

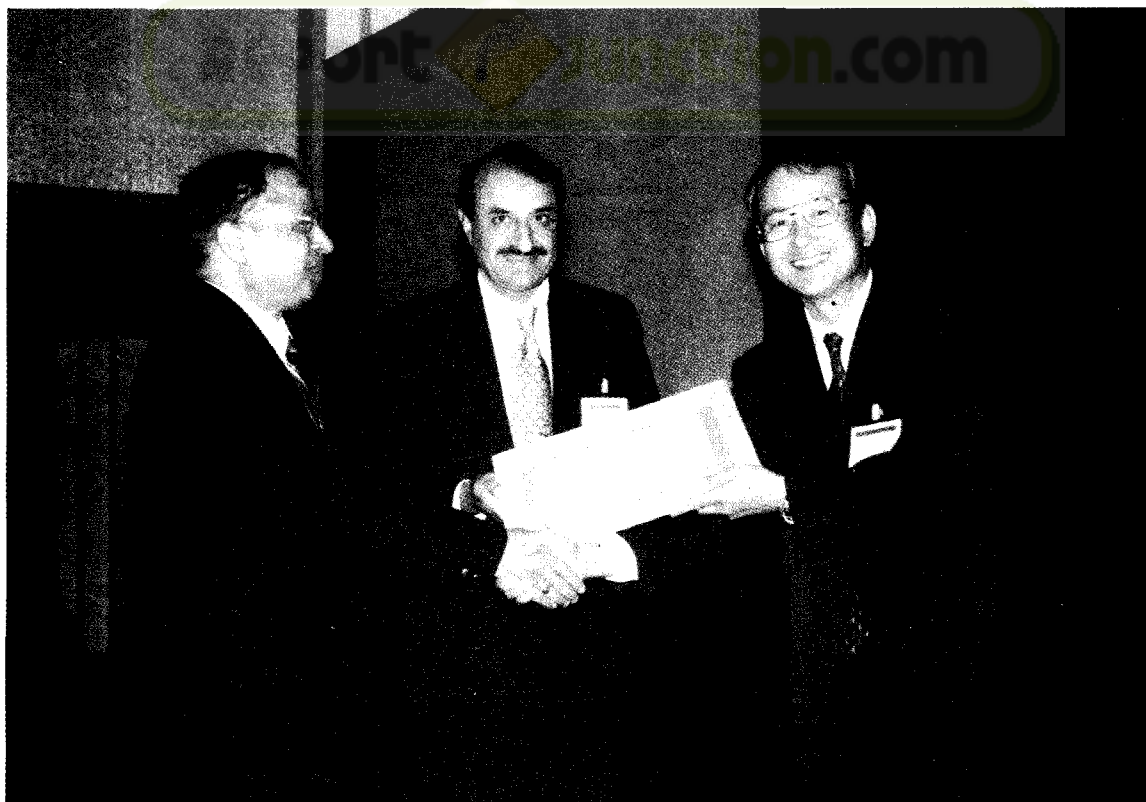
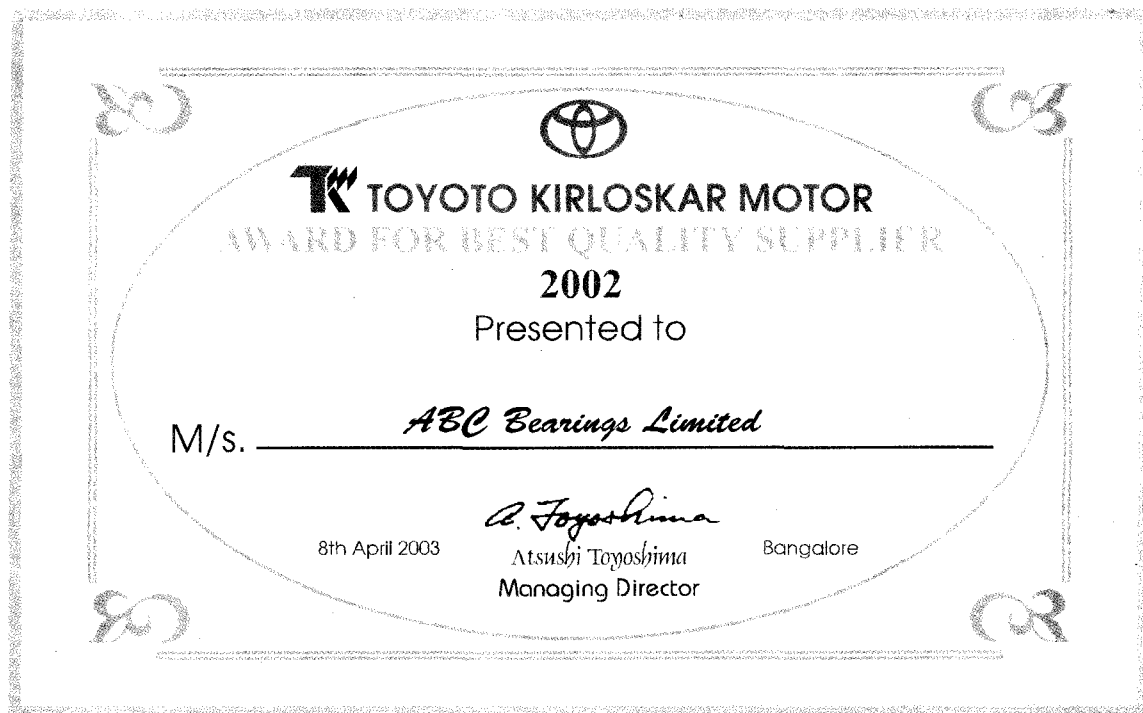
ABC

