



Chairman's Speech

Good Morning to all of you and welcome to the 23rd Annual General Meeting of the company. The Annual Accounts for the year ended 31st March 2009 and the Director's and Auditor's Report have already been circulated for your consideration and approval.

Before I proceed further, I would like to brief you of the changes in the composition of the Board of Directors of UCAL Fuel Systems Limited (UFSL) since the last time we met. While Mr.Gomathinayagam resigned in February 2009, Mr.M.R.Sivaraman and Mr.V.Narayanan had indicated their intention not to seek reappointment at this Annual General Meeting due to their other preoccupations. I take this opportunity to thank all the three of them for their excellent contribution to the growth of the company extending over a number of years. Taking their place are three very distinguished individuals who have excelled in their respective fields.

Dr.M.S.Ananth, the Director of IIT Madras, is an outstanding technologist cum educationalist. IIT, one of the premier institutions of the country engaged in research and training is setting up an advanced centre in manufacturing and material sciences which can greatly benefit the company.

Mr.S.Natarajan, a member of the Institute of Chartered Accountants of India, is the Director of Shriram Group of Companies, Chennai. Known for his acumen in sound financial management of large corporates, his association with the company will enable it to achieve greater financial stability.

Dr.V.Sumantran, coming with his rich experience in US auto industry was also the Executive Director of Tata Motors. Presently he is the Executive Vice Chairman of Hinduja Automotive, UK. He brings with him tremendous knowledge and experience in the automobile industry and will help the company in enhancing its technological capabilities and widening its products base.

Please join me in welcoming Dr.M.S.Ananth, Mr.S.Natrajan and Dr.V.Sumantran to the Board.

Mr.Mukul Sarkar who was nominated by EXIM Bank as Director on 28th May 2008 has also resigned on 9th September 2009. My thanks to Mr.Mukul Sarkar for his guidance and support. I welcome Mr.K.Muthukumaran who has been nominated by EXIM Bank on our Board in place of Mr.Mukul Sarkar with effect from 9th September 2009. Mr.K.Muthukumaran has a long association with us as our banker and we look forward to his continued support.

Mr.P.P.R.Rao has been functioning as the Executive Director of UFSL for over a year now. An Engineer with considerable experience in various national and multinational organizations, he has been a great strength to the company during this crucial period.

On the executive side, Mr.R.Srinivasan has been appointed Vice President-Finance of UFSL recently. He is an engineering and management graduate from IIT and IIM respectively and has wide experience in similar corporates.

Moving on, during the financial year ended 31st March 2009, UFSL together with its subsidiaries achieved a total sales of Rs.519.95 Crores compared to a total sales of Rs.636.69 Crores in the year 2007-08. This decline in total sales is mainly due to the modest performance of UCAL Machine Tools Limited (UMTL) and AMTEC Precision Products which bore the brunt of the recession.

The main Indian operations under the banner of UCAL Fuel Systems Limited (UFSL) catering to the Indian automotive market has been able to maintain its turnover at Rs.340 Crores in 2008-09, as against the turnover of Rs.346 Crores during 2007-08. However there has been a decline in terms of PBT from Rs.10.08 Crores in 2007-08 to Rs.1.8 Crores in 2008-09. Taking a closer look at the performance of UFSL, while the sales in the first half of 2008-09 increased by 12.55% over the corresponding period of the previous year, the sales during the second half decreased by 14.93% over the corresponding period of the previous year. This decline in profit is also due to the fact that UFSL had to realign its production activities to suit the demand of the OEM's whose production had come down drastically due to the sluggish consumer market on account of global financial meltdown, higher borrowings and consequent higher interest costs both for your company and its subsidiaries and high input costs. While the financial year 2008-09 was not a very successful one, recent trends show that the market has been slowly improving. I am happy to inform you that UFSL has achieved a record sales of over Rs.30 Crores a month since June 2009 and this trend is continuing.

On the products front, there has been a decline in the sales of two wheeler carburetors and four wheeler MPFI parts due to a decline in the off-take by OEM's. However a few other products like the Air Suction Valves oil pumps, vacuum pumps and machined castings have registered a substantial growth in sales. During the financial year 2008-09, a new product line for the assembly of "High Pressure Fuel Pump" was designed and established for a customer with a large initial investment and is expected to generate additional revenues for UFSL in the current financial year. The installation of this line brought into light the in-house design and engineering capability of our team and the fact that UFSL can on its own can establish new products. Similar efforts are on in-house to enlarge the product base. The R&D team is in the process of development of water pumps for two wheeler engine applications, low cost EMS solutions for two wheeler application, EGR controllers for diesel engine applications and Electronic Diesel Controller for small diesel engine application. With the emergence of our R&D team as an independent designer in two wheeler products, dialogues with new potential customers for larger volumes of business are in process.

Coming to the performance of the subsidiary companies, the turnover of UCAL Machine Tools Limited (UMTL) has gone down by nearly 27% during 2008-09 resulting in a net loss of Rs.1.89 Crores. This is due to the general reduction in the export market due to the global recession. In order to cut the overhead expenditure and improve its overall performance the Board of directors of both UFSL and UMTL have decided to merge UCAL Machine Tools with UFSL in the current financial year.

All of you must be aware of the problems faced by AMTEC Precision Products, our subsidiary at USA, in the recent times. The recently concluded Extraordinary General Meeting would have given you a very detailed picture of AMTEC. I do not want to repeat what has been covered in the Extraordinary General Meeting but would certainly like to update you on what has happened since then. The process of merging the two manufacturing plants at Elgin will be complete this month. The manufacture of non-

profitable products has been discontinued. The process of infusing additional capital by the promoters and obtaining the permission of statutory / regulatory authorities for the same is nearing completion. The process of restructuring the existing loans and availing additional funds is in progress. All these efforts are expected to result in optimizing the resources, achieving breakeven and sustaining the operations on a low-key till the US economy recovers. Our team at AMTEC headed by Mr.R.Sundararaman is doing an excellent job and I am confident that the coming financial year will be a turning point for AMTEC.

The turnover of UCAL Polymers has gone up by nearly 18.6% from Rs.7.14 Crores during 2007-08 to Rs.8.47 Crores during 2008-09 and is expected to increase further. Efforts are on to diversify its customer base outside UFSL.

All of you must be aware of the difficulties that the Indian manufacturing industry went through last year because of the larger economic situation both in India and around the world. UFSL and more particularly its subsidiaries faced their own share of problems but I am happy to say that with the efforts taken by the management team, we have been able to contain the losses and are confident of a very successful year ahead. Our efforts to show better results in UFSL and its subsidiaries more particularly in AMTEC could not have been possible but for the support and the understanding shown by all the shareholders. I am grateful to all the shareholders for their support. The support given by the financial institutions and banks is also greatly acknowledged. Let me also appreciate the dedication shown by the employees in general and the leadership provided by the Board of Directors. Last but not the least is my gratitude to our valued customers who despite their strains have stood by us.

I now commend the Annual Accounts for the year ended 31st March 2009 together with the Director's Report and Auditor's Report for your approval.

Thank You

Mr. S. Muthukrishnan

Chairman, UCAL Fuel Systems Ltd