

23<sup>rd</sup> Annual Report 2008-09

Leading the way through  
Quality & Service

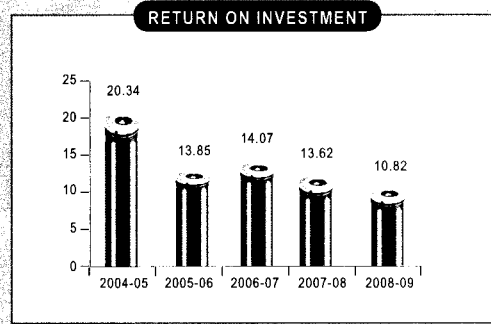
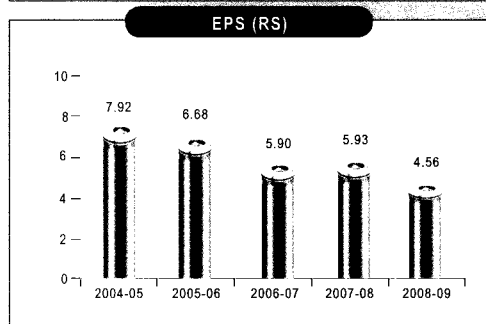
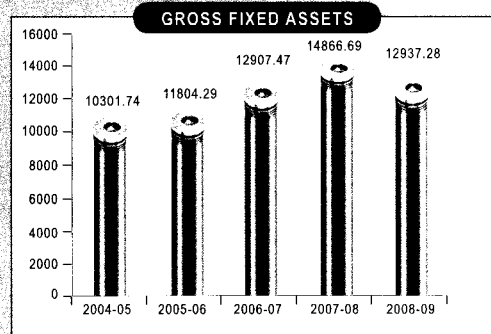
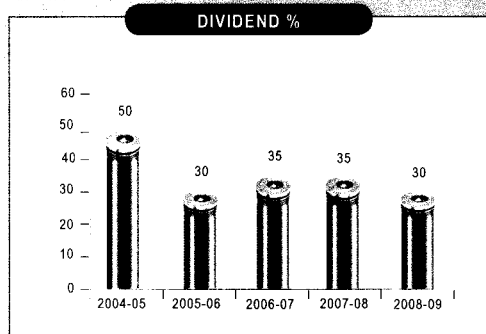
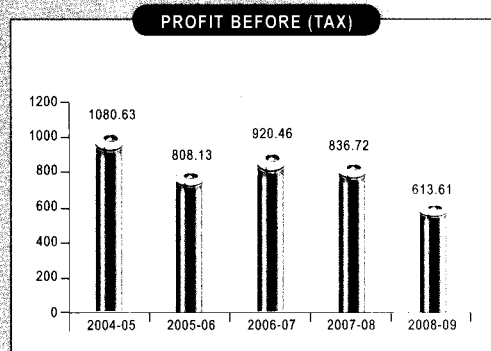
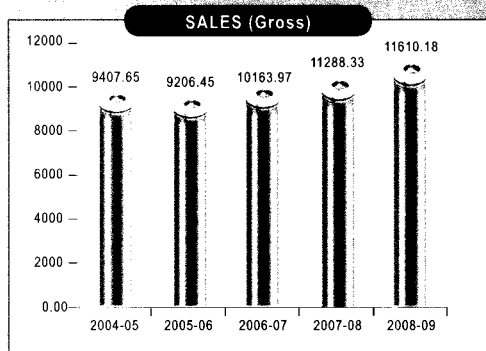


**Sam**  
PISTON & RINGS

**SAMKRG PISTONS AND RINGS LIMITED**

( AN ISO/TS 16949 : 2002 Company )

## PERFORMANCE HIGHLIGHTS



## SAMKRG PISTONS AND RINGS LIMITED

Particulars	Rs. in lacs									
	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
<b>Sales (Gross)</b>	11610.18	11288.33	10163.97	9206.45	9407.65	7946.78	7002.29	6409.05	5440.09	5889.02
Sales (Net)	9912.92	9388.90	8332.06	7756.73	7993.24	6718.38	5783.40	5289.17	4476.84	4859.41
<b>PBDIT</b>	1729.55	2088.40	2221.7	1941.77	2188.07	1961.32	1715.05	1607.60	1431.57	1765.14
Profit before tax	613.61	836.72	920.46	808.13	1080.63	939.23	692.22	535.47	413.81	734.88
Profit after tax	448.28	581.97	579.54	656.12	777.96	693.52	500.80	497.57	410.97	664.35
Profit after tax (%)	4.52	6.19	6.96	8.46	9.73	10.32	8.66	9.41	9.18	13.67
Dividend paid	294.62	343.72	343.72	294.62	491.03	441.92	294.62	147.31	147.31	294.62
Dividend %	30	35	35	30	50	45	30	15	15	30
Share Capital	982.05	982.05	982.05	982.05	982.05	982.05	982.05	982.05	982.05	982.05
Reserves & Surplus	3620.83	2636.16	2449.77	2379.92	2153.31	2487.75	2281.45	2283.35	2154.27	1905.63
Net worth	4602.88	3618.21	3431.82	3361.97	3135.36	3469.80	3263.50	3265.40	3136.32	2887.68
Gross Fixed Assets	12937.28	14866.69	12907.47	11804.29	10301.74	9857.54	8883.68	8288.95	7769.97	6763.88
EPS (Rs)	4.56	5.93	5.90	6.68	7.92	7.06	5.10	5.07	4.18	6.76
Book value/Share (Rs)	46.87	36.84	34.95	34.23	31.92	35.33	33.22	33.25	31.93	29.41
Debt Equity	0.08	0.14	ZERO DEBT	ZERO DEBT	ZERO DEBT	ZERO DEBT	0.52	0.58	0.77	0.75

**BOARD OF DIRECTORS**

Shri S D M Rao	Chairman & Managing Director
Shri S Karunakar	Whole Time Director
Shri S Kishore	Whole Time Director
Shri M N Thakkar	Director
Shri S Madhava Rao	Director
Shri V Chakrapani	Director
Dr. V Venkat Reddy	Director

**Auditors** M/s. Ravi & Keshav  
Chartered Accountants,  
Hyderabad

**Bankers** State Bank of India

**Registered Office** 1-201, Divyashakti Complex  
7-1-58, Ameerpeta,  
Hyderabad - 500 016.  
Tel.: 040 - 23730596.  
Fax : 040 - 23730216

**Factories**

**PLANT - I**  
(PISTONS &  
PINS) Sy.No.537, Temple Road  
Bonthapally,  
Narasapur Taluk  
Medak District. A.P

**PLANT - II**  
(PISTON  
RINGS) Sy.No.33, Varisam,  
Pydibhimavaram,  
Ranastalam Mandal  
Srikakulam District. A.P

**PLANT - III**  
(PISTONS &  
PINS) Sy.No.232  
Arinama Akkivalasa,  
Allinagaram, Etcherla Mandal  
Srikakulam District

**Share Transfer Agent**  
In Physical form &  
In Electronic Mode M/s. XL Softech Systems Ltd  
3, Sagar Society, Road No.2  
Banjara Hills,  
Hyderabad - 500034.  
Ph: 040-23553214

## NOTICE

NOTICE is hereby given that the 23rd Annual General Meeting of the Members of the SAMKRG PISTONS AND RINGS LIMITED will be held on Friday the 28th August, 2009 at 10.30 A.M at HOTELATHITHI INN, DHARAM KARAM ROAD, AMEERPET, Hyderabad to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the company as at 31st March 2009 and Profit and Loss Account for the year ended on that date together with the reports of the Directors' and Auditors' thereon.
2. To declare a Dividend on Equity shares for the year ended 31st March, 2009.
3. To appoint a Director in place of Shri V. chakrapani who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri M.N. Thakkar who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

### SPECIAL BUSINESS:

6. **REAPPOINTMENT OF SRI S.D.M. RAO AS MANAGING DIRECTOR.**

The Term of office of Sri S.D.M. Rao will be completed by 31.08.2009. As he has attained the age of 75 years the appointment shall be made by the shareholders by special resolution.

To consider and, if thought fit, to pass the following resolution as a **SPECIAL RESOLUTION**:

"RESOLVED THAT pursuant to section 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto as amended up to date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such approvals as may be necessary, and subject to the approval of share holders in the ensuing annual general meeting as special resolution, the Board of Directors of the Company hereby approved the re-appointment of Shri S.D.M. Rao, Chairman & Managing Director of the Company for a further period of 5 years with effect from 01.09.2009 to 31.08.2014 on the following terms and conditions, as approved by the remuneration committee in its meeting held on 29.06.2009, and hereby approved with liberty to the Board of Directors to revise the remuneration from time to time within the limits provided for in the said Schedule XIII or any amendment thereof for the time being in force".

#### Salary

Rs.1,50,000/- per month (Including Dearness Allowances).

#### Perquisites

In addition to salary the following perquisites not exceeding the overall ceiling prescribed under Schedule XIII will be provided to the Managing Director.

#### a) Housing:

Rent free furnished accommodation along with benefits of gas, fuel, water, electricity, telephone and fax and also upkeep the maintenance of Company's furnished accommodation.

**b) Medical Reimbursement:**

Subject to a ceiling of one month's salary in a year or three months' salary over a period of three years. In addition to the above, medical reimbursement incurred for treatment abroad will be subject to a limit of US\$ 40,000 per year or US\$ 1,20,000 over period of three years.

**c) Leave Travel Allowance:**

Leave Travel Allowance will be paid by the Company for himself and his family once in a year subject to ceiling of one and half month salary in a year.

**d) Club Fees:**

Reimbursement of club fees, subject to maximum of two clubs.

**e) Personal Accident insurance:**

Personal accident insurance cover as applicable will be provided to him by the Company. Premium payable shall not exceed Rs.10, 000/- per annum.

**Apart from the above the Managing Director shall also be entitled to the following:**

**a) Provident Fund/ Superannuation Fund:**

12% of the Salary as per rules of the Company or such percentage as may be specified from time to time.

Company's contribution towards Superannuation or Annuity Fund together with provident fund shall not exceed 27% of the salary as prescribed by the Income Tax Rules 1962 or any statutory modification thereof.

The contribution to provident fund, superannuation fund or annuity fund will not

be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961

**b) Gratuity:**

Gratuity, at a rate not exceeding half month salary for each completed year of Service.

**c) Company Car:**

One car with the services of driver, to be maintained by the Company for official use.

**d) Reimbursement of entertainment, travelling and all other expenses incurred for the business of the Company.**

**e) Leave as per Rules of the Company.**

**f) COMMISSION**

Not more than 3 % on the net profit of the Company calculated as per sections 349 and 350 of the Companies Act, 1956."