ABC Bearings Limited

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Annual Report
2002-2003



Receiving the Toyota Kirloskar Motor Award for Best Quality Supplier 2002. (L to R)
Mr. B.N. Vidholia - CEO, ABC, Mr. P.M. Patel - Managing Director, ABC and
Mr. A. Toyoshima - Managing Director, Toyota Kirloskar Motor Limited.

BOARD OF DIRECTORS	S. M. Patel - Chairman P. M. Patel - Managing Director T. M. Patel - Executive Director C.U. Shah Y. H. Malegam S. K. Diwanji V. C. Vaidya
C. E. O.	B. N. Vidholia
AUDITORS	Parikh & Shah Chartered Accountants
COST AUDITORS	B.J.D Nanabhoy & Co. Cost Accountants
SOLICITORS	Desai & Diwanji Advocates & Solicitors
BANKERS	Bank of Baroda Corporation Bank
REGISTERED OFFICE	402-B, Poonam Chambers, Dr. Annie Besant Road, Worli, Mumbai 400 018.
REGISTRARS & TRANSFER AGENTS	Bigshare Services Pvt. Ltd. E-2, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai 400 072.
WORKS	1. Pandit Jawaharlal Nehru Marg, Lonavla 410 401 Maharashtra State. 2. Plot No.1-B, GIDC Industrial Estate, Bharuch 392 015, Gujarat State. 3. Plot No.109-B, GIDC Industrial Estate, Bharuch 392 015, Gujarat State.

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NOTICE

NOTICE is hereby given that the Forty-Second Annual General Meeting of the Members of ABC Bearings Limited will be held on Tuesday, the 16th September 2003 at 4.30 p.m. at Walchand Hirachand Hall, Indian Merchants' Chamber Building, 76, Veer Nariman Road, Churchgate, Mumbai – 400 020, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. S.K. Diwanji, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. M. Patel, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The Register of Members and Share Transfer Books of the Company will be closed from Tuesday, the 2nd September 2003 to Tuesday, the 16th September 2003 (both days inclusive).
3. Members seeking any information with regard to Accounts are requested to write to the Company at least 10 days in advance so as to enable the Company to keep the information ready.
4. Members are requested to send all future correspondence in respect of their change of address and transfer of shares etc., directly to the Share Transfer Agents at the following address: -

BIGSHARE SERVICES PVT. LTD. TEL. NOS: 28560652 / 28560653
E-2, ANSA INDUSTRIAL ESTATE, FAX NO: 28525207
SAKIVIHAR ROAD, SAKI NAKA,
ANDHERI (E), MUMBAI-400 072.
5. Members are requested to quote their Folio Number(s)/Client ID Number(s) in all correspondence with the Company's Share Transfer Agents.
6. Members/Proxy should bring the attendance slip duly filled-in for attending the meeting.
7. Members are requested to bring their copy of Annual Report to the meeting.

