IP Rings Ltd.

DIRECTORS

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

AUDITORS

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

LEGAL ADVISORS

S RAMASUBRAMANIAM & ASSOCIATES, CHENNAI

BANKERS

STANDARD CHARTERED BANK

CENTRAL BANK OF INDIA

HDFC BANK LIMITED

REGISTERED OFFICE

'Arjay Apex Centre'
51/24, College Road
Chennai 600 006
Tel: 91 (044) 2825 0792 / 2825 0793
E-mail: iprcorp@iprings.com

FACTORY

D 11/12, Industrial Estate
Maraimalai Nagar
Kancheepuram Dist. 603 209
Tel: 91 (044) 2745 2816 / 4740 0597 / 4740 0598
E-mail: iprmmn@iprings.com

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COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants.

Members who hold shares in physical form and want the Company to service their requirements electronically, kindly forward a request message in this connection to the following e-mail IDs quoting the folio and full name:

gogreen@iprings.com
ipringsgogreen@btsindia.co.in

In case you desire to receive the documents mentioned above in physical form, the same will be sent to you, upon receipt of a requisition to this effect.

Please note that the Annual Report will also be available on the Company's website : www.iprings.com

Soliciting your co-operation.

IP Rings Ltd.

NOTICE TO THE MEMBERS

NOTICE is hereby given that the **TWENTIETH ANNUAL GENERAL MEETING** of the Members of **IP Rings Ltd.** will be held at 3.15 p.m. on Thursday, 28th July 2011 at "Rani Seethai Hall", 603, Anna Salai, Chennai 600 006, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2011 together with the Profit and Loss Account for the year ended on that date and the Report of the Directors' and of the Auditor's thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr N Venkataramani, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Dr R Mahadevan, who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr P M Venatasubramanian, who retires by rotation and is eligible for reappointment.
6. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution.

   "RESOLVED that the retiring auditors Messrs. R G N Price & Co., Chartered Accountants, Chennai be and are hereby re-appointed as auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed in this behalf by the Board of Directors of the Company."

SPECIAL BUSINESS:

7. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution.

   "RESOLVED that Mr A Venkataramani, whose term of office as an Additional Director, pursuant to Section 260 of the Companies Act, 1956, expires at this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."
8. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution.

   "RESOLVED that pursuant to Sections 198, 269, 309, 310, 311, 316, Schedule XIII and all other applicable provisions of the Companies Act, 1956, and subject to such approvals as may be required, including from Central Government, Mr A Venkataramani be and is hereby appointed as the Managing Director of the Company for a period of three years from 01.11.2010 to 31.10.2013 under Article 46 of the Articles of Association of the Company on the terms and conditions as set out hereunder based on the recommendation of the Remuneration Committee or such other remuneration as the Board of Directors may revise / increase / vary from time to time and duly recommended in that behalf by the Remuneration Committee.

Salary	:	Basic Salary of ₹ 2,50,000/- per month.
Commission	:	Upto 2.5 % of the Net Profits as may be decided by the Board of Directors / Committee of Directors, specified as per Section 309(5) of the Companies Act, 1956.

   Perquisites

   (i) Housing:

   Either

   Free furnished residential accommodation, owned or leased out by the Company.

   or

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

   The expenditure incurred on gas, electricity, water and furnishing shall be borne by the Company.

   (ii) Medical Reimbursement:

   Reimbursement of expenses incurred for self and family restricted to one month's basic salary. Premium for Mediclaim Insurance at actual.

(iii) Leave Travel Assistance:

One month's basic salary per annum

(iv) Club Membership:

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

(v) Personal Accident Insurance:

Personal Accident Insurance – Premium shall not exceed ₹ 10,000/-

(vi) Entertainment Expenses:

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

(vii) Other perquisites:

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

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

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

Leave:

One month's annual privilege leave of absence in India. Leave accumulated shall be encashable at the end of the tenure.

Telephone & Car:

Provision of Telephone at residence. Provision of Mobile Phone and all communication facilities for official use. Facility of Car with Driver.

Minimum Remuneration:

In the event of loss or inadequacy of profit, in any financial year during the tenure, the Managing Director shall be paid remuneration by way of salary and perquisites as specified above.

Termination:

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

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

"RESOLVED that subject to the approval of the Central Government and pursuant to the provisions of Sections 198, 309, 310 and all other applicable provisions of the Companies Act, 1956, consent of the Members be and is hereby accorded for the payment of Managerial Remuneration to Dr N Gowrishankar, Whole Time Director, amounting to ₹ 5,64,943/- for the financial year 1.4.2010 to 31.3.2011, which is in excess of the limits laid down under Section 198(1) and Section 309 (3) of the Companies Act, 1956 and which has been duly recommended by the Remuneration Committee."

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

"RESOLVED that subject to the approval of the Central Government and pursuant to the provisions of Sections 198, 309, 310 and all other applicable provisions of the Companies Act, 1956, consent of the Members be and is hereby accorded for the payment of Managerial Remuneration to Mr A Venkataramani, Managing Director, amounting to ₹ 1,98,924/- for the financial year 1.4.2010 to 31.3.2011, which is in excess of the limits laid down under Section 198(1) and Section 309 (3) of the Companies Act, 1956 and which has been duly recommended by the Remuneration Committee."

By Order of the Board

Chennai
May 30, 2011

S RANGARAJAN
Associate Vice President
(Finance) & Secretary

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

NOTES:

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business under item nos. 7 - 10 as set out above is annexed hereto.
- The proxy form duly completed should be deposited at the Registered Office of the Company / Office of the Share Transfer Agents not later than 48 hours before the commencement of the Meeting.
- The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, July 21, 2011 to Thursday, July 28, 2011 (both days inclusive).
- The Dividend when approved will be made payable on or after July 28, 2011, in respect of shares held in Physical form to those members whose names appear in the Register of Members as on July 28, 2011 and in respect of shares held in the Electronic form to those "Deemed Members" whose names appear in the Register of Beneficial Owners furnished by NSDL and CDSIL, in accordance with the provisions of the Depositories Act, 1996.
- Members / Proxies should bring the attendance slip duly filled in for attending the Meeting.
- Members / Proxies are requested to bring their copy of Annual Report to the Meeting.
- Reminders are sent to members for encashing unclaimed and unpaid dividend, on a regular basis. Members who have not yet made claims are, therefore, requested to contact the Company immediately.
- Members who have multiple Folios in identical names or joint names in the same order are requested to intimate to the Company those Folios to enable the Company to consolidate all such Share holdings into a single Folio.
- Appointment / Reappointment of Directors:
- At the ensuing Annual General Meeting, Mr N Venkataramani, Dr R Mahadevan and Mr P M Venkatasubramanian, Directors, retire by rotation and being eligible offer themselves for reappointment. Mr A Venkataramani was appointed as the Managing Director of the Company, effective from November 01, 2010.

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

  i. Mr N Venkataramani, aged about 72 years has been a Director of the Company since its incorporation and occupies the position of Chairman from May 30, 2011. He is the Vice Chairman & Managing Director of India Pistons Limited, one of the promoter companies.

  Details of other Directorships / Committee Memberships held by him.

Directorship	Committee Membership
India Pistons Ltd.	Audit Committee (Member)
Amalgamations Private Limited	
Simpson & Co., Limited	Audit Committee (Member)
George Oakes Limited	
IP Pins & Liners Limited	
Amalgamations Repco Ltd.	
Bimetal Bearings Limited	Investor Grievances Committee (Chairman) Audit Committee (Member)
Mahle IPL Limited	
Amalgamations Valeo Clutch Pvt. Ltd.	
Stanes Amalgamated Estates Ltd.	
Stanadyne Amalgamations Pvt. Ltd.	
NTTF Industries Ltd.	
Sundaram Finance Limited	
IPL Engine Components Pvt. Ltd.	

ii. Dr R Mahadevan, aged about 67 years has been a Director of the Company since July 1995. He is an Engineering Graduate and holds a Ph.D from IIT, Chennai. He has held various senior level management positions and is presently a Whole Time Director of India Pistons Limited.

Details of other Directorships / Committee Memberships held by him.

Directorship	**Committee Membership**
India Pistons Limited	
IP Pins & Liners Limited	
Bimetal Bearings Ltd.	
BBL Daido Pvt. Ltd.	
Amco Batteries Limited	
Amalgamations Valeo Clutch Pvt. Ltd.	

iii. Mr P M Venkatasubramanian, aged about 72 years joined the Board of the Company during March 2002 as a Director. He is the Ex-Managing Director of General Insurance Corporation of India with over 4 decades of experience in Insurance Sector. He is the Chairman of the Audit and Remuneration Committees of the Company.

Details of other Directorships / Committee Memberships held by him.

Directorship	**Committee Membership**
Royal Sundaram Alliance Insurance Co Ltd	Investment Committee (Chairman) Risk Management Committee (Chairman) Audit Committee (Member)
Raadan Mediaworks (India) Ltd.	Audit Committee (Member) Shareholders / Investor Grievances Committee (Member) Remuneration Committee (Member)
Bimetal Bearings Limited	Audit Committee (Chairman) Remuneration Committee (Chairman)
Indbank Merchant Banking Services Limited	Audit Committee (Member)

iv. Mr A Venkataramani, was inducted to the Board of the Company on 27.10.2010. Subsequently he was appointed as the Managing Director of the Company effective from November 01, 2010. He is an Engineer by Profession. Prior to this, he was a Whole Time Director of Mahle IPL Limited.

Details of other Directorships / Committee Memberships held by him.