**Minimum Remuneration**

In the event of the loss or inadequacy profits in any financial year, the managing director shall be governed by the limits prescribed under section II of part II of schedule XIII of the companies act, 1956 including any statutory modification or re enactment there of, as may be, for the time being, be in force.

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
2. Proxies in order to be effective should be duly stamped, completed and signed and must be deposited at the registered office of the Company not later than 48 hours before the commencement of meeting.

3. Members/Proxies should bring their copy of Annual reports along with Attendance Slip duly filled in for attending the meeting.
4. The Register of the members and Share Transfer Books of the Company will remain closed from 22nd August 2009 to 28th August 2009 (Both days inclusive).
5. The dividend as recommended by the Board of Directors if approved at the 23rd Annual General Meeting shall be paid to the members, after 28th August, 09 whose names appear in the register of members as on 21st August, 2009,

In respect of shareholding in dematerialised form, dividend will be paid to the beneficial Owners as per list to be furnished by the Depositories directly through ECS wherever ECS facility is available subject to availability of bank account details. In case the said details have not been provide to the concerned Depository Participant or there is any change, the same may please be intimated to the concerned Depository Participant immediately.

In respect of shares held in physical form to those members whose names appear in the register of members up to end of business hours on 21st August, 2009.

6. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed / unpaid dividends up to the financial year ended 31st March, 2001 have been transferred to the General Revenue Account of the Central Government.

Consequent upon the introduction of Section 205(C) by the Companies (Amendment) Act, 1999, the amount of dividend remain unpaid or unclaimed for the period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company is required to be transferred to the

Investor Education and Protection Fund set up by the Government of India and no payment shall be made in respect of any such claims by the Fund.

Members, who have not yet encashed their dividend warrant(s) for the financial years from 2002 to 2007-2008, are requested to make their claims to the Company without any delay.

7. **In the terms of notification issued by SEBI, the Equity Shares of the Company are under compulsory Demat trading for all Investors from 24th July, 2000. Shareholders are advised to hold their shares in Demat mode and to send their Share Certificates along with Dematerialisation request to the RTA through their Depository Participants.**

8. The Members are requested to:
  - a) Intimate changes, if any, in their registered address at an early date.
  - b) The Members are requested to use ECS facility for receiving Dividend by filling and deposit the ECS form enclosed in this report.
  - c) Members who have multiple folios in identical names or joint names in the same order are requested to initiate to the Company those folios to enable the Company to Consolidate all such share holding in to a single folio.
9. The Annual Listing fee for the year 2009-2010 has been paid to Bombay Stock Exchange Limited.

BY ORDER OF THE BOARD  
For SAMKRG PISTONS AND RINGS LIMITED

Place : Hyderabad  
Date : 29.06.2009

S.D.M. RAO  
CHAIRMAN  
& MANAGING DIRECTOR

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

**ITEM NO.6**

The Term of office of Sri S.D.M. Rao will be completed by 31.08.2009, he has attained the age of 75 years the appointment shall be made by the shareholders by special resolution, in terms of schedule XIII of the Companies Act, 1956.

Shri S.D.M. Rao, Chairman & Managing Director, B.Sc., B.E. with over 41 years of Industrial experience in Automobile Sector.

Presently the remuneration is 2,50,000 per month + perks respectively as approved by the shareholders in the 18th Annual General Meeting held on 30th August, 2004.

Now his reappointment will take effect from 01.09.2009 for a period of 5 years.

In view of the growth in the activities of the Company, it is felt that remuneration of the Managing Director will be suitably commensurate with his responsibilities.

Shri S.D.M. Rao, Shri S. Karunakar (son), Shri S. Kishore (Son) and Shri S.Madhava Rao may be deemed and concerned or interested in this resolution. None of the other directors of the Company is, in any way concerned or interested in this resolution.

Your directors recommend the resolution for approval as Special Resolution

**BY ORDER OF THE BOARD  
For SAMKRG PISTONS AND RINGS LIMITED**

Place : Hyderabad  
Date : 29.06.2009

**S.D.M. RAO  
CHAIRMAN & MANAGING DIRECTOR**

## DIRECTOR'S REPORT

### DEAR SHAREHOLDERS

Your Directors are pleased to present 23rd Annual Report and the Audited Accounts of the Company for the year ended March 31, 2009.

#### Financial results

	Rs. In lacs.	
	2008-2009	2007-2008
Gross Sales	11610.18	11288.33
Net Sales	9912.92	9388.90
Total Expenditure	8387.48	7410.77
Other Income	204.11	110.27
<b>Operating Profit (PBDIT)</b>	<b>1729.55</b>	<b>2088.40</b>
Interest	338.26	262.09
Cash Profit	1391.29	1826.31
Depreciation	777.68	989.59
<b>Profit before Tax</b>	<b>613.61</b>	<b>836.72</b>
Provision for Taxation		
i) Current Year	135.33	212.00
ii) Fringe Benefit Tax	5.00	5.00
iii) Deferred Taxation	25.00	37.75
<b>Profit before extraordinary item</b>	<b>448.28</b>	<b>581.97</b>
<b>Extraordinary Item</b>		
<b>Net Profit after extraordinary Item</b>	<b>448.28</b>	<b>581.97</b>
Add: Refund of Income Tax	-	40.00
Add: Extraordinary Item - Excess Depreciation	923.01	-
Less: Taxation of Previous Years	(41.91)	(33.45)
Add: Balance brought forward from previous year	1500.96	1419.18
Amount Available for Appropriations	<u>2830.34</u>	<u>2007.70</u>
<b>APPROPRIATIONS</b>		
Proposed Dividend		
Rs. 3-00 per share i.e @ 30% (Previous Year 35%)	294.62	343.72
Tax on Proposed Distributed Profits	50.08	58.43
Transfer to General Reserve	76.70	104.59
Balance carried to Balance Sheet	<u>2408.94</u>	<u>1500.96</u>
	<u>2830.34</u>	<u>2007.70</u>

Note: Figures have been re-grouped wherever necessary to confirm to current period classification.

### RESERVES

12.5% of profits i.e Rs.76.70 Lacs transferred to General Reserve.

### DIVIDEND

Your Directors pleased to recommend a dividend of Rs. 3.00 per equity share i.e 30% for the Year Ended 31st March 2009.

### PERFORMANCE REVIEW (Operations)

Despite the drop in export sales in 3rd & 4th Quarters verses the previous year as well as drop in OEM sales due to unprecedented decline in Automotive market the Company has adopted aggressive marketing strategies in domestic and after market achieved the gross turnover of Rs.11610.18 lakhs during 2008-09 as against Rs.11288.33 lakhs in the previous year 2007-08 there by an increase of growth of Rs.321.85 lakhs but declined profits to Rs.613.61 lakhs as against Rs.836.72 lakhs due to increase of material cost, employee cost as well as manufacturing cost.

The company pushed up the R&D expenditure to 90.00 lakhs i.e., 0.78% of sales during the year to catch up with up- gradation of technology and to meet OEM's ever demanding quality and new developments requirement to improve life cycle of their product meeting Euro III norms.

The operation of the Company on the whole has been satisfactory.

Your company has posted Net turnover of Rs.9912.92 lacs as compared to Rs.9388.90 lacs for the previous year.

Earnings Before Depreciation, Interest and Tax (PBDIT) at Rs.1729.55 lakhs as against previous year of 2088.40 The Profit Before Tax was at Rs.613.61 lakhs as compared to Rs.836.72 lakhs in 2007-08.

### AWARDS & DISTINCTIONS

You directors are pleased to announce that, the company has been accredited with ISO 14001: 2004 for Environmental Management System and BSI - OHSAS 18001 : 2007 for Occupational Health and Safety Management System.

### OUTLOOK FOR THE FUTURE:

The Company continues its drive for sustainable growth. We are focused on the long term and expect that the



current down turn will result in Consolidation Opportunities. We are adopting to successfully compete in difficult market conditions.

The Future is fairly unpredictable. Market sentiments are unpleasant. The industry may take some time to bounce back for growth.

The Company will endeavor to revitalize in near future and are preparing the company for growth as consumers regain confidence and vehicle demand increases.

### Management Discussion and Analysis

A detailed discussion on the Industry Structure, development, opportunities, threats, review of operational performance and risk factors is provided, which forms part of this report.

### Corporate Governance

Pursuant to the provisions of the Clause 49 of the Listing Agreement a report on Corporate Governance and a certificate from the Statutory Auditors regarding the Compliance of conditions of Corporate Governance are annexed to and form part of this Annual Report.

### EXPORTS

The Export Turnover of Rs.2187.42 lakhs during the year as against Rs.2755.05 lakhs of the previous year because of recession in US & Europe our exports are down by 20.60%.

The Company is focusing exports to developed Countries like Australia, Europe, U.K, North America and Russia. The Company has plans to reach 30% of the Turnover during the next 2 years.

### POLLUTION CONTROL SAFETY & ENVIRONMENTAL PROTECTION:

We are complying all the norms prescribed by the statutory authorities i. e. A. P. Pollution Control Board.

The Company very much concerned for safety of men and machines through safety awareness training programmes.

### BOARD OF DIRECTORS

Shri V Chakrapani, Director is liable to retire by rotation at this Annual General Meeting and being eligible, offers himself for reappointment.

Shri M N Thakkar, Director is liable to retire by rotation at this Annual General Meeting and being eligible, offers himself for reappointment.

Shri S D M Rao, Chairman & Managing Director's term of office expire on 31.08.2009 and Board proposes for his re-appointment.

### DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000 your Directors are hereby confirmed that:

- In the participation of Annual Accounts the applicable accounting standards have been followed and that there have been no material departures.
- The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2009 and of the profit to the Company for the year.
- Your Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the Directors have prepared the Annual accounts on a going concern basis.

The Company's Internal Auditors have conducted periodic audit to provide reasonable assurance that the Company's established policies and procedures have been followed. The Audit Committee of the Board meets once in a quarter with Internal Auditors to review internal control and financial reporting issues.

### AUDITORS

M/s. Ravi & Keshav, Chartered Accountants, will retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received the Certificate U/s 224 (1-B) of the companies Act, 1956 from M/s. Ravi & Keshav. that their appointment, if made, would be in compliance with the provisions of said section. Relevant notes to the Accounts concerning Auditors observation there on are self-explanatory.

**PARTICULARS OF EMPLOYEES**

Particulars of employees required to be furnished under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in the annexed statement with forms an integral part of this report. The Company continued to have cordial and harmonious relations with its employees.

**DISCLOSURE OF PARTICULARS**

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

**FIXED DEPOSITS**

The Company has not accepted any Deposits in terms of

Sec.58 (A) of the Companies Act, 1956 and the rules made there under and hence compliance with the same as not applicable.

**ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation for the cooperation and support of Bankers, Customers, Business Associates, Shareholders, dealers, and suppliers who are enabling the Company to achieve its goals. The Directors also place on record their appreciation made by the employees at all levels.

On behalf of the Board of Directors

Place : Hyderabad  
Date : 29.06.2009

S. D. M. RAO  
CHAIRMAN  
& MANAGING DIRECTOR

**ANNEXURE: Statement showing particulars of Employees pursuant to Section 217 (2A) of the Companies Act, 1956 for the year ended 31st March, 2009.**

Name of the Employee	Age	Designation	Qualification & Experience	Date of commencement of employment	Remuneration	Particulars of last employment
Shri S.D.M. Rao	75 Years	Chairman & managing Director	B.Sc, B.E Industrial Experience over 44 years	01.07.1987	33,00,000/-	A.P.S Limited
Shri S. Karunakar	45 Years	Whole Time Director	B.E (Mechanical)	30.09.1998	8,31,600/-	N.A
Shri S. Kishore	43 Years	Whole Time Director	B.E (Mechanical)	30.09.1998	8,31,600/-	N.A

- NOTES:**
1. Designation of Employee indicates the nature of his duties.
  2. Remuneration includes Salary, Commission, House Rent Allowance and Perquisites.

**DECLARATION ON CODE OF CONDUCT**

This is to confirm that the Board has laid down a code of conduct for all Directors and Senior Management personnel of the Company. It is further confirmed that all Director and Senior Management personnel of the Company affirmed compliance with the Code of Conduct of the company for the financial year ended on 31st March, 2009 as envisaged in clause 49 of the listing agreement with stock exchanges.

On behalf of the Board of Directors

Place : Hyderabad  
Date : 29th June 2009

S. D. M. Rao  
Chairman & Managing Director

## ANNEXURES TO DIRECTORS' REPORT FOR THE YEAR ENDED 31.03.2009

## ANNEXURE - I

Information 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 and forming part of Directors' Report.

## I. CONSERVATION OF ENERGY:

The Company has always been taking various energy conserving/Saving measures at all points to manufacturing continuously.

Total energy consumption and energy consumption per unit of production, particulars given in Form A here below:

	2008-09	2007-08
<b>A. Power and fuel consumption</b>		
1. Electricity:		
a) Purchased		
Units	1,49,85,822	1,55,59,995
Total Amount (Rs.)	5,63,26,769	6,04,92,166
Unit Rate (Rs.)	3.76	3.89
b) Own Generation:		
Through Diesel		
Generator Units	5,99,030	5,36,250
Units per litre of		
Diesel Oil	2.78	2.34
CCost/Unit (Rs.)	11.79	14.28
c) Through Steam		
Turbine/Generator Units	NIL	NIL
2. 'D' Grade coal used in Boiler	NIL	NIL
3. Furnace Oil		
Quantity (Ltrs)	3,93,670	4,04,421
Total Amount (Rs.)	91,44,285	99,05,103
4. Other/Internal Generation	NIL	NIL
<b>B. Consumption of Power per Unit of Production</b>		
Pistons (Units per Piston)	2.11	2.03
Piston Rings (Units per Piston Rings)	0.34	0.34

## II. TECHNOLOGY ABSORPTION:

## (A) Research and Development (R&amp;D)

- 1 Specify areas in which R & D : Training to upgrade in multi-skill of Employees in all the plants and all levels carried out by the Company by Japanese Consultants and German Consultants:

On Design, manufacturing Process of Pistons & Rings and Casting Technology.

## I) On Design

- i) Developed twin casting tooling to reduce Aluminium Alloy consumption and to achieve Zero Based Costing.
- ii) Developed flexible lines on CNC to reduce cycle times and on line inspection.
- iii) Developed surface coating processes for piston & Rings.

**II) Manufacturing Process:**

- a. Engine testing to speed up Piston & Ring validation process to the Customer
  - b. Developed light weight and high Strength pistons for meeting Euro III norms.
  - c. Ring Carrier pistons for diesel engines 20 models for trucks and tractors for exports & 3W diesels during the year.
2. Benefits derived as a result of quality 4 axis CNC profile turning M/c's to meet up gradation, process improvement, complicate profiles to meet Euro norms.

Technology imports during last 3 years Technology absorption & up gradation ongoing process by Japanese consultancy agency and as a result of this, the Company has been able to develop pistons and rings meeting Euro III norms for futuristic engines and as a result new business operations both in domestic and exports.

Piston casting technology crown down and crown up processes and development of light weight high strength pistons from our on going Consultancy Agency - I.D.C. - Japan.

3. Future plan of action:

- Development of surface coatings for pistons & rings.
- Planning to develop cooling gallery pistons for diesel engines.
- Introduction of hard anodising plant for motorcycles and car pistons.
- Ceramic coating of pistons & rings.
- Practicing TPM

4. EXPENDITURE ON R & D:

	(Rs. In lakhs)	
	2008-09	2007-2008
a) Capital	56.70	129.79
b) Recurring	33.30	86.52
c) Total	90.00	216.31
d) Total R & D Expenditure as A percentage of Sales.	0.78%	2.30%

**III. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

- a. During the year, the company's senior executives travelled to various countries to explore new export markets for its products.

b. Total foreign Exchange used and earned:

Total foreign Exchange used : Rs. 239.16 lakhs  
 Total foreign Exchange earned : Rs. 2318.21 lakhs

For and on behalf of the Board

Place : Hyderabad  
 Date : 29.06.2009

**S.D.M. RAO**  
 Chairman & Managing Director

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY STRUCTURE AND DEVELOPMENTS

There has been noteworthy slump in the global automotive market as recession has covered the entire world. The heat of recession can also be felt on Indian Economy. Auto Component industry is fully dependent on the automotive industry. Since the third quarter of 2008 the Auto industry has observed a steady fall.

Global recession has devastated the global auto industry with pinching effects on the Indian Auto industry. The shrinking investment credit has directly affected customer demand in auto sector and has had a negative impact on the automobile industry.

The Government has introduced tax incentive by way reduction of Excise Duty and tax benefits with view to sustain the Indian Auto Industry, with positive outcome so far.

### OPPORTUNITIES

Your company manufacture diverse range of Piston and Piston Rings with industry leading OE activity and a strong aftermarket business with widely recognized brands and a strong distribution network. We are well positioned to take advantage of the Current financial and automotive market dynamics which is changing very fast.

We are adapting through technology up gradation to successfully compete in difficult market conditions. We believe our proactive steps and consistent implementation of our plans will allow us to prepare the company for growth as consumers regain confidence and vehicle demand increases.

### THREATS

There is a chance in decline of demand for 2W and LCV Cars and in order to capture the high market share auto components, we have pressure of price reduction which may fall on the margins as well as bottom line.

As the fixed cost is very high which is a threat to our margins as we are inflexible to our workforce to meet the changes in the demand.

### PRODUCT - WISE PERFORMANCE

The company sold pistons and pins during FY 08-09 5.02 million and Piston Rings 15.39 million. Planned to achieve during FY 09-10 Pistons and Pins by 5.5 millions and Rings 18 millions.

### OUTLOOK

While our focus is on Exports, the company plans to have balanced dependence on all segments of OE, Replacement, Export Market in the ratio of 25:55:20 in the years to come. Your company is confident of achieving 10% cumulative annual growth in volume and

turnovers, it is making all out efforts to source appropriate raw materials to bring down the cost of operations to enable to make significant contribution to profits of the company.

### RISKS AND CONCERNS

The auto component industry is fully close linked with the Vehicle industry and FTA signed with Asian & L. C. C.'s and import duties. If any set back result the component industry and the impact will have a adverse results on the Company.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The company has well defined internal control systems and procedures for ensuring optimum utilization of various resources, Investment decisions involving Capital Expenditure or taken up only after due appraisal and review. Internal audit function covers and carried out periodically and reviewed by the Audit Committee to ensure that all policies and procedures are adhered to, and all statutory obligations complied with.

### FINANCIAL PERFORMANCE:

The Company earned total revenue of Rs.9912.92 lakhs compared with Rs.9388.90 lakhs in the previous year and the operational expenses increased by 09.71% at Rs. 9503.42 lakhs compared with Rs. 8662.44 lakhs incurred last year mainly on account of steep increase in raw material cost. (The Depreciation charged in previous year due to operation changed from three Shifts basis to two shift basis).

Profit Before Depreciation, interest and tax (PBDIT) at Rs. 1729.55 lakhs. The Profit Before Tax was at Rs. 613.61 lakhs as compared to Rs.836.72 Lakhs in 2007-08.

### HUMAN RESOURCES

The Company maintains cordial industrial relations environment and the Company continues to establish its training facilities.

The Company making to be available and encourages good talent in the rapidly challenging business and competitive environment

### CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis describing the Company's objective, projections, estimates and expectations may constitute forward looking statements within the meaning of applicable laws and regulations. Actual results might differ marginally or materially from those either expressed or implied.

### 10 YEARS RECORD

A chart showing 10 Years performance is appended forming part of this report.

## REPORT ON CORPORATE GOVERNANCE (PURSUANT TO CLAUSE 49 OF LISTING AGREEMENT)

### Company's philosophy on Code of Corporate Governance

Samkrg Pistons and Rings Limited defines Corporate Governance as a process directing the affairs of the Company with integrity, transparency and fairness, so as to optimise its performance and maximize the long term shareholder value in legal and ethical manner, ensuring justice, courtesy and dignity in all transactions of the Company. Your Company is committed to good Corporate Governance in all its activities and process.

#### 1. BOARD OF DIRECTORS:

The present strength of Board of Directors is consists of Seven, three are Executive Directors, and the other Four are Non Executive Directors (NED).

The Board of Directors and the management of Samkrg Pistons and Rings Limited are committed to:

- Ensuring discipline, transparency and accountability and shareholder value.
- To provide adequate customer service focussing the activities on customer expectations and meeting them and
- Comply with all statutory / regulatory requirements.

#### 2. COMPOSITION OF THE BOARD AND DETAILS OF MEETINGS.

During the Financial Year 2008-2009, the Board of Directors met 4 (four) times on 30th June 2008, 24th July 2008, 22nd October 2008 and 29th January 2009.

The following table gives the composition of Directors and their attendance at the Board meetings held on the dates above mentioned, and the Twenty Second Annual General Meeting held on 29th September, 2008.

Name of the Director	Category	No of Board meetings attended	Attendance at Last AGM	No. of outside directorships held
Mr. S.D.M Rao	ED	4	YES	Nil
Mr. M.N. Thakkar	NED	2	NO	3
Mr. S Madhava Rao	NED	4	YES	1
Mr. V Chakrapani	NED	3	NO	1
Mr. S Karunakar	ED	4	YES	Nil
Mr. S Kishore	ED	4	YES	Nil
Dr. V Venkat Reddy	NED	4	YES	Nil

ED - Executive Director, NED - Non Executive Director

#### Information placed before the Board:

Apart from the items that are required to be placed before the Board for its approval, under the statutes the following are also tabled for Board's Periodic Review / Information.

