3.2009	As at 31.3.2008
Assets on own use:										
Land	1,31,40,430	3,27,42,378	-	4,58,82,808	-	-	-	-	4,58,82,808	1,31,40,430
Building - Freehold	1,15,39,62,239	-	41,286	15,39,20,953	1,55,12,224	24,96,960	12,786	1,79,96,398	13,59,24,555	13,84,50,015
Building - Leasehold	1,99,93,001	-	-	1,99,93,001	71,60,504	3,12,634	-	74,73,138	1,25,19,863	1,28,32,497
Plant and Machinery	58,83,079	1,26,962	27,340	59,82,701	41,49,332	2,46,581	6,493	43,89,420	15,93,281	17,33,747
Plant - Wind Mill - Unit - I	9,85,06,435	-	-	9,85,06,435	6,57,46,626	52,04,985	-	7,09,51,611	2,75,54,824	3,27,59,809
Plant - Wind Mill - Unit - II	9,04,99,522	6,17,40,000	-	15,22,39,522	26,660	47,78,375	-	48,05,035	14,74,34,487	9,04,72,862
Furniture, Fittings & Office Equipments	4,09,64,664	11,15,882	1,600	4,20,78,946	3,10,92,766	18,51,350	1,600	3,29,42,516	91,36,430	98,71,898
Vehicles	71,19,440	2,88,015	10,29,239	63,78,216	41,69,074	4,05,255	10,29,239	35,45,090	28,33,126	29,50,366
Total	43,00,68,810	9,60,13,237	10,99,465	52,49,82,582	12,78,57,186	1,52,96,140	10,50,118	14,21,03,208	38,28,79,374	30,22,11,624
Previous year's total	34,61,02,974	12,84,58,655	4,44,92,819	43,00,68,810	11,81,31,196	1,03,04,195	5,78,206	12,78,57,186	30,22,11,624	22,79,71,778

Note: Assets on own use includes Rs.8,44,000 being the cost of ownership flats in a Co-operative Society in respect of which shares have been allotted under their bye laws in the company's name.

ANNUAL REPORT 2009

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rupees)

	As at 31.3.2009	As at 31.3.2008
6. INVESTMENTS		
Government Stock - Quoted	10,00,65,870	11,12,92,870
Equity shares fully paid-up - Quoted	2,41,60,240	2,41,60,240
Government Securities - Unquoted	6,600	6,600
Equity shares fully paid-up - Unquoted	33,55,000	33,55,000
	12,75,87,710	13,88,14,710
7. STOCK ON HIRE		
Net Investment in Stock on Hire	3,66,76,09,810	2,60,06,13,980
Stock on Hire of Assets Repossessed	43,63,235	16,73,420
	3,67,19,73,045	2,60,22,87,400
8. CASH AND BANK BALANCES		
Cash on hand	3,89,19,292	2,08,83,741
Balance with Scheduled Banks in:		
- Current Accounts	11,33,11,186	11,74,36,196
- Deposit Accounts	2,15,04,823	1,57,64,682
- Unpaid Dividend Account	3,24,478	15,80,331
	17,40,59,779	15,56,64,950
9. OTHER CURRENT ASSETS		
Stock of Stationery, Stamps, etc (at cost)	89,538	1,18,119
Interest accrued on Govt. Securities and Bank deposits	21,39,275	27,40,244
	22,28,813	28,58,363
10. LOANS AND ADVANCES		
Loans and Advances in the nature of loans	10,07,32,337	10,92,15,579
Other advances and Deposits recoverable in cash or in kind or for value to be received	17,26,35,767	16,22,59,926
Deferred Tax assets	1,67,60,496	1,60,53,506
Advance payment of Income Tax, Wealth tax, Fringe benefit tax and Interest tax	1,82,04,139	1,76,45,125
	30,83,32,739	30,51,74,136
11. CURRENT LIABILITIES		
Sundry Creditors:		
- For Expenses	96,21,961	1,01,65,888
- For Others	44,14,44,225	32,90,69,477
Unpaid dividend	3,24,478	15,80,331
Interest accrued but not due	14,86,33,232	12,39,16,914
Deferred Tax Liability	4,96,93,632	3,43,73,332
	64,97,17,528	49,91,05,942
12. PROVISIONS		
For Non performing assets	1,51,03,484	1,06,53,188
For Investments	4,100	4,100
For Income Tax and Fringe Benefit Tax (net)	51,47,335	12,85,968
For Employee benefits (earlier years (net))	39,00,000	24,06,251
	2,41,54,919	1,43,49,507

