

 **SAKTHI FINANCE**

AN EDIFICE BUILT ON TRUST



**54th ANNUAL REPORT
2011**

 **SAKTHI FINANCE**
AN EDIFICE BUILT ON TRUST

BOARD OF DIRECTORS

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

SENIOR MANAGEMENT

Sri. M.K. Vijayaraghavan *Sr.President (Finance)*
Dr. S. Veluswamy *Sr.President (Operations)*
Sri. K. Guruprasad *Vice President*
Sri. K. Natesan *Vice President*
Sri. G. Muniasamy *Sr.General Manager*
Sri. N. Raveendran *Sr.General Manager*
Sri. N. Radhakrishnan *General Manager*
Smt. R. Geetha *General Manager*
Sri. G. Sundar *General Manager*

COMPANY SECRETARY

Sri. S. Venkatesh

REGISTERED OFFICE

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

BANKERS

State Bank of India
Bank of India
State Bank of Travancore
Central Bank of India
The Lakshmi Vilas Bank Ltd
The Karnataka Bank Ltd
Canara Bank
Indian Overseas Bank

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

INTERNAL AUDITOR

Sri B. Muralidharan FCA
Chartered Accountant
226, T.V. Samy Road (East)
R.S. Puram, Coimbatore - 641 002

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SAKTHI FINANCE LIMITED

NOTICE TO MEMBERS

NOTICE is hereby given that the Fifty Fourth Annual General Meeting of the members of the Company will be held on Wednesday, 28th September 2011 at 4.30 p.m at Smt Padmavathi Ammal Cultural Centre, 1548, 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 2011 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 declare dividend on Equity Shares.
3. Sri S A Murali Prasad, Director retires by rotation and has expressed his desire not to seek reappointment.
4. To appoint a director in place of Sri S Ragothaman who retires by rotation and is eligible for reappointment.
5. To appoint M/s P N Raghavendra Rao & Co (ICAI Regn.No:003328S), 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 other terms with respect to reimbursement of 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

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

RESOLVED THAT in accordance with Section 94(2) and other applicable provisions, if any, of the Companies Act 1956 and the Articles of Association of the Company, the Authorized Share Capital of the Company be increased from ₹ 60,00,00,000 (Rupees Sixty Crores only) divided into 5,50,00,000 Equity Shares of ₹ 10 each and 5,00,000 Redeemable Cumulative Preference Shares of ₹ 100 each to ₹ 75,00,00,000 (Rupees Seventy Five Crores only) divided into 5,50,00,000 Equity Shares of ₹ 10 each and 20,00,000 Redeemable Cumulative Preference Shares of ₹ 100 each.

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

RESOLVED THAT in accordance with the provisions of Section 16(1) and other applicable provisions, if any, of the Companies Act 1956, the Memorandum of Association of the Company be and is hereby altered by deleting the existing Clause 5 and substituting in its place the following new Clause 5:

5. The Authorized Share Capital of the Company is ₹ 75,00,00,000 (Rupees Seventy Five Crores only) divided into 5,50,00,000 Equity Shares of ₹ 10 each (Rupees Ten Only) and 20,00,000 Redeemable Cumulative Preference Shares of ₹ 100 each (Rupees One Hundred only) subject to be increased, decreased, consolidated, sub-divided or otherwise dealt with in accordance with the provisions of the Companies Act 1956 and the statutory regulations for the time being in force in this regard.

8. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

RESOLVED THAT in accordance with the provisions of Section 31 and other applicable provisions, if any, of the Companies Act 1956, the Articles of Association of the Company be and is hereby altered by deleting the existing Article 3 and substituting in its place the following new Article 3:

3. The Share Capital of the Company is ₹ 75,00,00,000 (Rupees Seventy Five Crores only) divided into 5,50,00,000 Equity Shares of ₹ 10 each (Rupees Ten Only) and 20,00,000 Redeemable

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Cumulative Preference Shares of ₹ 100 each (Rupees One Hundred only) subject to be increased, decreased, consolidated, sub-divided or otherwise dealt with in accordance with the provisions of the Companies Act 1956 and the statutory regulations for the time being in force in this regard.

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

RESOLVED THAT pursuant to the sub-section (1) of Section 163 and other applicable provisions, if any, of the Companies Act 1956, (including any statutory modification or re-enactment thereof for the time being in force), approval of the company be and is hereby accorded for keeping the Registers and Index of Members and Debenture Holders and copies of all Annual Returns prepared by the Company under Section 159 of the Companies Act 1956 together with the copies of all certificates and documents required to be annexed or attached thereto under Section 161 or any one or more of them be kept at the office of S.K.D.C Consultants Limited, the Registrars and Transfer Agents of the Company at "Kanapathy Towers", Third Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore - 641 006.

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. 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.6 to 9 is annexed.
3. As required under Clause 49(IV)(G) of the Listing Agreement, the relevant details of director seeking reappointment under Item No.4 is annexed.
4. All documents referred to in the Notice are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m and 1.00 p.m upto the date of the Annual General Meeting.
5. The Register of Members and Share Transfer Books of the company will remain closed from Wednesday, 21st September 2011 to Wednesday, 28th September 2011, both days inclusive.
6. The dividend, if declared at the Annual General Meeting, will be paid after 28th September 2011 to those persons or their mandatees:
 - a. whose names appear as Beneficial Owners as at the end of the business hours on Tuesday, 20th September 2011 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
 - b. whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company / its Registrar and Transfer Agents on or before Tuesday, 20th September 2011.
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 years are requested to forward their claims to Registrar of Companies, Stock Exchange Building, Second Floor, 683 - 686, Trichy Road, Singanallur, Coimbatore - 641 005 in prescribed Form No.II to The Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978.
- b. As per Section 205A (5) of the Companies Act 1956, the Company has transferred all unclaimed dividends for the financial years ended 31st March 1995-1997 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 became due for payment and no payment shall be made in respect of each such claim.

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- c. Any amount remaining unclaimed in respect of 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 warrants are requested to claim the warrants at an early date.
8. Shareholders are requested to provide Bank Account details such as Account No., IFSC Code and name of bank and branch to facilitate electronic transfer of dividend amount. The details may please be provided in the form given on page No. 47 of the Annual Report sent to members of the company well in time.

The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the bank account details furnished by depositories for depositing dividend through National Electronic Fund Transfer (NEFT) to investors wherever Bank details are available.

In the absence of NEFT facilities, the Company will print the Bank account, if available, on the payment instrument for distribution of dividend.

The Company does not entertain any direct request from Members holding shares in electronic form for deletion / change in such Bank details. Further instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Members who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account.

9. Members are requested to
 - a. intimate to the Company's Registrar and Transfer Agents, SKDC Consultants Limited at "Kanapthy Towers", Third Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore – 641 006, changes, if any, in their registered address at an early date in case shares are held in physical form;
 - b. intimate to the respective Depository Participant, changes, if any, in their registered addresses at an early date, in case shares are held in electronic/dematerialized form;
 - c. quote their folio number / Client ID/DP ID in all correspondence; and
 - d. consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of name;

Registered Office
62, Dr. Nanjappa Road
Coimbatore - 641 018
10th August 2011

By Order of the Board
S Venkatesh
Company Secretary

Important Communication to Members

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

Members who hold shares in physical form are requested to fill in and forward the E-mail Address Registration Form given in Page No. 49 of this Annual Report to SKDC Consultants Limited, Registrar and Transfer Agents, "Kanapathy Towers", Third Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore – 641 006.

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

Item Nos.6 to 8

The present Authorized Share Capital of the Company is ₹60 Crores consisting of 5,50,00,000 Equity Shares of ₹10 each and 5,00,000 Redeemable Cumulative Preference Shares of ₹100 each. The present issued, subscribed and paid-up equity share capital of the Company is ₹30,10,69,810 consisting of 3,01,06,981 equity shares of ₹10 each.

With a view to facilitate increase of capital base, net worth and Capital Adequacy Ratio, the Board of Directors intend to issue Preference shares on private placement basis. To accommodate consequent increase in Share Capital, the Authorized Share Capital requires to be increased with additional 15,00,000 Redeemable Cumulative Preference Shares of ₹100 each. The revised Authorized Share Capital will be ₹75 Crores divided into 5,50,00,000 Equity Shares of ₹10 each and 20,00,000 Redeemable Cumulative Preference Shares of ₹100 each. This requires the approval of the members under Section 94(1)(a) of the Companies Act 1956 for which necessary resolution is proposed as set out in Item No.6.

As a consequence, the Capital Clause in the Memorandum of Association (Clause 5) and the Articles of Association (Article 3) are required to be altered and the necessary Resolutions are proposed under Item Nos. 7 and 8 respectively for the approval of the Members.

The Board of Directors recommend the passing of the Resolutions by the members.

None of the Directors of the Company is, in any way, concerned or interested in the resolutions.

Item No.9

Pursuant to Section 163 (1) of the Companies Act 1956, the Company is required to keep its Registers and Index of Members and Debenture holders and copies of all Annual Returns prepared under Section 159 of the Companies Act 1956 at the Registered Office of the Company. However, these documents can also be kept at any other place within the city, town or village in which the Registered Office of the company is situated, with the approval of the members.

The Company's Registrar and Transfer Agents viz. SKDC Consultants Limited (SKDC) has informed that they have shifted their office to "Kanapthy Towers", Third Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore - 641 006.

This special Resolution is being passed to take the approval of the members to keep these records at the office of Registrar and Share Transfer Agent viz. SKDC Consultants Limited.

The Board of Directors of the company recommends the Special Resolution for the approval of members.

None of the Directors of the Company is, in any way, concerned or interested in the resolutions.