"Minutes of meetings of Audit Committee and other Committees of the Board;

- Annual operating plans, capitals & revenue budgets and updates;
- Quarterly financial results of the Company;
- Materially important show cause, demand, prosecution and penalty notices;
- Information on recruitment and remuneration of senior officers, just below the Board level;
- Non-compliance of any regulatory, statutory or listing requirements and shareholder services.
- important labour problems and their proposed solutions;

### Directors seeking re-appointment.

Shri V Chakrapani and Shri M N Thakkar, Directors, retire by rotation at the forthcoming Annual General Meeting and seek re-appointment.

Shri V Chakrapani is a Graduate in Chemical Engineering and 35 years practical experience for his credit in Indian Paper Industry. He has worked in Big Paper Mills like A.P.P.M, Rajahmundry, Ashok Paper Mills, Assam Sree Rayalaseema Paper Mills, Kurnool and Ballapur Paper Industries Ltd. worked in planning implementation, erection and commissioning and in the modernisation / modification of these units.

Shri Mahendra Naranji Thakkar is a Chartered Accountant and having around 30 year experience and he is senior partner of M/s N.M. Raiji & Co., Chartered Accountants.

Shri S D M Rao, Chairman & Managing Director's term of office expires on 31.08.2009 and Board proposes for his re-appointment.

Shri S.D.M Rao, Chairman and Managing Director is B.sc, B.E with over 41 years of Industrial Experience in Automobile sector.

### 3. AUDIT COMMITTEE:

Terms of Reference of Audit Committee of the Board of Directors are as under:

The Audit Committee during the year ended 31st March, 2009 comprised of Three members out of whom there are two Non-Executive Independent Directors and one Non-Executive Director Viz., Mr. M N Thakkar (Chairman and Non-Executive Independent Director of the Committee), Mr. S Madhava Rao (Non-Executive Independent Director) and Mr. V Chakrapani (Non-Executive Director) who are financially literates and chairman is an expert in financial management.

Representatives of the Management, Finance Department and Statutory Auditors are invitees to the Meeting of the Audit Committee.

- Review of accounting and financial policies and practices of the company.
- Review of the company's financial reporting process, and its financial statements.
- Review of risk management and policies and practices.
- Review of the internal control and internal audit system.
- To review quarterly, half yearly and annual financial results before submission to the board.

Name	No. of Meetings Held.	No. of Board meetings attended	No. of Board meetings attended through Conference call
Mr. M.N. Thakkar (Chairman)	4	2	2
Mr. S Madhava Rao	4	4	Nil
Mr. V Chakrapani	4	3	1

The audit committee met on four occasions i.e 30th June 2008, 24th July 2008, 22nd October 2008 and 29th January 2009.

The audit committee reviewed the concurrent audit reports and follow up including internal control systems prevailing in the company. Committee expressed its satisfaction on Accounts.

**4. Remuneration Committee**

**Executive Directors**

The compensation of the executive directors comprises of fixed component and a performance incentives/commission. The compensation is determined based on the levels of the responsibility and scales prevailing in the industry. The executive directors are not paid sitting fee for any Board or Committee meetings attended by them.

**Non-Executive Directors**

Non Executive Directors are paid sitting fee only.

The Remuneration committee presently comprises of Three non-executive directors i.e. shri. S. Madhava Rao, Mr. M.N. Thakkar and Dr. V. Venkat Reddy.

The Committee met twice during the year and all the committee members attended the meetings.

**REMUNERATION OF DIRECTORS:**

The details of remuneration paid/payable to all the directors for the year, 2008-09 are:

i. Non executive directors (sitting fee only)

Mr. M.N. Thakkar	Rs. 4000/-
Mr. S Madhava Rao	Rs.8000/-
Mr. V Chakrapani	Rs.6000/-
Dr. V Venkat Reddy	Rs.8000/-

ii. Managing/whole time Director ( No Sitting fee)

	Managing Director (Rs.)	Wholetime Director (Rs.)	Wholetime Director (Rs.)
Fixed Component			
Salary	30,00,000/-	7,56,000/-	7,56,000/-
Perquisites	3,00,000/-	75,600/-	75,600/-
Variable Component			
Commission			
<b>Total</b>	<b>33,00,000/-</b>	<b>8,31,600/-</b>	<b>8,31,600/-</b>

**5. SHAREHOLDERS/INVESTOR GRIEVANCES COMMITTEE**

The Shareholders/Investor Grievances committee comprises three Directors names as follows :

Shri. S. Madhava Rao	Chairman	Non Executive
Shri. S Karunakar	Member	Executive

The Committee met twice during the year. The details on which the meetings were held are : 24.07.2008 & 29.01.2009. All the members have attended all the meetings and the company secretary is the compliance officer of the company.

The company has attended to most of the investor's grievances/correspondence within a period of 15 days from the date of receipt. At most all the rest of the grievances was attended within the maximum period of 30 days. All Transfers were completed within the maximum period of 30 days.



**6. DISCLOSURES**

The Company complied with all the regulations of the Stock Exchanges, Securities and Exchange Board of India and other statutory bodies regulating the capital markets. No stretchers or penalties were imposed on the company. There are no transactions with related parties having potential conflict with the interest of the company at large. Other transactions are adequately disclosed in the notes to Annual Accounts.

**7. MEANS OF COMMUNICATION**

Quarterly Financial Results of the Company are forwarded to the Mumbai Stock Exchange and published in Financial Express / Business Standard (English) and Andhra Prabha (Telugu). Annual results/share holding pattern etc., of the company posted on the SEBI EDIFAR.

**8. ANNUAL GENERAL MEETINGS:**

Year	Location of holding AGM	Date and Time of AGM
2007-2008	Hotel Green Park, Green Lands, Begumpet, Hyderabad	29th September, 2008 at 10.30 A.M
2006-2007	Hotel Green Park, Green Lands, Begumpet, Hyderabad.	27th September, 2007 at 10.30 A.M
2005-2006	Hotel Green Park, Green Lands, Begumpet, Hyderabad.	27th September, 2006 at 10.30 A.M

**Special Resolutions passed during the previous three Annual General Meetings:**

- **22nd Annual General Meeting,**  
No Special Resolution have been Passed
- **21st Annual General Meeting,**  
No Special Resolution have been Passed
- **20th Annual General Meeting,**  
A Special Resolution was passed, de-listing the securities from the Hyderabad Stock Exchange Limited.

**9. Postal Ballot**

The company did not pass any resolution by postal ballot during the Financial year 2008-09.

**10. GENERAL SHAREHOLDER INFORMATION:**

Date, Time and Venue of the 23rd Annual General Meeting	:	Friday 28th August, 2009 at 10.30 A.M At Hotel Athithi Inn, Dharam Karam Road, Ameerpet, Hyderabad
Financial Calendar	:	April to March
First quarter results	:	Last week of July 2009
Second quarter results	:	Last week of October 2009
Third quarter results	:	Last week of January 2010
Results for the year ending Mar, 2010	:	End June 2010

Date of Book Closure : 22.08.2009 to 28.08.2009 (Both days inclusive)  
 Dividend Payment date : Within 30 days from 28th August, 2009  
 Listing On Stock Exchanges : Bombay Stock Exchange Limited, Mumbai  
 Stock Code : 520075 (BSE)  
 Demat ISIN No for CDSL and NSDL : INE706B01012  
 Dematerialisation of shares : 38.26% of the paid up capital has been dematerialised as on 31.03.2009

**Stock Performance**

The performance of the company's shares on the BSE is given in the chart below:

**MARKET PRICE DATE ON COMPANY'S SCRIP ON BSE DURING THE YEAR 2008-2009**

Month	High Rate (Rs.)	Low Rate(Rs.)
April, 2008	53.85	41.35
May, 2008	51.05	43.25
June, 2008	54.00	42.65
July, 2008	47.60	42.50
August, 2008	51.65	46.05
September, 2008	53.35	37.25
October, 2008	39.00	29.50
November, 2008	34.70	27.00
December, 2008	33.45	29.20
January, 2009	33.40	28.60
February, 2009	31.30	28.60
March, 2009	30.00	27.05

Outstanding ADR/GDR : Not Issued  
 Registered Office : 1-201, Divya Shakti Complex  
 7-1-58, Ameerpet, Hyderabad - 500016  
 Ph.No.040-23730596, 23735578, Fax 040-23730216  
 E-mail: admin@samkrg.com  
 Plant Locations : PLANT-I (Pistons) Sy.No.537, Temple Road, Bonthapally  
 Narsapur Taluk, Medak District.  
 PLANT-II (Rings) Sy.No.33, Varisam, Pydibhimavaram,  
 Ranastalam Mandal, Srikakulam District.  
 PLANT-III(Pistons)Sy.No.232,Arinama  
 Akkivalasa, Allinagaram,  
 Etcherla Mandal, Srikakulam District.  
 Investors' correspondence & share : M/s. XL Softech Systems Ltd  
 Transfer Agent in Physical form & : 3, Sagar Society, Road No.2  
 In Electronic Mode : Banjara Hills, Hyderabad - 500034, Tel(040) 23553214

Trading in shares (Electronic Form) on Stock Exchanges	:	Made Compulsory for all categories of Investors w.e.f 26-12-2000 as per SEBI's mandate															
Share Transfer System	:	Share transfers are registered and returned within a period of thirty days from the date of receipt, if the documents are in order in all respects.															
Dividend Declared in earlier years	:	<table border="0"> <tr> <td>1995-96 - 10%</td> <td>1996-97 -15%</td> <td>1997-98 - 20%</td> </tr> <tr> <td>1998-99 - 25%</td> <td>1999-00 -30%</td> <td>2000-01 - 15%</td> </tr> <tr> <td>2001-02 - 15%</td> <td>2002-03 -30%</td> <td>2003-04 - 45%</td> </tr> <tr> <td>2004-05 - 50%</td> <td>2005-06 -30%</td> <td>2006-07 - 35%</td> </tr> <tr> <td>2007-08 - 35%</td> <td></td> <td></td> </tr> </table>	1995-96 - 10%	1996-97 -15%	1997-98 - 20%	1998-99 - 25%	1999-00 -30%	2000-01 - 15%	2001-02 - 15%	2002-03 -30%	2003-04 - 45%	2004-05 - 50%	2005-06 -30%	2006-07 - 35%	2007-08 - 35%		
1995-96 - 10%	1996-97 -15%	1997-98 - 20%															
1998-99 - 25%	1999-00 -30%	2000-01 - 15%															
2001-02 - 15%	2002-03 -30%	2003-04 - 45%															
2004-05 - 50%	2005-06 -30%	2006-07 - 35%															
2007-08 - 35%																	
Closing price of Company's Shares on Stock Exchange, Mumbai on 31.03.2009	:	Rs.28.35															
All Time high of Company's Share price on Stock Exchange, Mumbai	:	Rs.139.00 dt. 23.08.2005															
Secretarial Audit	:	Secretarial Audit is being carried out every quarter by a practising Company Secretary and audit report is placed before the Board for its perusal and filed regularly with the Stock Exchanges within the stipulated time.															

