



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

ANNUAL REPORT 2009

SAKTHI FINANCE LIMITED

BOARD OF DIRECTORS

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

SENIOR MANAGEMENT

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

COMPANY SECRETARY

Sri. S. Venkatesh

REGISTERED OFFICE

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

REGISTRARS & TRANSFER AGENTS

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

BANKERS

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

FINANCIAL INSTITUTIONS

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

AUDITORS

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

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SAKTHI FINANCE LIMITED

NOTICE TO MEMBERS

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

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

ORDINARY BUSINESS

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

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

SPECIAL BUSINESS

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

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

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

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

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

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

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

NOTES

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

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

By Order of the Board

Coimbatore
30th July 2009

S Venkatesh
Company Secretary

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

Item No.5

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

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

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

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

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

Sri S Ragothaman holds 4000 equity shares of the Company.

Item No.6

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

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

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

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

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

Item No.7

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

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

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

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

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

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

Coimbatore
30th July 2009

By Order of the Board
S Venkatesh
Company Secretary

SAKTHI FINANCE LIMITED

Item Nos 2 and 3

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

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

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Item No.5

| | |
|---|--|
| Name of Director | S Ragothaman |
| Director's Identification Number (DIN) | 00042395 |
| Date of birth and age | 10th May 1946, 63 years |
| Date of appointment on the Board | 30th June 2009 |
| Qualifications | B.Com., F.C.A |
| Expertise in specific functional areas | He has got rich experience in Banking and Financial institutions. |
| Directorships held in other public companies | Biax Specialty Films Ltd Hinduja Foundries Ltd Shreyas Shipping & Logistics Ltd The Bombay Dyeing & Manufacturing Company Ltd Xpro India Ltd Xpro Global Ltd |
| Memberships/ Chairmanships of Committee across public companies | <p>Audit Committee – Chairman:</p> <ol style="list-style-type: none"> The Bombay Dyeing and Manufacturing Company Ltd. Xpro India Ltd. <p>Audit Committee – Member :</p> <ol style="list-style-type: none"> Hinduja Foundries Ltd. Shreyas Shipping & Logistics Ltd <p>Investors' Grievance Committee - Member:</p> <ol style="list-style-type: none"> Hinduja Foundries Ltd. <p>Remuneration Committee – Chairman:</p> <ol style="list-style-type: none"> Hinduja Foundries Ltd. <p>Remuneration Committee – Member:</p> <ol style="list-style-type: none"> The Bombay Dyeing and Manufacturing Company Ltd. Shreyas Shipping & Logistics Ltd <p>Executive Committee – Member:</p> <ol style="list-style-type: none"> The Bombay Dyeing and Manufacturing Company Ltd. |
| Number of shares held | 4000 |
| Relationship with other directors | Not Applicable |

SAKTHI FINANCE LIMITED

DIRECTORS' REPORT

To the Members

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

FINANCIAL PERFORMANCE

(Rs lakhs)

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

BUSINESS

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

RESERVES AND SURPLUS

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

DIVIDEND

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

DEPOSITS

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

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

DIRECTORS

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

1. Sri A Shanmugasundaram
2. Sri M Srinivaasan

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

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

AUDIT COMMITTEE

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

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

SUBSIDIARY COMPANY

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

CONSOLIDATED ACCOUNTS

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

CORPORATE GOVERNANCE REPORT

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

PARTICULARS REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT 1956

As required under Section 217(1)(e) of the Companies Act 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988:

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed and that no material departure had been made from it;
- b. the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the financial year;

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

AUDITORS

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

ACKNOWLEDGEMENTS

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

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

For and on behalf of the Board

Coimbatore
30th July 2009

M Manickam
Chairman

CORPORATE GOVERNANCE REPORT

(Pursuant to Clause 49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

a. Composition and size of the Board

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

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

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

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

b. Number of Board Meetings held during the year

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

c. Code of Conduct

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

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

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d. Attendance and other Directorships

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

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

1 excludes directorships in private limited companies and Section 25 company

2 only Audit Committee and Shareholders' / Investors' Grievance Committee of public limited companies are considered for this purpose.

