

**ABC****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
Jal R. Patel

C.E.O.

B. N. Vidholia

COMPANY SECRETARY

S.B. Desai

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
UTI Bank Ltd.
Kotak Mahindra Bank Ltd.

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-fifth Annual General Meeting of the Members of **ABC Bearings Limited** will be held on **Thursday, the 10th August, 2006 at 4.00 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, 2006 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 declare dividend on Equity Shares.
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 a Director in place of Mr. Jal R. Patel, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION:-

“RESOLVED THAT pursuant to provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the re-appointment of Mr. P.M. Patel as Managing Director of the Company for a period of five years with effect from 1st August, 2006, on the terms and conditions including remuneration as are set out in the draft Agreement to be entered into by the Company with him, which agreement is hereby specifically sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or Agreement, in accordance with Schedule XIII to the Companies Act, 1956, and/or any amendments and/or modifications including any guidelines or notifications on managerial remuneration which may be issued or any rules that may be prescribed by the Central Government thereunder from time to time and acceptable to Mr. P.M. Patel or as may be varied by the General Meeting.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary and/or alter and/or modify the terms and conditions relating to remuneration, commission payable and perquisites to be provided for Mr. P.M. Patel as Managing Director of the Company in accordance with any change that may be effected from time to time in Schedule XIII to the Companies Act, 1956, if any, any amendments and/or modifications including any guidelines or modifications as may be made by the Central Government from time to time.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution.”

7. To consider and, if thought fit, to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION:-

“RESOLVED THAT pursuant to Section 309(1) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Central Government and all concerned authorities, the consent of the Company be and is hereby accorded for payment of increased fee of Rs. 2,00,000/- (Rupees Two lacs only) per month to Mr. S.M. Patel, a Director and Financial Advisor of the Company, with effect from 1st April, 2006.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps and to do all such acts, deeds and things as may be considered necessary, proper and expedient to give effect to this Resolution.”

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION:-

“RESOLVED THAT pursuant to Section 309(1) and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of Central Government and all concerned authorities, the consent of the Company be





ABC

and is hereby accorded for reimbursement of expenses incurred by Mr. S.M. Patel, a Director and Financial Advisor of the Company, in relation to electricity bills, telephone bills including mobile bills, rates and taxes, for an amount not exceeding Rs. 2,00,000/- per annum and reimbursement of actual medical expenses for self and wife, with effect from 1st April, 2006."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps and to do all such acts, deeds and things as may be considered necessary, proper and expedient to give effect to this Resolution."

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 of the Company. The instrument of proxy should, however be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will be closed from Thursday, the 3rd August, 2006 to Thursday, the 10th August, 2006 (both days inclusive).
4. Pursuant to Section 205A of the Companies Act, 1956, the unclaimed dividend upto the financial year ended 31st March, 1998 has been transferred to Investor Education and Protection Fund (IEPF) established under Section 205C of the Companies Act, 1956.
5. As per SEBI's Notification dated 16th February, 2000, the equity shares of the Company have been compulsorily dematerialised and sale/purchase of the same is required to take place in dematerialised form only. You are advised to get your shares dematerialised through NSDL or CDSL. They have allotted ISIN Number INE 779A01011. Members are requested in their interest, to please return the physical certificates through their Depository Participants (DP).
6. The Securities and Exchange Board of India has made it mandatory for all companies to use the bank account details furnished by the depositories/members for depositing dividend or payment through Electronic Clearing Service (ECS) to investors wherever ECS and bank details are available, for distribution of dividend.
7. 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.
8. Members are requested to send all future correspondence in respect of their change of address, transfer of shares or any other query, directly to the Share Transfer Agents at the following address:-

BIGSHARE SERVICES PVT. LTD. TEL. NOS: 022-28473747
E-2, ANSA INDUSTRIAL ESTATE, 022-56936291
SAKIVIHAR ROAD, SAKI NAKA, FAX NO: 022-28475207
ANDHERI (E), MUMBAI-400 072.
9. Members are requested to quote their Folio/DP ID Number(s) in all correspondence with the Company's Share Transfer Agents.
10. Members/Proxy should bring the attendance slip duly filled-in for attending the meeting.
11. 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.