Registered Office
62, Dr. Nanjappa Road
Coimbatore - 641 018

10th August 2011

By Order of the Board
S Venkatesh
Company Secretary

DETAILS OF DIRECTOR SEEKING REAPPOINTMENT AT THE 54TH ANNUAL GENERAL MEETING AS REQUIRED UNDER CLAUSE 49(IV)(G) OF THE LISTING AGREEMENT
Item No.4

Name of the Director	S Ragothaman
Director Identification Number (DIN)	00042395
Date of birth and age	10th May 1946, 65 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	Hinduja Foundries Ltd Shreyas Relay Systems Ltd Shreyas Shipping & Logistics Ltd The Bombay Dyeing & Manufacturing Company Ltd Xpro Global Ltd Xpro India Ltd
Memberships /Chairmanships of committee across public companies	<p>Audit Committee - Chairman:</p> <ol style="list-style-type: none"> The Bombay Dyeing & Manufacturing Company Ltd Xpro India Ltd Shreyas Relay Systems Ltd <p>Audit Committee - Member:</p> <ol style="list-style-type: none"> Hinduja Foundries Ltd Shreyas Shipping & Logistics Ltd <p>Investor's 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 & Manufacturing Company Ltd Shreyas Shipping & Logistics Ltd <p>Executive Committee - Member</p> <ol style="list-style-type: none"> The Bombay Dyeing & Manufacturing Company Ltd
No. of equity shares held	4,000
Relationship with other directors	None

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DIRECTORS' REPORT

To the Members

Your directors are pleased to present their Fifty Fourth Annual Report together with the audited accounts of the company for the financial year ended 31st March 2011.

FINANCIAL PERFORMANCE

(₹ lakhs)

Particulars	2010-11	2009-10
Profit before tax and exceptional items	1228.32	1052.62
Less : Exceptional items – General Provision on Standard Assets	135.12	–
Profit before tax	1093.20	1052.62
Less: Provision for:		
– Current Tax	255.43	175.61
– MAT credit entitlement	(131.86)	–
– Deferred tax	160.64	249.97
Net Provision for Income Tax (earlier years)	15.40	(1.15)
Profit after tax	793.59	628.19
Add : Balance brought forward from previous year	1578.96	1076.41
Amount available for appropriation	2372.55	1704.60
Appropriations		
Proposed Dividend on Equity Shares	301.07	–
Tax on Proposed Dividend	48.84	–
Transfer to Statutory Reserve	158.72	125.64
Transfer to General Reserve	1500.00	–
Surplus carried to balance sheet	363.92	1578.96
	2372.55	1704.60

BUSINESS

During the year under review, the company's disbursement set a new record. The company disbursed ₹35127 lakhs in hire purchase business as against ₹29,609 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. An amount of ₹1500 lakhs has been transferred to General Reserve.

DIVIDEND

Your Directors are pleased to recommend a dividend of ₹1 per share (10% on the face value of equity share of ₹10 each) for the year ended 31st March 2011. The dividend, if approved by the members, would involve a cash outflow of ₹349.91 lakhs including dividend tax.

DEPOSITS

The total deposits with the company as at 31st March 2011 stood at ₹4829 lakhs as against ₹5,239 lakhs for the corresponding previous year.

As at the end of the financial year, 713 public deposits amounting to ₹227.77 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, 172 deposits amounting to ₹63.21 lakhs have since been claimed and repaid / renewed as per their instructions.

SAKTHI FINANCE LIMITED

DIRECTORS

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

1. Sri S A Murali Prasad
2. Sri S Ragothaman

Sri S A Muraliprasad, Director has expressed his desire not to seek reappointment as a director of the company.

The profile of Sri S Ragothaman, Director as required under Clause 49(IV)(G) of the Listing Agreement entered into with stock exchanges is given in the Annexure to the Notice of the 54th Annual General Meeting.

AUDIT COMMITTEE

The Audit Committee has been functioning with the following non-executive Independent directors:

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

SUBSIDIARY COMPANY

The Board of Directors at their meeting held on 5th February 2011 have approved a resolution to delink the subsidiary company, Sakthi Properties (Coimbatore) Limited from our company. Accordingly, Sakthi Properties (Coimbatore) Limited ceased to be a subsidiary of our company with effect from 5th February 2011.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As required under Clause 49 of the Listing Agreement, a report on Management Discussion and Analysis Report forms part of this report.

CORPORATE GOVERNANCE REPORT

As required under Clause 49 of the Listing Agreement, a report on corporate governance and a certificate from the auditors of the company regarding compliance of the conditions of corporate governance as stipulated under the listing agreement forms 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 : ₹ 2.27 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 (ICAI Reg.No.003328S) 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. Members are requested to appoint M/s P N Raghavendra Rao & Co, as Statutory Auditors of the company and fix their remuneration for the financial year 2011-12.

ACKNOWLEDGEMENTS

Your Directors wish to place on record the valuable assistance and excellent 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 May 2011

M Manickam
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMY/INDUSTRY STRUCTURE AND OVERVIEW

The performance of Indian Economy in 2010-11 was commendable as the agriculture sector increased its output by 5.8 per cent as against 0.4 per cent in 2009-10. The bountiful rainfall in the Kharif season and the harvesting of rich crops in the Rabbi season facilitated an output of 235.88 million tons against the estimate of 232.07 million tons. The exports were buoyant and there was a record output of food and cash crops in 2010-11. The industrial output dipped to lower levels after August and the rise for the whole year will be 8.60 per cent against 9.50 per cent. With the improvement in Industrial Production and export, the growth in GDP is estimated at 8.70 per cent.

The Commercial Vehicle industry consists of Light, Medium and Heavy Commercial Vehicles. This can be further classified into new and pre-owned Commercial Vehicles. Our company's main thrust is on the pre-owned Commercial Vehicle segment. This segment is mostly dominated by unorganized players like Small Truck Operators (STO) and First Time User (FTU) etc.

OPPORTUNITIES

Backed by strong economic growth and new model launches, the Indian Commercial Vehicle Industry in 2010-11 grew to 26.97 per cent over the previous year. The Light Commercial Vehicle (LCV) and Medium and Heavy Commercial Vehicle (M&HCV) registered a growth of 22.88 per cent and 31.78 per cent respectively in 2010-11. Society of Indian Automobile Manufacturers (SIAM) expects the overall industry volume growth to settle at 12-15 per cent in 2011-12. The market size of the pre-owned Commercial Vehicle is estimated at ₹ 520 billions. With the huge market size and the untapped potential, our company can increase its market share in Pre-owned Commercial Vehicles which will facilitate the business growth of the company.

THREATS

With the world prices of Crude and Petro products rising steadily, the Indian Government has also increased the Diesel and petrol prices. The rising interest is also a cause of concern. The effect of increase in petro products and rising interest rates will have an effect on the profitability of NBFCs which finance for New/ Pre-owned Commercial Vehicles.

BUSINESS OUTLOOK

The outlook for the economy in 2011-12 is heartening as it is hoped that growth in output of agriculture sector will be 4 per cent on a larger base. If the total output of food crops exceed ₹ 250 million tons in 2011-12 agriculture season, the performance of the industrial sector will be commendable.

The GDP has also been estimated at 8.70 per cent during 2011-12. The growth in agriculture and Industrial sector are likely to be better in 2011-12. The outlook for Non-Banking Financial Companies which fund the Road Transport sector stand to gain in terms of profitability as the growth in agriculture and road transport sector are interlinked.

PERFORMANCE AND FINANCIAL REVIEW

During the year 2010-11, the company's disbursements touched a new peak. The total disbursements for the year is **₹ 35127 lakhs** in hire purchase finance business as against ₹ 29,609 lakhs in the previous financial year. As on 31st March 2011, the total deposits with the company stood at **₹ 4829 lakhs**.

The gross income for the year 2010-11 was **₹ 9166.58 lakhs** and the net profit after tax for the year was at **₹ 793.59 lakhs**. The company has charged a depreciation of **₹ 220.01 lakhs** in the profit and loss account.

RISKS AND CONCERNS

Our 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 our Company's business needs.

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INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

Our 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, our Company maintained very harmonious and cordial relationship with its employees. As on 31st March 2011, there were 324 employees. Our 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. Our Company has taken necessary steps to strengthen the organizational competency through training programmes at various levels and installing effective system.

For and on behalf of the Board

Coimbatore
30th May 2011

M Manickam
Chairman

Cautionary Statement

Certain statements made in the Management Discussion and Analysis Report describing the Company's objectives, predictions may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results may vary significantly from forward-looking statements contained in this report due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, change in interest rates, new regulations and Government policies that may impact the Company's business as well as its ability to implement the strategy. The Company does not undertake to update these documents.

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 consist of eight members. The Board has a Non-Executive Chairman, a Vice Chairman and Managing Director and six Non-Executive Directors who bring in a wide range of skills and experience to the Board. The number of independent directors is more than 50% of the total number of Directors on the Board.

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 26th May 2010, 5th August 2010, 3rd November 2010, 5th February 2011 and 26th March 2011. The gap between two meetings is within 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.

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.

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Name of the Director	Category of Directors	Relationship with other Directors	Financial year 2010-11 Attendance at		As on 10th August 2011		
			Board meeting	Last AGM	No. of other directorships ¹	Committee position	
						Chairman ²	Member ²
(excluding Sakthi Finance Ltd)							
Dr M Manickam DIN : 00102233	Non-executive Chairman, Promoter	Brother of Sri M Balasubramaniam and Sri M Srinivaasan	4	Yes	13	-	1
Sri M Balasubramaniam DIN : 00377053	Vice Chairman and Managing Director, Promoter	Brother of Dr M Manickam and Sri M Srinivaasan	5	Yes	14	1	3
Sri M Srinivaasan DIN : 00102387	Non-executive Director, Promoter	Brother of Dr M Manickam and Sri M Balasubramaniam	4	No	13	-	1
Sri A Shanmugasundaram DIN : 00001434	Non-executive Director, Independent	None	5	No	1	-	-
Sri S A Murali Prasad DIN : 00001432	Non-executive Director, Independent	None	4	Yes	1	-	1
Dr A Selvakumar DIN : 01099806	Non-executive Director, Independent	None	5	Yes	4	-	1
Sri P S Gopalakrishnan DIN : 00001446	Non-executive Director, Independent	None	4	Yes	3	1	1
Sri S Ragothaman DIN: 00042395	Non-executive Director, Independent	None	5	No	6	3	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. 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

The committee consists of 3 non-executive independent directors.

