

ABC

ABC Bearings Limited

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46

Annual Report
2006-2007

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.
The Honkong and Shanghai Banking Corporation Ltd.

REGISTERED OFFICE

402-B, Poonam Chambers,
Dr. Annie Besant Road, Worli, Mumbai 400 018.
Phone: 022-24964500, 24964501, 56608851
Fax : 022-24950527 E-mail: regdoff@abcbearings.com

REGISTRARS & TRANSFER AGENTS

Bigshare Services Pvt. Ltd.
E-2, Ansa Industrial Estate, Sakivihar Road, Saki Naka,
Andheri (E), Mumbai 400 072. Tel.: 022-28470652/28470653
Fax: 022-28475207 E-mail: marketing@bigshareonline.com

WORKS

1. Plot No.1-B, GIDC Industrial Estate,
Bharuch - 392 015, Gujarat State.
Phone: 02642- 248222/3/4, 246353
Fax : 02642- 248221, 247591
E-mail: mktbrh@abcbearings.com
2. Plot No.109-B, GIDC Industrial Estate,
Bharuch - 392 015, Gujarat State.
3. Pandit Jawaharlal Nehru Marg, Lonavla 410 401
Maharashtra State.

CONTENTS	PAGE NO.
Notice	2
Directors' Report	5
10 Years' Highlights	7
Corporate Governance Report	8
Management Discussion & Analysis	15
Auditors' Report	16
Balance Sheet	18
Profit and Loss Account	19
Schedules 1 to 16	20 - 29
Cash Flow Statement	30
Balance Sheet Abstract and Company's General Business Profile	31

ABC Bearings Limited

NOTICE

NOTICE is hereby given that the Forty-sixth Annual General Meeting of the Members of **ABC Bearings Limited** will be held on **Tuesday, the 24th July, 2007 at 4.30 p.m.** at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2007 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. C.U. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Y.H. Malegam, 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. T.M. Patel as Executive Director of the Company for a period of five years with effect from 1st February, 2008, 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. T.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. T.M. Patel as Executive 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.”

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 Tuesday, the 17th July, 2007 to Tuesday, the 24th July, 2007 (both days inclusive).
4. i) 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.

- ii) Those members who have not encashed the dividend warrants for the financial years 2003-04 to 2005-06 are requested to return the time barred dividend warrants to the Company's registered office at 402-B, Poonam Chambers, Dr. Annie Besant Road, Worli, Mumbai – 400018 for issue of duplicate dividend warrant.
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.: 022-28470652|28470653
E-2, ANSA INDUSTRIAL ESTATE, Fax: 022-28475207
SAKIVIHAR ROAD, SAKI NAKA, E-mail: marketing@bigshareonline.com
ANDHERI (E), MUMBAI-400 072. Website: www.bigshareonline.com
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.

By Order of the Board of Directors

Registered Office:

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

S.B. Desai
Company Secretary

Date: 11th May, 2007.

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 11th May, 2007, re-appointed Mr. T.M. Patel as Executive Director, for a further period of 5 years with effect from 1st February, 2008, on the following terms and conditions:

- a) Salary: Rs.4,90,000/- (Rupees Four Lacs Ninety Thousand Only) per month from 1st February, 2008, with annual increment 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 Executive 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 Executive 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 Executive 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. T.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. T.M. Patel himself, Mr. S.M. Patel and Mr. P.M. Patel being brothers and as such related to each other.

Mr. T.M. Patel shall not be subject to retirement by rotation during his tenure in office as Executive 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. T.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.

By Order of the Board of Directors

Place: Mumbai
Date: 11th May, 2007.

S.B. Desai
Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the Forty-sixth Annual Report with the Audited Statement of Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS:

	Year ended 31.03.2007 Rs. in lacs	Year ended 31.03.2006 Rs. in lacs
Gross Profit before Interest, Depreciation and Tax	4257.34	3267.73
Less: Interest & Finance Charges	382.51	269.36
Depreciation	801.89	684.15
Profit before Tax	<u>3072.94</u>	<u>2314.22</u>
Less: Provision for tax		
Fringe Benefit Tax	(21.40)	(19.15)
Current Tax	(1175.00)	(960.00)
Deferred tax Credit	136.57	235.62
Profit after Tax	<u>2013.11</u>	<u>1570.69</u>
Add: Balance brought forward from previous year	508.15	364.26
Amount available for appropriations	<u>2521.26</u>	<u>1934.95</u>
Appropriations:		
Proposed Dividend	462.00	462.00
Tax on proposed dividend	78.52	64.80
Transfer to General Reserves	1450.00	900.00
Balance carried to Balance Sheet	530.74	508.15
	<u>2521.26</u>	<u>1934.95</u>

OPERATIONS:

Your Company's results for the year ended 31st March, 2007 showed a remarkable increase with profit after tax standing at Rs. 2013.11 lacs as against Rs.1570.69 lacs during the corresponding period of the previous year. Exports increased from Rs.39.61 lacs during F.Y 2005-06 to Rs.95.15 lacs during the year under report.