**PATTERN OF SHAREHOLDING AS ON 31.03.2009**

Description	No. of Shareholders	%	No. of Shares	%
Promoters	14	0.171	6514612	66.337
Individuals	7980	97.104	2932917	29.865
FII, NRIs/OCB	53	0.645	28315	0.288
Financial Institutions and Banks	5	0.061	4000	0.041
FII	1	0.012	5000	0.051
Mutual Funds	2	0.024	1300	0.013
Bodies Corporate	161	1.959	333856	3.400
Trust	2	0.024	500	0.005
<b>TOTAL</b>	<b>8218</b>	<b>100.000</b>	<b>9820500</b>	<b>100.000</b>

**DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2009**

Range	No. of Shareholders	%	No. of Shares	%
1 - 500	7210	87.74	1264391	12.86
501 - 1000	552	6.72	442421	4.51
1001 - 2000	252	3.07	376700	3.84
2001 - 3000	83	1.01	205270	2.09
3001 - 4000	19	0.23	67465	0.69
4001 - 5000	16	0.19	75483	0.77
5001 - 10000	39	0.47	259337	2.64
10001 & Above	47	0.57	7129433	72.60
<b>TOTAL</b>	<b>8218</b>	<b>100.00</b>	<b>9820500</b>	<b>100.00</b>

## CERTIFICATE BY CEO/CFO

Pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges, it is hereby certified that for the financial year ended March 31, 2009:

We have reviewed the financial statements and the cash flow statements for the year and that to the best of our knowledge and belief, these statements:

Do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

Together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year that are fraudulent, illegal or violative of the Company's Code of Conduct.

We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take, to rectify these deficiencies.

We have indicated to the Auditors and the Audit Committee:

Significant changes in internal control over financial reporting during the year;

Significant change in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and instances of significant fraud, if any, of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place : Hyderabad  
Date : 29th June 2009

S. D. M. Rao  
Chairman & Managing Director

## AUDITORS' CERTIFICATE REGARDING CORPORATE GOVERNANCE

To  
The Members of  
SAMKRG PISTONS AND RINGS LIMITED

We have reviewed the record concerning the company's compliance of conditions of Corporate Governance by SAMKRG PISTONS AND RINGS LIMITED for the year ended 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 the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the certificate of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We had conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for the review, and the information and explanations given to us by the Company.

Based on such a review and best of our information and according to the explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement.

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 M/S. Ravi & Keshav  
Chartered Accountants

Place : Hyderabad  
Date : 29-06-2009.

(K.K. KESAVAN)  
Partner  
M.No 17489

## Auditors Report

To  
 The Members of  
 SAMKRG PISTONS AND RINGS LIMITED

We have audited the attached Balance Sheet of SAMKRG PISTONS AND RINGS LIMITED as at 31st March, 2009 and the Profit and Loss Account for the year ended as on that date annexed thereto and the cash flow statement for the period ended on that date. This financial statements are the responsibility of the company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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.

### Further we report as follows

1. As required by the Companies (Auditors Report) Order 2003 issued by the central government of India in terms of subsection (4A) of section 227 of the Companies Act, 1956 and on the basis of the such checks of books and records of the company as we considered appropriate and according to information and explanations given to us during the course of the audit, we annex hereto a statement on that matter specified in paragraph 4 and 5 of the said order to the extent applicable.
2. Further to our comments in the statement referred to in paragraph (1) above.
  - A. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - B. In our opinion, the Company has kept proper books of accounts as required by law so far as appears from the examination of books.
  - C. The Balance Sheet and Profit and Loss Account referred to in the Report are in agreement with the books of accounts.
  - D. In our opinion the Balance Sheet and the Profit and Loss account dealt with by this Report comply with the mandatory Accounting standards referred to in subsection (3-C) of section 211 of the Companies Act 1956.
  - E. On the basis of the written representation received from the Directors, as on 31st March 2009 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2009 from being appointed as director under clause (g) of sub-section (1) of section 274 of companies act 1956,
  - F. In our opinion and to the best of our information and according to the explanation given to us, the accounts read together with other notes annexed to and forming part of the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view.
    - i) In so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31 st March 2009 and
    - ii) In so far as it relates to the Profit and Loss Account of the Profit of the Company, for year ended as on that date.
    - iii) In the case of the cash flow statement of the cash flow for the year ended on that date.

For M/S. Ravi & Keshav  
 Chartered Accountants

(K.K. KESAVAN)  
 Partner  
 M.No 17489

Place : Hyderabad  
 Date : 29-06-2009.

**ANNEXURE TO AUDITORS REPORT**

(statement referred to in paragraph 1 of our report of even date)

1. (a) The Company has maintained proper records showing the full particulars including quantitative details and situation of fixed assets.  
(b) The Company has program for phased physical verification of all its fixed assets which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.  
(c) The Company has not disposed off any substantial part of its fixed assets during the year.  
(d) The Company had reworked the depreciation since the beginning of the operating of the company i.e. 88-89, and found an excess depreciation was charged in the earlier years. The same had been ascertained and credited to the Profit and Loss Account. On account of this the earlier year profits were understated to the extent as declared in the notes to the accounts under the head depreciation. The period represents 2000-2001 to 2007-2008.
2. (a) The Management has conducted physical verification of the finished goods at reasonable intervals.  
(b) The Procedure of physical verification of stocks followed by the Management are considered reasonable and adequate in relation to the Size of the company and the nature of its business.  
(c) On the physical verification of stocks as compared to book records no material discrepancies were noticed. The company is maintaining proper records of inventory.  
(d) On the basis of our examination of stocks, we are satisfied that the valuation of stocks is fair and in accordance with normally accepted accounting principles.  
(e) The imported goods were valued at the invoice value. The exchange rate variation if any at the end of the year were not considered since the impact on the profit or loss is insignificant.
3. (a) According to the information and explanations given to us, the Company has taken unsecured loans from the Directors and their relatives as listed in the register maintained under Section 301 of the companies act 1956. In terms of subsection (6) of section 370 of the companies act 1956 provision of this section is not applicable to the company.  
(b) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, Firms or other parties listed in the register maintained under Section 301 of the companies act 1956 In terms of subsection (6) of section 370 of the companies act 1956 provision of this section is not applicable to the company.  
(c) The rates of interest and other terms and conditions of loans taken by the company are unsecured and are prima facie not prejudicial to the interest of the company.  
(d) The payment of the principal and interest are regular.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regards to purchases of stores, spare parts including components, plant and machinery, equipment and other assets and for the sale of the goods.
- 5 In our opinion and according to the information and explanation given to us there are no transactions of purchases of goods and material and sale of goods, materials and service aggregating during the year to Rs. 5,00,000/- or more in respect of each party listed in the register maintained under Section 301 of the Companies Act, 1956.
- 6 As explained to us, there are no unserviceable or damaged stores and there are no unserviceable or damaged raw materials or finished goods.
- 7 The Company has not accepted any deposits from public. Hence, the provisions of Section 58A of the companies Act, 1956, will not be applicable

- 8 In our opinion reasonable records have been maintained by the Company for the sales and disposal of realizable scrap.
- 9 In our opinion the company has internal audit system commensurate with the size of the company and the nature of its business.
- 10 We have broadly reviewed the books of account relating to materials, labor and other items of cost maintained by the company pursuant to the rules made by the Central Government for the maintenance of the cost records under Section 209 (i) (d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed records and accounts have been maintained by the Company.
11. (a) The Provident fund and Employees State Insurance dues have regularly deposited with the appropriate authorities.
- (b) According to the information and explanation given to us the company does not have undisputed amounts payable in respect of Income Tax, wealth Tax, Excise Duty and Customs Duty outstanding for a period of more than six months from the date they become payable.

In respect of Sale Tax (Entry Tax) there is disputed amount of Rs. 22.47 lacs not deposited with Sales Tax department. The Company had filed an appeal with ADC(CT) Punjagutta Division Hyderabad against certain points in the order of for the assessment year 2002-03.

S.no	Name Of Of The Statue	Nature Of Dues	Amount In Rs In Lacs	Forum Where Dispute Is Pending
1	SALES TAX ACT	ENTRY TAX	22. 47	ADC (CT)

12. During the year under report, the company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under Section 301 of the companies Act 1956.
13. the company has no accumulated losses at the end of the financial year and, has not incurred any cash losses in the financial year under report and in the immediately preceding financial year.
14. In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to financial institutions/ banks. The company has not issued any debentures.
15. According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
16. In our opinion of the company is not chit fund or Nidhi/ Mutual fund / society. Therefore the provisions of Clause 4(XIII) of the companies (Auditor's report) order 2003 are not applicable to the company.
17. According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
18. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment.
19. the company has not raised any money by way of public issue during the year.
20. According to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the course of the audit.

For M/S. Ravi & Keshav  
Chartered Accountants

Place : Hyderabad  
Date : 29-06-2009.

(K.K. KESAVAN)  
Partner  
M.No 17489

**BALANCE SHEET AS AT 31ST MARCH, 2009**

Rs in Lacs

Particulars	Schedule No.	As at March 31, 2009	As at March 31, 2008
<b>SOURCES OF FUNDS</b>			
<b>Shareholders Funds</b>			
Share Capital	1	982.05	982.05
Reserves and Surplus	2	3620.83	2636.16
<b>Loan Funds</b>			
Secured Loans	3	1467.42	1801.96
Unsecured Loans	4	2551.00	2497.52
Deferred tax liability	5	176.97	151.97
<b>TOTAL</b>		<b>8798.27</b>	<b>8069.66</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	6	12937.28	14866.69
Less: Depreciation		5425.51	8840.91
Net Block		7511.77	6025.78
(Refer note no 3 of Schedule 20)			
<b>Current Assets, Loans and advances</b>			
Inventories	7	832.54	1057.93
Sundry debtors	8	2390.08	2738.17
Cash and Bank Balances	9	32.88	48.99
Loans and Advances	10	434.43	403.44
		3689.93	4248.53
Less: Current Liabilities And Provisions			
Liabilities	11	1905.75	1647.64
Provisions	12	497.68	557.01
		2403.43	2204.65
Net Current Assets		1286.50	2043.88
<b>TOTAL</b>		<b>8798.27</b>	<b>8069.66</b>
Notes to Accounts	20		
Note: Notes as per Schedule 1 and other Schedules referred to herein from an integral part of these accounts .			