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	5	4
Dr A Selvakumar, Member	5	5
Sri A Shanmugasundaram, Member	5	4

The committee held five meetings during the financial year on 25th May 2010, 5th August 2010, 2nd November 2010, 4th February 2011 and 25th March 2011. The gap between two meetings was within four months.

SAKTHI FINANCE LIMITED

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 the Audit Committee was present at the last Annual General Meeting.

Sri S A Murali Prasad has resigned as Chairman and Member of Audit Committee with effect from 10th August 2011. The Audit Committee has since been reconstituted with the induction of Sri M Srinivaasan, Director as a member of the Audit Committee and the reconstituted Committee consists of the following Directors :

1. Dr A Selvakumar, Chairman
2. Sri A Shanmugasundaram, Member
3. Sri M Srinivaasan, Member

B. Nomination and Remuneration Committee

The Nomination and Remuneration Committee determines and 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 composition of the Nomination and Remuneration Committee consists of 3 non-executive, independent directors as given below:

Sri S A Murali Prasad, Chairman

Dr A Selvakumar, Member

Sri P S Gopalakrishnan, Member

The committee held two meetings during the financial year on 26th May 2010 and 5th August 2010 and all the members attended the meetings.

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 2010-11 and the shares held by them are given below.

Name of the Director	Salary	Comm- ission	Perqui- sites	Sitting Fees	Total	No. of equity shares held
	(₹ Lakhs)					
Dr M Manickam	-	-	-	0.16	0.16	92,813
Sri M Balasubramaniam	12.07	13.17	6.05	-	31.29	1,92,000
Sri M Srinivaasan	-	-	-	0.16	0.16	2,51,355
Sri A Shanmugasundaram	-	-	-	0.34	0.34	7,875
Sri S A Murali Prasad	-	-	-	0.32	0.32	Nil
Dr A Selvakumar	-	-	-	0.36	0.36	Nil
Sri P S Gopalakrishnan	-	-	-	0.16	0.16	Nil
Sri S Ragothaman	-	-	-	0.18	0.18	4,000

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Notes:

1. The appointment of 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 2010. He will hold office up to 28th September 2015. The company does not have any service contract with 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:

Dr 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 of shares, transposition of shares and other grievances of shareholders. The Committee met once during the financial year on 28th November 2010 and all the members attended the meeting.

During the year, the Company received an investor's complaint in addition to the requests for transfer / transmission of shares and issuance of duplicate share certificate. 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

Dr S Veluswamy, Senior President (Operations)

Sri M K Vijayaraghavan, Senior President (Finance)

The committee held two meetings during the financial year on 25th May 2010 and 29th October 2010 and all the members attended the meetings.

E. Risk Management Committee

The Risk Management Committee has been formed for the purpose of managing the integrated risks faced by the Company. The Committee consists of following members:

Dr. S. Veluswamy - Senior President (Operations)

Sri. K. Guruprasad - Vice President (Operations)

Sri. G. Muniyasamy - Senior General Manager (Resources)

Sri. S. Venkatesh - Company Secretary

The Committee met on 10th January 2011 during the year and all the members attended the meeting.

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4. SUBSIDIARY COMPANY

The Board of Directors at their meeting held on 5th February 2011 have passed a resolution to delink the subsidiary company, Sakthi Properties (Coimbatore) Limited from this company. Accordingly, Sakthi Properties (Coimbatore) Limited ceased to be a subsidiary of our company with effect from 5th February 2011. The Audit Committee had been reviewing the financials of the subsidiary company upto its cessation. The minutes of subsidiary, until cessation, was placed before the Board of Directors of the company. Presently, the company does not have any subsidiary 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
2010	53rd	14th September 2010	4.30 p.m	Smt. Padmavathi Ammal Cultural Centre 1548, Avinashi Road, Peelamedu, Coimbatore - 641 004
2009	52nd	11th September 2009	4.30 p.m	Suguna Auditorium, Avinashi Road, Peelamedu, Coimbatore - 641 004
2008	51st	25th August 2008	4.30 p.m	President Hall, 734, Avinashi Road 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
14th September 2010 (53rd AGM)	1. Altering the Capital Clause in the Articles of Association of the company for increasing the Authorized Share Capital. 2. Issue of 2,00,71,321 equity shares of ₹ 10 each for cash at par in the ratio of 2:3 on Rights basis.
11th September 2009 (52nd AGM)	Nil
25th August 2008 (51st 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 related party transactions entered into by the company in the ordinary course of business are periodically placed before the Audit Committee for its approval.
- 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.
- 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:

The Company had obtained share broking membership of Over The Counter Exchange of India (OTCEI) on 5th July 1995. The Company has not commenced / made any transactions since its admission as member. During 2006, our company decided to surrender the membership and as advised by OTCEI, the Company made an application to them in November 2006 along with

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the required details and fee. While the company was expecting acceptance of our surrender application by OTCEI, SEBI suspended our membership of the exchange in December 2009 citing non-payment of fee to SEBI. The Company again took up the matter with OTCEI and OTCEI has advised the Company to make a fresh application for surrender of membership besides paying the fees for revoking the suspension by SEBI. The Company has since made an application along with required details to OTCEI in May 2011. The payments required for complying with their request have also been made. SEBI by its letter no MIRSD - IYP / 19023 / 11 dated 14th June 2011 has written to OTCEI that the company has cleared its entire dues. The company now awaits the order from SEBI for confirming acceptance of our request for surrender of membership.

- e. The company follows the 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 49V of the Listing Agreement relating to CEO/CFO certification, Vice Chairman and Managing Director and Senior President (Finance) have given necessary certificate to the Board for the financial year ended 31st March 2011.

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' REAPPOINTMENT

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

10. GENERAL SHAREHOLDER INFORMATION

54th Annual General Meeting

Day, Date and Time : Wednesday, 28th September 2011 at 4.30 p.m

Venue : Smt Padmavathi Ammal Cultural Centre
1548, Avanashi Road, Peelamedu, Coimbatore - 641 004

FINANCIAL CALENDAR FOR 2011-12

Unaudited financial results for the quarter ending June 2011 : Before 14th August 2011

Unaudited financial results for the quarter ending Sept. 2011 : Before 14th November 2011

Unaudited financial results for the quarter ending Dec. 2011 : Before 14th February 2012

Audited financial results for the year ending March 2012 : Before 30th May 2012

Annual General Meeting for the year ending March 2012 : Before 30th September 2012

BOOK CLOSURE DATES

From Wednesday, 21st September 2011 to Wednesday, 28th September 2011, both days inclusive.

Dividend Payment date : After 28th September 2011

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 2010-11 to National Securities Depository Limited and Central Depository Services (India) Limited on the basis of beneficial accounts maintained by them as on 31st March 2011.

SAKTHI FINANCE LIMITED

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

As the Company's shares are also listed at Madras Stock Exchange Ltd (MSE), MSE by entering into an agreement with National Stock Exchange Ltd (NSE) has admitted the securities of the company for dealing in NSE with effect from 9th August 2010.

The monthly high and low market price of the company's shares traded on Bombay Stock Exchange Limited, Mumbai and National Stock Exchange Ltd, Mumbai for the financial year 2010-11 are furnished below:

Month	NSE Price		BSE Price		BSE Sensex	
	High (₹)	Low (₹)	High (₹)	Low (₹)	High	Low
April 2010	NA	NA	14.35	10.26	18048	17277
May 2010	NA	NA	14.93	11.11	17537	15960
June 2010	NA	NA	13.85	9.51	17920	16318
July 2010	NA	NA	12.30	10.15	18238	17396
August 2010	21.65	13.35	21.51	10.60	18475	17820
September 2010	16.05	12.80	16.42	12.75	20268	18027
October 2010	15.95	13.10	16.24	13.10	20855	19769
November 2010	15.70	12.20	15.99	12.63	21109	18955
December 2010	14.25	11.55	14.32	11.41	20552	19075
January 2011	13.05	11.05	13.57	10.05	20665	18038
February 2011	11.40	9.40	11.62	9.26	18691	17296
March 2011	10.85	9.00	10.50	8.44	19575	17792

REGISTRARS AND SHARE TRANSFER AGENTS

SKDC Consultants Limited

(Unit: Sakthi Finance Limited)

Regd Office: 'Kanapathy Towers'

Third Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore - 641 006

Phone: (0422) 6549995, 2539835 - 836 Fax: (0422) 2539837

E-Mail : info@skdc-consultants.com Web : www.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.

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Code of Conduct for Prevention of Insider Trading

Pursuant to the requirements of Securities Exchange Board of India (Prohibition of Insider Trading) Regulation 1995, as amended, the company has adopted a Code of Conduct for Prevention of Insider Trading. Sri S Venkatesh, Company Secretary is the Compliance Officer. The Code of Conduct is applicable to all Directors and such designated employees of the Company who are expected to have access to unpublished price sensitive information relating to the company.