Your company's largest dependence is on Medium and Heavy Commercial Vehicles (M/HCV), where the growth was 26%, though the derived demand of bearings was relatively lesser due to product mix change. The Tractor industry production growth was 25%. The resultant derived demand of your company's products grew by about 18% and accordingly your company's sales grew in line with the demand growth. Improved production and productivity and cost control helped the Company to achieve a healthy bottom line. The Company's performance was backed by strong support from OEMs, after market and also operational efficiency and good planning.

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 2007, 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 24th July, 2007 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.

JOINT VENTURE COMPANY:

On 6th March, 2007, your Company has signed a Joint Venture Agreement with NSK Ltd., Japan, our Technical Collaborator since 1998 to form a Joint Venture Company viz. NSK-ABC Bearings Limited, to produce bearings in order to meet the demands of the automotive industry. This provides new opportunities to increase sales to our existing customers for those ranges of bearings, which are not manufactured by us. For NSK, this is an opportunity for increasing their sales to transplant customers of Japanese and Korean origin in India.

QUALITY CERTIFICATION:

During the year, the company was certified for ISO 14001:2004, which makes your company environmental friendly. 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: -

- i. in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- ii. 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.
- iii. 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.
- iv. 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, 2007, were not claimed by the depositors as on that date.

ABC Bearings Limited

DIRECTORS:

Mr. C.U. Shah and Mr. Y.H. Malegam 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:

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.

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 2007-08, 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 the 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
Date: 11th May, 2007.

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:

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

1. Maintained overall power factor of the factory to 0.98 and above resulting into substantial rebate from GEB.
2. Energy saving has taken place by replacing the fluorescent fixtures by metal elide tube fixtures.
3. Controlling of air leakages and optimum utilization of compressor resulted in energy saving.
4. Installed cooling towers thus reducing the process cooling load which resulted into energy saving.
5. Better insulation of furnaces reduced heat losses.

B. TECHNOLOGY ABSORPTION:

1. We are continuously and constantly supported by NSK Japan for keeping updated technological developments.
2. Flange honing machines are installed on the line to reduce the friction, in turn the life of the bearings has increased.
3. Special Cylindrical roller bearing developed to be exported for planetary gear application
4. NSK actively participating in bearing design activity and supporting in Technology centre

c. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Earnings : Rs.95.15 lacs
Outgo : Rs.1923.26 lacs.

For and on behalf of the Board

Place: Mumbai
Date: 11th May, 2007.