Directorship	Committee Membership
India Pistons Limited	
IP Pins & Liners Limited	
Mahle IPL Limited	
George Oakes Limited	

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

ITEM NO. 7

Mr A Venkataramani, was appointed as an Additional Director of the Company on 27.10.2010. Pursuant to Section 260 of the Companies Act, 1956 Mr A Venkataramani will hold the office as an Additional Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr A Venkataramani for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Your Directors recommend the Resolution for approval.

Apart from Mr A Venkataramani, Mr N Venkataramani, Chairman is concerned or interested in this Resolution.

ITEM NO. 8

The Board of Directors appointed Mr A Venkataramani, as the Managing Director of the Company for a period of 3 years with effect from 01.11.2010. Taking into account the future expansion projects planned and increases in volume of activities projected from the next year itself, it was decided that it would be most appropriate to appoint him as the Managing Director to strengthen the Company's top management. Abstract and terms of appointment and memorandum of interest under Section 302 of the Companies Act, 1956 have already been circulated to the members.

The appointment of Mr A Venkataramani, as the Managing Director, requires the approval of the Members.

Your Directors recommend the Resolution for approval.

Apart from Mr A Venkataramani, Mr N Venkataramani, Chairman is concerned or interested in this Resolution.

ITEM NO. 9

The remuneration payable to Dr N Gowrishankar, Whole Time Director, under Section I, Part II of Schedule XIII of the Companies Act, 1956 was approved by the shareholders at the Annual General Meeting held on July 29, 2010.

The said approved total remuneration payable for the year ended 31st March 2011 to Dr N Gowrishankar, Whole Time Director exceeds the limits of overall remuneration under Section 198(1) and 309 (3) of the Companies Act, 1956 by ₹ 5,64,943/-, which forms part of the overall excess remuneration of ₹ 7,63,867/- as per computation shown in Note 21 of Schedule 15 to the Accounts for the year ended March 31, 2011. Section 309 (3) of the Companies Act, 1956, permits payment of excess remuneration in excess of the limits prescribed therein with the approval of the shareholders and the Central Government.

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

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

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

Your Directors recommend the Resolution for approval.

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

ITEM NO. 10

The remuneration payable to Mr A Venkataramani, Managing Director, under Section I, Part II of Schedule XIII of the Companies Act, 1956 was approved by the Board at their meeting held on October 27, 2010 and the same is placed for approval of shareholders at this Annual General Meeting.

The total remuneration payable for the year ended 31st March 2011 to Mr A Venkataramani, Managing Director exceeds the limits of overall remuneration under Section 198(1) and 309 (3) of the Companies Act, 1956 by ₹ 1,98,924/-, which forms part of the overall excess remuneration of ₹ 7,63,867/- as per computation shown in Note 21 of Schedule 15 to the Accounts for the year ended March 31, 2011. Section 309 (3) of the Companies Act, 1956, permits payment of excess remuneration in excess of the limits prescribed therein with the approval of the shareholders and the Central Government.

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

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

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

Your Directors recommend the Resolution for approval.

Apart from Mr A Venkataramani, Mr N Venkataramani, Chairman is concerned or interested in this Resolution.

By Order of the Board

Chennai
May 30, 2011

S RANGARAJAN
Associate Vice President
(Finance) & Secretary

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

DIRECTORS' REPORT

Your Directors have pleasure in presenting the **Twentieth Annual Report** together with the Accounts for the year ended March 31, 2011 and the Auditor's Report thereon.

FINANCIAL RESULTS

		2010-2011	2009-2010
		(₹ in Lakhs)	
Profit before Finance charges, Depreciation and Tax		**1269.35**	1366.79
Finance charges		**120.32**	98.82
Depreciation		**473.93**	451.65
Profit before Tax		**675.10**	816.32
Provision for Taxation (Net)		**205.66**	259.79
Profit after Tax		**469.44**	556.53
Add :	Balance brought forward from previous year	**49.71**	39.53
	Profit available for appropriation	**519.15**	596.06
Less :	Dividend @ 30% (₹ 3/- per Share)	**211.26**	211.26
	Dividend Tax thereon	**34.28**	35.09
	Transfer to General Reserve	**200.00**	300.00
Balance carried forward		**73.61**	49.71

DIVIDEND

Your Directors recommend a dividend of 30% (₹ 3/- per Share) for the year ended March 31, 2011.

OPERATIONS

During the year under review the Automotive Industry responded well to the sustained improvement in the economy and recorded a performance significantly better than that in the previous year. Domestic sales of vehicles was up by 26.17% and vehicles exports by 29.64%.

However during the second half of the year adverse factors like rising input prices, higher borrowing costs and power shortage have pushed up the operating costs causing a serious dent in the margins of the manufacturers. It is expected that the trend would continue in the current year too.

Notwithstanding this cost pressure the long term prospect for the Industry is expected to be good and it is widely believed that the Industry would continue to be on a very satisfactory growth trajectory over the entire decade.

Component manufacturers naturally benefited from the growth in the Automotive Industry and generally had a good year though they too had to feel the impact of the same adverse factors as the Automotive Industry during the second half year.

Your company performed well during the year achieving a turnover of ₹ 87.63 crores as against ₹ 73.51 crores in the previous year, with both the Rings Division and the Transmission Components Division contributing significantly to the increase in the turnover. However the increase in input and finance costs combined with power shortages eroded the margins and added to the overheads and consequently the profit before tax for the year under review was ₹ 6.75 crores as against ₹ 8.16 crores in the previous year.

OUTLOOK

As said earlier, long term prospect for the Indian Automotive Industry is very promising and it is expanding at a rate that could well make it the fastest growing market in the world. Existing Vehicle Manufacturers are investing heavily for expansion of capacity and product range as well as for technology upgrade and R&D. There has also been the entry of additional global majors whose production facilities are already on stream and whose vehicles have begun reaching the market. A large number of new makes models and variants with performance features of very high sophistication, including compliance with very strict emission norms like Euro IV and above are now on the market. The changing scene in the Automotive Industry augurs well for the Components Manufacturers.

Your company is fully geared up to take advantage of the growing demand and expects a good year ahead.

The project for the PVD Ring is almost completed and production trials and market trials are under way. The project will be completed in all respects shortly and the company expects a significant contribution to Sales and Profits from this product. With the acquisition of the capability for PVD Rings the company will become one of the few who can provide rings for meeting the requirement of the new generation vehicles.

However increasing prices of inputs, higher borrowing cost, power shortage and customer resistance to price corrections which can erode margins and add to overheads are a matter of concern. The company is stepping up its efforts on the value engineering and cost reduction fronts in order to contain the impact of the adverse factors on profits.

The expected increase in production volumes, the addition of a high technology high value product, along with productivity improvements and cost reduction initiatives, the company expects, will enable it to attain higher levels of performance not only in the current year but in the years to come too.

DIRECTORS

Mr A Sivasailam, Chairman passed away on January 12, 2011 and his demise is a sad loss for the company.

He was deeply committed to placing the company in the forefront of component manufacturers and provided guidance and direction to the Company for nearly two decades right from the stage of project implementation. His vision and foresight ensured for the Company safe steerage through the many large scale changes that took place in the Automotive Industry and their impact on components manufacture.

The Directors wish to place on record their appreciation of the valuable contribution made by Mr A Sivasailam during his stewardship of the Company.

In accordance with the provisions of the Companies Act, 1956, Mr N Venkataramani, Dr R Mahadevan and Mr P M Venkatasubramanian, Directors, retire by rotation and are eligible for reappointment.

During the year under review, Mr A Venkataramani and Mr T K Ramasubramanyan were co-opted as Additional Directors, who will hold office up to the date of the ensuing Annual General Meeting. Mr A Venkataramani was subsequently appointed as the Managing Director of the Company with effect from November 01, 2010. The Company has received notice under Section 257 of the Companies Act, 1956, proposing the candidature of Mr A Venkataramani as a Director of the Company. Your Directors wish to place on record the valuable services rendered by Mr T K Ramasubramanyan during his tenure as a Director.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed;
- that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended March 31, 2011 and of the profit of the Company for that year;
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

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

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

AUDITORS

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

PARTICULARS OF EMPLOYEES

There were no employees in receipt of remuneration of ₹ 5,00,000/- p.m. during the year ended 31.03.2011 coming within the purview of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended.

DISCLOSURE OF PARTICULARS

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

ACKNOWLEDGEMENT

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

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

For and on behalf of the Board

N Venkataramani
Chairman

Chennai
May 30, 2011

Annexure to the Directors' Report for the year ended 31st March 2011.
Statement containing particulars pursuant to the Companies
(Disclosure of particulars in the Report of Board of Directors) Rules, 1988

I. CONSERVATION OF ENERGY

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

A. POWER & FUEL CONSUMPTION

Electricity:

	2010-2011	2009-2010
(a) Purchased :		
Units in Lakhs	**45.51**	34.09
Total Amount (₹ in Lakhs)	**309.26**	186.90
Rate / Unit - ₹ *	**6.80**	5.48

*** increase due to purchase from private suppliers**

	2010-2011	2009-2010
(b) Own Generation :		
Through Diesel Generator		
Units in Lakhs	**10.01**	12.35
Units per litre of Diesel	**3.29**	3.40
Cost / Unit - ₹	**13.45**	11.19

B. CONSUMPTION PER UNIT OF PRODUCTION (ELECTRICITY)

Products	**Standards if any**	**2010 – 2011**	2009 – 2010
Piston Rings	No Standards	**0.34 kwh / ring**	0.32 kwh / ring
Differential Gears Pole Wheels & Transmission Components	No Standards	**0.70 kwh / comp**	0.44 kwh / comp