Unclaimed Shares Demat Suspense Account

Pursuant to amended Clause 5A of the Listing Agreement with the Stock Exchanges, the company opened a demat account viz. Unclaimed Suspense Account with Stock Holding Corporation of India Limited, Coimbatore in the name and style of "Sakthi Finance Limited – Unclaimed Shares Demat Suspense Account". The details of Unclaimed Shares Demat Suspense Account are as follows:

Sl. No.	Particulars	No. of Share Holder	No. of Shares
1.	Outstanding shares in Unclaimed Suspense Account at the beginning of the year	34	2,975
2.	Approached for transfer of shares from unclaimed suspense Account	---	----
3.	Shares transferred from unclaimed suspense Account	---	----
4.	Outstanding shares in Unclaimed suspense Account at the end of the year.	34	2,975

DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2011

The distribution of shareholding as on 31st March 2011 is as under:

Share holdings	No. of share holders	% of share holders	No. of shares	% of share holding
1 - 500	13,991	89.84	19,90,538	6.61
501 - 1000	896	5.75	7,01,010	2.33
1001 - 2000	383	2.46	5,66,057	1.88
2001 - 3000	98	0.63	2,45,843	0.82
3001 - 4000	34	0.22	1,23,156	0.41
4001 - 5000	33	0.21	1,55,267	0.52
5001 - 10000	76	0.49	5,52,237	1.83
10001 & above	62	0.40	2,57,72,873	85.60
Total	15,573	100.00	3,01,06,981	100.00

SHAREHOLDING PATTERN AS ON 31ST MARCH 2011

The shareholding pattern as on 31st March 2011 is as under:

Category	Percentage
Promoters	59.27
Other Bodies Corporate	5.85
Banks, Financial Institutions and Mutual Funds	0.01
Non-resident Incorporated Entity	14.78
Non-Resident Indians	0.06
Resident Public	20.03
Total	100.00

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DEMATERIALIZATION 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). 1,33,90,075 Equity Shares of the Company constituting 44.47% of the paid-up capital were dematerialised as on 31st March 2011.

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 INSTRUMENTS' 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 Website: www.sakthifinance.com

INVESTOR'S 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 quarterly / half-yearly financial results are published in leading newspapers as mentioned above and are also posted on the company's website www.sakthifinance.com. Therefore, the results are not being separately circulated to the shareholders.

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- 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.
- 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
10th August 2011

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 2011.

For Sakthi Finance Limited

Coimbatore
10th August 2011

M BALASUBRAMANIAM
Vice Chairman and Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE (Under Clause 49 of the listing Agreement)

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 2011, 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 as stipulated in the above mentioned Listing Agreement.

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

For P N Raghavendra Rao & Co
Firm Regn.No.:003328S
Chartered Accountants
P R VITTEL
Partner
Membership No:18111

Coimbatore
10th August 2011

AUDITORS' REPORT

To the Members of the Company

1. We have audited the attached Balance Sheet of Sakthi Finance Limited as at 31st March 2011, 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 2011 is ₹ 26.00 Lakhs (Maximum outstanding during the year: ₹ 97.74 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 loan granted is 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.
 - 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.

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- 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.
- 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, 2011 for a period of more than six months from the date of becoming payable.
- b) The disputed statutory dues aggregating to ₹ 31.11 Lakhs that have not been deposited on account of matters pending before appropriate authorities are as under:

Name of the Statute	Nature of the dues	Amount (₹ in Lakhs)	Period to which the amount relates	Forum where the dispute is pending
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 2011 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.
- 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.
- 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 ₹ 22,473.66 Lakhs. The Company has created adequate securities and charges in respect of debentures issued.
- xx. The Company has not raised any money by way of public issue during the year.

SAKTHI FINANCE LIMITED

- 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.
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, 2011 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:
 - a. In so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March 2011;
 - b. 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
 - c. 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.

For P.N. Raghavendra Rao & Co
Firm Regn. No.:003328S
Chartered Accountants
P R VITTEL
Partner
Membership No.18111

Coimbatore
30th May 2011

ANNUAL REPORT 2011

BALANCE SHEET AS AT 31ST MARCH 2011

	Schedule	As at 31.3.2011 (₹)	As at 31.3.2010 (₹)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	30,10,69,810	30,10,69,810
Share Application money pending allotment		15,78,63,340	10,53,63,340
Reserves and Surplus	2	66,80,42,145	35,76,64,349
Loan Funds			
Secured Loans	3	4,69,20,21,377	3,73,01,81,311
Unsecured Loans	4	48,29,35,060	52,39,13,248
Deferred Tax Liability (net)		7,39,94,361	5,79,30,608
Total		6,37,59,26,093	5,07,61,22,666
APPLICATION OF FUNDS			
Fixed and Intangible Assets			
Gross Block	5	87,26,12,631	49,49,26,960
Less: Accumulated Depreciation and Amortisation		16,46,18,197	14,37,56,987
Net Block		70,79,94,434	35,11,69,973
Investments	6	11,77,22,960	11,82,22,960
Current Assets, Loans and Advances			
Stock-on-Hire	7	5,30,35,05,039	4,39,41,38,052
Cash and Bank Balances	8	27,99,56,632	26,25,13,648
Other Current Assets	9	24,07,020	21,54,614
Loans and Advances	10	39,47,38,918	26,79,60,628
SUB TOTAL - (i)		5,98,06,07,609	4,92,67,66,942
Less: Current Liabilities and Provisions			
Current Liabilities	11	35,55,02,482	30,49,97,385
Provisions	12	7,48,96,428	1,50,39,824
SUB TOTAL - (ii)		43,03,98,910	32,00,37,209
Net Current Assets (i) - (ii)		5,55,02,08,699	4,60,67,29,733
Total		6,37,59,26,093	5,07,61,22,666
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
Firm Regn. No.:003328S
Chartered Accountants

P.R. VITTEL

Partner
Membership No.18111

Coimbatore
30th May 2011

S. VENKATESH
Company Secretary

For and on behalf of the Board

M. MANICKAM
Chairman

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

 **SAKTHI FINANCE LIMITED**

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

	Schedule	2010-11 (₹)	2009-10 (₹)
INCOME			
Income from Operations	13	88,41,39,297	75,93,72,032
Other Income	14	3,25,18,742	2,92,47,625
	TOTAL - A	91,66,58,039	78,86,19,657
EXPENDITURE			
Interest and financial charges	15	55,92,62,119	49,95,34,869
Staff Salaries and Other benefits	16	10,91,71,585	7,51,80,551
Operating and Administrative expenses	17	7,94,03,742	7,31,31,839
Provisions and write-off (net)	18	2,39,87,316	1,91,07,161
Depreciation and Amortisation		2,20,01,354	1,64,03,096
	TOTAL - B	79,38,26,116	68,33,57,516
	PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS (A-B)	12,28,31,923	10,52,62,141
Less: Exceptional items - General Provision on standard assets		1,35,12,499	-
	PROFIT BEFORE TAX	10,93,19,424	10,52,62,141
Less : Provision for Taxation:			
- Current Tax		2,55,43,179	1,75,60,925
- MAT credit entitlement		(1,31,86,405)	-
- Deferred tax-Current Year		1,60,63,753	2,49,97,472
Net Provision for Taxation (earlier years)		15,39,700	(1,14,720)
	PROFIT AFTER TAX	7,93,59,197	6,28,18,464
Balance brought forward from previous year		15,78,96,033	10,76,41,262
	PROFIT AVAILABLE FOR APPROPRIATION	23,72,55,230	17,04,59,726
APPROPRIATIONS			
Proposed Dividend on Equity Shares		3,01,06,981	-
Tax on Proposed Dividend		48,84,105	-
Transfer to Statutory Reserve		1,58,71,839	1,25,63,693
Transfer to General Reserve		15,00,00,000	-
Balance carried to Balance Sheet		3,63,92,305	15,78,96,033
		23,72,55,230	17,04,59,726
Earnings per share : Basic (₹)		2.64	2.09
Diluted (₹)		1.73	1.76
Nominal Value of Equity Share (₹)		10.00	10.00

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

Firm Regn. No.:003328S

Chartered Accountants

M. MANICKAM

P.R. VITTEL

Chairman

Partner

Membership No.18111

Coimbatore

30th May 2011

S. VENKATESH
Company Secretary

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

	2010 - 11 (₹)	2009 - 10 (₹)
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	10,93,19,424	10,52,62,141
Add: Financial charges	55,92,62,119	66,85,81,543
Adjustments for:		
Depreciation and Amortisation	2,20,01,354	1,64,03,096
(Decrease) in diminution in value of investments	3,575	-
Increase / (Decrease) in provision against Non performing assets	76,56,108	(8,36,205)
Increase / (Decrease) in provision against Standard assets	1,35,12,499	-
Loss / (Profit) on sale of assets	(2,60,211)	2,06,156
Loss on sale and redemption of long term investments	-	3,64,750
Interest received	(4,97,90,247)	(1,65,96,199)
Dividend received	(2,50,000)	(2,50,000)
Operating profit before working capital changes	66,14,54,621	60,40,88,608
(Increase) in net stock on hire	(90,93,66,987)	(96,85,40,821)
(Increase) / Decrease in bank deposits	(12,49,500)	40,44,112
(Increase) / Decrease in loans and advances	(5,96,81,361)	1,56,17,502
(Increase) / Decrease in other receivables	(8,24,12,778)	(4,02,15,039)
Increase in current liabilities	1,09,60,168	(1,04,17,50,458)
Cash used in operations	(38,02,95,837)	(40,59,72,759)
Financial charges	(53,78,56,732)	(44,33,22,775)
Direct taxes paid	2,29,56,528	(51,49,00,204)
Net Cash used in Operating Activities (A)	(89,51,96,041)	(82,65,87,089)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(12,16,93,021)	(10,16,32,982)
Sale of fixed Assets	91,37,100	85,500
Sale / Redemption of long term investments	-	95,00,000
Sale of Investments in subsidiary Company	5,00,000	-
Interest received	4,98,45,467	1,68,05,588
Dividend received	2,50,000	2,50,000
Net Cash used in Investing Activities (B)	(6,19,60,454)	(7,49,91,894)
C CASH FLOW FROM FINANCING ACTIVITIES		
Share application money received	5,25,00,000	5,00,00,000
Increase in bank borrowings/other term loans	38,50,43,958	11,51,60,498
Increase in Secured Non convertible debentures	57,67,96,108	67,64,05,587
Increase / (Decrease) in Fixed deposits	(4,09,78,188)	15,47,23,572
Net Cash from Financing Activities (C)	97,33,61,878	99,62,89,657
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	1,62,05,383	9,47,10,674
Cash and cash equivalents at the beginning of the year	24,47,31,134	15,00,20,460
Cash and cash equivalents at the end of the year	26,09,36,517	24,47,31,134
Components of cash and cash equivalents at the end of the year:		
Cash on hand	8,59,19,628	5,56,30,233
Current accounts with banks	17,50,16,889	18,91,00,901