SAKTHI FINANCE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rupees)

	2008-09	2007-08
13. INCOME FROM OPERATIONS		
Income from Hire purchase operations	51,34,39,898	32,87,92,592
Interest on loans and Other receipts	2,16,55,088	1,10,92,813
Dividend from long term Investments	2,20,000	9,20,250
Interest from long term Investments	74,10,846	96,61,458
Income from sell-down receivables	42,54,117	3,85,85,068
Bad debts recovery	97,33,607	1,05,08,668
	<u>55,67,13,556</u>	<u>39,95,60,849</u>
14. OTHER INCOME AND RECEIPTS		
Profit on Sale of Assets	94,700	91,22,903
Sale of Electricity	1,67,85,806	81,11,672
Miscellaneous Income	1,09,07,213	1,91,90,501
	<u>2,77,87,719</u>	<u>3,64,25,076</u>
15. INTEREST AND FINANCIAL CHARGES		
Interest on:		
- Non-Convertible Debentures	20,75,69,739	12,19,34,848
- Term Loans from Financial Institutions/Corporates	3,19,46,170	23,52,182
- Loans from Banks	4,78,19,531	3,57,56,051
- Public Deposits	5,79,20,956	6,82,20,446
Bank Charges	43,82,564	29,10,260
Other Financial Charges	5,45,789	1,39,775
	<u>35,01,84,749</u>	<u>23,13,13,562</u>
16. STAFF SALARIES AND OTHER BENEFITS		
Salary, Bonus and Gratuity	4,38,11,522	4,60,67,343
Contribution to Provident and other Funds	26,30,525	25,37,898
Employees Welfare Expenses	89,65,137	66,67,674
	<u>5,54,07,184</u>	<u>5,52,72,915</u>
17. OPERATING AND ADMINISTRATIVE EXPENSES		
Rent	46,56,972	39,35,168
Rates, Taxes and Licences	33,82,818	36,42,980
Communication	34,65,167	33,58,562
Insurance	5,79,924	7,77,449
Travelling and Conveyance	1,14,03,388	1,07,72,588
Printing and Stationery	28,99,430	25,74,027
Power and Fuel	19,88,336	17,27,083
Advertisements	15,75,119	27,41,772
Resources Mobilisation Expenses	2,34,88,222	1,88,80,649
Legal and Professional Charges	46,20,206	41,20,803
Repairs and Maintenance on:		
- Buildings	26,47,958	24,48,354
- Machinery	35,42,436	27,42,352
- Other Assets	58,37,354	52,25,638
Filing Fees	2,48,670	2,90,043
Directors' Sitting Fees	60,000	96,000
Managing Director's Remuneration	18,61,946	17,76,690
Miscellaneous Expenses	29,78,984	27,91,234
	<u>7,52,36,930</u>	<u>6,79,01,392</u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rupees)

	2008-09	2007-08
18. PROVISIONS AND WRITE-OFF (NET)		
Provision for non-performing assets	70,82,607	60,10,618
Bad debts written off	77,62,098	57,67,961
Loss on Sale of Assets	17,247	5,63,388
Loss on sale of long term Investments	5,70,000	33,32,960
Less: Withdrawn:		
Provision for investments	-	35,900
Provision for non performing assets no longer required	32,12,695	67,35,302
	<u>1,22,19,257</u>	<u>89,03,725</u>

SCHEDULES ANNEXED TO FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009**SCHEDULE - 19 : NOTES ON CONSOLIDATED ACCOUNTS****1.0 SIGNIFICANT ACCOUNTING POLICIES****1.1 BASIS OF PREPARATION**

The Accounting Policies of the Company used in the preparation of the Consolidated Financial Statements are in conformity with the generally accepted accounting principles in India and the Accounting Standard (AS-21) on Consolidated Financial Statements notified by the Central Government under the Companies (Accounting Standards) Rules 2006. The statements are also in conformity with the directions prescribed by the Reserve Bank of India for Non-Banking Financial Companies.

1.2 PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements include the Financial Statements of Sakthi Finance Limited and its Subsidiary, namely, Sakthi Properties (Coimbatore) Limited.