II. TECHNOLOGY ABSORPTION AND INNOVATION

A. RESEARCH & DEVELOPMENT:

1.	Specific areas in which R&D is carried out by the company.	Continuous Research is being undertaken in the following areas: **Piston Rings:** 1. High performance PVD coated rings have been successfully developed and tested. 2. Research on high wear, low friction plasma coatings is being carried out. 3. Smaller Dia Piston Rings for Turbo charger applications developed. Further development of alternate processes being carried out. **Orbital Cold Forming:** 1. Development of flashless hot forged blanks is to achieve raw material savings in Orbital Cold forming.
2.	Benefits derived as a result of the above R&D:	1. Better acceptance of our products for Euro IV Applications. 2. Development of smaller Dia Rings has enlarged our range and enabled diversifications. 3. Developments in orbital cold forming has improved the profitability.
3.	Future Plan of Action:	1. **Piston Rings:** (a) R & D in new coatings such as PVD coatings for meeting stringent Euro IV and Euro V emission norms. Sample evaluation is on. (b) Extension of usage of current surface coatings for other alternative engine applications. 2. **Orbital Cold Forming:** (a) Improvements in productivity, process flow and heat treatment of orbital cold formed components. (b) Development of non-transmission components.
4.	Expenditure on R&D:	Capital ₹ 3,85,799/- Revenue ₹ 52,20,091/- Total ₹ 56,05,890/- Total R & D Expenditure as a % of Total Turnover 0.64%

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

Imported Technology

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

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

(i) Activities relating to Exports	Exploring opportunities for export of Transmission Components
(ii) Total Foreign Exchange used and earned	
Foreign Exchange earned	₹ 1,16,52,625/-
Foreign Exchange outgo	₹ 16,73,15,020/-

AUDITORS' REPORT ON CORPORATE GOVERNANCE

To the Members of IP Rings Ltd, Chennai.

We have examined the compliance of conditions of Corporate Governance by **IP Rings Ltd.** for the year ended 31.3.2011, as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges in India.

The compliance of conditions of the Corporate Governance is the responsibility of the management. Our examination was limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial status of the Company.

In our opinion and to the best of our information and explanations given to us and based on the representations given by the Management of the Company, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned 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 **R G N Price & Co.,**
Chartered Accountants
Firm Regn. No. 002785S

Mahesh Krishnan
Partner
Membership No. 206520

Chennai
May 30, 2011

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

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

I confirm that the Company has in respect of the financial year ended March 31, 2011, received from the Board Members and Senior Management Personnel, a Declaration of Compliance with the Code of Conduct as applicable to them.

A Venkataramani
Chief Executive Officer
Managing Director

Chennai
May 30, 2011

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Code of Governance

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

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

1. Board of Directors

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

Mr N Venkataramani	Chairman (Non Executive)
Mr K V Shetty	Director (Non Executive)
Mr A Venkataramani*	Managing Director (Executive)
Dr N Gowrishankar	Whole Time Director (Executive)
Dr R Mahadevan	Director (Non Executive)
Mr Masaaki Otani	Director (Non Executive - Independent)
Mr P M Venkatasubramanian	Director (Non Executive - Independent)
Dr R Natarajan	Director (Non Executive - Independent)
Mr S R Srinivasan	Director (Non Executive - Independent)
Mr S Ramachandra	Director (Non Executive - Independent)
Mr T K Ramasubramanyan	Director (Non Executive - Independent)

* Inducted to the Board on 27.10.2010 and Appointed as Managing Director with effect November 01, 2010.

Mr A Sivasailam, Chairman passed away on January 12, 2011.

2. Attendance of each Director at the Board Meetings held during the FY 2010-2011 and at the last AGM and details of other Directorships

Five Board Meetings were held during the year 2010-2011. The dates on which the meetings were held are: 27.05.2010 (two meetings), 29.07.2010, 27.10.2010 & 31.01.2011. The attendance records of all Directors are as under:

Director	No. of Board Meetings Attended	Last AGM Attended	Directorships in other Companies	Committee Memberships in other Companies
Mr. A Sivasailam	2	No	14	04
Mr. N Venkataramani	5	Yes	14	04
Mr. K V Shetty	5	Yes	07	04
Mr. A Venkataramani	2	N.A.	04	00
Dr. N Gowrishankar	5	Yes	02	01
Dr. R Mahadevan	5	Yes	06	00
Mr. Masaaki Otani	2	Yes	00	00
Mr. P M Venkatasubramanian	5	Yes	04	05
Dr. R Natarajan	5	Yes	01	01
Mr. S R Srinivasan	5	Yes	02	00
Mr. S Ramachandra	5	Yes	01	00
Mr. T K Ramasubramanyan	1	N.A.	01	01

3. Remuneration to Directors

The details of remuneration paid / payable to all the Directors for the year 2010-2011 and shares held by Non-Executive Directors in the Company are:

i. Non-Executive Director(s)

Director	Sitting Fee (₹)	Commission (₹)	No. of Shares Held
Mr A Sivasailam	20000	–	1000
Mr N Venkataramani	50000	300000	24050
Mr K V Shetty	61000	200000	2850
Mr Masaaki Otani	–	–	–
Dr R Mahadevan	51000	70000	600
Mr P M Venkatasubramanian	65000	73654	–
Dr R Natarajan	65000	70000	–
Mr S R Srinivasan	50000	20000	300
Mr S Ramachandra	55000	20000	–
Mr T K Ramasubramanyan	10000	20000	–

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

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

	Managing Director (₹)	Whole Time Director (₹)
Fixed Component Salary	21,04,167.00	28,86,000.00
Perquisites	3,96,994.00	5,97,360.00
Variable Component Commission / Performance Allowance	8,05,890.00	17,10,000.00
Total	**33,07,051.00**	**51,93,360.000**

4. Audit Committee

Terms of Reference:

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

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

The Audit Committee comprises of three Directors. The name and members of the Committee are as follows :

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

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

The Audit Committee met four times during the year. The dates on which the meetings were held are: 26.05.2010, 28.07.2010, 27.10.2010 & 31.01.2011. The attendance records of all the members are as under:

Member	No. of Meetings Attended
Mr P M Venkatasubramanian	4
Dr R Natarajan	4
Mr K V Shetty	4

5. Shareholders / Investors Grievance Committee

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

Dr R Mahadevan	Chairman	Non Executive
Mr K V Shetty	Member	Non Executive

The Investors Grievance Committee met twice during the year. The dates on which the meetings were held are: 21.01.2011 & 10.03.2011. The attendance records of all the members are as under:

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

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

During the year 12 complaints regarding non-receipt of dividend warrants were received from the shareholders, all of which have been resolved. The Company had no transfers pending at the close of the financial year.

6. Disclosure

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

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

Mr N Venkataramani, Chairman and Mr A Venkataramani, Managing Director are related to each other.

7. Annual General Meetings

Location and time of last 3 Annual General Meetings were

Year	GM	Location	Date	Time
2009-2010	AGM	"Rani Seethai Hall" 603, Anna Salai Chennai 600 006	29.07.2010	3.15 p.m
2008-2009	AGM	Same as above	23.07.2009	3.15 p.m
2007-2008	AGM	Same as above	24.07.2008	3.15 p.m

8. Postal Ballot

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

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

9. Quarterly Results

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

10. General Shareholder Information

AGM: Date, Time and Venue	28.07.2011 @ 3.15 p.m. "Rani Seethai Hall" 603, Anna Salai, Chennai 600 006
Financial Calendar	April to March First Quarter Results - July Half Year - October Third Quarter- January Annual Results - May
Date of Book Closure	21.07.2011 to 28.07.2011 (both days inclusive)
Dividend Payment Date	within 30 days from July 28, 2011
Listing	i. Madras Stock Exchange Limited (MSE), Chennai ii. By virtue of a MOU between MSE and National Stock Exchange of India Limited (NSE), our shares are permitted to trade in NSE & iii. Bombay Stock Exchange Limited (BSE), Mumbai
Stock Code	IPRINGS (MSE), 523638 (BSE) & IPRINGLTD (NSE)
ISIN	INE 558 A01019

Market Price in the Financial Year

Month	***BSE***	
	LOW (₹)	**HIGH (₹)**
April 2010	71.70	104.70
May 2010	105.00	119.00
June 2010	107.55	121.00
July 2010	116.80	141.40
August 2010	121.05	133.00
September 2010	115.05	141.00
October 2010	107.00	123.40
November 2010	86.00	113.80
December 2010	85.20	104.20
January 2011	79.75	106.55
February 2011	66.00	85.00
March 2011	74.20	95.75

Shareholding Pattern

Category	No. of Shares held	% to Capital
Promoters	36,49,832	51.83
Mutual Funds & UTI	200	0.00
Banks, FI's, Insurance Cos.	2,15,347	3.06
Private Bodies Corporate	8,18,083	11.62
Indian Public	16,49,239	23.42
NRI's / OCB's	5,246	0.08
Foreign Collaborators	7,04,200	9.99
Total	**70,42,147**	**100.00**

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

Month	BSE		BSE Sensex	
	LOW (₹)	HIGH (₹)	LOW	HIGH
April 2010	71.70	104.70	17276.80	18047.86
May 2010	105.00	119.00	15960.15	17536.86
June 2010	107.55	121.00	16318.39	17919.62
July 2010	116.80	141.40	17395.58	18237.56
August 2010	121.05	133.00	17819.99	18475.27
September 2010	115.05	141.00	18027.12	20267.98
October 2010	107.00	123.40	19768.96	20854.55
November 2010	86.00	113.80	18954.82	21108.64
December 2010	85.20	104.20	19074.57	20552.03
January 2011	79.75	106.55	18038.48	20664.80
February 2011	66.00	85.00	17295.62	18690.97
March 2011	74.20	95.75	17792.17	19575.16