Registered Office :
402-B, Poonam Chambers,
Dr. Annie Besant Road,
Worli, Mumbai – 400 018.

Date: 29th May, 2003.

By Order of the Board of Directors

P.M. PATEL
MANAGING DIRECTOR

DIRECTORS' REPORT

To the Members,

The Directors present herewith their Forty-second Annual Report with the Audited Statement of Accounts for the year ended 31st March 2003.

FINANCIAL RESULTS:

	Year ended 31.03.2003 Rs. in lacs	Year ended 31.03.2002 Rs. in lacs
Gross Profit / (Loss) before Interest, Depreciation and Tax	1372.80	863.39
Less : Interest & Finance Charges	608.24	736.87
Depreciation	546.69	408.72
Profit / (Loss) before Exceptional Items & Tax	217.87	(282.20)
Less: Provision for Diminution in Value of Investments	—	293.80
Profit / (Loss) after Exceptional Items & before Tax	217.87	(576.00)
Provision for tax		
Current tax	(10.56)	—
Deferred tax	(61.41)	100.46
Profit / (Loss) after tax	145.90	(475.54)
Prior Period Adjustment (Net)	—	(58.54)
Add: Balance brought forward from previous year	(534.08)	—
Balance carried to Balance Sheet	(388.18)	(534.08)

OPERATIONS:

Your Company's results for the year ended 31st March 2003 showed a remarkable recovery with profit after tax standing at Rs. 145.90 lacs vis-à-vis a loss of Rs. 475.54 lacs during the corresponding previous year. Exports tripled from Rs. 83.48 lacs during F. Y. 2001-02 to Rs. 241.09 lacs during the year under report. Your Company caters mainly to the Tractor and Commercial Vehicle sectors of the automotive industry. The setback in the Tractor sector has affected your Company's volumes, though growth in the Commercial Vehicles sector has more than compensated for it. Pricing pressure, increase in basic raw material price, etc. continued to batter the bottom-line. Smart working capital management, application of cost-efficient measures, shedding of excess labour force, replacement of expensive loans with low-cost loans, have all assisted your Company in recouping the situation.

DIVIDEND:

The Directors have not recommended the payment of any dividend for the financial year under report.

ADOPTION OF NEW-NAME:

On 27th September 2002, in accordance with the approval granted by the Registrar of Companies, Maharashtra, your Company adopted its new name – ABC Bearings Limited.

COLLABORATION:

Your Company's Collaborators NSK Ltd., Japan, continued to render valuable technical support and guidance to the Company in the field of technology-upgradation and system improvement with total focus on productivity-enhancement. Your Company has been identified by Toyota Kirloskar Motor Limited [TKM] as sole supplier for specialised bearings for application in their Transmissions, intended for exports, for their upcoming Innovative Multi-utility Vehicle [IMV] Project at Bangalore. Your Company continues to be the exclusive indigenous supplier of Taper Roller Bearings for TKM's Qualis Vehicles.

QUALITY CERTIFICATION:

Your Company's plants continue to enjoy the ISO 9001 and QS 9000

Certification and most of the customers have awarded self-certification to the Company for its products for Direct Online Supply. Significantly, Toyota Kirloskar Motor Limited [TKM] has presented your Company with the Best Quality Supplier 2002 Award.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act 1956, the Directors report: -

- that in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- that such accounting policies have been selected and applied consistently and the judgments and estimates made 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 or Loss of the Company for that year.
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- that the annual accounts have been prepared on a going concern basis.

FIXED DEPOSITS:

Towards the end of the last quarter for F. Y. 2002-03, your Company has accepted fixed deposits amounting to Rs. 766.85 lacs under the Public Deposit Scheme. Deposits amounting to Rs. 1.96 lacs, matured on or before 31st March 2003, were not claimed by the depositors as on that date.

DIRECTORS:

On 14th December 2002, our Chairman Shri M. I. Patel passed away. The Directors take this opportunity to record their appreciation for the invaluable services rendered by our departed Chairman, under whose auspices the Company grew, over a span of four decades, to attain its present stature. At their meeting held on 27th January 2003, the Directors have appointed Mr. S. M. Patel as the Chairman of the Board.