By Order of the Board of Directors

Date: 22nd June, 2006

S. B. Desai
Company Secretary





ABC Bearings Limited

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 6 :

The Directors have at their meeting held on 22nd June, 2006, re-appointed Mr. P.M. Patel as Managing Director, for a further period of 5 years with effect from 1st August 2006, on the following terms and conditions:

- a) Salary: Rs.5,00,000/- (Rupees Five Lacs Only) per month from 1st August, 2006, with annual increment of 20% or more as the Board of Directors may decide.
- b) Commission: As may be decided by the Board of Directors at the end of each year calculated with reference to the net profit of the Company during the financial year, subject to overall ceiling as prescribed in Sections 198 and 309 of the Companies Act, 1956.
- c) Perquisites & Allowances: In addition to salary, the Managing Director shall be entitled to perquisites and benefits like accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof, maintenance and upkeep, monthly outgoings, cost of repairs, furnishings, payment of actual expenses for gas, electricity, water, reimbursement of actual expenditure on medical treatment for self and family, leave travel for self and family, club fees, medical/accident insurance, and such other perquisites subject to overall ceiling of remuneration stipulated in Sections 198 and 309 of the Companies Act, 1956.

Minimum Remuneration: Notwithstanding anything herein contained, where, in any financial year during the currency of tenure of the Managing Director, the Company has no profits or the profits are inadequate, the Company will pay remuneration by way of salary and perquisites as stated above but shall not exceed the limits prescribed under Schedule XIII to the Companies Act, 1956 and other provisions thereof or any amendments, variations, modifications or re-enactment.

All other terms and conditions remain unchanged.

The Managing Director shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.

The particulars set out above may be treated as an abstract of the Agreement, proposed to be entered into between the Company and Mr. P.M. Patel under the provisions of Section 302(2) of the Companies Act, 1956.

None of the Directors of the Company is in any way deemed to be concerned or interested in the aforesaid resolution except Mr. P.M. Patel himself, Mr. S.M. Patel and Mr. T.M. Patel being brothers and as such related to each other.

Mr. P.M. Patel shall not be subject to retirement by rotation during his tenure in office as Managing Director of the Company, in accordance with the provisions of the Articles of Association of the Company.

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

The draft Agreement, referred to above, to be entered into with Mr. P.M. Patel is available for inspection by the members of the Company at the Registered Office of the Company between 10.00 a.m. and 1.00 p.m. on all working days, except Saturdays till the date of the Annual General Meeting.

Item No. 7 :

At the 43rd Annual General Meeting of the Company held on 20th July, 2004, shareholders have approved the appointment of Mr. S.M. Patel, a Director of the Company, as Financial Advisor of the Company on a fee of Rs.1,00,000/- per month with entitlement of reimbursement of actual expenses incurred by him in performance of his duties along with providing him a car and maintenance thereof for official use in discharging his duties.

The Central Government has also given its approval vide its letter No.6/29/2004-CL.VII dated 20th June, 2005. Considering the experience and nature of services provided by Mr. S.M. Patel, it is proposed to increase the said fee to Rs.2,00,000/- per month with effect from 1st April, 2006.

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

None of the Directors of the Company is in any way deemed to be concerned or interested in the aforesaid resolution except Mr. S.M. Patel himself, Mr. P.M. Patel and Mr. T.M. Patel being brothers and as such related to each other.

Item No. 8 :

At present, Mr. S.M. Patel, a Director and Financial Advisor of the Company, is entitled for reimbursement of actual expenses incurred by him in performance of his duties along with provision of car and maintenance thereof, for official use in discharging his duties.

In addition to the above, it is proposed to reimburse electricity bills, telephone bills including mobile bills, rates and taxes paid by Mr. S.M. Patel for an amount not exceeding Rs.2,00,000/- per annum and further reimbursement of medical expenses actually incurred by him for self and wife, with effect from 1st April, 2006.

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

None of the Directors of the Company is in any way deemed to be concerned or interested in the aforesaid resolution except Mr. S.M. Patel himself, Mr. P.M. Patel and Mr. T.M. Patel being brothers and as such related to each other.