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

3. COMMITTEES OF THE BOARD

A. Audit Committee

The brief terms of reference of the Audit Committee are:

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

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

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

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

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

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

B. Nomination and Remuneration Committee

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

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

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

Sri S A Murali Prasad, Chairman

Dr A Selvakumar, Member

Sri P S Gopalakrishnan, Member

Remuneration policy of the company is given below:

For Vice Chairman and Managing Director

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

For Non-Executive Directors

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

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

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

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

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Notes:

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

C. Shareholders' / Investors' Grievance Committee

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

Composition

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

Sri M Manickam, Chairman

Sri M Balasubramaniam, Member

Dr A Selvakumar, Member

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

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

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

D. Asset Liability Management Committee

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

The committee consists of the following Director / executives:

Sri M Balasubramaniam, Vice Chairman and Managing Director – Chairman

Sri N Srinivasan, President (Finance)

Dr S Veluswamy, President (Operations)

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

E. Risk Management Committee

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

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

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

4. SUBSIDIARY COMPANY

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

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

5. GENERAL BODY MEETINGS

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

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

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

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

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

6. DISCLOSURES

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

SAKTHI FINANCE LIMITED

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

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

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

7. MEANS OF COMMUNICATION

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

8. MANAGEMENT

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

9. DIRECTORS' APPOINTMENT

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

10. GENERAL SHAREHOLDER INFORMATION

52nd Annual General Meeting

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

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

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FINANCIAL CALENDAR FOR 2009-10

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

BOOK CLOSURE DATES

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

LISTING ON STOCK EXCHANGES AND STOCK CODE

a. Listing

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

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

| Stock Exchange | Stock Code |
|--|------------|
| Bombay Stock Exchange Limited, Mumbai | 511066 |
| Madras Stock Exchange Limited, Chennai | SKF |

c. International Securities Identification Number (ISIN) INE302E01014

d. Corporate Identification Number (CIN) L65910TZ1955PLC000145

Market Price Data

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

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

SAKTHI FINANCE LIMITED

REGISTRARS AND SHARE TRANSFER AGENTS

SKDC Consultants Limited

(Unit: Sakthi Finance Limited)

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

SHARE TRANSFER SYSTEM

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

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

DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2009

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

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

SHAREHOLDING PATTERN AS ON 31ST MARCH 2009

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

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

DEMATERIALISATION OF SHARES AND LIQUIDITY

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

NOMINATION FACILITY

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

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

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

ADDRESS FOR CORRESPONDENCE

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

INVESTOR CORRESPONDENCE

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

Contact Person: Sri.K Marimuthu

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

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

E-mail : svenkatesh@sakthifinance.com

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

svenkatesh_shares@sakthifinance.com

11. AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

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

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS

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

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

SAKTHI FINANCE LIMITED

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

For and on behalf of the Board

Coimbatore
30th July 2009

M MANICKAM
Chairman

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

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

For Sakthi Finance Limited

Coimbatore
30th July 2009

M BALASUBRAMANIAM
Vice Chairman and Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the members of Sakthi Finance Limited

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

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance *except that, as on 31st March 2009, the Company had only 3 independent directors on its Board as against the requirement of 4 independent directors as per the revised clause 49 of the listing agreement.* The Company has, however, complied with the above requirement by appointing an Independent Director on 30th June, 2009.

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

For P N Raghavendra Rao & Co
Chartered Accountants

P R VITTEL
Partner

Coimbatore
30th July 2009

Membership No:18111

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND OVERVIEW

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

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

OPPORTUNITIES

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

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

THREATS

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

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

BUSINESS OUTLOOK

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

PERFORMANCE AND FINANCIAL REVIEW

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

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

RISKS AND CONCERNS

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

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INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

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

HUMAN RESOURCES DEVELOPMENT

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

Coimbatore
30th July 2009

For and on behalf of the Board

M MANICKAM
Chairman

AUDITORS' REPORT

To the Members of the Company

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

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

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

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

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- xviii. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xix. In our opinion and according to the information and explanations given to us, the Company has issued Secured Redeemable Non-Convertible debentures amounting to Rs.15,644.72 Lakhs. The Company has created adequate securities and charges in respect of debentures issued during the year.
- xx. The Company has not raised any money by way of public issue during the year.
- xxi. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.
4. Further to our comments referred to in Paragraph 3 above, we report that:
- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account, as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 and
 - e. On the basis of written representations received from the directors and taken on record by the Board of Directors of the Company, none of the Directors is disqualified as on 31st March, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act 1956;
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
 - ii. in so far as it relates to the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - iii. in so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Coimbatore
30th June 2009

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

SAKTHI FINANCE LIMITED

BALANCE SHEET AS AT 31ST MARCH 2009

(Rupees)