The Consolidated Financial Statements have been prepared on the following basis:

- i) The Financial Statements of the Parent Company and its Subsidiary Company have been consolidated on a line-by-line basis, by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating *intra-group* balances and *intra-group* transactions resulting in unrealised profit or losses.
- ii) The Consolidated Financial Statements are prepared by adopting Uniform Accounting Policies.
- iii) The financial statements of the following subsidiary have been incorporated for consolidation.

Name of the subsidiary	Country of incorporation	Proportion of ownership interest (%)
Sakthi Properties (Coimbatore) Limited	India	100

1.3 BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention on accrual basis of accounting and comply with the mandatory Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules 2006, the relevant provisions of the Companies Act 1956 and the guidelines issued by the Reserve Bank of India applicable to Non-Banking Financial Companies.

SAKTHI FINANCE LIMITED

NOTES ON CONSOLIDATED ACCOUNTS (CONTD)

1.4 FIXED ASSETS

Fixed assets are stated at historical cost less accumulated depreciation.

1.5 DEPRECIATION

- a) Depreciation on assets on own use is provided for, on straight line method by adopting the rates as prescribed under Schedule XIV to the Companies Act 1956.
- b) For assets under own use acquired during the current year costing Rs.5,000 each or below, the total cost of the asset has been depreciated.

1.6 REVENUE RECOGNITION

The prudential norms for Income Recognition and Provisioning for Non-performing assets as prescribed by the Reserve Bank of India for Non-Banking Financial Companies have been followed.

Accordingly, revenue recognition has been considered in the accounts on accrual basis only on those assets classified as standard assets as stated below:

1. a) Hire purchase finance charges are recognized as income under the internal rate of return method.
b) Interest on advances by way of loans are accounted for, to the extent accrued during the year.
2. Income from Investments by way of dividend is recognized when the right to receive payment is established.
3. Income by way of interest on Government securities is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.
4. In respect of sell-down receivables, the difference between the book value of the assets and the sale consideration, after netting of incidental expenses incurred is recognised as revenue.
5. Income from power generation is recognized as per the Power Purchase Agreements with State Electricity Board and on supply of power to the grid.
6. Rental income from properties is accounted on accrual basis.

1.7 INVESTMENTS

Long term investments are carried at cost. Provision for diminution in value is made to recognize a decline, if any, other than temporary, in the value of investments.

1.8 RETIREMENT BENEFITS

I. Defined Contribution Plans

Provident Fund (PF)

Contributions are made periodically to the PF Commissioner, under the Employees Provident Fund Scheme, in accordance with the provisions of PF and Miscellaneous Provisions Act. The Company does not have any obligation other than the stipulated periodical contribution to the Provident Fund. The obligations to make a fixed and determinable amount of contributions are recognised as an expense in the year incurred.

II. Defined Benefit Plans

Gratuity and Sick Leave

The Company makes annual contributions to a Fund administered by Trustees and managed by Life Insurance Corporation of India (LIC). The Company accounts its liability for gratuity and sick leave benefits based on actuarial valuation as at the Balance Sheet date, determined every year by LIC using the Projected Unit Credit method. The Company, in addition, also ascertains the appropriateness of the obligations under gratuity and sick leave by taking an actuarial valuation.

NOTES ON CONSOLIDATED ACCOUNTS (CONTD)**III. Other Benefits**

Other benefits made available to employees include contributions made by the Company under (a) ESI Scheme, (b) Employees Deposit Linked Insurance, (c) Group Personal Accident Insurance and (d) Group Mediclaim benefits. Obligations under these benefits which are in the nature of staff welfare are recognized as expense in the year in which they arise.

1.9 TAXES ON INCOME

Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with the provisions of the Income Tax Act 1961.

Deferred tax is recognized, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of being reversed in one or more subsequent periods.

Deferred tax assets in respect of carry forward losses are recognized if there is a virtual certainty that there will be sufficient future taxable income available to realize such losses. Other deferred tax assets are recognized if there is reasonable certainty that there will be future taxable income available to realize such assets.

1.10 STOCK ON HIRE

Stock on hire under Hire purchase agreements are stated at agreement value less instalments received.

1.11 PROVISION AS PER RBI NORMS

Provision for non-performing assets, doubtful debts, loans and advances have been made as per the Non-Banking Financial Companies Prudential Norms (Reserve Bank of India) Directions 2007.

2.0 BALANCE SHEET**2.1 RESERVES AND SURPLUS**

A Statutory Reserve as per the requirements of Section 45IC of the Reserve Bank of India Act 1934 has been created at 20% of the profits after tax available for appropriation of the holding Company.