By Order of the Board of Directors

Place: Mumbai

Date: 22nd June, 2006

S.B. Desai

Company Secretary



DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the Forty-fifth Annual Report with the Audited Statement of Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS :

	Year ended 31.03.2006 Rs. in lacs	Year ended 31.03.2005 Rs. in lacs
Gross Profit before Interest, Depreciation and Tax	3267.73	2795.74
Less: Interest & Finance Charges	269.36	280.96
Depreciation	684.15	630.19
Profit before Tax	2314.22	1884.59
Less: Provision for tax		
Fringe Benefit Tax	(19.15)	—
Current tax	(960.00)	(910.00)
Deferred tax	235.62	177.64
Profit after Tax	1570.69	1152.23
Add: Balance brought forward from previous year	364.26	7.13
Amount available for appropriations	1934.95	1159.36
Appropriations:		
Proposed Dividend	462.00	346.50
Tax on proposed dividend	64.80	48.60
Transfer to General Reserves	900.00	400.00
Balance carried to Balance Sheet	508.15	364.26
	1934.95	1159.36

OPERATIONS :

Your Company's results for the year ended 31st March, 2006 showed a remarkable increase with profit after tax standing at Rs. 1570.69 lacs as against Rs.1152.23 lacs during the corresponding period of the previous year. Exports decreased from Rs. 221.36 lacs during F.Y 2004-05 to Rs. 39.61 lacs during the year under report.

Your company's largest dependence is on Medium and Heavy Commercial Vehicles (M/HCV), where the demand was almost flat. But with better share of business with customers, improved product mix and support from LCV (demand growth 24%) and Tractor industry (demand growth 13%), the sales of your company grew by nearly 18%. Improved production and productivity, cost control and lower interest burden, helped the Company to achieve a healthy bottom line. The Company's performance was backed by strong support from OEMs as also operational efficiency and good planning.

The manufacturing operations at the Lonavla Unit were stopped on 15th October, 2005 after all the workers having opted for the Voluntary Retirement Scheme. All the usable machinery has been transferred to the Bharuch Unit.

DIVIDEND :

The Directors have recommended a dividend of Rs. 4/- per Equity Share on 1,15,50,000 Equity Shares of Rs.10/- each for the financial year ended 31st March, 2006, which, if approved at the forthcoming Annual General Meeting, will be paid to (i) all those Equity Shareholders whose names appear on the Register of Members as on 10th August, 2006 and (ii) to those whose names as beneficial owners are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as on that date.

The dividend pay out for the year under review has been formulated in accordance with the Company's policy of striving to pay stable dividend linked to long term performance, keeping in view the Company's need for capital, its growth plans and the intent to finance such plans through internal accruals to the maximum. Your Directors

believe that this would increase shareholder value and eventually lead to a higher return threshold.

COLLABORATION :

NSK Japan, who are your Company's technology partner, continue to assist significantly in updating processes and quality, in line with international standards.

QUALITY CERTIFICATION :

During the year the company was audited and certified as per ISO/TS 16949 by TUV. Most of the customers have awarded self-certification to the Company for its products for Direct Online Supply.

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.
- 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.
- 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.
- the annual accounts have been prepared on a going concern basis.

FIXED DEPOSITS :

Deposits amounting to Rs.0.12 lacs matured on or before 31st March, 2006, were not claimed by the depositors as on that date.

DIRECTORS :

Mr. S.M. Patel and Mr. Jal R. Patel retire by rotation and being eligible, offer themselves for re-appointment. Necessary resolutions for their re-appointment 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 :

M/s. Parikh & Shah, Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the forthcoming 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.



ABC Bearings Limited

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 Accountants, as the Cost Auditors to conduct cost audit of the product 'Bearing' for the year 2006-07, 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 required under Section 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in the Annexure forming part of this Report. However, as per the provisions of Section 219(1)(b)(iv), the Report and Accounts are being sent to all Shareholders of the Company excluding the

Statement of Particulars of Employees. Any Shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company for a copy.

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 also express their sincere appreciation for the assistance and co-operation received from Banks, Customers and Dealers, during the year.