Share Transfer Agents	BTS Consultancy Services Pvt. Ltd. No.4, Ramakrishna Nagar Nr. Kumaran Matriculation School Villivakkam, Chennai - 600 049 Phone Nos. 044 – 2650 3337 Fax 044 – 2650 3339 E-mail: helpdesk@btsindia.co.in
Share Transfer System	A Separate Share Transfer committee has been delegated the responsibility of approving transfer and transmission of shares and other related matters. The committee in general meets once in a fortnight. All Share Transfers are completed within the statutory time limit, provided the documents meet the stipulations of statutory provisions in all aspects.
Dematerialisation of Shares	43.97 % of the Paid up Capital has been dematerialised as on 31.03.2011.
Plant Location	D 11/12, Industrial Estate Maraimalainagar - 603 209 Tel: (044) 2745 2816 / 4740 0597 / 4740 0598 E-mail: iprmmn@iprings.com
Address for Correspondence	'Arjay Apex Centre' 51/24, College Road Chennai 600 006 Tel: (044) 2825 0792 / 2825 0793 E-mail: iprcorp@iprings.com
E-mail for Investors	investor@iprings.com

NON-MANDATORY REQUIREMENTS

(a) Remuneration Committee:

The Company has a Remuneration committee. Mr P M Venkatasubramanian, Dr R Natarajan & Mr S Ramachandra are the members of the Remuneration Committee. Mr P M Venkatasubramanian is the Chairman of the Committee. Mr S Rangarajan is the Secretary of the Committee. During the year under review, the Committee met twice viz., 26.05.2010 & 27.10.2010.

(b) Publication of half yearly results:

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure & Developments:

Freed from the impact of the global recession, the Indian Economy has been on a path of strong recovery with GDP growth nudging the two digit mark – 8.5% average for the past five years – and has remained well above the world average GDP growth rate, even during the worst of the Global Meltdown. The forecast for the future is that it would be improving further progressively right through the next ten years

After the globalization of the economy the Indian Automotive Industry has grown at an explosive rate and has been a major driver of the country's GDP growth. With the entry of several more global majors recently into the industry it is continuing to expand across all segments. The industry is now ranked along with Global Majors and is considered to be one of the largest and fastest growing markets in the world.

Forecasts of national Bodies have predicted that the industry would sustain an annual growth rate of 15% to 20% over the decade and that it would continue to be an engine of the country's economic growth contributing significantly to its GDP.

Opportunities and Threats:

The massive growth in the Automotive Industry would generate an explosive demand for components and fuel a growth of equal magnitude in the Components Industry.

Estimates by representative bodies indicate that the value of components production would increase from the present level of US$ 30 Billion to US$ 113 Billion in the year 2020.

Component Manufacturers are aware of the opportunities that a growth of this magnitude would offer and are investing heavily for setting up additional facilities for capacities and for upgrading technologies and processes.

Though the emerging scenario is very promising there could still arise matters of concern for the Industry. Withdrawal of fiscal stimuli, inflation, increased interest rates and tightening up of credit could become threats that would require careful financial planning and management.

Similarly hike in input costs, power shortages, pressure from OEMs on pricing and such other factors are bound to be encountered and would have to be met and managed by productivity and cost reduction measures.

Your company is aware of the possibilities that may lie ahead – opportunities as well as risks – and is well equipped to deal with appropriately as and when they arise. It remains confident of deriving full benefit from the opportunities and warding off threats.

Outlook:

The outlook for the company for the current year is bright.

With most of the Vehicle and Engine Manufacturers increasing their production volumes, the demand potential and order position for the company are very strong. Investments undertaken in recent years have ensured the availability of increased capacities needed for meeting the higher demand and realizing higher sales.

Commercial production has commenced in the transmission components division. The Project for PVD rings with technical assistance from the JV partner Nippon Piston Ring Company, Japan is expected to be completed very soon. Plant and Market trials of PVD rings are in progress. The contribution from this product and the Transmission Components Division will further augment this year's sales. Your Company is planning further capital expenditure to increase the capacity and towards removing bottlenecks.

The Company's focus would be on productivity improvement and cost management.

Risks and Concerns:

As the prospects of the components industry are determined by those of the Automotive Industry any setback in the latter would have a direct impact on the results of the Company.

Likewise slowing down of the economy, changes in the Government's policies regarding industrial development, Import of automobiles and components, disproportionate hike in input costs and power shortage etc., could pull down the Company's performance.

Segment-wise Product Performance:

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

Internal Control Systems:

Greater emphasis is laid on integrated internal control system. Independent Internal Auditors conduct Internal Audits and the management duly considers and takes appropriate action on the recommendation made by the Auditors.

Financial Performance:

Your Company achieved a Turnover of ₹ 87.63 Crores and a PBT of ₹ 6.75 Crores during the current year. Both the Divisions of the company i.e. Rings Division and the Transmission Components Division contributed significantly to the overall results. Steep increase in various input costs adversely affected the profitability of the Company.

Human Resource:

Employee training is continuing to receive top priority in the Management's efforts to reach World Class Standards. Systematic training is given at all levels to improve the knowledge and skill level of all employees. The Company is also engaging Outside Consultants to train the employees at all levels on improving productivity, cost reduction, TPM, TQM etc.

Corporate Social Responsibility:

IP Rings is continuing its contributions towards corporate social responsibility in contributing to Single Teacher School movement, participating and running hospitals, conducting computer awareness programs for employees' children and conducting blood donation camps.

10 Year Record:

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

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

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

10 Years Performance at a Glance

₹ in Lakhs

Particulars	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Sales	3102.32	3931.36	4767.79	5152.10	5636.23	5802.74	6274.97	5493.23	7350.79	8762.77
PBDIT	611.58	867.03	1016.53	1049.95	1193.51	1075.38	927.02	721.99	1366.79	1269.35
Profit after tax	178.21	317.72	479.77	499.56	512.07	388.70	250.42	108.79	556.53	469.44
Dividend paid	105.63	158.89	238.33	238.87	283.06	226.57	205.97	82.39	246.35	245.54
Dividend %	15.00	20.00	30.00	30.00	35.00	27.50	25.00	10.00	30.00	30.00
Share Capital	704.21	704.21	704.21	704.21	704.21	704.21	704.21	704.21	704.21	704.21
Reserves & Surplus	2486.14	2644.97	2886.40	3147.09	3376.09	3538.23	3582.68	3609.08	3919.26	4143.17
Networth	3166.45	3333.14	3587.76	3851.30	4080.30	4242.44	4286.89	4313.29	4623.47	4847.38
Gross Fixed Assets	3948.97	4060.57	4626.19	6158.68	6457.79	7157.32	7436.55	7637.30	8607.94	8780.30
EPS	2.53	4.51	6.81	7.09	7.27	5.52	3.56	1.54	7.90	6.67
Book Value/Share	44.96	47.33	50.95	54.69	57.94	60.24	60.88	61.25	65.65	68.83
Debt Equity	0.17	0.14	0.09	0.14	0.08	0.17	0.23	0.14	0.41	0.45

REPORT OF THE AUDITORS TO THE MEMBERS OF IP RINGS LIMITED

We have audited the attached Balance Sheet of **IP Rings Limited** as at 31st March 2011 and also the Profit and Loss Account and Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the Annexure referred to above, we report that:

   I. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

   II. In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of those books;

   III. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   IV. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

   V. On the basis of the written representations received from the Directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the Director is disqualified from being appointed as a Director of the company in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date.

   VI. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required give a true and fair view in conformity with the accounting principles generally accepted in India:

      (a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2011;

      (b) in the case of Profit and Loss Account, of the Profit for the year ended on that date; and

      (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Chennai
30.05.2011

Mahesh Krishnan
Partner
Membership No. 206520

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

I. (a) The Company has maintained proper records for its Fixed Assets showing full particulars including quantitative details and situation of those Assets.

(b) The Company has a policy of physically verifying its Fixed Assets once in two years which in our opinion is reasonable having regard to the size of the Company and nature of its business. During the year Fixed Assets have been physically verified by the management and no major discrepancies were noticed on such verification.

(c) The Fixed Assets that have been sold / disposed off during the year do not constitute a substantial part of the total Fixed Assets of the Company.

II. (a) Physical verification of inventory has been conducted by the management at reasonable intervals.

(b) The procedures for physical verification of inventory followed by the Management are in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification were not material as compared to book records and have been properly dealt with in the books of accounts.

III. The Company has not granted or taken any loan, secured or unsecured, to / from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.

IV. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls system.

V. (a) We are of the opinion that particulars of contracts or arrangement referred to in Section 301 of Companies Act, 1956 have been entered into the register maintained under the said Act.

(b) In our opinion, and according to the information and explanation given to us, transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market price at the relevant time.

VI The Company has not accepted any deposit from the public.

VII In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

VIII The Central Government has prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 for manufacture of Automotive Parts and Accessories. On the basis of the records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India under Section 209(1) (d) of the Companies Act, 1956 have been made and maintained.

IX (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to it. There are no arrears of undisputed outstanding statutory dues as at 31st March 2011 for a period of more than six months from the date they become payable.

