



**Chairman's Speech**  
**Annual General Meeting**  
**30<sup>th</sup> September 2010**

My fellow Shareholders,

Good Morning and welcome to the 24<sup>th</sup> Annual General Meeting of the company. I am happy to address you on the 25<sup>th</sup> anniversary of the founding of UCAL Fuel Systems and my first year as its Chairman and present the Annual Accounts of your Company for the year ended 31<sup>st</sup> March 2010.

At the outset I wish to express my thanks and gratitude to Mr.S.Muthukrishnan, a doyen in the automotive industry, who started and led UCAL Fuel Systems for the last 24 years. He will continue to guide us in the Board. I extend my thanks to the other Board Members, Dr.V.Sumantran, Vice Chairman, Hinduja Automotive Group, Dr.M.S.Ananth, Director of IIT Madras, Mr.S.Natarajan, Member of ICAI and Director, Shriram Group of Companies, Mr.K.Muthukumar, Senior General Manager of EXIM Bank and Mr.P.P.R.Rao, your Company's Executive Director. Their continual support and contribution has been invaluable to your Company.

Your Company's ecosystem includes premier institutions like IIT Madras, IFMR and eminent individuals like Dr.V.Krishnamurthy, Mr.V.Vaithianathan and Mr.K.R.Paramesvar who guide us with their wisdom and experience. We owe them a debt of gratitude for providing irreplaceable moral and advisory support. I also want to acknowledge Mr.V.K.Gupta, our Advisor in the finance area, for his contribution in streamlining and strengthening the financial systems of your Company.

2009-10 saw the resurgence of the Indian automotive industry after a year of lackluster growth and global economic meltdown. This global economic meltdown had only a small and short impact on the Indian economy. The Indian economy recovered quickly and it continues to remain strong. The automotive sector grew by 26% and the automotive component sector grew by 20%. Your Company has greatly benefited from this strong growth. The Indian operations of UCAL Fuel Systems Limited (UFSL) achieved sales of Rs.394 Crores in 2009-10, as against the sales of Rs.300 Crores during 2008-09, resulting in a growth of 31% three successive years of level growth. The growth combined with stricter financial and cost management has resulted in a 20 fold increase of Profit after Tax from Rs.38 Lakhs in 2008-09 to Rs.7.63 Crores in 2009-10. Considering the better performance and increased profits the Board has recommended a 10% dividend.

India is expected to witness strong growth in automotive production till 2020 across all segments. By 2020 passenger cars are expected to top 9 million units; two/three wheelers are expected to almost triple to 33 million units; and commercial vehicles double to 2.2 million units. The Indian automotive component industry and in particular, UCAL Fuel Systems will benefit from this general growth. We expect the Company's growth in 2010-11 to be in the 20 to 25% range.

The Company continues to face challenges to sustain a high rate of growth. First is the ability to raise and manage capital effectively. Second is the ability to ramp up production to keep pace with demand and yet be profitable when growth slacks off for short periods of time. Third is the attraction, training and retention of skilled manpower at all levels. Fourth is the management of investment in and return out of research and development and fifth is the need to expand the business in the passenger car and commercial vehicle segments. Your Company is continuously focused to innovate, overcome and stay on top of these challenges.



On the products front, while the sales in MPFI segment has been stagnant over the last few years due to change in technology and increased competition, the sales of pumps have nearly doubled over previous year. The company is making concrete efforts to increase its visibility and market share in the Pumps business segment.

In the two-wheeler carburetor segment, the company had kept pace with the 25% growth achieved by the two-wheeler industry, whereas, in the case of Air Suction Valves, the company achieved a 38% growth. During the financial year 2009-10, various efforts were taken in-house to enlarge the product and customer base. The R&D team, Krishnamurthy Centre for Automotive Technologies (KCAT), is in the process of development of Electronic Throttle Valve for gasoline engines, 4-stroke Port Injection System for 2-wheelers, Water Pump for two wheeler engine applications, higher capacity Vacuum Pump and Variable Flow Oil Pump. At the backdrop of the strong R&D team and highly skilled engineering team, the company's future strategy is to focus and deploy its efforts in the manufacture and supply of complete systems such as Carburetors and Pumps.

On the facilities front, your Company is consolidating the number of factory locations to increase efficiency and productivity. Simultaneously, two new locations are coming up at Bawal, Haryana and Mahindra City, Tamilnadu. The Bawal facility will be the main production center for customers in the Delhi, Gurgaon and Pune region, while the Mahindra City facility will cater to the export markets.

UCAL Machine Tools Limited, established as a 100% subsidiary of UCAL Fuel Systems Limited in 1991, has been merged with the parent company with effect from 1<sup>st</sup> April 2009.

On the subsidiaries front, UCAL Polymer Industries Limited (UPIL) has recorded a turnover of Rs.14.62 Crores in 2009-10 as against Rs.8.47 Crores in 2008-09, registering a growth of 72.5%. UPIL has declared a dividend of 10% for the FY 2009-10 also. We expect to maintain a high growth rate for some years to come.

AMTEC Precision Products, Inc., our subsidiary at USA, has avoided cash losses since October 2009 despite continued recession in the US economy. The infusion of funds into AMTEC by the promoter group by way of preferential issue and the efforts of Mr.R.Sundararaman, former ED of UCAL Fuel Systems and his team have stabilized the operations of AMTEC and has enabled it to sustain itself through the recession and achieve better results. Also the merger of the two manufacturing facilities at Elgin has enabled us to control the fixed cost of operations. Short term and long term measures have been taken to improve the operating profits through cost control, renegotiation of various contracts etc., and it is expected that AMTEC will be making profits in near future.

With the Indian economy and the auto sector in particular are poised to grow rapidly, I am confident that we will produce even better results in the forthcoming year. I take this opportunity to express my thanks to all the shareholders, customers and employees for imposing their trust in the company. The support extended by the Banks and Financial Institutions namely EXIM Bank, State Bank of India, Central Bank of India, Bank of India, IDBI Bank, Corporation Bank and Indian Bank particularly during the trying times is also acknowledged.

I now commend the Annual Accounts for the year ended 31<sup>st</sup> March 2010 together with the Director's Report and Auditor's Report for your approval.

**Thank you,**

**Jayakar Krishnamurthy**

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