

**ABC**



**Annual Report  
2010-2011**

# ABC



New Uttarakhand Plant



**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  
Jal R. Patel

**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**

IDBI Bank Ltd.  
State Bank of India

**REGISTERED OFFICE**

402-B, Poonam Chambers,  
Dr. Annie Besant Road,  
Worli, Mumbai-400 018.  
Phone: 022-24964500/24964501/66608851  
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.: 022-28470652/28470653/40430200  
Fax: 022-28475207 E-mail: marketing@bigshareonline.com

**WORKS**

- 1 GIDC Industrial Estate,  
Bharuch - 392 015, Gujarat State.  
Phone: 02642 - 248222/3/4, 246353  
Fax: 02642 - 247591  
E-mail: marketing@abcbearings.com
- 2 Khasra No. 122 MI, Central Hope Town,  
Village: Selaqui, Tehsil: Vikas Nagar,  
Dehradun - 248197, Uttarakhand.

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## NOTICE

NOTICE is hereby given that the Fiftieth Annual General Meeting of the Members of **ABC Bearings Limited** will be held on **Friday, the 29<sup>th</sup> July, 2011 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 31<sup>st</sup> March, 2011 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.K. Diwanji, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. S.M. Patel, who retires by rotation and being eligible, offers himself for reappointment.
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 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the appointment of Mr. S.M. Patel as the Executive Chairman of the Company for a period of five years with effect from 2<sup>nd</sup> May, 2011 on the terms and conditions including remuneration as set out in the draft Agreement to be entered into between the Company and Mr. S.M. Patel, copy whereof initialled by the Chairman for the purpose of identification is placed before this meeting, be and is hereby approved.”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all such steps including the power to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to, between the Board and Mr. S.M. Patel, subject to such approval as may be necessary, proper and expedient and to do any act, deeds, matters and things to give effect to this Resolution.”

7. 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 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the appointment of Mr. P.M. Patel as the Managing Director of the Company for a period of five years with effect from 1st August, 2011, on the terms and conditions including remuneration as set out in the draft Agreement to be entered into between the Company and Mr. P.M. Patel, copy whereof initialled by the Chairman for the purpose of identification is placed before this meeting, be and is hereby approved.”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all such steps including the power to alter and vary the terms and conditions of the said appointment, in such manner as may be agreed to between the Board and Mr. P.M. Patel, subject to such approval as may be necessary, proper and expedient and to do any act, deeds, matters and things to give effect to this Resolution.”

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:-

“RESOLVED THAT in accordance with the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, and in supersession of the Ordinary Resolution passed at the Annual General Meeting of the Company held on 19th September, 1995, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing moneys from time to time for purpose of the business of the Company notwithstanding that the money or moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however that the total amount upto which moneys may be borrowed shall not at any time exceed a sum of ₹ 500 crores (Rupees Five Hundred crores only).”

9. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:-

RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, and in partial modification to the earlier resolution(s) passed in this regard, consent of the Company be and is hereby accorded to the Board of Directors of the Company to create mortgages/charges/hypothecation in any manner whatsoever on all or any of the immovable and movable properties of the Company, present and future, of the whole or substantially the whole of the undertaking of the Company, ranking pari-passu or otherwise and/or second and/or subservient and/or subordinate to the mortgages/charges/hypothecation already created or to be created in future by the Company for securing any loans and/or advances and/or guarantees and/or any financial assistance obtained or may be obtained from Financial Institutions, Banks or machinery suppliers and/or any other persons or institutions providing finance for purchase of assets and/or for the business of the Company or for working capital or for purchase of specific items of machinery and equipments under any deferred payment scheme or bills discounting scheme or in favour of trustees for Debenture holders/Bondholders/FCCB holders that may be appointed hereafter, as security for the Debentures/Bonds/FCCBs that may be issued by the Company, with power to take over the management, business and concern thereof in certain events of default, on such terms and conditions and at such times and in such form and manner as the Board of Directors may deem fit, so that the total outstanding amount at any time so secured shall not exceed the aggregate of the amounts consented by the Company by the Resolution passed at this meeting pursuant to Section 293(1)(d) of the Companies Act, 1956 i.e. ₹ 500 crores together with interest hereon and further interest, if any, cost, charges, expenses, remuneration payable to the trustees and all other monies payable by the Company.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to and cause to prepare, finalise, approve and execute on behalf of the Company with the lenders, banks, machinery suppliers, persons, institutions and trustees for the Debenture/Bond/FCCB holders, the documents, deeds, agreements, declarations, undertakings and writings as may be necessary and expedient for giving effect to the foregoing resolution and also to delegate all or any of the above powers to the Committee of Directors or the Managing Director or the Director or the Principal Officer of the Company.”