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

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

Subject to our Report of even date

For P.N. Raghavendra Rao & Co

Chartered Accountants

P.R. Vittel

Partner

Membership No.18111

Coimbatore
30th June 2009

S. VENKATESH
Company Secretary

For and on behalf of the Board

M. MANICKAM

Chairman

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

ANNUAL REPORT 2009

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

(Rupees)

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

Notes on accounts 19

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

Subject to our Report of even date

For and on behalf of the Board

For P.N. Raghavendra Rao & Co
Chartered Accountants

M. MANICKAM
Chairman

P.R. Vittel
Partner
Membership No.18111

Coimbatore
30th June 2009

S. VENKATESH
Company Secretary

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

SAKTHI FINANCE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

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

Subject to our Report of even date

For P.N. Raghavendra Rao & Co

Chartered Accountants

P.R. Vittel

Partner

Membership No. 18111

Coimbatore

30th June 2009

For and on behalf of the Board

M. MANICKAM

Chairman

S. VENKATESH

Company Secretary

M. BALASUBRAMANIAM

Vice Chairman and Managing Director

ANNUAL REPORT 2009

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

(Rupees)

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

SAKTHI FINANCE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

5. FIXED ASSETS

(Rupees)

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

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

6. INVESTMENTS (at cost)

(Rupees)

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

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

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

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

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

7. STOCK ON HIRE

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

8. CASH AND BANK BALANCES

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

9. OTHER CURRENT ASSETS

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

10. LOANS AND ADVANCES

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

SAKTHI FINANCE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

(Rupees)

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

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

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

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

(Rupees)

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

SAKTHI FINANCE LIMITED

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

SCHEDULE – 19 : NOTES ON ACCOUNTS

1.0 SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

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

1.2 FIXED ASSETS

Fixed assets are stated at historical cost less accumulated depreciation.

1.3 DEPRECIATION

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

1.4 REVENUE RECOGNITION

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

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

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

1.5 INVESTMENTS

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

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

I. DEFINED CONTRIBUTION PLANS

PROVIDENT FUND (PF)

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

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

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

III. OTHER BENEFITS

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

1.7 TAXES ON INCOME

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

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

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

1.8 STOCK ON HIRE

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

1.9 PROVISION AS PER RBI NORMS

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

2.0 BALANCE SHEET**2.1 RESERVES AND SURPLUS**

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

2.2 SECURED LOANS

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

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

2.3 INVESTMENTS

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

2.4 DEFERRED TAX

| | As at 31.3.2009 | (Rupees) As at 31.3.2008 |
|---|---------------------------|--------------------------------|
| The break-up of deferred tax asset and liability is as under: | | |
| Deferred Tax Liability | | |
| Depreciation | 4,96,93,632 | 3,43,73,332 |
| Deferred Tax Asset | | |
| Brought forward losses | 1,18,22,701 | 1,24,31,094 |
| Provision for non-performing assets | 49,37,795 | 36,22,412 |
| | 1,67,60,496 | 1,60,53,506 |

2.5 CURRENT ASSETS

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

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

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

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

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

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

2.6 LOANS AND ADVANCES

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

2.7 CURRENT LIABILITIES

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

3.0 PROFIT AND LOSS ACCOUNT

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

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

| | (Rupees) | |
|--|--------------------|---------------------|
| Profit before Tax as per Profit and Loss Account | | 8,06,13,570 |
| Add : Depreciation as per books | 1,31,33,020 | |
| Loss on sale of investment | 5,70,000 | |
| Provision against Non performing assets | 70,82,607 | |
| Directors' sitting fees | 60,000 | |
| Managing Director's remuneration | 9,92,192 | |
| Commission to Managing Director | 8,69,754 | 2,27,07,573 |
| | | 10,33,21,143 |
| Less : Depreciation as per Section 350 of the Companies Act 1956 | 1,31,33,020 | |
| Provision no longer required written back | 32,12,695 | 1,63,45,715 |
| Adjusted Net Profit | | 8,69,75,390 |
| Commission payable at 1% | | 8,69,754 |

3.3 Remuneration to Vice Chairman and Managing Director

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

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3.4 Miscellaneous Expenses include remuneration to Auditors towards: (Rupees)

| Particulars | 2008-09 | 2007-08 |
|--|-----------------|----------|
| Statutory Audit | 2,50,000 | 1,00,000 |
| Tax Audit | 66,500 | 30,000 |
| Taxation Matters, Management services, certification etc | 4,08,203 | 5,40,149 |
| Total | 7,24,703 | 6,70,149 |