For and on behalf of the Board

Place: Mumbai

S. M. PATEL

Date: 22nd June, 2006

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 :

Efforts for conservation of energy continued during the year are listed below:

1. Peak load staggering management was very closely monitored throughout the year.
2. Power factor maintained at 0.98 resulting in substantial rebate from GEB.
3. Tube lights for plant illumination were readjusted and 15-20% reduction in no. of tube lights could be effected.
4. Insulation of furnaces further improved to reduce heat losses.
5. Air leakages and optimum compressors utilisation effected in plants.

B. TECHNOLOGY ABSORPTION :

1. NSK's active participation into various technology activities continued during the year. The technology for the manufacture of special type of cylindrical roller bearings for Toyota-India's export oriented unit is now in full use to produce full compliment bearings on mass production basis.
2. ABC engineers are being continuously trained by NSK experts to enhance the absorption activities by their several visits to Bharuch during the year.
3. NSK also actively participate into bearing life testing lab. upgradation and continuously monitor the testing methods.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Earnings : Rs. 39.61 lacs
Outgo : Rs. 988.72 lacs.

For and on behalf of the Board

Place: Mumbai

S. M. PATEL

Date: 22nd June, 2006

Chairman



**ABC****10 YEARS' HIGHLIGHTS:****(Rupees in lacs)**

PARTICULARS	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Sales & Other Income	11779.18	8030.53	7367.20	10732.50	11408.92	7717.56	8620.60	11200.74	15264.22	18255.23
Materials Consumed	4750.45	2926.95	3329.07	4078.40	5305.62	3349.51	3451.84	4963.87	6790.84	8239.07
Excise Duty	1513.34	901.51	885.48	1708.77	1259.41	1031.07	1138.58	1464.84	2019.08	2413.71
Employee Cost	873.44	1032.49	1137.74	1441.48	1357.46	1108.07	1067.36	853.09	1069.49	1186.26
Interest & Finance										
Charges	930.43	946.70	1036.71	861.15	1053.48	736.87	608.24	342.00	280.96	269.36
Depreciation	796.95	533.57	484.88	597.83	535.92	408.72	546.69	676.85	630.19	684.15
Other Expenses	2003.97	1606.87	1496.63	1820.97	1532.18	1365.52	1590.02	1701.05	2366.32	2749.38
Profit/(Loss) before tax & exceptional Items	910.60	82.44	-1003.31	223.90	364.85	-282.20	217.87	1199.04	2107.34	2713.30
Exceptional Items	-	-	-	-	-	-	-	222.75	222.75	399.08
Diminution in value of Investments	-	-	-	-	-	293.80	-	-	-	-
Provision for current tax	135.00	9.00	-	7.90	35.00	-	10.56	91.00	910.00	960.00
Provision for deferred tax	-	-	-	-	-	-100.46	-61.41	-270.72	177.64	235.62
Profit/(Loss) after tax & exceptional Items	775.60	73.44	-1003.31	216.00	329.85	-475.54	145.90	621.86	1152.23	1570.69
Prior period adjustment (net)	-	-	-	-	-	58.54	-	-	-	-
Equity Dividend Rs.	202.96	63.57	-	-	-	-	-	173.25	346.50	462.00
Equity Dividend %	35.00	10.00	-	-	-	-	-	15	30	40
Retained Earnings	572.64	9.87	-1003.31	216.00	329.85	-475.54	145.90	426.41	757.13	1043.90
Gross Fixed Assets	11062.96	11459.33	11499.26	11655.99	8683.15	8821.30	8865.47	9054.62	9168.41	10183.96
Net Fixed Assets	7295.23	7158.03	6834.21	6450.77	4546.46	4349.79	3853.18	3405.68	2970.69	3378.52
Investments	183.22	183.22	183.02	183.02	383.02	22.91	17.46	21.73	21.73	139.05
Net Current Assets	3499.83	4066.27	3354.38	4192.76	4002.45	3241.53	3152.31	3429.45	4042.36	4960.63
Deferred Revenue Exp.	-	-	-	-	-	160.32	663.23	440.48	217.74	834.37
Total Assets (Net)	10978.28	11407.52	10371.61	10826.55	8931.93	7134.05	6984.27	6324.71	6457.53	8753.20
Share Capital – Equity	577.89	577.89	577.89	1155.00	1155.00	1155.00	1155.00	1155.00	1155.00	1155.00
Reserves and Surplus	2971.11	2980.98	1977.67	2193.67	2523.52	1248.48	1394.38	1820.79	2577.92	3621.82
Net Worth	3549.00	3558.87	2555.56	3348.67	3678.52	2403.48	2549.38	2975.79	3732.92	4776.82
Borrowings	7429.28	7848.65	7816.05	7477.88	5253.41	4730.57	4434.89	3348.92	2724.61	3449.58
Total Funds Employed	10978.28	11407.52	10371.61	10826.55	8931.93	7134.05	6984.27	6324.71	6457.53	8226.40
Earnings per Share	13.42	1.27	-17.36	2.52	2.86	-4.62	1.26	5.38	9.98	13.60
Book value per Share	61.41	61.58	44.22	28.99	31.85	20.81	22.07	25.76	32.32	41.36
Debt: Equity	2.09	2.21	3.06	2.23	1.43	2.11	2.35	1.32	0.78	0.88
Turnover/Inventory (Times)	4.03	2.50	3.09	3.33	6.84	5.78	6.00	6.86	6.82	6.24
Turnover/Net Block	1.61	1.12	1.08	1.66	2.51	1.77	2.24	3.29	5.14	5.40
Current Assets/ Current Liabilities	2.39	3.23	2.73	2.85	3.09	3.35	3.02	2.80	2.96	3.25
Number of Shareholders	7252	7302	7397	7820	8764	8603	8298	7870	7161	7097
Number of Employees	1353	1358	1394	1341	1198	878	567	526	509	314