(b) According to the information and explanations given to us, there are no disputed amounts that remain unpaid in respect of Wealth Tax, Sales Tax, Customs Duty, Excise Duty, Cess and Service Tax as at 31st March 2011. However, in respect of Income Tax, there are disputed amounts that remain unpaid are disclosed hereunder:

Financial Year	Assessment Year	Disputed Amount Unpaid (₹ in Lakhs)	Appeal Pending with
1996 – 1997	1997 – 1998	2.46	CIT (Appeals)
1998 – 1999	1999 – 2000	38.00	ITAT (Appeal)
1999 – 2000	2000 – 2001	11.36	CIT (Appeals)
2000 – 2001	2001 – 2002	4.75	CIT (Appeals)
2001 – 2002	2002 – 2003	6.61	CIT (Appeals)
2002 – 2003	2003 – 2004	6.05	ITAT (Appeal)
2003 – 2004	2004 – 2005	41.98	ITAT (Appeal)
2004 – 2005	2005 – 2006	3.73	ITAT (Appeal)
2005 – 2006	2006 – 2007	5.03	CIT (Appeals)
2007 – 2008	2008 – 2009	18.32	CIT (Appeals)
	Total	**138.29**	

X The Company has no accumulated losses. The Company has also not incurred cash losses during this financial year and in the immediately preceding financial year.

XI The Company has not defaulted in repayment of loans availed from banks. The company has no borrowings from financial institutions and has not issued debentures.

XII The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

XIII The provisions of special statute applicable to chit funds / nidhi / mutual benefit funds / society do not apply to the Company.

XIV The Company has made certain investments in shares and mutual funds. Proper investment records have been maintained by the Company. Transactions have been regularly updated as and when taken place. All investments of the Company are held in its own name.

XV The Company has not given any guarantee for loans taken by others from bank or financial institutions.

XVI Term Loans availed from banks have been utilized towards the intended purpose.

XVII According to the information and explanations given to us and on an overall review of utilization of funds, we observed that no short-term funds have been used for long-term investments.

XVIII During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

XIX During the year, the Company has not raised any money by public issue.

XX According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported.

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

Chennai
30.05.2011

Mahesh Krishnan
Partner
Membership No. 206520

BALANCE SHEET AS AT 31ST MARCH 2011

	Schedule	**31.03.2011** ₹	31.03.2010 ₹
SOURCES OF FUNDS :			
SHARE HOLDERS' FUNDS			
Share Capital	**1**	**7,04,21,470**	7,04,21,470
Reserves and Surplus	**2**	**41,43,16,571**	39,19,25,839
LOAN FUNDS	**3**		
Secured Loan		**23,69,10,255**	19,23,13,812
Unsecured Loan		**3,80,00,000**	1,80,00,000
DEFERRED TAX LIABILITY (NET)	**4**	**4,97,91,222**	5,07,25,102
TOTAL		**80,94,39,518**	72,33,86,223
APPLICATION OF FUNDS :			
FIXED ASSETS			
Cost	**5**	**87,80,30,079**	86,07,94,286
Less : Depreciation		**52,12,55,158**	47,59,52,868
Net Block		**35,67,74,921**	38,48,41,418
Capital Work - in - Progress & Advances		**24,50,54,511**	15,57,35,285
		60,18,29,432	54,05,76,703
INVESTMENTS	**6**	**88,000**	88,000
CURRENT ASSETS, LOANS AND ADVANCES			
Current Assets	**7**		
Inventories		**15,91,44,189**	13,11,39,472
Sundry Debtors		**13,61,60,905**	12,66,40,933
Cash and Bank Balances		**1,77,79,503**	1,34,97,727
Loans and Advances	**8**	**3,21,31,228**	3,41,37,111
		34,52,15,825	30,54,15,243
Less : Current Liabilities and Provisions	**9**	**13,76,93,739**	12,26,93,723
Net Current Assets		**20,75,22,086**	18,27,21,520
TOTAL		**80,94,39,518**	72,33,86,223
Significant Accounting Policies	**14**		
Notes on Accounts	**15**		

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

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

S. RANGARAJAN
Associate Vice President (Finance) & Secretary

A. VENKATARAMANI
Managing Director

N. GOWRISHANKAR
Whole Time Director

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

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

MAHESH KRISHNAN
Partner
Membership No. 206520

Chennai
May 30, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

	Schedule	31.03.2011 ₹	31.03.2010 ₹
Sales		**87,62,77,061**	73,50,78,892
Less : Excise Duty		**7,95,35,769**	5,65,31,228
		79,67,41,292	67,85,47,664
Other Income	10	**26,19,856**	9,52,493
		79,93,61,148	67,95,00,157
Material Cost	11	**28,94,45,129**	23,92,66,730
Employees' Remuneration and Benefits	12	**10,62,08,520**	9,08,90,820
Other Expenditure	13	**27,67,71,724**	21,26,64,303
Finance charges		**1,20,32,430**	98,81,937
Depreciation		**4,73,92,816**	4,51,64,606
		73,18,50,619	59,78,68,396
Profit before Tax		**6,75,10,529**	8,16,31,761
Less : Provision for Taxation – Current (inclusive of wealth tax)		**2,15,00,000**	2,80,00,000
– Deferred Tax		**(9,33,880)**	(20,21,051)
Profit after Tax		**4,69,44,409**	5,56,52,812
Profit and Loss-Surplus Brought Forward		**49,70,716**	39,53,182
		5,19,15,125	5,96,05,994
APPROPRIATIONS			
Proposed Dividend ₹ 3/- per Share		**2,11,26,441**	2,11,26,441
Tax on Dividend		**34,27,236**	35,08,837
Transfer to General Reserve		**2,00,00,000**	3,00,00,000
Surplus Carried to Balance Sheet		**73,61,448**	49,70,716
		5,19,15,125	5,96,05,994
Significant Accounting Policies	14		
Notes on Accounts	15		
Basic and Diluted Earnings Per Share (in ₹)		**6.67**	7.90
Nominal Value Per Equity Share (in ₹)		**10.00**	10.00
(Refer Notes on Accounts - 25 of Schedule 15)			

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

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

S. RANGARAJAN
Associate Vice President (Finance) & Secretary

A. VENKATARAMANI
Managing Director

N. GOWRISHANKAR
Whole Time Director

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

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

MAHESH KRISHNAN
Partner
Membership No. 206520

Chennai
May 30, 2011

SCHEDULES TO BALANCE SHEET

		31.03.2011 ₹	31.03.2010 ₹
1.	**SHARE CAPITAL**		
	Authorised		
	1,50,00,000 Equity Shares of ₹ 10 each	**15,00,00,000**	15,00,00,000
	50,00,000 Preference Shares of ₹ 10 each	**5,00,00,000**	5,00,00,000
		20,00,00,000	20,00,00,000
	Issued, Subscribed and Paid - Up		
	70,42,147 Equity Shares of ₹ 10 each, fully paid up	**7,04,21,470**	7,04,21,470
	Of the above 36,47,832 Equity Shares of ₹ 10 each (previous year 36,47,832) are held by the Ultimate Holding Company, Amalgamations Private Ltd. and its Subsidiaries	**7,04,21,470**	7,04,21,470
2.	**RESERVES AND SURPLUS**		
	Share Premium	**10,54,28,400**	10,54,28,400
	General Reserve		
	As per Last Balance Sheet	**28,15,26,723**	25,15,26,723
	Add: Transfer from Profit and Loss Account	**2,00,00,000**	3,00,00,000
		30,15,26,723	28,15,26,723
	Profit and Loss Account - Surplus	**73,61,448**	49,70,716
		41,43,16,571	39,19,25,839
3.	**LOAN FUNDS**		
	SECURED LOAN		
	From Banks	**23,20,84,877**	18,92,37,014
	From Others	**48,25,378**	30,76,798
		23,69,10,255	19,23,13,812
	UNSECURED LOAN		
	From Others (Repayable within a year)	**3,80,00,000**	1,80,00,000
		3,80,00,000	1,80,00,000
4.	**DEFERRED TAX LIABILITY (NET)**		
	Deferred Tax Liability	**5,16,89,600**	5,27,78,812
	Deferred Tax Asset	**(18,98,378)**	(20,53,710)
		4,97,91,222	5,07,25,102

SCHEDULES TO BALANCE SHEET – (Contd.)

5. FIXED ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
Description	Cost as at 01.04.2010 ₹	Additions / (Disposal) ₹	**Cost as at 31.03.2011** ₹	Upto 31.03.2010 ₹	For the Year ₹	**Upto 31.03.2011** ₹	**As at 31.03.2011** ₹	As at 31.03.2010 ₹
Land – Free Hold	19,16,525	–	**19,16,525**	–	–	–	**19,16,525**	19,16,525
Land – Lease Cum Sale *	13,23,080	–	**13,23,080**	–	–	–	**13,23,080**	13,23,080
Buildings	6,53,56,390	1,42,541	**6,54,98,931**	2,19,17,775	21,78,838	**2,40,96,613**	**4,14,02,318**	4,34,38,615
Plant and Machinery	68,95,22,993	1,44,56,712	**70,39,79,705**	37,98,59,548	3,88,34,553	**41,86,94,101**	**28,52,85,604**	30,96,63,445
Electrical Installations	1,93,56,447	14,80,259	**2,08,36,706**	97,02,905	9,10,846	**1,06,13,751**	**1,02,22,955**	96,53,542
Furniture and Fittings	91,76,536	43,990 (82,000)	**91,38,526**	66,38,207	4,75,586	**71,13,793** **(51,383)**	**20,76,116**	25,38,329
Vehicles	1,24,22,431	8,67,325 (35,94,023)	**96,95,733**	44,35,720	9,21,991	**53,57,711** **(19,57,417)**	**62,95,439**	79,86,711
Office Equipments	3,82,39,507	37,53,890 (2,18,700)	**4,17,74,697**	3,29,45,533	20,25,379	**3,49,70,912** **(81,726)**	**68,85,511**	52,93,974
Intangible Assets - Technical Knowhow Fee	1,54,55,478	–	**1,54,55,478**	1,32,84,475	14,49,414	**1,47,33,889**	**7,21,589**	21,71,003
– New Product Development	80,24,899	–	**84,10,698**	71,68,705	5,96,209	**77,64,914**	**6,45,784**	8,56,194
– New Product Development - Research & Development		3,85,799						
	86,07,94,286	2,11,30,516 (38,94,723)	**87,80,30,079**	47,59,52,868	4,73,92,816	**52,33,45,684** **(20,90,526)**	**35,67,74,921**	38,48,41,418
Capital Work - in - Progress & Advances							**24,50,54,511**	15,57,35,285
* Refer notes on accounts - 1 of Schedule 15							**60,18,29,432**	54,05,76,703

	31.03.2011 ₹	31.03.2010 ₹
6. INVESTMENTS		
Long Term Investments		
Quoted		
1,100 Equity Shares of ₹ 10 each fully paid in Corporation Bank	**88,000**	88,000
	88,000	88,000
Aggregate Market value of Quoted Investment	**6,99,820**	5,28,605

Note:
Refer Notes on Accounts - 3 of Schedule 15 for purchase and sale of Investments during the year.