This is the Balance Sheet referred to in our report of even date.  
for M/s. Ravi & Keshav  
Chartered Accountants,

for and on behalf of the Board of Directors

K.K. Kesavan  
Partner  
Membership No. 17489

S.D.M. Rao  
Chairman & Managing Director

M.N. Thakkar  
Director

Place : Hyderabad  
Date : 29-06-2009



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

Rs in Lacs

Particulars	Schedule No.	Year Ended 31.03.2009	Year Ended 31.03.2008
<b>INCOME</b>			
Gross Sales	13	11610.18	11288.33
Less: Excise Duty and Sales Tax		1697.26	1899.43
Net Sales		9912.92	9388.90
Other Income	14	204.11	110.27
<b>TOTAL</b>		<b>10117.03</b>	<b>9499.17</b>
<b>EXPENDITURE</b>			
Material Cost	15	2698.55	2410.94
Purchase of Trading goods		94.51	115.15
Personnel	16	1381.95	1088.14
Interest	17	338.26	262.09
Other Manufacturing, Administration and Selling expenses	18	4093.59	3744.62
Depreciation	6	777.68	989.59
Increase/(Decrease) in stocks	19	118.88	51.92
<b>TOTAL</b>		<b>9503.42</b>	<b>8662.45</b>
<b>PROFIT BEFORE TAXATION</b>		<b>613.61</b>	<b>836.72</b>
- Provision for taxation		135.33	212.00
- Fringe Benefit Tax		5.00	5.00
- Deferred taxation		25.00	37.75
<b>NET PROFIT</b>		<b>448.28</b>	<b>581.97</b>
Refund of Income Tax		-	40.00
Taxation of earlier years		(41.91)	(33.45)
Extra ordinary item - excess depreciation		923.01	-
Balance Brought forward from Previous Year		1500.96	1419.18
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>2830.34</b>	<b>2007.70</b>
<b>APPROPRIATIONS:</b>			
Proposed dividend		294.62	343.72
Tax on Proposed Dividend		50.08	58.43
Transfer to General reserve		76.70	104.59
Balance carried to Balance sheet		2408.94	1500.96
<b>TOTAL</b>		<b>2830.34</b>	<b>2007.70</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (Rs.)</b>		<b>4.56</b>	<b>5.93</b>
Face value per share (Rs.)		10.00	10.00
(Refer Note 7 of Schedule 20)			
Significant Accounting policies and Notes to Accounts	20		

NOTE: Notes as per Schedule I and other Schedules referred to herein form an integral part of these Accounts.

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

for M/s. Ravi & Keshav

Chartered Accountants,

for and on behalf of the Board of Directors

K.K. Kesavan

Partner

Membership No. 17489

Place : Hyderabad

Date : 29-06-2009

S.D.M. Rao

Chairman & Managing Director

M.N. Thakkar

Director

Particulars	Rs in Lacs	
	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
Authorised Capital 1,25,00,000 Equity Shares of Rs.10/- each	<b>1250.00</b>	<u>1250.00</u>
Issued, Subscribed and Paid up Capital 98,20,500 Equity Shares of Rs.10/- each fully paid	<b>982.05</b>	<u>982.05</u>
<b>TOTAL</b>	<b>982.05</b>	<u>982.05</u>
<b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
Subsidy	<b>55.00</b>	55.00
Share forfeiture	<b>1.03</b>	<u>1.03</u>
Revaluation Reserves	<b>56.03</b>	56.03
	<b>155.21</b>	<u>155.21</u>
Share premium	<b>163.92</b>	163.92
<b>General Reserve</b>		
Opening Balance	<b>760.03</b>	655.44
Add: Transferred from Profit & Loss A/c	<b>76.70</b>	104.59
	<b>836.73</b>	<u>760.03</u>
Profit and Loss Account	<b>2408.94</b>	1500.97
<b>TOTAL</b>	<b>3620.83</b>	<u>2636.16</u>

Particulars	Rs in Lacs	
	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - 3 SECURED LOANS</b>		
Term Loan from SBI (Refer note 2 below) SBI - Machinery	371.02	500.74
<b>Working capital loan (Refer Note 1 below)</b>		
Cash Credit	966.09	1299.55
P C F C	126.33	-
Loans for Vehicles	3.98	1.67
<b>TOTAL</b>	<b>1467.42</b>	<b>1801.96</b>

Note: 1) Working Capital Loan with SBI is secured by Hypothecation of all current assets including Book debts on First charge basis and second charge on all fixed assets and immovable properties of the company.

2) Term Loan from SBI secured by first charge on all the fixed assets (Present and future both movable & immovable) of the Company collateral - second charge on all current assets of the Company.

**SCHEDULE - 4  
UNSECURED LOANS**

Sales tax deferral loan (interest free)	1695.99	1642.51
Other Loans (refer note 5 of notes to the accounts of schedule 20)	855.01	855.01
<b>TOTAL</b>	<b>2551.00</b>	<b>2497.52</b>

**SCHEDULE - 5  
DEFERRED TAX LIABILITY**

Deferred tax liability	176.97	151.97
(difference between Book and Income tax depreciation)	176.97	151.97

**SCHEDULE - 6  
FIXED ASSETS**

Rs.in lacs

Description	Gross Block			Depreciation		Net Block	
	As at April 1, 2008	Additions during the year	As at March 31, 2009	As at April 1, 2008	For the Year	As at March 31, 2009	As at March 31, 2009
<b>A. Assets</b>							
Land - Freehold	<b>189.61</b> <i>189.61</i>	<b>0</b> <i>0</i>	<b>189.61</b> <i>189.61</i>	<b>0.00</b> <i>0.00</i>	<b>0.00</b> <i>0.00</i>	<b>0.00</b> <i>0.00</i>	<b>189.61</b> <i>189.61</i>
Buildings	<b>1274.03</b> <i>1267.04</i>	<b>2.43</b> <i>6.99</i>	<b>1276.46</b> <i>1274.03</i>	<b>436.64</b> <i>394.09</i>	<b>42.63</b> <i>42.55</i>	<b>479.27</b> <i>436.64</i>	<b>797.19</b> <i>837.39</i>
Plant & Machinery	<b>9368.80</b> <i>10616.26</i>	<b>1317.05</b> <i>1928.66</i>	<b>10685.85</b> <i>12544.92</i>	<b>3885.97</b> <i>7064.29</i>	<b>690.23</b> <i>894.52</i>	<b>4576.20</b> <i>7958.81</i>	<b>6109.65</b> <i>4586.11</i>
Electrical Installation	<b>366.67</b> <i>405.89</i>	<b>10.25</b> <i>8.57</i>	<b>376.92</b> <i>414.46</i>	<b>221.84</b> <i>255.69</i>	<b>26.58</b> <i>30.75</i>	<b>248.42</b> <i>286.44</i>	<b>128.50</b> <i>128.02</i>
Furniture & fixtures	<b>108.44</b> <i>106.79</i>	<b>5.79</b> <i>5.09</i>	<b>114.23</b> <i>111.88</i>	<b>47.31</b> <i>43.94</i>	<b>7.12</b> <i>7.08</i>	<b>54.43</b> <i>51.02</i>	<b>59.80</b> <i>60.86</i>
Vehicles	<b>111.82</b> <i>144.65</i>	<b>5.16</b> <i>9.91</i>	<b>116.98</b> <i>154.56</i>	<b>56.08</b> <i>93.32</i>	<b>11.11</b> <i>14.68</i>	<b>67.19</b> <i>108.00</i>	<b>49.79</b> <i>46.56</i>
Impairment Assets	<b>177.23</b> <i>177.23</i>	<b>0</b> <i>0</i>	<b>177.23</b> <i>177.23</i>	<b>0.00</b> <i>0</i>	<b>0.00</b> <i>0</i>	<b>0.00</b> <i>0.00</i>	<b>177.23</b> <i>177.23</i>
<b>TOTAL</b>	<b>11596.60</b> <i>12907.47</i>	<b>1340.68</b> <i>1959.22</i>	<b>12937.28</b> <i>14866.69</i>	<b>4647.83</b> <i>7851.33</i>	<b>777.68</b> <i>989.58</i>	<b>5425.51</b> <i>8840.91</i>	<b>7511.77</b> <i>6025.78</i>

(Previous year figures are given in italics)

Rs in Lacs

Particulars	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - 7</b>		
<b>INVENTORIES</b>		
(As valued and certified by Management)		
Stores and spares	136.90	151.12
Raw materials	228.60	320.89
Semi finished goods	318.53	471.94
Finished goods	148.51	113.98
<b>TOTAL</b>	<b>832.54</b>	<b>1057.93</b>
<b>SCHEDULE - 8</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured, considered good, unless otherwise specified)		
Due for more than six months	5.40	36.29
Others	2384.68	2701.88
<b>TOTAL</b>	<b>2390.08</b>	<b>2738.17</b>
<b>SCHEDULE - 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in hand	3.48	3.55
Current Accounts (with Scheduled Banks)	29.40	45.44
<b>TOTAL</b>	<b>32.88</b>	<b>48.99</b>
<b>SCHEDULE - 10</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured - considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	291.06	260.15
Deposit with Govt. departments	143.37	143.29
<b>TOTAL</b>	<b>434.43</b>	<b>403.44</b>
<b>SCHEDULE - 11</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry creditors (Refer note 3 of notes to the accounts of schedule 20)	825.56	949.42
Deposit from distributors	24.64	19.34
Interest accrued but not due	0.16	0.16
Other Liabilities	491.10	376.37
Creditors for capital items (net of cwip)	564.29	302.35
<b>TOTAL</b>	<b>1905.75</b>	<b>1647.64</b>

Particulars	Rs in Lacs	
	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - 12</b>		
<b>PROVISIONS</b>		
Proposed dividend	294.61	343.72
Tax on proposed dividend	50.10	58.43
Provision for taxation (net of adv .tax)	13.27	10.00
Provision for gratuity	139.70	144.86
<b>TOTAL</b>	<b>497.68</b>	<b>557.01</b>
<b>SCHEDULE - 13</b>		
Gross Sales	11610.18	11288.33
Less: Excise duty and Sales Tax	1697.26	1899.43
Net Sales :	9912.92	9388.90
: Domestic	7725.80	6633.85
: Exports	2187.12	2755.05
	<b>9912.92</b>	<b>9388.90</b>
<b>SCHEDULE - 14</b>		
<b>OTHER INCOME</b>		
Interest on others	7.38	8.08
Miscellaneous Income	196.73	102.19
<b>TOTAL</b>	<b>204.11</b>	<b>110.27</b>
<b>SCHEDULE - 15</b>		
<b>MATERIAL COST</b>		
Opening Balance	293.94	286.11
Add:Purchases	2609.94	2418.77
	2903.88	2704.88
Less: Closing Balance	205.33	293.94
<b>TOTAL</b>	<b>2698.55</b>	<b>2410.94</b>
<b>SCHEDULE - 16</b>		
<b>PERSONNEL</b>		
Salaries, Wages, Bonus and Commission	1201.34	978.15
Contribution to EPF and other Funds		
Staff welfare expenses	180.61	109.99
<b>TOTAL</b>	<b>1381.95</b>	<b>1088.14</b>
<b>SCHEDULE - 17</b>		
<b>INTEREST</b>		
On Term Loans	49.58	55.95
On Working Capital and Others	288.68	206.14
<b>TOTAL</b>	<b>338.26</b>	<b>262.09</b>