CORPORATE GOVERNANCE REPORT :**COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:**

Your Company has a basic philosophy of achieving excellence aimed at increasing value for all stakeholders and understands the right to information of its shareholders with respect to the performance of the Company.

Since inception, your Company has been committed to the practice of good corporate governance. Pursuant to Clause 49 (including revision thereof) of the Listing Agreement, a detailed report on compliance by the Company is given here below:

BOARD OF DIRECTORS :

The Board of Directors comprises a fair number of independent, professionally competent and acclaimed Non-executive Directors. The Company has a Non-executive Chairman, with the number of Independent Directors being more than 50% and the number of Non-executive Directors being more than two-third of the total number of Directors.

As stipulated, none of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees. Particulars in respect of their various Directorships, Chairmanships and Memberships of Board/Committees and attendance at Board/General Meeting of the Company are given here below:

Name of the Director	Executive/Non-Executive/ Independent	No. of outside Directorships in Public Companies	Membership held in Committee of Directors	Chairmanship held in Committee of Directors	No. of Board Meetings attended	Whether attended last AGM Yes/No
Mr. S.M. Patel	Non-Executive Chairman	2	3	1	4	Yes
Mr. Y.H. Malegam	Non-Executive – Independent	10	4	3	2	No
Mr. S.K. Diwanji	Non-Executive – Independent	6	3	1	4	Yes
Mr. V.C. Vaidya	Non-Executive – Independent	6	3	2	4	Yes
Mr. C.U. Shah	Non-Executive – Independent	-	-	-	1	Yes
Mr. T.M. Patel	Executive Director	2	4	1	4	Yes
Mr. P.M. Patel	Managing Director	2	3	-	4	Yes
Mr. Jal R. Patel	Non-Executive – Independent	4	4	2	3	Yes

During the financial year 2005-06, four Board meetings were held on the following dates i.e. on 16th May, 2005, 19th July, 2005, 27th October, 2005 and 25th January, 2006 and the Annual General Meeting was held on 19th July, 2005.

CODE OF CONDUCT :

The Board of Directors has adopted the Code of Business conduct and Ethic for Directors and Senior Management. The said Code has been communicated to the Directors and members of the Senior Management. The Code has also been posted on the Company's website – www.abcbearings.com

The Code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Managing Director is given below:

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Business Conduct and Ethics for Directors and Senior Management in respect of Financial Year 2005-2006.