7. CURRENT ASSETS		
Inventories		
(As Valued and Certified by Management)		
Raw Materials	**5,95,44,808**	4,45,38,003
Work - in - Progress	**3,50,16,868**	2,84,14,158
Finished Goods	**1,90,74,196**	1,20,84,895
Stores and Spares	**2,75,67,672**	2,41,31,024
Loose Tools	**51,59,168**	85,45,636
Goods in Transit	**1,27,81,477**	1,34,25,756
	15,91,44,189	13,11,39,472
Sundry Debtors : -		
Unsecured and Considered Good		
More than 6 Months	**78,65,276**	13,66,967
Others	**12,82,95,629**	12,52,73,966
	13,61,60,905	12,66,40,933
Cash and Bank Balances		
Cash on Hand	**39,662**	68,167
With Scheduled Banks		
– Current Account	**1,60,22,549**	1,18,29,029
– Dividend - Current Account	**17,17,292**	16,00,531
	1,77,79,503	1,34,97,727

SCHEDULES TO BALANCE SHEET (Contd.)

	31.03.2011 ₹	31.03.2010 ₹
8. LOANS AND ADVANCES		
Unsecured and Considered Good		
Advances recoverable in Cash or in Kind or for Value to be received		
Considered Good	**8,372,785**	12,240,738
Considered Doubtful	**1,681,000**	1,681,000
	10,053,785	13,921,738
Less : Provision for Doubtful Advances	**1,681,000**	1,681,000
	8,372,785	12,240,738
Balance with Central Excise	**5,255,369**	5,805,086
Deposits	**2,242,271**	4,750,834
Prepaid Expenses	**1,963,727**	1,594,677
Advance Payments - Taxation	**93,328,557**	67,277,257
Less: Provision for Taxation	**(79,031,481)**	(57,531,481)
	32,131,228	34,137,111
9. CURRENT LIABILITIES AND PROVISIONS		
Acceptances	**39,590,349**	32,771,041
Sundry Creditors		
– Micro and Small Enterprises	**756,680**	3,656,650
– Other Creditors and Accrued Expenses	**60,690,249**	49,181,399
Other Liabilities	**10,385,492**	10,848,824
Unclaimed Dividend	**1,717,292**	1,600,531
PROVISIONS		
Proposed Final Dividend	**21,126,441**	21,126,441
Tax on Dividend	**3,427,236**	3,508,837
	137,693,739	122,693,723

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

	31.03.2011 ₹	31.03.2010 ₹
10. OTHER INCOME		
Interest*	**5,24,686**	1,20,000
Dividend	**6,27,808**	83,461
Provision Written Back	**3,40,000**	5,67,515
Miscellaneous	**11,27,362**	1,81,517
	26,19,856	9,52,493
* Tax Deducted at Source	**36,259**	–
11. MATERIAL COST		
Raw Materials :		
Opening Stock	**4,45,38,003**	3,70,38,458
Add : Purchases	**31,80,43,945**	25,03,08,035
	36,25,81,948	28,73,46,493
Less : Closing Stock	**5,95,44,808**	4,45,38,003
	30,30,37,140	24,28,08,490
(Increase) / Decrease in Work-in-Progress	**(66,02,710)**	(71,27,410)
(Increase) / Decrease in Finished Goods	**(69,89,301)**	35,85,650
	28,94,45,129	23,92,66,730
12. EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, Wages, Bonus and Commission	**8,66,15,953**	7,41,56,684
Contribution to Provident and Other Funds	**55,16,157**	57,17,050
Welfare Expenses	**1,38,25,851**	1,07,82,565
Reimbursement of Expenses for Seconded Employees	**2,50,559**	2,34,521
	10,62,08,520	9,08,90,820

SCHEDULES TO PROFIT AND LOSS ACCOUNT – (Contd.)

	31.03.2011 ₹	31.03.2010 ₹
13. OTHER EXPENDITURE		
Sub - Contracting Expenses	**5,85,03,139**	4,35,83,622
Power and Fuel	**4,29,26,306**	3,04,96,901
Stores Consumed	**6,56,03,239**	4,82,60,872
Rent	**21,76,876**	20,64,645
Rates and Taxes	**24,74,424**	22,38,780
Insurance	**20,54,280**	24,07,472
Travelling and Conveyance	**1,30,46,979**	86,48,041
Packing and Forwarding	**84,72,250**	61,02,870
Advertisement	**4,92,282**	4,96,632
Royalty	**98,85,531**	91,85,070
Service Fee	**2,04,59,539**	1,72,88,402
Directors' Sitting Fees	**4,27,000**	3,93,500
Commission to Non Whole Time Directors	**7,73,654**	9,37,975
Payment to Auditors		
Statutory Audit Fee	**3,25,000**	3,25,000
Tax Audit Fee	**45,000**	45,000
Certification Fees	**3,14,500**	2,82,500
Reimbursement of Expenses	**5,330**	4,150
Repairs and Maintenance		
Buildings	**9,58,975**	9,97,689
Machinery & Electrical Installations	**1,21,97,270**	91,53,952
Vehicles	**24,14,696**	14,51,214
Operating Expenses - Computer System	**25,73,336**	21,55,745
Warranty Claims	**11,30,411**	4,63,313
Loss on Sale of Assets	**4,93,845**	4,970
Research and Development		
Salaries, Wages, and Bonus	**35,14,275**	29,32,945
Materials, consumables and Spares	**3,81,338**	6,59,366
Other Expenditure	**13,24,478**	17,59,216
Miscellaneous Expenses	**2,37,97,771**	2,03,24,461
	27,67,71,724	21,26,64,303

14. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

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

2. Revenue Recognition

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

3. Fixed Assets

(a) Fixed Assets including Assets for Research and Development other than Land are accounted at Cost Less Depreciation and impairment loss, if any.

(b) Assets acquired under Hire Purchase Agreements / Financial Lease Agreements are capitalised to the extent of their Principal Value, while Hire charges / Finance charges on Lease are charged to revenue in the years in which they are payable.

(c) Depreciation is provided on Straight Line Method in accordance with the rates as per Schedule XIV of the Companies Act, 1956 as amended from time to time.

(d) Application Software, Die and Core and New Product Development are amortised over a period of 3 years. Technical know-how fee is amortised over a period of 5 years.

(e) Borrowing Costs, if any are capitalised as part of qualifying fixed assets when it is probable that they will result in future economic benefits. Other borrowing costs are expensed.

4. Investments

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

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

6. Sundry Debtors

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

7. Excise Duty

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

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

8. Foreign Currency Transactions

(a) Foreign Currency Transactions are recognised in the books at the exchange rates prevailing on the date of transaction.

(b) In the case of Current Assets/Liabilities the difference (Gain or Loss) between the actual payment and the amount recognised in the books is accounted as Exchange Gain or Loss. Where the transaction is not settled within the year, profit/loss arising on the restatement at the year-end rates is recognised as exchange gain or loss in the profit and loss account.

(c) In case of Depreciable Capital assets having long term foreign currency monetary arrangement the Company opts to add or deduct the exchange differences to the cost of the depreciable capital assets and depreciate it over the balance life of the asset. In case of other long term foreign currency monetary items the company opts to accumulate the exchange differences in a “foreign currency monetary translation difference account” which are amortised over the balance period of such long term asset or liability not beyond 31st March 2011, by recognition as income or expense in each of such periods.

9. Employee Benefits

1. Defined Contribution Plan

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

2. Defined Benefit Plan / Other long term employee benefits

(a) The Company’s Gratuity and Long-Term compensated absences are Defined Benefit Plans / other long term employee benefits respectively. The Company’s liability towards Gratuity are determined using the Projected Unit Credit Method which recognises each period of service as giving rise to additional unit of Employee Benefit Entitlement. The Gratuity scheme is operated through Group Gratuity Scheme of LIC.

(b) The Gratuity liabilities are provided based on Actuarial Valuation certified by LIC. Actuarial gains and losses are charged to Profit and Loss account.

(c) Long term compensated absences are provided for based on independent Actuarial valuation. Actuarial gains and losses are charged to Profit and Loss account.

3. Short term employee benefits are recognised as an expense at the undiscounted amount in the year in which the employee render the services/vesting period of the benefit.