In terms of the facility agreement(s) entered into between ICICI Bank Limited [formerly ICICI Limited] and your Company, Mr. T. Raghavendran, the Nominee Director appointed on the Board of your Company, has been withdrawn with effect from 30th April 2003.

Mr. S.K. Diwanji and Mr. S. M. Patel retire by rotation and being eligible, offer themselves for reappointment. Necessary resolutions for their reappointment are being placed before the members for their approval.

CORPORATE GOVERNANCE:

Your Company has complied with the requirements of the Code of Corporate Governance in accordance with Clause 49 of the Listing Agreement with BSE. A separate report on Corporate Governance along with Auditors' certificate on its compliance is attached to this Report. Management Discussion and Analysis, as prescribed by the Listing Agreement, also forms a part of the Annual Report.

REPORT ON ENERGY CONSERVATION AND RESEARCH AND DEVELOPMENT ACTIVITIES:

Information relating to Energy Conservation, Foreign Exchange Earned and Spent and Research and Development activities undertaken by the Company in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in the annexure to the Directors' Report.

AUDITORS:

The Auditors of the Company, M/s. Parikh & Shah, Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received confirmation that their appointment, if made, will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

COST AUDITORS:

In pursuance of Section 233-B of the Companies Act, 1956, your Directors have appointed M/s. B. J. D. Nanabhoy & Co., Cost

ABC Bearings Limited

Accountants, as the Cost Auditors to conduct cost audit of the product 'bearing' for the year 2003-04, subject to the approval of the Central Government. The Company has received confirmation that their appointment, if made, will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

PARTICULARS RELATING TO EMPLOYEES:

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not given as none of the employees has drawn remuneration in excess of the limits set therein.

ACKNOWLEDGEMENT:

The Directors wish to place on record their deep sense of appreciation for the committed services of the employees of the Company at all levels. The Directors would also like to express their sincere appreciation for the assistance and co-operation received from Financial Institutions, Banks, Customers and Dealers, during the year.

For and on behalf of the Board

Mumbai.
Date: 29th May, 2003.

S. M. PATEL
Chairman

ANNEXURE TO DIRECTORS' REPORT

Particulars under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY:

The Company continued with its various energy conservation measures:

1. Average power factor was maintained at 0.989, earning the Company a substantial rebate from the Gujarat Electricity Board.
2. Based on the Energy Audit Reports and observations of M/s. Electrical Research and Development Association, Vadodara, further potential areas for energy saving were identified and the following measures were adopted:

- a. The Shaker Hearth Furnace brick-lining work was carried out for optimum utilisation of electrical energy.
- b. The lighting voltage was reduced with the help of OLTC provided on the main Transformer, resulting in substantial energy saving.

3. High power loads were staggered to control max. demand.
4. Further reduction in max. demand is anticipated based on a request application to Gujarat Electricity Board for reduction in max. demand.
5. Conventional overhead lights have been replaced with energy efficient lights in heat treatment shop while maintaining the same lighting levels.
6. Hot washing solution has been replaced with cold washing solution on heat treatment and component washing machines, ensuring further energy saving.
7. Hydraulic and DC motors have been replaced with PMDC motors and AC motors with soft start drives.
8. Low technology areas were identified and low productive and high-energy consumption machines were removed from operation.

B. TECHNOLOGY ABSORPTION:

During the year under report 'NSK' experts made numerous visits to our plants, imparting techniques and guidance to our personnel on various areas of improvement, in their endeavour to help us achieve the renowned NSK standards. A few significant areas are mentioned here below:

1. Techniques for continuous improvement were actively implemented and monitored in areas of machine-setting time, cycle time, upgradation of product quality, product life and product efficiency.
2. New sizes of bearings were developed to meet the customer requirements.
3. Specialised bearings were developed for Toyota Kirloskar Motor Limited for application in their Transmissions, intended for exports, for their upcoming Innovative Multi-utility Vehicle (IMV) Project.
4. Development of new products as import substitution continued.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Earnings : Rs. 241.09 lacs

Outgo : Rs. 164.94 lacs.