P. M. Patel
Managing Director

AUDIT COMMITTEE :

The Audit Committee of the Company has such powers as are detailed under Section 292A of the Companies Act, 1956, and also as are detailed in terms of Clause 49 of the Listing Agreement.

The responsibilities of the Audit Committee include inter-alia, overseeing the financial reporting process to ensure proper disclosure of financial statements, recommending appointment/removal of external auditors and fixing their remuneration, reviewing the quarterly, half yearly and annual financial statements before submission to the Board, reviewing the adequacy of the internal audit functions, ensuring compliance of internal control systems and discussing the scope of audit with external auditors. The Company has adopted a separate Charter for Audit Committee.

**The composition of the Audit Committee is as under :**

Name of the Director	Category	No. of Audit Committee Meetings attended
Mr. Jal R. Patel	Independent Non-executive Director (Chairman)	4
Mr. V.C. Vaidya	Independent Non-executive Director (Member)	5
Mr. S.M. Patel	Non-executive Director (Member)	5
Mr. S.K. Diwanji	Independent Non-executive Director (Member)	5

During the Financial year 2005-06, five Audit Committee Meetings were held on the following dates i.e. on 16th May, 2005, 15th July, 2005, 19th July, 2005, 27th October, 2005 and 25th January, 2006.

REMUNERATION COMMITTEE :

The general scope of work entrusted to the Remuneration Committee includes recommendation of remuneration packages for the Managing/ Executive Directors and review thereof, based on performance and achievements, within the provisions of the Companies Act, 1956 and amendments thereto.

The Remuneration Committee has not held a meeting during the financial year 2005-06. The composition of the Remuneration Committee is as under:

Name of the Director	Category	No. of Committee Meetings Attended
Mr. S.K. Diwanji	Independent Non-executive Director (Chairman)	Not Applicable
Mr. V.C. Vaidya	Independent Non-executive Director (Member)	
Mr. S.M. Patel	Non-Executive Director (Member)	
Mr. C.U. Shah	Independent Non-executive Director (Member)	
Mr. Jal R. Patel	Independent Non-executive Director (Member)	

The remuneration, as approved by the Board of Directors and confirmed by the shareholders at the general meeting as per agreements entered into between them and the Company, has been reviewed and recommended by the Remuneration Committee. The remuneration structure of the Managing/Executive Directors consists of salary, perquisites, contribution to Provident Fund, Superannuation and Gratuity as per the present trend in the industry. The tenure of re-appointment of the Managing/Executive Directors/details of salary and perquisites and contribution to Provident Fund and Superannuation paid for the financial year ended 31st March, 2006 are as given below:

Name	Tenure	Salary (Rupees)	Perquisites (Rupees)	Commission (Rupees)	Contribution to Provident Fund/ Superannuation (Rupees)	Total (Rupees)
Mr. P.M. Patel	5 years from 01.08.2001	36,30,000	4,20,688	1,01,85,185	9,80,100	1,52,15,973
Mr. T.M. Patel	5 years from 01.02.2003	34,98,000	3,22,429	98,14,815	9,44,460	1,45,79,704

The Non-Executive Directors are paid sitting fee @ Rs.5,000/- for attending Board and Audit Committee Meeting and for attending Remuneration Committee Meeting @ Rs.2,500/-. –The Non-Executive Directors are also paid commission not exceeding 1% of the net profits of the Company in such proportion as may be decided by the Board.

The total amount of sitting fees paid during the year was Rs.1,85,000/-. The details of sitting fees paid to the Non-Executive Directors during the year under report and their shareholding in the company, are as given below:

Name of the Non-Executive Director	Sitting Fees paid during the period 01.04.2005 to 31.03.2006 (Rs.)	No. of shares held As on 31 st March, 2006. (Nos.)
Mr. S.M. Patel	45,000	—
Mr. Y.H. Malegam	10,000	7,445
Mr. S.K. Diwanji	45,000	14,020
Mr. C.U. Shah	5,000	10,000
Mr. Jal R. Patel	35,000	800
Mr. V.C. Vaidya	45,000	—

As decided by the Board, commission payable to Non-Executive Director, Mr. S.M. Patel is Rs.46.12 lacs (including for financial year 2004-05 Rs.15.52 lacs).