10. Impairment of Assets

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

11. Provision, Contingent Liabilities and Contingent Assets

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

12. Product Warranty Expenses

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

15. NOTES ON ACCOUNTS

			2011	2010
			(₹ in Lakhs)	
1	The factory land at C-15/3 Maraimalai Nagar for expansion activities was acquired from C.M.D.A., under Lease-Cum-Sale Agreement for a total consideration of ₹ 13.23 Lakhs. The title for the land will be transferred by C.M.D.A., after completion of one year of commencement of commercial production and completion of 8 years of lease period. Discussions are in progress with CMDA regarding the compliance of the conditions for transfer of land to the company.			
2	(a)	Capital work-in-progress and advances shown under Fixed Assets Schedule No. 5 includes advance against capital expenditure	**612.49**	17.68
	(b)	The amount of Borrowing costs capitalised during the year	**106.24**	56.93
3	Purchase and sale of investments during the year : – Refer Schedule No. 6 in Schedules to Balance Sheet		**No. of Units**	Costs (₹)
	Purchased & Sold during the year – HDFC Mutual Fund		**80,55,973**	8,22,10,786
4	(a)	The term loan availed for purchase of assets relating to Capital Projects is secured by hypothecation of specific assets purchased out of the said loan.	**2,136.66**	1,675.55
	(b)	Working capital loan is secured by hypothecation of stocks and book debts present and future.	**184.19**	216.82
	(c)	The Loan availed for purchase of Vehicles is secured by hypothecation of vehicles purchased out of the said loan.	**48.25**	30.77
			2,369.10	1,923.14
5	Contingent liability exists in respect of			
	(a)	Bills Discounted	**1,128.37**	306.62
	(b)	Outstanding Letters of Credit	**191.86**	99.32
	(c)	Bank Guarantees	**2.71**	2.50
	(d)	Income Tax / Sales Tax matters under appeal (Amounts remitted against the disputed tax upto March'11 - ₹ 96.57 lakhs and included in advance tax under the schedule Loans and Advances-Schedule 8)	**236.40**	209.24
	(e)	The Company had imported Plant and Machinery (Capital Goods) in the earlier years at concessional rate of duty under the Export Promotion Capital Goods Scheme. The Export Obligation to be met in this regard by the company / group company, as per the Scheme between 2007-08 to 2014-15 amounts to ₹ 2713.11 Lakhs. The company / group company has to meet the obligations to the extent of ₹ 1216.65 lakhs by August 2010. Toward this the Company/ Group Company had met the obligations to the extent of ₹ 1161.44 lakhs as at the Balance Sheet date. The company had also obtained extension for fulfilment of the balance of ₹ 55.21 lakhs till June 2012. The Company has to meet the export obligation to the extent of ₹ 1411.60 lakhs by August 2012 and balance ₹ 140.07 lakhs by August 2014. The EPCG regulation provides for seeking extension of obligation period. However, in case of non-fulfillment of export obligation, unless the period is extended, liability to pay the proportionate duty saved along with interest will arise.		

15. NOTES ON ACCOUNTS – (Contd.)

	2011	2010
	(₹ in Lakhs)	
6. Sundry Creditors		
(a) In terms of the Micro, Small and Medium Enterprises Development Act, 2006, the company during the year had settled the bills to the units covered by the above Act within 45 days. The bills outstanding at the Balance Sheet date are less than 45 days.		
(b) Amount due to Directors' shown under Other Creditors and Accrued Expenses (includes ₹ 28.14 lakhs due to Mr.K.V.Shetty, Director relating to 2009-10)	**63.70**	51.92
7. Value of Closing Inventories includes Excise Duty with regard to the following items of Inventories		
Finished Goods at Factory	**18.14**	13.51
Finished Goods at Depots	**5.86**	1.42
The inclusion of Excise duty in closing inventories does not have any impact on the Profit for the Year		
8. Amount of exchange difference on import of materials as per AS11 – "Accounting for the effects of Changes in Foreign Exchange Rates" included in material cost.- (Gain) / Loss	**34.74**	(13.84)
9. Estimated value of contracts on Capital Account not provided for (net of advances)	**967.86**	81.32
10. Figures for the previous year have been regrouped / reclassified wherever necessary to make them comparable with current year figures.		
11. Figures are rounded off to the nearest Rupee.		

15. NOTES ON ACCOUNTS (Contd…)

			2011		2010	
			Quantity	**Value ₹**	Quantity	Value ₹
12.	**Sales**					
	Piston Rings	Nos	**1,15,70,597**	**53,88,28,685**	1,03,87,032	48,25,36,262
	Differential Gears, Pole Wheel and other Transmission Components	Nos	**19,25,192**	**23,86,96,515**	15,49,477	17,32,16,111
	Sale of Scrap			**17,03,464**		12,93,101
	Revenue from Sub-contracts and Jobbing Charges			**1,75,12,628**		2,15,02,190
				79,67,41,292		67,85,47,664
13.	**Consumption of Raw Materials**					
	Steel Wire	Kgs.	**66,822**	**10,35,49,875**	62,865	8,88,66,368
	Bought-out Components	Nos.	**21,55,549**	**96,13,979**	23,73,406	88,32,675
	Ring Blanks	Nos.	**47,53,446**	**9,12,74,475**	42,37,503	7,98,92,291
	Plasma Powder	Lbs.	**12,560**	**2,06,03,934**	13,750	2,31,64,513
	Steel Rods	Kgs.	**6,27,511**	**7,79,94,877**	5,67,269	4,20,52,643
				30,30,37,140		24,28,08,490
14.	**Opening and Closing Stocks of Goods Produced (P)**					
	Piston Rings (P) Nos.					
	Opening Stock		**3,42,907**	**1,18,16,323**	3,69,477	1,42,86,801
	Closing Stock		**5,37,710**	**1,88,11,890**	3,42,907	1,18,16,323
	Differential Gears, Pole Wheel and other Transmission Components (P) Nos.					
	Opening Stock		**904**	**2,68,572**	6,238	13,83,744
	Closing Stock		**1,219**	**2,62,306**	904	2,68,572
15.	**Capacities of Production Piston Rings Nos.**					
	Licensed Capacity per annum			**150.00 Lakhs**		150.00 Lakhs
	Installed Capacity per annum (as Certified by the Management)			**120.00 Lakhs**		120.00 Lakhs
	Production during the year			**1,17,65,400***		1,03,60,462
	*This includes 31,44,171 nos (27,89,491 for 2009-10) of piston rings purchased from outside, for the purpose of making into sets					
	Differential Gears, Pole Wheel and other Transmission Components Nos.					
	Licensed Capacity per annum			**40 Lakhs***		18 Lakhs
	Installed Capacity per annum (as Certified by the Management)			**40 Lakhs**		18 Lakhs
	Production during the year			**19,25,507**		15,44,143

* Being Applied for

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

15. NOTES ON ACCOUNTS (Contd…)

			2011		2010	
16.	**Consumption of Materials**		₹	%	₹	%
	Raw Materials	Imported	**12,41,42,960**	**42.31**	11,20,30,881	47.88
		Indigeneous	**16,92,80,201**	**57.69**	12,19,44,934	52.12
			29,34,23,161	**100.00**	23,39,75,815	100.00
	Components	Imported	**10,48,119**	**10.90**	14,64,487	16.58
		Indigeneous	**85,65,860**	**89.10**	73,68,188	83.42
			96,13,979	**100.00**	88,32,675	100.00
	Machinery Spares	Imported	**11,58,456**	**9.75**	10,51,877	12.37
		Indigeneous	**1,07,28,767**	**90.25**	74,51,253	87.63
			1,18,87,223	**100.00**	85,03,130	100.00

		2011	2010
17.	**Value of Imports on CIF basis**	₹	₹
	Raw Materials	**14,47,35,442**	11,87,88,183
	Machinery Spares	**11,95,298**	14,46,952
	Capital Goods	**30,25,568**	13,40,88,444
	Stores	**14,00,269**	30,96,902
18.	**Earnings in Foreign Currency**		
	(on Receipt Basis)		
	Exports	**1,16,52,625**	74,59,584
19.	**Expenditure in Foreign Currency** (on Payment Basis)		
	Royalty	**84,33,681**	71,57,221
	Travel	**30,36,940**	28,75,705
	Professional Fee/ Technical Services	**6,65,992**	24,09,962
	Technical Knowhow	–	1,07,50,962
	Capital expenditure / advance	**25,86,153**	8,14,858
	Others	**1,23,077**	2,32,980
20.	**Amounts remitted in Foreign Currency on account of Dividends to non-resident Shareholder(s)**		
	Number of Shareholders	**1**	1
	Number of Shares held	**7,04,200**	7,04,200
	Amount remitted (₹)	**21,12,600**	7,04,200

15. NOTES ON ACCOUNTS (Contd…)

21. Remuneration to Directors	2011 ₹	2010 ₹
Salary and Allowances	**68,00,717**	73,99,000
Commission (as per annexure)	**15,79,544**	37,51,899
Contribution to Provident and Other Funds	**8,58,400**	7,82,400
Estimated Costs of Other Benefits	**35,404**	3,75,884
	92,74,065	1,23,09,183

Note 1: Mr.A.Venkataramani was appointed as Managing Director with effect from 01.11.2010

Note 2: Remuneration to Directors, includes ₹ 7,63,867/- which is in excess of the limits of overall Managerial Remuneration U/s.198(1) of the Companies Act, 1956. The payment is subject to the approval of the Shareholders and the Central Government, where necessary.

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

	₹	₹
Profit for the Year		6,75,10,529
Add : Directors' Remuneration	92,74,065	
Sitting Fees	4,27,000	
Loss on sale of Assets	5,39,241	
		1,02,40,306
		7,77,50,835
Less : Profit on Sale of Fixed Assets	45,396	
Provision Written Back	3,40,000	3,85,396
NET PROFIT AS PER SECTION 349/350		7,73,65,439
Commission to the Managing Director at 2.5% for 5 months		8,05,890
Commission to the Non Whole Time Directors at 1%		7,73,654
		15,79,544
Overall Managerial Remuneration @ 11% of the Net Profits		85,10,198
Excess Managerial remuneration provided for		7,63,867

Note : Mr.A.Venkataramani was appointed as Managing Director with effect from 01.11.2010 which is subject to approval of Shareholders in Annual General Meeting.