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

Firm Regn. No.:003328S
Chartered Accountants

P.R. VITTEL
Partner
Membership No. 18111

Coimbatore
30th May 2011

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 BALANCE SHEET

	As at 31.3.2011 (₹)	As at 31.3.2010 (₹)
SCHEDULE - 1 : SHARE CAPITAL		
AUTHORISED		
5,50,00,000 Equity Shares of ₹.10 each	55,00,00,000	40,00,00,000
5,00,000 Redeemable Cumulative Preference Shares of ₹.100 each	5,00,00,000	5,00,00,000
	60,00,00,000	45,00,00,000
ISSUED, SUBSCRIBED AND FULLY PAID-UP		
3,01,06,981 Equity Shares of ₹.10 each	30,10,69,810	30,10,69,810
	30,10,69,810	30,10,69,810
SCHEDULE - 2 : RESERVES AND SURPLUS		
Capital Reserve	52,61,238	52,61,238
Securities Premium Account	13,35,66,908	13,35,66,908
General Reserve	15,00,00,000	-
Statutory Reserve: As per last Balance Sheet	6,09,40,170	
Add: Transfer from Profit and Loss Account	1,58,71,839	6,09,40,170
Revaluation Reserve - Created during the year	26,60,09,685	-
Surplus - Balance in Profit and Loss account	3,63,92,305	15,78,96,033
	66,80,42,145	35,76,64,349
SCHEDULE - 3 : SECURED LOANS		
Redeemable Non-Convertible Debentures	3,54,31,75,449	2,96,63,79,341
Term Loans - Financial Institutions	13,78,33,000	21,13,93,000
Cash Credit and Working Capital Demand Loans - Banks	1,00,85,53,189	54,70,87,144
Interest accrued and due on Bank Cash Credit	24,59,739	53,21,826
	4,69,20,21,377	3,73,01,81,311
SCHEDULE - 4 : UNSECURED LOANS		
Fixed Deposits	48,29,35,060	52,39,13,248

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SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

SCHEDULE - 5 : FIXED AND INTANGIBLE ASSETS

(₹)

Description	Gross Block				Depreciation/Amortisation Block				Increase due to Revaluation	Net Block	
	As at 31.3.2010	Additions	Deductions/ Adjustments	As at 31.3.2011	As at 31.3.2010	For the Year	Deduction / Adjustments	As at 31.3.2011		As at 31.3.2011	As at 31.3.2010
TANGIBLE:											
Land	5,45,94,627	1,74,696	-	5,47,69,323	-	-	-	-	2,70,30,926	8,18,00,249	5,45,94,627
Buildings	4,41,07,830	16,53,980	-	4,57,61,810	1,26,09,509	8,95,098	-	1,35,04,607	17,94,52,886	21,17,10,089	3,14,98,321
Plant and Machinery	60,13,293	19,51,637	84,330	78,80,600	44,74,610	2,94,158	64,091	47,04,677	-	31,75,923	15,38,683
Plant - Wind Mills	34,11,45,956	11,06,40,000	87,90,000	44,29,95,956	8,85,44,999	1,75,64,399	-	10,61,09,398	5,95,25,873	39,64,12,431	25,26,00,957
Furniture, Fitting and Office Equipments	3,81,57,051	29,56,989	-	4,11,14,040	3,18,75,815	17,78,846	-	3,36,54,661	-	74,59,379	62,81,236
Vehicles	57,24,431	22,86,719	11,42,704	68,68,446	32,30,752	7,21,321	10,76,054	28,76,019	-	39,92,427	24,93,679
INTANGIBLE:											
Computer Software	51,83,771	20,29,000	-	72,12,771	30,21,303	7,47,532	-	37,68,835	-	34,43,936	21,62,468
Total	49,49,26,959	12,16,93,021	100,17,034	60,66,02,946	14,37,56,988	2,20,01,354	11,40,145	16,46,18,197	26,60,09,685	70,79,94,434	35,11,69,971
Previous Year	39,42,75,262	10,16,32,982	9,81,285	49,49,26,959	12,80,43,521	1,64,03,096	6,89,629	14,37,56,988	-	35,11,69,971	26,62,31,743

Notes: 1. An amount of ₹ 8.44 lakhs pertaining to a Building, comprised in the value of Buildings, includes value of five shares of ₹ 50 each in a co-operative society allotted by it (in relation to that building) under its by-laws in our company's name.
2. Land, Buildings and Plant-windmills were revalued as on 31st March 2011 based on valuation report dated 9th May 2011 by an external valuer.

SCHEDULE - 6 : INVESTMENTS (at cost)

Sl. No	Description	Face Value Number	Value Per Unit (₹)	As at 31.3.2011 (₹)	As at 31.3.2010 (₹)
Long Term Investments (At cost)					
Other than Trade					
I. Government Securities #					
a) Quoted					
1	Central Government Stock and State Government Loans	9,05,000	100	9,02,01,120	9,02,01,120
Total - A				9,02,01,120	9,02,01,120
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 Ltd.	5,52,833	10	2,26,09,690	2,26,09,690
4	Sri Bhagavathi Textiles Ltd.	5	100	3,625	3,625
5	Sri Chamundeswari Sugars Ltd.	1,86,666	10	7,82,625	7,82,625
(includes 46,666 Bonus shares allotted during the year)					
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
SCHEDULE - 6 : INVESTMENTS (at Cost) (continued)

Sl. No	Description	Face Value		As at	As at
		Number	Per Unit (₹)	31.3.2011 (₹)	31.3.2010 (₹)
b) Subsidiary - Unquoted					
14	Sakthi Properties (Coimbatore) Ltd.	50,000	10	-	5,00,000
Total - D				33,55,000	38,55,000
Total - (A+B+C+D)				11,77,22,960	11,82,22,960
Aggregate Value of Quoted Investments					
Cost				11,43,61,360	11,43,61,360
Market value				11,24,75,233	11,37,11,565
Aggregate Value of Unquoted Investments - At Cost				33,61,600	38,61,600

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

	As at 31.3.2011 (₹)	As at 31.3.2010 (₹)
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SCHEDULE - 7 : STOCK ON HIRE

Net Investment in Stock on Hire	5,29,35,97,666	4,38,64,97,528
Stock on Hire of Assets Repossessed	99,07,373	76,40,524
	5,30,35,05,039	4,39,41,38,052

SCHEDULE - 8 : CASH AND BANK BALANCES

Cash on hand	8,59,19,628	5,56,30,232
Balances with Scheduled Banks in:		
- Current Accounts	17,50,16,889	18,91,00,901
- Deposit Accounts	1,87,10,212	1,74,60,712
Unclaimed Dividend Account	3,09,903	3,21,803
	27,99,56,632	26,25,13,648

SCHEDULE - 9 : OTHER CURRENT ASSETS

Stock of Stationery, Stamps etc (at cost)	5,32,354	2,24,728
Interest accrued on Govt. Securities	18,74,666	19,29,886
	24,07,020	21,54,614

SCHEDULE - 10 : LOANS AND ADVANCES

Loans and Advances in the nature of loans	14,42,10,437	8,45,29,076
Other advances and Deposits recoverable in cash or in kind or for value to be received	23,15,92,024	16,72,82,330
Advance payment of Tax and Tax Deducted at source	57,50,052	1,61,49,222
MAT Credit Entitlement	1,31,86,405	-
	39,47,38,918	26,79,60,628

SCHEDULE - 11 : CURRENT LIABILITIES

Sundry Creditors for:		
- Expenses	1,45,96,062	1,97,15,571
- Others	11,61,38,342	8,47,69,309
Unclaimed dividend	3,09,903	3,21,803
Interest accrued but not due on Deposits / NCD	22,44,58,175	20,01,90,702
	35,55,02,482	30,49,97,385

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SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	As at 31.3.2011 (₹)	As at 31.3.2010 (₹)
SCHEDULE - 12 : PROVISIONS FOR:		
- Income Tax (net)	30,43,179	3,10,925
- Non Performing Assets	2,19,23,387	1,42,67,279
- General Provision on Standard Assets	1,35,12,499	-
- Diminution in value of Investments	7,675	4,100
- Gratuity	14,18,602	4,57,520
- Proposed Dividend	3,01,06,981	-
- Corporate Tax on Proposed Dividend	48,84,105	-
	7,48,96,428	1,50,39,824

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

	2010-11 (₹)	2009-10 (₹)
SCHEDULE - 13 : INCOME FROM OPERATIONS		
Income from Hire purchase operations	82,83,00,336	74,24,63,516
Interest on loans and Other receipts	4,35,05,027	98,67,898
Dividend from long term Investments	2,50,000	2,50,000
Interest from long term Investments	62,85,220	67,28,301
Income from sell down Receivables	15,153	(22,52,694)
Bad debts recovery	57,83,561	23,15,011
	88,41,39,297	75,93,72,032
SCHEDULE - 14 : OTHER INCOME		
Profit on Sale/Redemption of Long term Investments	-	6,62,000
Profit on Sale of Assets	2,76,861	35,500
Sale of Electricity	2,85,64,402	2,35,29,778
Miscellaneous Income	36,77,479	50,20,347
	3,25,18,742	2,92,47,625
SCHEDULE - 15 : INTEREST AND FINANCIAL CHARGES		
Interest on:		
- Non- Convertible Debentures	36,89,78,300	32,86,69,560
- Term Loans from Financial Institutions	2,44,57,611	3,54,29,002
- Loans from Banks	9,34,33,219	5,60,84,308
- Fixed Deposits	5,50,62,864	4,47,72,303
Bank Charges	97,29,284	68,77,028
Other Financial Charges	-	11,826
Resources mobilisation Expenses	76,00,841	2,76,90,842
	55,92,62,119	49,95,34,869
SCHEDULE - 16: STAFF SALARIES AND OTHER BENEFITS		
Salary, Bonus and Gratuity	9,28,42,291	6,21,28,377
Contribution to Provident and other Funds	34,60,324	30,34,977
Staff Welfare Expenses	1,28,68,970	1,00,17,197
	10,91,71,585	7,51,80,551