S. M. PATEL
Chairman

10 YEARS' HIGHLIGHTS

Rupees in Lacs

PARTICULARS	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Sales & Other Income	8030.53	7367.20	10732.50	11408.92	7717.56	8620.60	11200.74	15264.22	18255.23	21591.51
Materials Consumed	2926.95	3329.07	4078.40	5305.62	3349.51	3451.84	4963.87	6790.84	8239.07	9235.20
Excise Duty	901.51	885.48	1708.77	1259.41	1031.07	1138.58	1464.84	2019.08	2413.71	3000.90
Employee Cost	1032.49	1137.74	1441.48	1357.46	1108.07	1067.36	853.09	1069.49	1186.26	1122.80
Interest & Finance Charges	946.70	1036.71	861.15	1053.48	736.87	608.24	342.00	280.96	269.36	382.51
Depreciation	533.57	484.88	597.83	535.92	408.72	546.69	676.85	630.19	684.15	801.89
Other Expenses	1606.87	1496.63	1820.97	1532.18	1365.52	1590.02	1701.05	2366.32	2749.38	3547.19
Profit / (Loss) Before Tax & Exceptional items	82.44	-1003.31	223.90	364.85	-282.20	217.87	1199.04	2107.34	2713.30	3501.02
Exceptional Items	-	-	-	-	-	-	222.75	222.75	399.08	428.08
Diminution in value of Investments	-	-	-	-	293.80	-	-	-	-	-
Provision for Current Tax	9.00	-	7.90	35.00	-	10.56	91.00	910.00	979.15	1,196.40
Provision for Deferred Tax (Cr)	-	-	-	-	-100.46	-61.41	-270.72	177.64	235.62	136.57
Profit / (Loss) After Tax & Exceptional items	73.44	-1003.31	216.00	329.85	-475.54	145.90	621.86	1152.23	1570.69	2013.11
Prior Period Adjustment (net)	-	-	-	-	58.54	-	-	-	-	-
Equity Dividend Rs.	63.57	-	-	-	-	-	173.25	346.50	462.00	462.00
Equity Dividend %	10.00	-	-	-	-	-	15	30	40	40
Retained Earnings	9.87	-1003.31	216.00	329.85	-475.54	145.90	426.41	757.13	1043.90	1472.59
Gross Fixed Assets	11459.33	11499.26	11655.99	8683.15	8821.30	8865.47	9054.62	9168.41	10183.96	11373.24
Net Fixed Assets	7158.03	6834.21	6450.77	4546.46	4349.79	3853.18	3405.68	2970.69	3378.52	3825.21
Investments	183.22	183.02	183.02	383.02	22.91	17.46	21.73	21.73	139.05	21.73
Net Current Assets	4066.27	3354.38	4192.76	4002.45	3241.53	3152.31	3429.45	4042.36	4433.83	6262.88
Deferred Revenue Exp.	-	-	-	-	160.32	663.23	440.48	217.74	834.37	406.28
Total Assets (Net)	11407.52	10371.61	10826.55	8931.93	7134.05	6984.27	6324.71	6457.53	8785.77	10516.10
Share Capital - Equity	577.89	577.89	1155.00	1155.00	1155.00	1155.00	1155.00	1155.00	1155.00	1155.00
Reserves and Surplus	2980.98	1977.67	2193.67	2523.52	1248.48	1394.38	1820.79	2577.92	3621.82	5094.41
Net Worth	3558.87	2555.56	3348.67	3678.52	2403.48	2549.38	2975.79	3732.92	4776.82	6249.41
Borrowings	7848.65	7816.05	7477.88	5253.41	4730.57	4434.89	3348.92	2724.61	3449.58	3843.89
Total Funds Employed	11407.52	10371.61	10826.55	8931.93	7134.05	6984.27	6324.71	6457.53	8785.77	10516.10
Earnings per Share	1.27	-17.36	2.52	2.86	-4.62	1.26	5.38	9.98	13.60	17.43
Book value per Share	61.58	44.22	28.99	31.85	20.81	22.07	25.76	32.32	41.36	54.11
Debt: Equity	2.21	3.06	2.23	1.43	2.11	2.35	1.32	0.78	0.88	0.66
Turnover/Inventory (Times)	2.50	3.09	3.33	6.84	5.78	6.00	6.86	6.82	6.24	6.45
Turnover/Net Block	1.12	1.08	1.66	2.51	1.77	2.24	3.29	5.14	5.40	5.64
Current Assets / Current Liabilities	3.23	2.73	2.85	3.09	3.35	3.02	2.80	2.96	2.62	3.03
Number of Shareholders	7302	7397	7820	8764	8603	8298	7870	7161	7097	7401
No. of Employees	1358	1394	1341	1198	878	567	526	509	314	331

ABC Bearings Limited

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	3	4	3	No
Mr. S.K. Diwanji	Non-Executive – Independent	6	3	1	4	No
Mr. V.C. Vaidya	Non-Executive – Independent	5	3	2	5	Yes
Mr. C.U. Shah	Non-Executive – Independent	-	-	-	-	No
Mr. T.M. Patel	Executive Director	2	4	1	5	Yes
Mr. P.M. Patel	Managing Director	2	3	-	5	Yes
Mr. Jal R. Patel	Non-Executive – Independent	4	4	2	4	Yes

During the financial year 2006-07, five Board meetings were held on the following dates i.e. on 19th May, 2006, 22nd June, 2006, 24th July, 2006, 19th October, 2006 and 19th January, 2007 and the Annual General Meeting was held on 10th August, 2006.

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 2006-2007.

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)	4
Mr. S.K. Diwanji	Independent Non-executive Director (Member)	4

During the Financial year 2006-07, five Audit Committee Meetings were held on the following dates i.e. on 19th May, 2006, 22nd June, 2006, 24th July, 2006, 19th October, 2006 and 19th January, 2007.

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 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)	1
Mr. V.C. Vaidya	Independent Non-executive Director (Member)	1
Mr. S.M. Patel	Non-Executive Director (Member)	1
Mr. C.U. Shah	Independent Non-executive Director (Member)	-
Mr. Jal R. Patel	Independent Non-executive Director (Member)	1

The Remuneration Committee met once during the financial year 2006-07.

The remuneration of Managing Director was reviewed and recommended by Remuneration Committee. The same was approved by the Board of Directors and confirmed by the Shareholders at the Annual General Meeting as per agreement entered into between Managing Director and Company. 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, 2007 are as given below:

Name	Tenure	Salary (Rupees)	Perquisites (Rupees)	Commission (Rupees)	Contribution to Provident Fund/ Superannuation (Rupees)	Total (Rupees)
Mr. P.M. Patel	Reappointed for a period of 5 years from 01.08.2006	5331000	369973	12476850	1439370	19617193
Mr. T.M. Patel	5 years from 01.02.2003	3847800	313838	12023150	1038906	17223694

The revision of sitting fees was approved by the Board of Directors at their meeting held on 22nd June, 2006. Accordingly, the Non-Executive Directors are paid sitting fee @ Rs.15,000/- for attending Board Meeting, Rs.10,000/- for attending Audit Committee Meeting and for attending Remuneration Committee Meeting @ Rs.7,500/-. 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.