3.0 CONTINGENT LIABILITIES

(Rupees)

Particulars	2008-09	2007-08
1) Collaterals given to a bank/financial institution	95,71,056	2,06,13,783
2) Income Tax and Interest Tax issues pending before appellate authorities	31,11,447	35,49,221

4.0 RELATED PARTY DISCLOSURES FOR THE YEAR ENDED 31ST MARCH 2009**Relationships**

A	Enterprises in which the key Management personnel and their relatives have significant influence	ABT Ltd ABT Industries Ltd Sakthi Beverages Ltd. Sakthi Financial Services Ltd. Sakthi Logistic Services Ltd. Sakthi Sugars Ltd. Sri Bhagavathi Textiles Ltd.
---	--	---

SAKTHI FINANCE LIMITED

NOTES ON CONSOLIDATED ACCOUNTS (CONTD)

		Sri Chamundeswari Sugars Ltd. Sri Sakthi Textiles Ltd. The Gounder and Company Auto Ltd. N Mahalingam & Co ARC Retreading Co. Pvt. Ltd. Nachimuthu Industrial Association
B	Key Management Personnel	Sri M Balasubramaniam Vice Chairman and Managing Director
C	Relatives of Key Management Personnel	Dr N Mahalingam, Father Sri M Manickam, Brother Sri M Srinivaasan, Brother Smt Vinodhini Balasubramaniam, Wife

Transactions with Related Parties made during the year (Rupees)

Sl No	Nature of Transactions	Subsidiary	Related parties where control exists	Key Management Personnel	Relatives of Key Management Personnel	Total 2008-09	Previous Year 2007-08
1	Income						
	Rent received:						
	Sakthifinance Financial Services Ltd.		2,10,000			2,10,000	2,10,000
	ABT Industries Ltd.		12,14,860			12,14,860	12,27,860
2	Expenses						
	Purchase of fuel:						
	N.Mahalingam & Co		15,64,155			15,64,155	15,26,260
	Repairing of vehicles:						
	ABT Maruti Ltd.		16,699			16,699	78,352
	Rent paid:						
	M.Balasubramaniam		2,40,000			2,40,000	2,40,000
	M. Srinivaasan		48,000			48,000	48,000
	Rendering of services:						
	Sakthi Properties (Cbe) Ltd.	1,92,000				1,92,000	1,92,000
	Resource Mobilisation Charges:						
	Sakthifinance Financial Services Ltd.		2,10,57,870			2,10,57,870	1,37,42,509
	Printing charges:						
	Rukmani Offset Press		6,89,222			6,89,222	11,39,850
	Finance Charges & Interest:						
	Sri Bhagavathi Textiles Ltd.		5,07,055			5,07,055	31,31,604
	ABT Limited		19,04,665			19,04,665	24,95,961
	Sri Sakthi Textiles Ltd.		7,99,957			7,99,957	23,33,745
	Sakthifinance Financial Services Ltd.		6,802			6,802	1,45,460

NOTES ON CONSOLIDATED ACCOUNTS (CONTD)

Sl No	Nature of Transactions	Subsidiary	Related parties where controls exist	Key Management Personnel	Relatives of Key Management Personnel	Total 2008-09	Previous Year 2007-08
	Remuneration: M.Balasubramaniam			9,92,192		9,92,192	10,92,192
	Commission: M.Balasubramaniam			8,69,754		8,69,754	6,84,498
	Sitting Fees: Dr.N.Mahalingam					-	10,000
	M.Manickam				8,000	8,000	14,000
	M.Srinivaasan				8,000	8,000	12,000

5.0 EARNINGS PER SHARE

(Rupees)

Particulars		2008-09	2007-08
Profit after tax (A)		4,76,81,574	2,94,30,321
Weighted average number of equity shares (B)		3,01,06,981	2,17,71,351
The nominal value per equity share (Rs)		10	10
Earnings per share : Basic (Rs) (A/B)		1.58	0.98
Diluted (Rs)		1.34	0.93

6.0 Previous year's figures have been regrouped / rearranged wherever necessary to conform to current year's presentation.