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

	2010-11 (₹)	2009-10 (₹)
SCHEDULE - 17 : OPERATING AND ADMINISTRATIVE EXPENSES		
Rent	44,81,989	37,33,606
Rates, Taxes and Licences	41,92,127	40,55,873
Communication	44,71,737	46,99,321
Insurance	12,23,901	8,02,025
Travelling and Conveyance	1,83,18,265	1,74,86,174
Printing and Stationery	38,51,110	32,32,245
Power and Fuel	20,35,871	25,60,257
Advertisements	31,88,208	28,61,954
Legal and Professional Charges	78,82,264	77,22,543
Repairs and Maintenance on:		
- Buildings	35,34,627	44,15,300
- Machinery	85,03,826	69,48,697
- Other Assets	79,60,907	68,89,589
Filing Fees	9,69,894	16,30,431
Directors' Sitting Fees	1,68,000	78,000
Managing Director's Remuneration	31,28,570	21,53,770
Miscellaneous Expenses	54,92,446	38,62,054
	<u>7,94,03,742</u>	<u>7,31,31,839</u>
SCHEDULE - 18 : PROVISIONS AND WRITE-OFF		
Provision for non-performing assets	1,19,50,957	80,22,603
Less: NPA Provision no longer required	(63,75,201)	(97,04,796)
Bad debts written off	1,83,91,335	1,95,20,948
Loss on sale of assets	16,650	2,41,656
Loss on sale/redemption of Investments	-	10,26,750
Provision for diminution in value of Investments	3,575	-
	<u>2,39,87,316</u>	<u>1,91,07,161</u>

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SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011

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 except for certain fixed assets which have been revalued 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, other than those which have been revalued, are stated at historical cost less accumulated depreciation. The revalued fixed assets are restated at their estimated current replacement value as on 31st March 2011 based on valuation reports of an external valuer.

1.3 DEPRECIATION

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

1.4 INTANGIBLE ASSETS

Intangible Assets viz. Computer Software are stated at the consideration paid for its acquisition. Intangible assets are amortized based on the management's estimate of useful life of the asset. Its life is estimated to be 7 years.

1.5 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 the 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.

1.6 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.

1.7 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 Employees' Provident Fund and Miscellaneous Provisions Act 1952. 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

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 based on actuarial valuation, determined by LIC as at the Balance Sheet date.

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.

Leave salary is determined for the period of 12 months ended 31st December of each year and paid fully within the end of the accounting year as a result of which making of provision does not arise.

1.8 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 liability 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.

1.9 STOCK ON HIRE

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

1.10 PROVISION AS PER RBI NORMS

1. Provision for Non Performing Assets:

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. Provision against Standard Assets:

The RBI vide its Notification No.DNBS.222/CGM(US)-2011 dated 17th January 2011, has issued directions to all NBFCs to make a provision of 0.25% on the Standard Assets. Accordingly, the company has made a provision of **₹ 1,35,12,499** as at 31st March 2011 as an exceptional item.

2.0 BALANCE SHEET

2.1 RESERVES AND SURPLUS

1. 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. Revaluation Reserve has been created on the Fixed Assets against revaluation of Land, Buildings and Plant and Machineries (Windmills).

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2.2 REVALUATION RESERVE

The net increase in value on account of Revaluation of Assets amounting to ₹ 26,60,09,685 is credited to Revaluation Reserve.

2.3 SECURED LOANS

- a) 295 Secured Redeemable Non-Convertible Debentures of the face value of ₹ 1000 each and 3,54,28,80,449 Secured Redeemable Non-Convertible Debentures of the face value of ₹ 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 in relation to each of the series allotted upto 31st July 2010 and 15 to 36 months in relation to the series allotted from 1st August 2010 onwards.
- b) Term Loans from The Tamilnadu Industrial Investment Corporation Limited is secured by mortgage of immovable properties consisting of land and three Wind Electric Generators. Further, the loan is also guaranteed by two directors of the company. Amount availed and outstanding as on 31-03-2011 is ₹ 4,24,68,000 (Sanctioned limit: ₹ 6,62,68,000).
- c) Term loan from SIDBI is secured as under:

Amount of Term Loan Sanctioned (₹)	Security details	Amount Outstanding as on 31.03.2011 (₹)
6,00,00,000	Hypothecation of specified Hire Purchase assets and guarantee by two directors	60,00,000
7,50,00,000	Hypothecation of specified Hire Purchase assets and guarantee by two directors	4,54,25,000
5,00,00,000	Hypothecation of specified Hire Purchase assets and guarantee by two directors	4,39,40,000

- d) Cash Credits/Working Capital Demand Loans from Scheduled Banks are secured by hypothecation of specified hire purchase assets and personal guarantee of directors, besides collateral security of company's building along with land belonging to a director, to a bank. Amount availed and outstanding as on 31-3-2011 is ₹ 1,00,85,53,189 (Sanctioned limit: ₹ 1,32,50,00,000).

2.4 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 ₹ 9,02,01,120 and ₹ 18,74,666 interest accrued on the above investments in favour of trustees representing the fixed deposit holders of the company.

2.5 DEFERRED TAX

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

Particulars	As at 31.3.2011 (₹)	As at 31.3.2010 (₹)
Deferred Tax Liability (A)		
Depreciation	9,64,04,859	7,20,23,530
Deferred Tax Asset (B)		
Brought forward losses	1,06,37,034	97,26,905
Provision for NPA / Standard assets / Investments	1,17,73,464	43,66,017
	2,24,10,498	1,40,92,922
Deferred Tax Liability (net) (A-B)	7,39,94,361	5,79,30,608

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2.6 CURRENT ASSETS

As per Accounting Standard (AS-19) on Lease, the details of hire purchase receivables as on 31st March 2011 for the contracts executed are given below.

a) Maturity pattern of Hire Purchase Receivables as on 31.3.2011

Particulars	Gross (₹)	Net ((₹)
Less than one year	2,99,30,50,303	2,16,64,41,028
Later than one year and not later than 5 years	3,70,73,52,321	3,12,81,71,035
Later than 5 years	90,35,906	88,92,976
Total	6,70,94,38,530	5,30,35,05,039

b) Balance with Scheduled Banks in deposit accounts include ₹ 1,92,500 (₹ 92,500) pledged with the Sales Tax Authorities.

c) Bank deposits of ₹ 1,42,60,631 (₹ 1,34,12,584) are under lien towards managed business.

2.7 LOANS AND ADVANCES

i) Loans and Advances include:

a) Loans considered good in respect of which the Company is fully secured: ₹ 2,85,74,837 (₹ 2,85,44,653).

b) Loans considered good and unsecured in respect of which the Company holds no security other than the debtors' personal security: ₹ 11,56,35,600 (₹ 5,59,84,423).

c) Amount due from an Officer of the Company ₹ 3,41,729 (₹ 1,08,525). Maximum amount outstanding during the year ₹ 3,86,858 (₹ 1,25,889).

d) Amount due from wholly owned subsidiary: Nil (₹ 12,19,135).

2.8 CURRENT LIABILITIES

There is no amount due to be transferred to Investor Education and Protection Fund as on 31st March 2011.

There are no dues to entities covered under the Micro, Small and Medium Enterprises Development Act 2006.

3.0 PROFIT AND LOSS ACCOUNT

3.1 Income-tax deducted at source on interest ₹ 3,19,107 (₹ 6,16,493) and on other receipts ₹ 1,55,079 (₹ 4,61,410).

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

Profit before tax as per Profit and Loss Account		(₹)
		10,93,19,424
Add : Depreciation as per books	2,20,01,354	
Provision against Non performing assets	1,19,50,957	
Provision against Standard assets	1,35,12,499	
Provision against Investments	3,575	
Directors' sitting fees	1,68,000	
Managing Director's remuneration	18,11,492	
Commission to Managing Director	13,17,078	
	<u>5,07,64,955</u>	
		16,00,84,379
Less : Depreciation as per Section 350 of the Companies Act 1956	2,20,01,354	
Provision no longer required written back	63,75,201	
Adjusted Net Profit	<u>2,83,76,555</u>	
Commission payable at 1%		<u>13,17,078</u>

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3.3 Remuneration to Vice Chairman and Managing Director (₹)

Particulars	2010-11	2009-10
Salary	12,06,666	6,00,000
Provident Fund contribution	1,44,800	72,000
Perquisites	4,60,026	4,20,005
Commission	13,17,078	10,61,765
Total	31,28,570	21,53,770

The Company's Vice Chairman and Managing Director is also Joint Managing Director (Finance) in Sakthi Sugars Limited. As per the provisions of the Companies Act 1956 read with Schedule XIII, the total remuneration received by him is within the limits prescribed under Schedule XIII to the Companies Act 1956.