Particulars	Rs in Lacs	
	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - 18</b>		
<b>OTHER MANUFACTURING, ADMN, AND SELLING EXPENSES</b>		
Stores consumed	1066.32	844.81
Power and fuel	782.90	770.64
Rent, Rates & Taxes	58.38	58.55
Printing & stationary	37.11	34.72
Communicational expenses	27.62	31.58
Conveyance and travelling	103.84	82.80
Directors sitting fee	0.18	0.22
Packing and forwarding charges	548.06	493.92
Insurance	5.27	10.89
Auditors Remuneration	6.25	7.02
Legal and Professional charges	7.98	21.15
<b>Repairs and Maintenance</b>		
Buildings	20.56	23.17
Plant and Machinery	73.90	113.63
Others	87.96	130.95
Sales Promotion	1186.73	983.91
Advertisement	5.93	6.78
Misc. expenses	72.29	79.47
Prior Year expenses	-	4.21
Provision for gratuity	2.30	46.20
<b>TOTAL</b>	<b>4093.59</b>	<b>3744.62</b>
<b>SCHEDULE - 19</b>		
<b>(INCREASE)/DECREASE IN STOCKS</b>		
<b>Opening Stocks:</b>		
Semi finished goods	471.94	451.18
Finished goods	113.98	186.66
	<b>585.92</b>	<b>637.84</b>
<b>Closing Stocks:</b>		
Semi finished goods	318.54	471.94
Finished goods	148.50	113.98
	<b>467.04</b>	<b>585.92</b>
(Increase)/decrease in stocks	118.88	51.92

**SCHEDULE - 20**  
**SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS****Significant Accounting Policies****1. Method of Accounting**

The financial statements have been prepared on accrual basis and at historical cost in Accordance with generally accepted accounting principles in India and provisions of the Companies act 1956 read with the Companies (Accounting Standards) Rules 2006.

**2. Revenue Recognition**

Sales comprises sale of goods and services net of trade discount and inclusive of Excise duty and sales Tax.

**3. Fixed Assets**

A. (a) Fixed assets are stated at cost less depreciation. The cost of Fixed Assets is net of Cenvat credit availed and to be claimed.

(b) Depreciation is provided on Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956. As amended from time to time. Freehold lands are not depreciated.

(c) The Fixed Assets includes self made machines.

**B. Depreciation:**

Excess Depreciation claimed over the years was treated as follows.

i) Being the company had claimed Depreciation on Straight line basis, the Assets on which 100% Depreciation claimed were also claimed in the following years also instead of reducing the Asset value for claiming Depreciation after completion 100% value.

ii) An amount of Rs.32.70 crores has been reduced from the value of Assets as well as from the Depreciation fund. This represents the assets on which 100% value already has been claimed in the earlier years and hence reduced as per clause (i) of the above from the Gross Block value of fixed assets and Depreciation fund.

iii) An amount of Rs. 9.23 crores has been claimed excess over the assets value as stated in the para (i) has been credited to Profit and Loss account as an extra ordinary item and reduced from the Depreciation fund

iv) The Depreciation on Plant & Machinery for the year 1998-99 & 1999-00 and subsequent year onwards restricted to only 95% of the asset value. As it is being the case an amount of Rs.43.24 lacs and Rs.44.82 lacs respectively, represents balance value of plant and machinery has been treated as scrap value on which no deprecation were neither nor will be claimed in future. This does not represent impairment value.

**4. Inventories**

i) Raw material, stores and spares and work-in-progress are valued at cost, net of cenvat Credit. Finished goods are valued at the lower of cost or market value whichever is lower.

ii) Excise Duty on stocks lying with the company is not added to the cost of finished goods Inventory. This is in line with the consistency in valuation of inventory by followed by the Management.

**5. Excise Duty**

Excise duty on goods manufactured is accounted only at the time of removal of goods from the factory.

**6. Foreign Currency Transactions**

a) Foreign Currency transactions are recognized in the books at the exchange rates prevailing on the date of the transaction.



- b) In the case of Current Assets/Liabilities the difference (Gain or Loss) between the actual payment and the amount recognized in the books is accounted as Exchange Gain or Loss. Where the transaction is not settled within the year, profit/Loss arising on the restatement at the year-end rates is recognized in the profit and loss account.
- c) Exchange differences in respect of liabilities incurred to acquire Fixed Assets are Adjusted to the cost of such Fixed Assets.
- d) The export sales includes sale of DEPB Licences-Rs. 84.04 lacs.
- e) Other income includes the following items
  - i) An amount of Rs. 17.47 lacs has been received from TECUMSEH (ITALY) which has been written off in 06-07 as non recoverable. The above amount represents out of an amount of Rs.95.89 lacs charged to profit and loss account as an extra ordinary item in the year 2006-07
  - ii) An amount of Rs. 6.41 lacs towards service tax credit not taken in the previous year now considered in the year 2008-09.

#### 7. Retirement Benefits

- a) The Company's contribution to Provident Fund is administered through Regional Provident Fund Commissioner and being charged to revenue as incurred.
- b) Gratuity in respect of past and present services of employees is being accounted for on accrual basis based on actuarial valuation. The payment of Gratuity to the employees who had left the service had been adjusted against the provision made. The provision of gratuity has been computed as on the date of closure of accounts by reducing the provision made in the earlier years.
- c) Leave encashment is accounted for on cash basis on the basis of the actual payments made.

#### 8. Taxes on Income

- a) Current Tax: Provision for Income Tax is determined in accordance with the provisions Of Income Tax Act. 1961.
- b) Deferred Tax Provision: Deferred Tax is recognized on timing differences being the Differences between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent period(s). Provision had been made on the account of above as there exist deferment assets.
- c) The timing deference on account of Depreciation charged on the Assets as per the Companies Act and as per the Income Tax Act has been provided. The net deferred tax liability over the Deferred Tax Assets was Rs. 24.98 lacs was considered for the current year as Rs.25.00 lacs.

#### NOTES TO ACCOUNTS

1. Interest free sales tax deferred loan is repayable as
  - a) Plant - I a) First Deferment completed in the year 2003, b) Second deferment Repayable in 14 years commences from April 2012
  - b) Plant - II First Deferment repayable in 10 years commences from April 2004 and second deferment April 2015
  - c) Plant - III repayable in 14 years commences from April 2011
2. Contingent liabilities not provided for
  - a) Disputed amount of Rs.25.68 lacs towards A.P. Tax on Entry of goods for the assessment year 2002-03 is pending with the ADC (CT) Punjagutta Division, Hyderabad against which we have already paid an amount of Rs. 3.21 Lacs.
  - b) Customs Duty liability on Imports under EPCG Scheme pending fulfillment of Export obligations of Rs.796.00 lacs is Rs. 99.50 lacs

**3. SUNDRY CREDITORS**

Disclosure under the Micro and Small Enterprises Development Act, 2006.

Amount due to Micro and Small Enterprises are disclosed on the basis of information company regarding available with the status of the suppliers is as follows.

Sl. No.	Particulars	Rs./in lacs			
		2008-09		2007-08	
		Principal	interest	Principal	interest
1	Principal Amount and Interest thereon due, remaining unpaid at the end of the year.	21.79	Nil	52.94	Nil
2	Interest paid during the year	Nil	Nil	Nil	Nil
3	Interest due and payable (on the amount which have been paid beyond the appointed date during the year)	NA	Nil	NA	Nil
4	Interest remaining accrued and unpaid at the end of year.	NA	Nil	NA	Nil
5	Interest due of the previous year	NA	Nil	NA	Nil

4. Amount of exchange difference as per AS-11 accounting for the effects of changes in foreign exchange rates included in the other income account of Rs.101.80 lacs. (Previous year Rs.16.00 lacs)
5. Estimated amount of contracts remaining to be executed on capital account is Rs.119.31 lacs (Previous year Rs. Nil Lacs) against which advances have been paid RS.62.96 lacs. (Previous Year Rs. Nil lacs.)
6. Unsecured Loan comprise of loan from directors and their relatives - Rs.855.01 lakhs (Previous year Rs.855.01 lakhs)

	Rs. in lakhs	
	2009	2008
<b>7. MANAGERIAL REMUNERATION:</b>		
a. Remuneration	45.12	43.44
b. Commission	-	35.59
c. Other Perquisites	4.52	8.69
<b>TOTAL</b>	<b>49.64</b>	<b>87.72</b>
<b>Calculation of commission:</b>		
Net Profit for the year	613.61	836.72
Add Directors Remuneration	49.64	87.72
Sitting Fee	0.18	0.20
Net Profit	<b>663.43</b>	<b>924.64</b>
Total salary and commission -10% of the profits	66.34	92.46
Total amount paid to directors	49.64	87.72
Commission 5% for the Directors	Nil	46.23
Restricted to actual payment	Nil	35.59

	Rs. in lakhs	
	2009	2008
<b>8. Earning per share</b>		
Net Profit (Rs in lacs)	448.28	581.97
No. of Equity Shares (throughout the year) in lacs	98.205	98.205
Earning per share (Basic & Diluted) Rs.	4.56	5.93

**9. CAPACITY, PRODUCTION, SALES AND STOCKS:****(a) Licensed and Installed Capacity and Actual Production:**

Particulars		Licensed Capacity	Installed Capacity	Actual Production
Piston	Nos.	De-licensed	7,500,000 (7,500,000)	4,927,734 (5,473,240)
Piston Pin	Nos.	"	7,500,000 (7,500,000)	3,960,253 (5,151,570)
Piston Rings	Nos.	"	22,000,000 (22,000,000)	15,888,744 (16,017,585)

Note: Figures in brackets pertains to previous period.