4.0 CONTINGENT LIABILITIES

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

5.0 EXPENDITURE IN FOREIGN CURRENCY (on payment basis)

| Particulars | 2008-09 | 2007-08 |
|-------------|---------|----------|
| Travelling | - | 3,73,376 |

6.0 AMOUNT OF NET DIVIDEND REMITTED IN FOREIGN EXCHANGE

| Particulars | 2008-09 | 2007-08 |
|---------------------------------|--------------------------------|---------|
| No. of non-resident shareholder | 1 | 1 |
| No. of equity shares held | See note below | - |
| Amount remitted (Rs) | 12,50,000 (15815 UK pounds) | - |
| Year to which it relates | 2007 | - |

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

7.0 QUANTITATIVE DETAILS OF POWER GENERATION

Additional information pursuant to the provisions of paragraph 3, 4C and 4D of Part II of Schedule VI to the Companies Act 1956.

| Particulars | 2008-09 | 2007-08 |
|---------------------|----------------|----------------|
| Licensed capacity | Not applicable | Not applicable |
| Installed capacity* | 5325 KWH | 4550 KWH |
| Units generated | 61,43,959 | 30,84,698 |
| Units sold | 60,52,018 | 30,17,746 |
| Sale value (Rupees) | 1,67,85,806 | 81,11,672 |

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

8.0 SEGMENT REPORTING

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

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9.0 DISCLOSURE REQUIREMENTS UNDER AS-15 ON EMPLOYEE BENEFITS

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

(Rupees)

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

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

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

Relationships

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

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

Transactions with Related Parties made during the year

(Rupees)

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

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

11.0 EARNINGS PER SHARE

(Rupees)

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

12.0 Disclosure as required under Clause 32 of the Listing Agreement

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

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

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

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

SAKTHI FINANCE LIMITED

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

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14.0 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

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

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

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

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

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

Sources of Funds

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

Application of Funds

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

IV. Performance of the Company (Amount in Rupees)

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

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

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

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

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

P.R. Vittel
Partner
Membership No. 18111

Coimbatore
30th June 2009

S. VENKATESH
Company Secretary

For and on behalf of the Board

M. MANICKAM
Chairman

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

SAKTHI FINANCE LIMITED

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

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

For and on behalf of the Board

M. MANICKAM
Chairman

Coimbatore
30th June 2009

S. VENKATESH
Company Secretary

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

SAKTHI PROPERTIES (COIMBATORE) LIMITED

DIRECTORS' REPORT

To the Members

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

WORKING RESULTS

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

BUSINESS

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

DEPOSITS

The Company has not invited any deposits from the public.

DIRECTORS

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

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

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

AUDITORS

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

PARTICULARS REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT 1956

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed;
- b. the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the company for the financial year;
- c. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

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

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

For and on behalf of the Board

M. MANICKAM

Chairman

Coimbatore
30th June 2009

SAKTHI PROPERTIES (COIMBATORE) LIMITED

AUDITORS' REPORT

To the Members of the Company

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

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- xii. In our opinion and according to the information and explanations given to us, the Company has not granted any loans on the basis of security by way of pledge of shares, debentures and other securities.
 - xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
 - xiv. According to the information and explanations given to us, the Company is not dealing in shares, securities, debentures and other investments.
 - xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
 - xvi. According to the information and explanations given to us, the Company has not obtained any term loans during the year.
 - xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the Company has not utilised short term funds for long term investment.
 - xviii. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
 - xix. In our opinion and according to the information and explanations given to us, the Company has issued Secured Redeemable Non Convertible Debentures amounting to Rs.429.84 Lakhs. The Company has created adequate securities and charges in respect of debentures issued during the year.
 - xx. The Company has not raised any money by way of public issue during the year.
 - xxi. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year, that causes the financial statements to be materially misstated.
4. Further to our comments referred to in paragraph 3 above, we report that:
- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. In our opinion, and based on the written representations received from the Directors and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956;
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required, and present a true and fair view, in conformity with the accounting principles generally accepted in India:
 - i. in so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March 2009; and
 - ii. in so far as it relates to the Profit and Loss Account, of the Loss of the Company for the year ended on that date.