3.4 Miscellaneous Expenses include remuneration to Auditors towards

Particulars	2010-11	2009-10
Statutory Audit	2,50,000	2,50,000
Tax Audit	66,500	66,500
Tax representation, certifications	2,67,500	2,68,500
Total	5,84,000	5,85,000

4.0 CONTINGENT LIABILITIES

Particulars	2010-11	2009-10
1) Collaterals given to a bank / financial institution	-	2,32,676
2) Income Tax and Interest Tax issues pending before appellate authorities	31,11,447	31,11,447

5.0 QUANTITATIVE DETAILS OF GREEN POWER GENERATION

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

Particulars	2010-11	2009-10
Licensed capacity	Not applicable	Not applicable
Installed capacity*	9700 KW	7775 KW
Units generated	1,06,23,698	83,55,634
Units sold	1,04,62,865	82,61,503
Sale value (₹)	2,85,64,402	2,35,29,778

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

6.0 EXPENDITURE IN FOREIGN CURRENCY (on payment basis)

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

Particulars	2010-11	2009-10
Travelling	2,26,640	9,37,686

7.0 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.

8.0 DELINKING OF WHOLLY OWNED SUBSIDIARY COMPANY

Sakthi Properties (Coimbatore) Ltd, the wholly owned subsidiary of the Company has been delinked with effect from 5th February 2011. Accordingly, the Statement pursuant to Section 212 of the Companies Act 1956 relating to subsidiary company and consolidation of accounts are not applicable and hence not furnished.

9.0 DISCLOSURE REQUIREMENTS UNDER AS-15 ON EMPLOYEE BENEFITS

Disclosures relating to AS-15 on Employee Benefits for the year ended 31st March 2011 are furnished below:

Sl. No.	Particulars	2010-11	2009-10
		Gratuity (₹)	Gratuity (₹)
I	Principal Actuarial Assumptions (Expressed as weighted averages)		
	Discount rate	8.00%	8.00%
	Salary Escalation rate	4.00%	4.00%
	Attrition rate	18.60%	15.95%
	Expected rate of return on Plan Assets	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	78,75,837	71,25,706
	Interest cost	6,30,067	5,70,056
	Current service cost	6,74,953	5,73,101
	Past service cost - (non-vested benefits)	-	-
	Past service cost - (vested benefits)	-	-
	Benefits paid	(6,76,799)	(4,86,127)
	Actuarial loss / (gain) on obligation	17,75,212	93,101
	PVO as at the end of the period	1,02,79,270	78,75,837
III	Changes in the fair value of plan assets - Reconciliation of Opening and Closing balances		
	Fair value of plan Assets at the beginning of the period	81,68,428	38,94,000
	Expected return on plan assets	7,13,642	5,68,553
	Contributions	8,56,073	41,92,002
	Benefits paid	(6,76,799)	(4,86,127)
	Actuarial loss/(gain) on plan assets	-	-
	Fair value of Plan Assets as at the end of the period	88,60,668	81,68,428
IV	Actual Return on Plan Assets		
	Expected return on plan assets	7,13,642	5,68,553
	Actuarial gain/(loss) on plan assets	-	-
	Actual return on plan assets	7,13,642	5,68,553
V	Actuarial Gain / Loss recognized		
	Actuarial gain/(loss) for the period - Obligation	(17,75,212)	(93,101)
	Actuarial gain/(loss) for the period - Plan Assets	-	-
	Total (gain)/ loss for the period	17,75,212	93,101
	Actuarial (gain)/loss recognized in the period	17,75,212	93,101
	Unrecognised actuarial (gain)/loss at the end of the year	-	-
VI	Amounts recognized in the Balance Sheet and related Analysis		
	Present value of the obligation	1,02,79,270	78,75,837
	Fair value of Plan Assets	88,60,668	81,68,428
	Difference	(14,18,602)	2,92,591
	Unrecognised transitional liability	-	-
	Unrecognised past service cost - non-vested benefits	-	-
	Liability recognized in the Balance Sheet	14,18,602	(2,92,591)

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Sl. No.	Particulars	2010-11	2009-10
		Gratuity (₹)	Gratuity (₹)
VII	Expenses recognized in the statement of Profit and Loss		
	Current service cost	6,74,953	5,73,101
	Interest cost	6,30,067	5,70,056
	Expected return on plan assets	(7,13,642)	(5,68,553)
	Actuarial (gain)/loss recognized in the year	17,75,212	93,101
	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	23,66,590	6,67,705
VIII	Movements in the liability recognized in the Balance Sheet		
	Opening net liability	5,63,482	32,31,706
	Expenses as above	23,66,590	6,67,705
	Contributions paid	(15,11,470)	(41,92,002)
	Closing net liability	14,18,602	(2,92,591)
IX	Amount for the current period		
	Present value of obligations	1,02,79,270	78,75,837
	Plan Assets	82,05,271	81,68,428
	Surplus/(Deficit)	(20,73,999)	2,92,591
	Experience adjustments on plan liabilities - (loss) / gain	-	(93,101)
	Actuarial gain / (loss) on obligations	(17,75,212)	-
	Experience adjustments on plan assets - (loss) / gain	-	-
X	Major categories of Plan Assets		
	Fund manager by insurer	100%	100%
XI	Enterprise's best estimate of contribution during next year	23,66,590	6,67,705

10.0 RELATED PARTY DISCLOSURES FOR THE YEAR ENDED 31ST MARCH 2011

Relationships

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

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

Transactions with Related Parties made during the year

SI No	Nature of Transaction	Related parties where controls exist	Key Management Personnel	Relatives of Key Management Personnel	Total 2010-11 (₹)	Total 2009-10 (₹)
1	Income					
	Rent received:					
	Sakthifinance Financial Services Ltd	4,11,600	-	-	4,11,600	3,78,000
	ABT Industries Ltd.	12,59,520	-	-	12,59,520	12,59,520
	Finance Charges and Interest:					
	ABT Limited	11,00,480	-	-	11,00,480	22,83,288
	Rendering of Services:					
	Sakthi Properties (Coimbatore) Ltd.	2,28,000	-	-	2,28,000	2,34,498
2	Expenses					
	Purchase of fuel:					
	N.Mahalingam & Co	23,93,136	-	-	23,93,136	18,81,422
	Repairing of vehicles:					
	ABT Ltd.	43,290	-	-	43,290	1,03,590
	Rent paid:					
	M.Balasubramaniam	-	2,40,000	-	2,40,000	2,40,000
	M. Srinivaasan	-	-	1,09,000	1,09,000	48,000
	Resource Mobilisation Charges:					
	Sakthifinance Financial Services Ltd.	76,34,529	-	-	76,34,529	2,76,32,282
	Printing charges:					
	Nachimuthu Industrial Association	12,76,524	-	-	12,76,524	5,97,357
	Deputation Charges:					
	Sakthifinance Financial Services Ltd.	1,48,53,277	-	-	1,48,53,277	-
	Sakthi Management Services (Cbe) Ltd.	65,05,515	-	-	65,05,515	-
	Remuneration:					
	M.Balasubramaniam	-	18,11,492	-	18,11,492	10,92,005
	Commission:					
	M.Balasubramaniam	-	13,17,078	-	13,17,078	10,61,755
	Sitting Fees:					
	M.Manickam	-	-	16,000	16,000	8,000
	M.Srinivaasan	-	-	16,000	16,000	6,000
3	Assets					
	Loans and Advances given:					
	ABT Ltd.	25,99,617	-	-	25,99,617	97,73,957
4	Liabilities for expenses payable					
	Sakthi Sugars Ltd.	64,678	-	-	64,678	70,558
	N. Mahalingam & Co.	4,305	-	-	4,305	7,422
	Nachimuthu Industrial Association	1,33,146	-	-	1,33,146	62,956
	Sakthifinance Financial Services Ltd.	4,18,290	-	-	4,18,290	-
5	Share application money received					
	The Gounder and Company Auto Ltd.	2,23,63,340	-	-	2,23,63,340	2,23,63,340
	ABT Values Ltd.	3,30,00,000	-	-	3,30,00,000	3,30,00,000
	ABT Foundation Ltd.	10,25,00,000	-	-	10,25,00,000	5,00,00,000

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11.0 EARNINGS PER SHARE

Particulars	2010-11 (₹)	2009-10 (₹)
Profit after tax (A)	7,93,59,197	6,28,18,464
Weighted average number of equity shares (B)	3,01,06,981	3,01,06,981
The nominal value per equity share (₹)	10.00	10.00
Earnings per share – Basic (₹)	2.64	2.09
– Diluted (₹)	1.73	1.76

12.0 Disclosure as required under Clause 32 of the Listing Agreement

Amount of loans/advances in the nature of loans outstanding from associates for the year ended 31st March 2011.