**(b) Particular of Opening Stock, Closing stock and turnover**

Particulars	Opening stock		Closing stock		Turnover	
	Quantity	Value (Rs. InLacs)	Quantity	Value (Rs. InLacs)	Quantity	Value (Rs. In Lacs)
Piston (Nos.)	115,683 (66,740)	145.25 (184.44)	26,415 (115,683)	39.62 (145.25)	5,017,002 (5,424,297)	7619.80 (7325.58)
Piston Pin (Nos.)	567,830 (51,470)	66.49 (62.11)	81,324 (567,830)	153.79 (66.49)	4,446,759 (4,635,210)	4,092 (3978.83)
Piston Rings (Nos.)	358,218 (376,447)		854,363 (358,218)		15,392,599 (16,035,814)	

Note: Figures in brackets pertains to previous period.

	2008 - 09			2007- 08		
	Qty Nos.	Rs. in Lacs	%	Qty Nos.	Rs. in Lacs	%
<b>10. Particulars of Raw Materials Consumption:</b>						
Alloy Elements (Kgs)	1311697	1844.13		1774760	1949.31	
Pin Steel (Kgs)	405463	235.65		490859	266.18	
Pig Iron (Kgs)	359380	120.69		426275	99.73	
Stop Pegs & Circlips (Nos)	15060877	54.43		13805394	51.35	
<b>11. Value of Raw Materials Components &amp; Spare Parts Calculated on CIF Value</b>						
Raw Material		177.32			93.27	
Components & Spare Parts		Nil			Ni	
Capital Goods		44.96			388.13	

	2008 - 09			2007- 08		
	Qty Nos.	Rs. in Lacs	%	Qty Nos.	Rs. in Lacs	%
12. Expenditure in Foreign Currency Traveling (On payment basis)		7.43			7.66	
13. Earnings in Foreign currency (On receipt basis)		2318.21			2354.70	
14. Value of Raw Materials, Spares & Components Consumed						
A) Indigeneous		2527.14	93.44%		2433.90	96.31%
B) Imported		177.32	6.56%		92.19	3.69%

15. Segment reporting under Accounting Standard-17

The Company operates in single primary business segment namely manufacture of Auto Components - Piston Assemblies, Hence no separate disclosure is required.

16. The Company is taking steps to transfer balance funds in un-paid dividend account to Investors Education and Protection Fund.
17. Related Party Disclosures: The disclosure pertaining to the related party transactions as required by the Accounting Standards
18. (As - 18) issued by the Institute of Chartered Accountants of India, as applicable are indicated below:

a) List of related parties with whom transactions are taken place during the year

Executive Directors

Mr. S D M Rao  
Mr. S Karunakar  
Mr. S Kishore

	2009	2008
b) Loans:		
Loans with related parties outstanding	855.01	855.01

c) Transactions with Executive Directors consists of remuneration as detailed in Note 7 of Schedule 20

19. The company is taking steps to transfer balance funds in un-paid dividend account to investors amounting to Rs.1,02,804.
20. Figures for the previous year has been regrouped/reclassified wherever necessary to be conformity with the current year.
21. Figures are rounded off to the nearest rupee.
22. Additional information pursuant to provisions of Part IV of Schedule VI of the Companies Act, 1956 is furnished in Annexure "A"

Signature to Schedule 1 to 20

As per our report attached for M/s. Ravi & Keshav Chartered Accountants,

for and on behalf of the Board of Directors

K.K.Kesavan  
Partner  
Membership No. 17489

S.D.M.Rao  
Chairman & Managing Director

M.N.Thakkar  
Director

Place : Hyderabad  
Date : 29-06-2009

**1. ANNEXURE - A**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS AT 31.03.09**

**1. Registration Details**

Registration No.      State Code

Balance Sheet Date

**2. Capital Raised during the year (Amount in Rs. 000)**

Public Issue        Rights Issue

Bonus Issue        Private Placement

**3. Position of Mobilisation and Deployment of Funds (Amount in Rs.000)**

Total Liabilities        Total Assets

**Sources of Funds**

Paid -up Capital        Reserves and Surplus

Secured Loans        Unsecured Loans

Deferred Tax Liability

**Application of Funds**

Net Fixed Assets        Investments

Net Current Assets        Misc. Expenditure

Accumulated Losses

**4. Performance of Company (Amount in Rs. 000)**

Total Income        Total Expenditure

Profit Before Tax (Before Extraordinary item)       Profit After Tax

Earning per share (Rs.)       Dividend Rate %

**5. Generic Names of Three Principal Products/Services of Company (as per Monetary Terms):**

Item Code No.

(ITC Code)

Product : Parts & Accessories of Vehicles of Headings Nos.87.11 to 87.13 of Motor Cycles (Including Mopeds).

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

Particulars	Rs in Lacs	
	Year Ended 31st March 2009	Year Ended 31st March 2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit Before Tax and extraordinary items	613.61	836.72
Adjustments For:		
Depreciation	777.68	989.59
Sales tax Deferment	53.48	74.67
Interest	338.26	262.09
Interest Earned	-7.38	-8.08
<b>Operating Profit Before Working Capital Changes</b>	<b>1775.65</b>	<b>2154.99</b>
Adjustments For:		
Receivables	348.09	-441.18
Inventories	225.39	24.00
Loans & Advances	-31.21	29.12
Payables	256.81	148.70
<b>Cash generated from Operations</b>	<b>2574.73</b>	<b>1915.63</b>
Interest Paid	338.26	262.09
Taxes Paid	237.88	351.94
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>1998.59</b>	<b>1301.60</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assests	1343.37	1959.22
Interest received	-7.38	-8.08
Term Loan From SBI	129.72	-297.14
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>1465.71</b>	<b>1654.00</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from Unsecured Loans	0	22.01
Increase(Decrease) in Working capital loan	204.81	581.50
Dividend and Dividend Tax	343.72	-402.15
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>548.53</b>	<b>201.36</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-15.65</b>	<b>-9.54</b>
<b>CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE YEAR</b>	<b>48.99</b>	<b>58.53</b>
<b>CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR</b>	<b>32.88</b>	<b>48.99</b>

**Notes:**

The above cash flow statement has been prepared under the indirect method as set out in the accounting standard - 3 on cash flow statements.

This is the Chas Flow Statement referred to in our report of even date for M/s. Ravi & Keshav Chartered Accountants,

for and on behalf of the Board of Directors

**K.K.Kesavan**  
Partner  
Membership No. 17489

**S.D.M.Rao**  
Chairman & Managing Director

**M.N.Thakkar**  
Director

Place : Hyderabad  
Date : 29-06-2009

# ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORMAT

To  
 SAMKRG PISTONS AND RINGS LTD.  
 M/S. XL SOFTECH SYSTEMS LTD  
 3, SAGAR SOCIETY, ROAD NO.2  
 BANJARA HILLS,  
 HYDERABAD - 500034.

Dear Sirs,

FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND / INTEREST.

Please fill-in the information in CAPITAL LETTERS in ENGLISH ONLY. Please  wherever is applicable.

For Shares held in physical form

Master Folio No. 

--	--	--	--	--	--	--	--	--	--

FOR OFFICE USE ONLY  ECS Ref. No.
---

For Shares held in electronic form

DP. Id 

--	--	--	--	--	--	--	--

Client Id 

--	--	--	--	--	--	--	--

Name of First Holder											
Bank Name											
Branch Name											
Branch Code	<table border="1" style="display: inline-table; border-collapse: collapse; width: 100%;"> <tr> <td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td> </tr> </table> <p style="font-size: small; margin-top: 5px;">(9 Digits Code Number appearing on the MICR Bank of the cheque supplied by the Bank). Please attach a xerox copy of a cheque or blank cheque of your bank duly cancelled for ensuring accuracy of the banks name, branch name and code number.</p>										

Account type	Savings <input type="checkbox"/>	Current <input type="checkbox"/>	Cash Credit <input type="checkbox"/>
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A/c. No. (as appearing in the cheque book) 

--	--	--	--	--	--	--	--

Effective date of this mandate 

--	--	--	--	--	--	--	--

I, hereby, declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, M/s. XL Softech Systems Ltd., will not be held responsible. I agree to avail the ECS facility provided by RBI, as and when implemented by RBI/ Samkrp Pistons and Rings Limited.

I further undertake to inform the Company any cheque in my Bank / branch and account number.

Dated:

(Signature of First holder)

Note: Once dematerialisation of existing physical shares, for which you have availed ECS facility, the above form needs to be re-submitted.



# SAMKRG PISTONS AND RINGS LIMITED

Regd. Office : 1-201, Divyashakti Complex, 7-1-58, Ameerpet, Hyderabad - 500 016.

<b>Name of Member in Capital Letter</b>
Folio Number:
No.of Shares: <b>23rd ANNUAL GENERAL MEETING</b> 28th August, 2009 at 10.30 a.m. <b>HOTEL ATHITHI INN</b> Dharam Karam Road, Ameerpet, Hyderabad.

<b>ATTENDANCE SLIP</b>
PLEASE HAND OVER THIS ADMISSION SLIP AT THE ENTRANCE OF THE MEETING HALL
<input type="checkbox"/> MEMBER <input type="checkbox"/> PROXY
NAME OF THE PROXY IN CAPITAL LETTER

I hereby register my presence at the meeting

Signature of the Member/Proxy



# SAMKRG PISTONS AND RINGS LIMITED

Regd. Office :1-201, Divyashakti Complex, 7-1-58, Ameerpet, Hyderabad - 500 016.

I/We .....  
.....  
.....  
.....

<b>PROXY FORM</b>	
FOLIO	NO.OF SHARES

in the district of ..... being a member / members of SAMKRG PISTONS AND RINGS LIMITED hereby appoint ..... of ..... or failing him as my / our Proxy to vote for me / us and on my / our behalf at the 23rd ANNUAL GENERAL MEETING of the Company to be held on Monday, the 28th August, 2009, at 10.30 a.m. or any adjournment thereof at HOTEL ATHITHI INN, Dharam Karam Road, Ameerpet, Hyderabad.

Signed this ..... day of ..... 2009

PROXY FORM MUST REACH COMPANY'S REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING

AFFIX REVENUE STAMP

FOR OFFICE USE ONLY	
PROXY NO.	DATE OF RECEIPT





**Bonthapally - Piston & Pin Plant  
(Near Hyderabad)**



**Varisam - Rings Plant  
(Near Visakhapatnam)**



**Akkivalasa - Piston & Pin Plant  
(Near Visakhapatnam)**

**PRINTED MATTER  
BOOK - POST**

If undelivered please return to:



**SAMKRG PISTONS AND RINGS LIMITED**

( AN ISO/TS 16949 : 2002 Company)

Registered Office:

1-201, Divyashakti Complex, 7-1-58, Ameerpet, Hyderabad - 500 016.

E-mail: [admin@samkrg.com](mailto:admin@samkrg.com)

Website: [www.samkrgpistonsandrings.com](http://www.samkrgpistonsandrings.com)