For P N Raghavendra Rao & Co
Chartered Accountants

P.R. Vittel
Partner

Membership No.18111

Coimbatore
30th June 2009

SAKTHI PROPERTIES (COIMBATORE) LIMITED

BALANCE SHEET AS AT 31ST MARCH 2009

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

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

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

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

For and on behalf of the Board

M.MANICKAM
Director

S. CHANDRASEKHAR
Director

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

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

Notes on accounts

13

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

Subject to our Report of even date

For and on behalf of the Board

For P.N. Raghavendra Rao & Co

Chartered Accountants

M.MANICKAM

P.R. Vittel

Director

Partner

Membership No. 18111

S. CHANDRASEKHAR

Coimbatore, 30th June 2009

Director

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

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

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

SAKTHI PROPERTIES (COIMBATORE) LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

(Rupees)

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

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

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

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

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

SCHEDULE - 13 NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

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

1.2 FIXED ASSETS

Fixed assets are stated at historical cost less accumulated depreciation.

1.3 DEPRECIATION

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

1.4 REVENUE RECOGNITION

Income from rentals is recognized on accrual basis.

2. BALANCE SHEET

SECURED LOANS

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

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

SAKTHI PROPERTIES (COIMBATORE) LIMITED

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

a. Related Party and their relationship

Related Party : Sakthi Finance Ltd
 Relationship : Holding Company

b. Transactions with Related Party

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

4. EARNINGS PER SHARE

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

5. GENERAL

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

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

I. Registration Details

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

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

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

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

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

Sources of Funds

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

Application of Funds

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

IV. Performance of the Company (Amount in Rupees)

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

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

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

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

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

P.R. Vittel

Partner

Membership No.18111

Coimbatore
30th June 2009

For and on behalf of the Board

M.MANICKAM

Director

S. CHANDRASEKHAR

Director

SAKTHI FINANCE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS OF SAKTHI FINANCE LIMITED AND ITS SUBSIDIARY

Auditors' Report on Consolidated Financial Statements

To the Board of Directors of Sakthi Finance Limited

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

For P.N.Raghavendra Rao & Co
Chartered Accountants

P.R. Vittel
Partner

Membership No.18111

Coimbatore
30th June 2009

ANNUAL REPORT 2009

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009

(Rupees)

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

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

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

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

S. VENKATESH
Company Secretary

For and on behalf of the Board

M. MANICKAM
Chairman

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

SAKTHI FINANCE LIMITED

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

(Rupees)

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

Notes on accounts 19

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

Subject to our Report of even date

For P.N. Raghavendra Rao & Co

Chartered Accountants

P.R. Vittel

Partner

Membership No. 18111

Coimbatore

30th June 2009

For and on behalf of the Board

M. MANICKAM

Chairman

S. VENKATESH

Company Secretary

M. BALASUBRAMANIAM

Vice Chairman and Managing Director

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

(Rupees)

| | 2008 - 09 | 2007 - 08 |
|---|-----------------------|-----------------------|
| A CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 7,61,57,015 | 6,22,90,136 |
| Add : Financial charges | <u>35,01,84,749</u> | <u>23,13,13,562</u> |
| Adjustments for: | | |
| Depreciation | 1,52,96,140 | 1,03,04,195 |
| (Decrease) in value of investments | - | (35,900) |
| Increase in provision against Non performing assets | 44,50,296 | 1,02,657 |
| Loss / (Profit) on sale of assets | (77,453) | (85,59,515) |
| Loss on sale of long term investments | 5,70,000 | 33,32,960 |
| Interest received | (2,90,65,934) | (2,07,54,270) |
| Dividend received | <u>(2,20,000)</u> | <u>(9,20,250)</u> |
| Operating profit before working capital changes | 41,72,94,813 | 27,70,73,575 |
| Adjustments for: | | |
| (Increase) in net stock on hire | (1,06,96,85,644) | (56,04,79,224) |
| (Increase) / Decrease in bank deposits | (57,40,142) | 40,75,658 |
| (Increase) / Decrease in loans and advances | 94,67,879 | (2,32,43,652) |
| (Increase) / Decrease in other receivables | (17,26,065) | (6,21,00,126) |
| Increase in current liabilities | <u>7,96,01,398</u> | <u>8,68,78,336</u> |
| Cash used in operations | (57,07,87,760) | (27,77,95,433) |
| Financial charges | (32,24,97,553) | (21,19,90,746) |
| Direct taxes paid | <u>1,05,85,559</u> | <u>1,05,93,414</u> |
| Net cash used in Operating Activities (A) | (88,26,99,755) | (47,91,92,766) |
| B CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (9,60,13,236) | (12,84,58,655) |
| Sale of fixed Assets | 1,26,800 | 5,24,74,129 |
| Purchase of investments | - | (3,33,23,000) |
| Sale of long term investments | 1,06,57,000 | 4,38,28,275 |
| Interest received | 2,96,66,903 | 2,19,93,784 |
| Dividend received | <u>2,20,000</u> | <u>9,20,250</u> |
| Net cash used in Investing Activities (B) | (5,53,42,533) | (4,25,65,217) |
| C CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds /Refund of share application money | 4,14,72,215 | (3,66,946) |
| Right issue Expenses | - | (30,93,112) |
| Increase in bank borrowings/other term loans | 23,96,57,001 | 14,15,79,092 |
| Increase in Secured Non convertible debentures | 94,52,49,839 | 59,97,08,530 |
| Increase / (Decrease) in Fixed deposits | <u>(27,44,26,226)</u> | <u>(17,49,95,563)</u> |
| Net cash from Financing Activities (C) | 95,19,52,829 | 56,28,32,001 |
| Net increase in cash and cash equivalents (A+B+C) | 1,39,10,541 | 4,10,74,018 |
| Cash and cash equivalents at the beginning of the year | 13,83,19,937 | 9,72,45,919 |
| Cash and cash equivalents at the end of the year | <u>15,22,30,478</u> | <u>13,83,19,937</u> |
| Components of cash and cash equivalents at the end of the year | | |
| Cash on hand | 3,89,19,292 | 2,08,83,741 |
| Current accounts with banks | <u>11,33,11,186</u> | <u>11,74,36,196</u> |