Name of the Company	Outstanding as on 31.3.2011	Maximum amount outstanding during the year	Investment in shares of the company	Investment in shares of subsidiary of the company
	(₹)	(₹)	No. of shares	No. of shares
Associates				
ABT Ltd	25,99,617	97,73,957	87,27,400	-

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 (₹)
	LIABILITIES SIDE		
(1)	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid		
	(a) Debentures: - Secured	3,73,32,28,189	-
	- Unsecured (Other than falling within the meaning of Public deposits)	-	-
	(b) Deferred Credits	-	-
	(c) Term Loans	13,83,65,014	-
	(d) Inter-Corporate Loans and Borrowings	-	-
	(e) Commercial Paper	-	-
	(f) Public Deposits	51,68,08,481	2,27,76,841 #
	(g) Other Loans - Cash Credit	1,01,10,12,928	-
(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	51,68,08,481	2,27,76,841 #
	# 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		5,78,87,183
	(b) Unsecured		31,79,15,279
(4)	Break-up of Leased Assets and Stock on Hire and Other assets 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		5,29,35,97,666
	(b) Repossessed Assets		99,07,373
	(iii) Other 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
	Current Investments:		
	(1) Quoted		
	(i) Shares: (a) Equity		-
	(b) Preference		-
	(ii) Debentures and Bonds		-
	(iii) Units of Mutual Funds		-
	(iv) Government Securities		-
	(v) Others		-

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Sl. No.	Particulars	Amount Outstanding (₹)		
(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 (b) Preference (ii) Debentures and Bonds (iii) Units of Mutual Funds (iv) Government Securities (v) Others (2) Unquoted (i) Shares: (a) Equity (b) Preference (ii) Debentures and Bonds (iii) Units of Mutual Funds (iv) Government Securities (v) Others	— — — — — — — — — — 2,41,60,240 — — — 9,02,01,120 — — 33,55,000 — — — — 6,600 —		
(6)	Borrower group-wise classification of assets financed as in 3 and 4 above			
	Category	Amount net of provisions (₹)		
		Secured	Unsecured	Total
	(1) Related Parties			
	(a) Subsidiaries	—	—	—
	(b) Companies in the same group	—	—	—
	(c) Other related parties	25,99,617	—	25,99,617
	(2) Other than related parties	5,33,68,69,218	31,79,15,279	5,65,47,84,497
	Total	5,33,94,68,835	31,79,15,279	5,65,73,84,114
(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		—	—
	(b) Companies in the same group		—	—
	(c) Other related parties		2,42,63,913	2,61,45,940
	(2) Other than related parties		9,15,72,920	9,15,69,345
	Total		11,58,36,833	11,77,15,285
(8)	Other Information			
	Particulars	Amount		
	(1) Gross Non-performing Assets			
	(a) Related parties	—		
	(b) Other than related parties	4,26,87,487		
	(2) Net Non-Performing Assets			
	(a) Related parties	—		
	(b) Other than related parties	2,07,64,100		
	(3) Assets acquired in satisfaction of debt	—		

☪ SAKTHI FINANCE LIMITED

14.0 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details:

Registration No.	:	L65910TZ1955PLC000145
State Code	:	181
Balance Sheet Date	:	31.3.2011

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

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

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

Total Liabilities	:	6,80,63,25,003
Total Assets	:	6,80,63,25,003

Sources of Funds:

Paid up Capital and share application money	:	45,89,33,150
Reserves and Surplus	:	66,80,42,145
Secured Loans	:	4,69,20,21,377
Unsecured Loans	:	48,29,35,060
Deferred Tax Liability (net)	:	7,39,94,361

Application of Funds:

Net Fixed Assets	:	70,79,94,434
Investments	:	11,77,22,960
Net Current Assets	:	5,55,02,08,699

IV. Performance of the Company (Amount in ₹)

Turnover	:	91,66,58,039
Total Expenditure	:	80,73,38,615
Profit before Tax	:	10,93,19,424
Profit after Tax	:	7,93,59,197
Earnings per share (₹)	:	2.64
Dividend Rate (%)	:	10

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

Item Code No. (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
Firm Regn. No.:003328S
Chartered Accountants

P.R. VITTEL

Partner
Membership No. 18111

Coimbatore
30th May 2011

S. VENKATESH
Company Secretary

For and on behalf of the Board

M. MANICKAM

Chairman

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

ANNUAL REPORT 2011

SAKTHI FINANCE BRANCH NETWORK

BRANCH OFFICES		ADDRESS	FAX		PHONES	
TAMILNADU						
Coimbatore	641 018	62, Dr Nanjappa Road	0422	2231915	0422	2231471-4 4236200
Coimbatore (South)	641 045	No. 7, K.V. Nilayam, B.R. Nagar	044	28114308	044	28114286
Chennai	600 004	Raja Rajeshwari Towers 29/30, Dr Radhakrishnan Salai, Mylapore				
Dindigul	624 001	50, Nehruji Nagar, Municipal Colony			0451	2441121
Erode	638 003	Sakthi Sugars Building, 122, Veerabhadra Road			95424	2222209
Hosur	635 109	92/3, First Floor, KK Complex, Bagalur Road			04344	241142
Kallakurichi	606 202	P-88/B-18, Putru Mariamman Kovil Street Durugam Road			04151	223567
Kanchipuram	631 501	14, Vallal Pachaiappan Street Mungil Mandapam Main Road			04112	27231677
Kumbakonam	612 001	Anna Ice Cream Building, 1-E, Second Floor Dr Besant Road			0435	2430096
Madurai	625 020	757, West Main Road, Anna Nagar			95452	2535585
Mettupalayam	641 301	Sundaram Type Office Complex 41, Annur Main Road			04254	224686
Namakkal	637 001	25-12/A, Karuppannan Street Opp. Repco Bank, Paramathy Road				
Perambalur	621 212	140/2A3, 3B/7A. Second Floor Rukmani Srinivasan Complex			04328	225570
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	627 001	10A/1, Tiruvananthapuram Road			0462	2502989
Tirupur	638 601	21, KPN Colony, Third Street, Near Sarathy Videos			0421	2242511
Trichy	620 018	No.16, First Cross, Thillai Nagar			95431	2765969
Tuticorin	628 033	93A-1, Thevarpuram Road			0461	2323977
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	5/2245-D, Indira Gandhi Road	0495	2720414	0495	2723699
Manjeri	676 121	Kurikkal Plaza, Opp. Court Complex, Kacheripadi			0483	2767468
Muvattupuzha	686 673	D. No. 8/386-D, First Floor NH 49, Kottayil Buildings, Velloorkunnam, Market Post			0485	2812465
Palakkad	678 001	N S Towers, 16, New Stadium Bus Stand			0491	2548137
Pathanamthitta	689 645	PMC IX/1128(1) 10(E) Second Floor Aban Arcade, Kumbazha Road			0468	2224300
Thrissur	680 001	Damodaran & Sons Complex, Round West			0487	2335023
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						
Rajahmundry	533 103	79-16-12/21, Third Floor, E&S Reddy Complex Tilak Road, Opp. Saibaba Temple			0883	2433934
Vijayawada	520 008	59-14-5, V Floor, BSR Plaza, NH-5 Opp. Mary's Stella College			0866	2476333
Visakhapatnam	530 016	I Floor, D No.74-10-3/9, 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

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FOR HOLDERS OF SHARES IN PHYSICAL FORM

S K D C Consultants Limited
(Unit: Sakthi Finance Limited)
"Kanapathy Towers" Third Floor, 1391/A-1, Sathy Road
Ganapathy, Coimbatore - 641 006

NATIONAL ELECTRONIC FUND TRANSFER (NEFT) - MANDATE FORM

- 1. Shareholder's Name : _____
- 2. Folio No. : _____
- 3. No. of Shares : _____
- 4. Bank Name : _____
- 5. Branch Name, Address and Telephone No. : _____
- 6. Bank Account Number (10-Digit or more number only) : _____
- 7. Account type [Please tick ✓] :

a) S.B.	b) Current	c) Cash Credit/OD
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- 8. 9-Digit Code Number of the Bank & Branch appearing on the MICR cheque issued by the Bank : _____
- 9. 11-Digit IFSC Code :

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I agree to avail the NEFT introduced by RBI with respect to payment of dividend to me.
I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons beyond the control of the Company, I would not hold Sakthi Finance Limited responsible.

Date Signature of the Sole/First Shareholder

(Please attach (i) self-attested photocopies of any two of your Passport / PAN Card / Driving License / Voter's Identity Card towards proof of identification & (ii) a blank cancelled cheque or photocopy of a cheque issued by your Bank for verification of the 9-digit code Number provided above)

FOR THE ATTENTION OF HOLDERS OF SHARES IN PHYSICAL FORM

It is advised that the shares may be dematerialized with any of the depository participants at the earliest. This will be convenient for the holders of shares to effect any transfer or transmission instantly. For transfer of shares held in physical form, procedure will be long-drawn and the buyers do not generally opt for physical shares while purchasing, as the transaction cannot take place through the Stock Exchanges. Hence in the interest of the share holders, the company strongly recommends for dematerializing the shares with any of the depository participants.

Meanwhile, for the holders of shares in physical form, to provide faster credit of dividend to their account, such holders of shares are advised to provide information in the appended form.

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E-MAIL ADDRESS REGISTRATION FORM

(In terms of Circular Nos. 17/2011 and 18/2011 dated 21.04.2011 and 29.04.2011 respectively issued by Ministry of Corporate Affairs, Government of India)

(For Shareholders who hold shares in physical form)

**S K D C Consultants Limited
(Unit: Sakthi Finance Limited)**

"Kanapathy Towers"
Third Floor, 1391/A-1, Sathy Road
Ganapathy
Coimbatore - 641 006

I/We, Member(s) of Sakthi Finance Limited, hereby give my/our consent to receive electronically Annual Report(s), Notice(s) of General Meeting(s) and other document(s) that the Ministry of Corporate Affairs may allow to be sent in electronic mode.

I/We request you to note my/our e-mail address as mentioned below. If there is any change in the e-mail address, I/We will promptly communicate it to you.

Folio No.	
Name of the First/Sole Member	
E-mail address (to be registered)	

Place :

Date :

(Signature of First / Sole Member)

☪ SAKTHI FINANCE
AN EDIFICE BUILT ON TRUST

SAKTHI FINANCE LIMITED

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

ATTENDANCE SLIP

I hereby record my presence at the 54th Annual General Meeting of the members of the Company held on Wednesday, 28th September 2011 at 4.30 p.m. at Smt. Padmavathi Ammal Cultural Centre, 1548, Avanashi Road, Peelamedu, Coimbatore - 641 004

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.

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☪ SAKTHI FINANCE
AN EDIFICE BUILT ON TRUST

SAKTHI FINANCE LIMITED

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

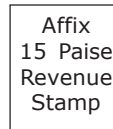
PROXY FORM

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 FOURTH ANNUAL GENERAL MEETING of
the Company to be held on Wednesday, 28th September 2011 at 4.30 p.m. and at any
adjournment thereof.

Signed this day of 2011

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

No. of Shares:



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)
Kanapathy Towers, 3rd Floor
1391/A-1, Sathy Road, Ganapathy
Coimbatore - 641 006