Subject to our report of even date

For P.N. Raghavendra Rao & Co

Chartered Accountants

P.R. Vittel

Partner

Membership No.18111

Coimbatore

30th June 2009

Signatories to Schedules 1 to 19

For and on behalf of the Board

M. MANICKAM

Chairman

S. VENKATESH

Company Secretary

M. BALASUBRAMANIAM

Vice Chairman and Managing Director

SAKTHI FINANCE LIMITED

SAKTHI FINANCE BRANCH NETWORK

BRANCH OFFICES		ADDRESS	FAX		PHONES	
TAMILNADU						
Coimbatore	641 018	62, Dr Nanjappa Road	0422	2231915	0422	2231471-4 4236200
Chennai	600 004	Raja Rajeshwari Towers 29/30, Dr Radhakrishnan Salai, Mylapore	044	28114308	044	28114286
Erode	638 003	Sakthi Sugars Building, 122, Veerabhadra Road			95424	2222209
Madurai	625 020	757, West Main Road, Anna Nagar			95452	2535585
Pollachi	642 002	102, Coimbatore Main Road			954529	225007
Sakthi Nagar	638 315	Sakthi Nagar, Bhavani Taluk			04256	246238
Salem	636 007	116, K R Square, Omalur Main Road			95427	2318840
Tirunelveli	627 002	10A/1, Trivandrum Road			0462	2502989
Trichy	620 018	No.16, First Cross, Thillai Nagar			95431	2765969
Vellore	632 004	62, Bangalore Road			95416	2224653
KERALA						
Ernakulam	682 016	101-B, Land Mark Enclave, 39/3633, Sahodaran Ayyappan Road			0484	2357359
Kannur	670 002	5/1102/E, N.S.Associates, South Bazaar			0497	2703223
Kottayam	686 001	Aryattuparambil Buildings, Sastri Road			0481	2564167
Kozhikode	673 004	5/2248-D, Indira Gandhi Road	0495	2720414	0495	2723699
Manjeri	676 121	Kurikkal Plaza, Opp. Court Complex, Kacheripadi			0483	2767468
Thrissur	680 001	Damodaran & Sons Complex, Round West			0487	2335023
Tiruvananthapuram	695 001	T C No.25/2738, Lukas Lane, "Puthenchantai"			0471	2475806
KARNATAKA						
Bengaluru	560 001	204, 2nd Floor, 92, Kedia Arcade, Infantry Road			080	25583365
MAHARASHTRA						
Mumbai	400 021	1012, Dalamal Towers, 211, Nariman Point			022	22830942
ANDHRA PRADESH						
Vijayawada	520 008	59-14-5, V Floor, BSR Plaza, NH-5 Opp. Stella College			0866	2476333
Visakhapatnam	530 016	I Floor, D No.47-10-3/9, Medicherla Towers Near Diamond Park, Dwaraka Nagar	0891	2550060	0891	2550060
PUDUCHERRY						
	603 001	94, Kamaraj Salai			0413	2213786
HARYANA						
	122 016	A-16, Palam Udyog, Maruthi Industrial Area Plot No. 3, Gurgaon Road			0124	2342371



SAKTHI FINANCE LIMITED

Regd. Office : 62, Dr. Nanjappa Road
Coimbatore - 641 018

ATTENDANCE SLIP

I hereby record my presence at the 52nd Annual General Meeting of the Company held at Suguna Auditorium, Avanashi Road, Peelamedu, Coimbatore - 641 004 on Friday, 11th September 2009 at 4.30 p.m.

Folio No. / DP ID. No. / Client ID No. :

Name and Address :

Signature of Member / Proxy

NOTE:

1. Admission restricted to Members / Proxies only.
2. A member / proxy attending the meeting must complete this attendance slip and hand it over at the entrance.

CUT HERE

CUT HERE



SAKTHI FINANCE LIMITED

Regd. Office : 62, Dr. Nanjappa Road
Coimbatore - 641 018

PROXY FORM

I / We of
 in the district of being a
 member / members of the above - named Company, hereby appoint
 of
 in the district of or failing him
 of
 in the district of as my / our proxy to attend and vote
 for me / us and on my / our behalf at the FIFTY SECOND ANNUAL GENERAL MEETING of
 the Company to be held on Friday, 11th September 2009 at 4.30 p.m. and at any
 adjournment thereof.

Signed this day of 2009

Folio No. / DP ID. No. / Client ID No. :

No. of Shares:

Affix 15 Paise Revenue Stamp

SIGNATURE

NOTE : The proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.

BOOK POST

Printed matter

To

If undelivered, please return to:

SKDC Consultants Ltd

(Unit : Sakthi Finance Limited)

No.11, Street No.1, S N Layout

(West Power House Road)

Coimbatore - 641 012