Subject to our Report of even date

For P.N. Raghavendra Rao & Co

Chartered Accountants

P.R. Vittel

Partner

Membership No.18111

Coimbatore, 30th June 2009

For and on behalf of the Board

M. MANICKAM

Chairman

S. VENKATESH

Company Secretary

M. BALASUBRAMANIAM

Vice Chairman and Managing Director

SAKTHI FINANCE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rupees)

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

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

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

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SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET

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

SAKTHI FINANCE LIMITED

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

(Rupees)

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

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

(Rupees)

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

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

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

1.2 PRINCIPLES OF CONSOLIDATION

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

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

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

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

1.3 BASIS OF ACCOUNTING

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

SAKTHI FINANCE LIMITED

NOTES ON CONSOLIDATED ACCOUNTS (CONTD)

1.4 FIXED ASSETS

Fixed assets are stated at historical cost less accumulated depreciation.

1.5 DEPRECIATION

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

1.6 REVENUE RECOGNITION

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

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

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

1.7 INVESTMENTS

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

1.8 RETIREMENT BENEFITS

I. Defined Contribution Plans

Provident Fund (PF)

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

II. Defined Benefit Plans

Gratuity and Sick Leave

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

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

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

1.9 TAXES ON INCOME

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

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

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

1.10 STOCK ON HIRE

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

1.11 PROVISION AS PER RBI NORMS

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

2.0 BALANCE SHEET**2.1 RESERVES AND SURPLUS**

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

3.0 CONTINGENT LIABILITIES

(Rupees)

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

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

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

SAKTHI FINANCE LIMITED

NOTES ON CONSOLIDATED ACCOUNTS (CONTD)

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

Transactions with Related Parties made during the year (Rupees)

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

ANNUAL REPORT 2009

NOTES ON CONSOLIDATED ACCOUNTS (CONTD)

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

5.0 EARNINGS PER SHARE

(Rupees)

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

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

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

P.R. Vittel
Partner
Membership No.18111

Coimbatore
30th June 2009

S. VENKATESH
Company Secretary

Signatories to Schedules 1 to 19
For and on behalf of the Board

M. MANICKAM
Chairman

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

SAKTHI FINANCE LIMITED

SAKTHI FINANCE BRANCH NETWORK

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



SAKTHI FINANCE LIMITED

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

ATTENDANCE SLIP

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

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

Name and Address :

Signature of Member / Proxy

NOTE:

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

CUT HERE

CUT HERE



SAKTHI FINANCE LIMITED

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

PROXY FORM

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

Signed this day of 2009

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

No. of Shares:

Affix
15 Paise
Revenue
Stamp

SIGNATURE

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

BOOK POST

Printed matter

To

If undelivered, please return to:

SKDC Consultants Ltd

(Unit : Sakthi Finance Limited)
No.11, Street No.1, S N Layout
(West Power House Road)
Coimbatore - 641 012