10 YEARS' HIGHLIGHTS

(Rupees in lacs)

PARTICULARS	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Sales & Other Income	6405.88	8196.09	10462.81	11779.18	8030.53	7367.20	10732.50	11408.92	7717.56	8620.60
Materials Consumed	2991.02	3528.92	4552.97	4750.45	2926.95	3329.07	4078.40	5305.62	3349.51	3551.84
Excise duty	1023.24	1332.58	1368.86	1513.34	901.51	885.48	1708.77	1259.41	1031.07	1138.58
Employee Cost	664.70	811.37	889.32	873.44	1032.49	1137.74	1441.48	1357.46	1108.07	1067.36
Interest & Finance Charges	476.23	509.03	766.81	930.43	946.70	1036.71	861.15	1053.48	736.87	608.24
Depreciation	218.65	314.74	526.83	796.95	533.57	484.88	597.83	535.92	408.72	546.69
Other Expenses	788.51	1294.12	1694.01	2003.97	1606.87	1496.63	1820.97	1532.18	1365.52	1490.02
Profit / (Loss) before tax & exceptional Items	243.53	405.33	664.01	910.60	82.44	-1003.31	223.90	364.85	-282.20	217.87
Diminution in value of Investments	-	-	-	-	-	-	-	-	293.80	-
Provision for current tax	-	65.00	14.07	135.00	9.00	-	7.90	35.00	-	10.56
Provision for deferred tax	-	-	-	-	-	-	-	-	-100.46	61.41
Profit / (Loss) after tax & exceptional Items	243.53	340.33	649.94	775.60	73.44	-1003.31	216.00	329.85	-475.54	145.90
Prior period adjustment (net)	-	-	-	-	-	-	-	-	58.54	-
Equity Dividend Rs.	115.58	173.37	202.96	202.96	63.57	-	-	-	-	-
Equity Dividend %	30	30	35	35	10	-	-	-	-	-
Retained Earnings	127.95	166.96	446.98	572.64	9.87	-1003.31	216.00	329.85	-475.54	145.90
Gross Fixed Assets	4685.36	5897.91	9129.50	11062.96	11459.33	11499.26	11655.99	8683.15	8821.30	8865.47
Net Fixed Assets	2330.10	3257.81	6039.22	7295.23	7158.03	6834.21	6450.77	4546.46	4349.79	3853.18
Investments	180.40	183.22	183.22	183.22	183.22	183.02	183.02	383.02	22.91	17.46
Net Current Assets	2156.25	2667.20	3044.38	3499.83	4066.27	3354.38	4192.76	4002.45	3241.53	3152.31
Deferred Revenue Exp.	-	-	-	-	-	-	-	-	160.32	663.23
Total Assets (Net)	4163.19	6132.67	9266.82	10978.28	11407.52	10371.61	10826.55	8931.93	7134.05	6984.27
Share Capital - Equity	385.26	577.89	577.89	577.89	577.89	577.89	1155.00	1155.00	1155.00	1155.00
Reserves and Surplus	1974.55	1948.89	2396.57	2971.11	2980.98	1977.67	2193.67	2523.52	1248.48	1394.38
Net Worth	2359.81	2526.78	2974.46	3549.00	3558.87	2555.56	3348.67	3678.52	2403.48	2549.38
Borrowings	2403.38	3605.89	6292.36	7429.28	7848.65	7816.05	7477.88	5253.41	4730.57	4434.89
Total Liabilities	4763.19	6132.67	9266.82	10978.28	11407.52	10371.61	10826.55	8931.93	7134.05	6984.27
Earnings per Share	6.32	5.89	11.25	13.42	1.27	-17.36	2.52	2.86	-4.62	1.26
Book value per Share	61.25	43.72	51.47	61.41	61.58	44.22	28.99	31.85	20.81	22.07
Debt : Equity	1.02	1.43	2.12	2.09	2.21	3.06	2.23	1.43	2.11	2.35
Turnover/Inventory(Times)	3.78	4.44	4.47	4.03	2.50	3.09	3.33	6.84	5.78	6.00
Turnover / Net Block	2.75	2.52	1.73	1.61	1.12	1.08	1.66	2.51	1.77	2.24
Current Assets / Current Liabilities	2.62	2.81	2.43	2.39	3.23	2.73	2.85	3.09	3.35	3.02
Number of Shareholders	7119	6864	6990	7252	7302	7397	7820	8764	8603	8298
Number of Employees	1149	1147	1295	1353	1358	1394	1341	1198	878	567