#### 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 Friday, the 22<sup>nd</sup> July, 2011 to Friday, the 29<sup>th</sup> July, 2011 (both days inclusive).
4. Pursuant to Section 205A and 205C of the Companies Act, 1956, the dividend which remains unclaimed/unpaid for a period of seven years from the date of transfer to the unpaid dividend account is required to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.

The tentative dates for transfer to IEPF of the dividend remaining unclaimed/unpaid since 2003-04 are provided hereunder:

Financial Year	Rate (%)	Date of declaration of Dividend	Tentative dates for transfer to IEPF
2003-04	15%	20.07.2004	25.08.2011
2004-05	30%	19.07.2005	24.08.2012
2005-06	40%	10.08.2006	15.09.2013
2006-07	40%	24.07.2007	29.08.2014
2007-08	40%	16.07.2008	21.08.2015
2008-09	20%	21.07.2009	26.08.2016
2009-10	45%	06.08.2010	11.09.2017

Those members, who have not encashed the dividend warrant/s for the above years, are requested to make their claim forthwith to the Registered Office of the Company/Registrar & Share Transfer Agent. It may be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund as above, no claim shall lie in respect thereof with the Company.

5. As per SEBI's Notification dated 16<sup>th</sup> 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 register their e-mail address with the Share Transfer Agents for sending notice/documents through e-mail.
9. 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 40430200
E-2, Ansa Industrial Estate,	Fax: 022-28475207
Sakivihar Road, Saki Naka,	E-mail: <a href="mailto:marketing@bigshareonline.com">marketing@bigshareonline.com</a>
Andheri (E), Mumbai-400 072.	Website: <a href="http://www.bigshareonline.com">www.bigshareonline.com</a>
10. Members are requested to quote their Folio/DP ID Number(s) in all correspondence with the Company's Share Transfer Agents.
11. Members/Proxies should bring the attendance slip duly filled-in for attending the meeting.
12. 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.  
Date: 2<sup>nd</sup> May, 2011.

**S.B. Desai**  
**Company Secretary**

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

### Item No.6:

Mr. S. M. Patel has been associated with the Company as Director for the past 22 years out of which he has been Chairman for the last 10 years. He has also been actively involved as Financial Advisor to the Company for seven years. Under his able guidance, the Company has benefited well which can be seen in the increased profitability of the Company. In view of his active involvement, the Board of Directors at their meeting held on 2<sup>nd</sup> May, 2011 decided to appoint Mr. S.M. Patel as Executive Chairman for a period of 5 years with effect from 2nd May 2011, on the terms and conditions including the remuneration as set out in the draft agreement, which are as under:

#### A. Salary

The Executive Chairman shall be paid by way of monthly basic salary a sum of ₹ 15,00,000/- with effect from 2nd May, 2011 with 20% annual increment.

#### 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 Chairman shall be entitled to the following perquisites and benefits:

- i) Accommodation (furnished/unfurnished) or House Rent Allowance in lieu thereof;
- ii) Maintenance and upkeep, all monthly outgoings, cost of repairs, furnishings, payment of actual expenses for gas, electricity, water;
- iii) Reimbursement of actual expenditure on medical treatment for self and dependent family members;
- iv) Leave travel for self and dependent family members;
- v) Subscription to Club fees and other expenses incurred at the club;
- vi) Medical/accident insurance;
- vii) 2 cars with Drivers maintained and fuelled by the Company for the use of Mr. S. M. Patel and his family;
- viii) Other perquisites subject to overall ceiling of remuneration stipulated in Sections 198 and 309 of the Companies Act, 1956.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income tax Rules wherever applicable and in the absence of any such rules, perquisites shall be evaluated at actual cost.

#### D. Retirement Benefits

Provident Fund, Gratuity and Superannuation on the fixed monthly salary in accordance to the Company's Rules.