15. NOTES ON ACCOUNTS (Contd…)

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

Defined Contribution Plan

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

Employer's Contribution to Provident Fund – ₹ 33,93,474

Employer's Contribution to Superannuation Fund – ₹ 10,41,280

Employer's Contribution to Employees State Insurance – ₹ 14,67,778

Defined Benefit Plan

Gratuity

The Company operates gratuity plan through Life Insurance Corporation of India. Every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service depending on the date of joining, subject to a maximum of ₹ 10,00,000/-, except in the case of Managing Director and Whole Time Director where there is no maximum limit. The benefit vests after five years of continuous service. The present value of obligation is determined based on actuarial valuation.

Leave Salary Encashment

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

In ₹

		Gratuity (Funded)	Leave Encashment (Unfunded)
(a)	Reconciliation of Opening and closing balances of Defined Benefit Obligation		
	Defined Benefit Obligation at the beginning of the year	91,44,252	49,64,692
	Current Service Cost	8,10,455	5,17,375
	Interest Cost	7,31,540	3,28,183
	Actuarial (gain)/loss	2,20,081	–
	Benefits paid	(19,49,672)	(17,24,802)
	Defined Benefit obligation at year end	89,56,656	40,85,448
(b)	Reconciliation of Opening and closing balances of fair value of plan assets		
	Fair value of plan assets at beginning of the year	74,96,699	–
	Expected return on plan assets	6,80,673	–
	Actuarial gain/(loss)	–	–
	Employer contribution	16,47,553	–
	Benefits paid	(19,49,672)	–
	Fair value of plan assets at year end	78,75,253	–
	Actual return on plan assets	6,80,673	–
(c)	Reconciliation of fair value of plan assets and obligations		
	Fair value of plan assets as at 31st March, 2011	78,75,253	–
	Present value of obligation as at 31st March, 2011	89,56,656	40,85,448
	Amount recognised in Balance Sheet	10,81,403	40,85,448
(d)	Expenses recognised during the year		
	Current Service Cost	7,31,540	5,17,375
	Interest Cost	8,10,455	3,28,183
	Expected return on plan assets	(6,80,673)	–
	Net Actuarial (gain) / loss	2,20,081	–
	Net Cost	10,81,403	8,45,558
(e)	Actuarial assumptions Mortality Table (L.I.C.)	1994-96	1994-96
	Discount rate (per annum)	8.00%	8.00%
	Expected rate of return on plan assets (per annum)	8.00%	–
	Rate of escalation in salary (per annum)	5.00%	5.00%

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

15. NOTES ON ACCOUNTS (Contd…)

23. Segment Reporting under Accounting Standard – 17

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

24. Related Party Disclosures under Accounting Standard - 18

Names of Related Parties and description of relationship:

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

* With effect from 01.11.2010 appointed as Managing Director

₹ in Lakhs

Description	Holding Company	Fellow Subsidiaries	Key Management Personnel	Relatives of Key Management Personnel
Sale of goods	–	1644.59	–	–
Rendering of services - Income	–	175.13	–	–
Purchase of goods	–	1067.03	–	–
Receiving of services – Expense	3.70	241.01	85.00	–
Management contracts including for deputation of employees – Expense	–	2.51	–	–
Dividend Paid	11.52	97.98	0.57	2.02
Finance (including loans) – ICD				
– Granted	–	–	–	–
– Outstanding	–	380.00	–	–
– Interest Earned	–	28.07	–	–
Amounts Outstanding Dr / (Cr)	(0.20)	118.64	(25.16)	–

15. NOTES ON ACCOUNTS (Contd...)

25. Earnings Per Share under Accounting Standard – 20

Description	2011 ₹	2010 ₹
Profit after Taxation as Per Profit & Loss Account	**4,69,44,409**	5,56,52,812
Number of Equity Shares Outstanding	**70,42,147**	70,42,147
Basic and Diluted Earnings Per Share	**6.67**	7.90
Nominal Value per Equity Share	**10.00**	10.00

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

Description	₹ in Lakhs	₹ in Lakhs
COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES (NET)		
Deferred Tax Assets		
Provision for Leave Salary	**13.57**	16.49
Provision for Bonus	**5.41**	4.05
	18.98	20.54
Deferred Tax Liabilities		
Accumulated depreciation	**516.89**	527.79
	516.89	527.79
NET DEFERRED TAX LIABILITIES	**497.91**	507.25

27. Research and Development Expenditure

Particulars	2010-2011 ₹	2009-2010 ₹
Capital		
– Intangible Assets – New Product Development	**3,85,799**	2,94,168
(A)	**3,85,799**	2,94,168
Revenue		
– Salaries, wages and bonus	**35,14,275**	29,32,945
– Materials, consumables and spares	**3,81,338**	6,59,366
– Other Expenditure	**13,24,478**	17,59,216
(B)	**52,20,091**	53,51,527
Total (A + B)	**56,05,890**	56,45,695

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

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

I. Registration Details

Registration No.	18-20232/1991	State Code	18
Balance Sheet Date	31st March 2011		

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

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

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

Total Liabilities	8,09,439	Total Assets	8,09,439
Sources of Funds		**Application of Funds**	
Paid up Capital	70,421	Net Fixed Assets	6,01,829
Advance against Convertible Share Warrants	—	Investments	88
Reserves and Surplus	4,14,317	Net Current Assets	2,07,522
Secured Loans	2,36,910	Miscellaneous Expenditure	—
Unsecured Loans	38,000	Accumulated Losses	Nil
Deferred Tax Liability	49,791		

IV. PERFORMANCE OF COMPANY (Amount in ₹ Thousands)

Turnover (including Other Income)	7,99,361	Total Expenditure	7,31,850
Profit/Loss before Tax (+)	67,511	Profit/Loss after Tax (+)	46,944
Earning per Share in ₹	6.67	Dividend rate %	30.00

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

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

		2011 ₹	2010 ₹
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before Tax and Extraordinary Items		**6,75,10,529**	8,16,31,761
ADJUSTMENTS FOR			
Depreciation	**4,73,92,816**		4,51,64,606
(Gain) / Loss in Foreign Exchange	**34,74,496**		(13,83,633)
Interest Received	**(5,24,686)**		(1,20,000)
Dividend Received	**(6,27,808)**		(83,461)
Interest and Finance charges	**1,20,32,430**		98,81,937
Loss on Sale of Fixed Asset	**5,39,241**		4,970
Profit on Sale of Fixed Asset	**(45,396)**		—
Total Adjustments		**6,22,41,093**	5,34,64,419
Operating Profit Before Working Capital Changes		**12,97,51,622**	13,50,96,180
ADJUSTMENTS FOR			
Trade and Other Receivables	**(29,62,789)**		(4,04,17,884)
Inventories	**(2,80,04,717)**		(1,99,67,319)
Trade Payables	**1,08,19,873**		3,28,77,757
Total Adjustments		**(2,01,47,633)**	(2,75,07,446)
Cash Generated from Operations		**10,96,03,989**	10,75,88,734
Interest Paid		**(1,13,61,943)**	(82,90,332)
Direct Taxes Paid		**(2,60,51,300)**	(2,62,14,144)
CASH FLOW BEFORE EXTRAORDINARY ITEMS		**7,21,90,746**	7,30,84,258
Extraordinary Items		**—**	—
NET CASH FROM OPERATING ACTIVITIES (TOTAL A)		**7,21,90,746**	7,30,84,258

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011 – (Contd.)

		2011 ₹	2010 ₹
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	**(11,04,49,742)**	(21,35,16,206)
	Sale of Fixed Assets	**13,10,352**	26,100
	Purchase of Investment	**(8,22,10,786)**	(1,35,50,711)
	Sale of Investment	**8,22,10,786**	1,35,50,711
	Interest Received	**5,24,686**	1,20,000
	Dividend Received	**6,27,808**	83,461
	NET CASH USED IN INVESTMENT ACTIVITIES (TOTAL B)	**(10,79,86,896)**	(21,32,86,645)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from Secured Loans	**11,61,84,774**	18,97,71,438
	Proceeds from Unsecured Loans	**2,00,00,000**	1,96,82,211
	Repayment of Secured Loan	**(7,15,88,331)**	(5,86,87,500)
	Dividend Paid	**(2,10,09,680)**	(70,70,156)
	Dividend Tax Paid	**(35,08,837)**	(11,96,813)
	NET CASH USED IN FINANCING ACTIVITIES (TOTAL C)	**4,00,77,926**	14,24,99,180
D.	**NET INCREASE / (DECREASE) IN CASH OR CASH EQUIVALENTS (A+B+C)**	**42,81,776**	22,96,793
E.	**Cash and Cash Equivalents (Opening Balance)**	**1,34,97,727**	1,12,00,934
F.	**Cash and Cash Equivalents (Closing Balance) (D+E)**	**1,77,79,503**	1,34,97,727

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

	2011 ₹	2010 ₹
CASH AND CASH EQUIVALENTS		
Cash and bank balances as per Balance Sheet – (Note below)	**1,77,79,503**	1,34,97,727
Cash and Cash Equivalents as per Cash Flow Statement	**1,77,79,503**	1,34,97,727
Note : Includes Balance in Unpaid Dividend Account	**17,17,292**	16,00,531

The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statement issued as per Companies Accounting Standard Rules, 2006.

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

S. RANGARAJAN
Associate Vice President
(Finance) & Secretary

A. VENKATARAMANI
Managing Director

N. GOWRISHANKAR
Whole Time Director

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

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

MAHESH KRISHNAN
Partner
Membership No. 206520

Chennai
May 30, 2011