#### E. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, where, in any financial year during the currency of the tenure of Mr. S.M. Patel, the Company has no profits or its profits are inadequate, the Company will pay to Mr. S.M. Patel, remuneration by way of Salary, Benefits, Perquisites and Allowances as specified above.

F. Retirement by Rotation:

Mr. S.M. Patel shall be subject to retirement by rotation.

G. Sitting Fees:

The Executive Chairman shall not be paid any sitting fees for attending the meetings of the Board or any Committee 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. S.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. S.M. Patel himself, Mr. P.M. Patel and Mr. T.M. Patel being brothers and as such related to each other.

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

The draft Agreement, referred to above, to be entered into with Mr. S.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:**

The shareholders at the Annual General Meetings held on 10<sup>th</sup> August, 2006 and 21<sup>st</sup> July, 2009 approved the appointment of and payment of remuneration to Mr. P. M. Patel, Managing Director from 01/08/2006 to 31/07/2011. The Directors have at their meeting held on 2<sup>nd</sup> May, 2011, re-appointed Mr. P.M. Patel as Managing Director, for a further period of 5 years with effect from 1<sup>st</sup> August 2011, on the terms and conditions including the remuneration as set out in the draft agreement, which are as under:

A. Salary

The Managing Director shall be paid by way of monthly basic salary a sum of ₹ 14,50,000/- with effect from 1<sup>st</sup> August, 2011 with 20% annual increment.

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 the following perquisites and benefits:

- i) Accommodation (furnished/unfurnished) or House Rent Allowance in lieu thereof;
- ii) Maintenance and upkeep, monthly outgoings, cost of repairs, furnishings, payment of actual expenses for gas, electricity, water;
- iii) Reimbursement of actual expenditure on medical treatment for self and family;
- iv) Leave travel for self and family;
- v) Club fees;
- vi) Medical/accident insurance;
- vii) 2 cars with Driver maintained and fuelled by the Company for the use of Mr. P. M. Patel and his family;
- viii) Other perquisites subject to overall ceiling of remuneration stipulated in Sections 198 and 309 of the Companies Act, 1956.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income tax Rules wherever applicable and in the absence of any such rules, perquisites shall be evaluated at actual cost.



**D. Retirement Benefits**

Benefits of Provident Fund, Gratuity and Superannuation on the fixed monthly salary according to the Company's Rules.

**E. Minimum Remuneration:**

Notwithstanding anything to the contrary herein contained, where, in any financial year during the currency of the tenure of Mr. P.M. Patel, the Company has no profits or its profits are inadequate, the Company will pay to Mr. P.M. Patel, remuneration by way of Salary, Benefits, Perquisites and Allowances as specified above.

**F. Retirement by Rotation:**

So long as Mr. P.M. Patel functions as Managing Director of the Company, he shall not be subject to retirement by rotation.

**G. Sitting Fees:**

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

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.8:**

The members conferred powers on the Board of Directors to borrow moneys under Section 293(1)(d) of the Companies Act, 1956, at their meeting held on 19<sup>th</sup> September, 1995 specifying a maximum limit of ₹ 200 crores.

The Company since then has expanded and diversified its activities and proposals are on hand for further expansion. The Company's total borrowings may therefore exceed the aforesaid limit in the coming years. It is therefore now proposed to increase the borrowing limit of the Company from ₹ 200 crores to ₹ 500 crores as set out in item No. 8 of the notice convening the meeting.

Your Directors recommend the resolution for your approval.

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

**Item No.9:**

Looking at the ongoing projects/capital expenditure(s)/providing security and/or projects may be undertaken by the Company in future, the Company proposes to make further borrowings from Bank(s), consortium of Banks, Financial Institutions and other lenders which shall be secured by creation of charge on immovable and movable properties of the Company relating to its one or more undertaking(s).

The Board of Directors of the Company recommend for your consent under Section 293(1)(a) of the Companies Act, 1956, the resolution for mortgage of the Company's assets to secure the borrowings made or to be made by the Company from time to time.

The resolution at Item No.9 is therefore, recommended for your approval.

None of the Directors of the Company is concerned or interested in the aforesaid resolution.

By Order of the Board of Directors

Registered Office:  
402-B, Poonam Chambers,  
Dr. Annie Besant Road,  
Worli, Mumbai – 400 018.  
Date: 2<sup>nd</sup> May, 2011.

**S.B. Desai**  
**Company Secretary**

## DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the Fiftieth Annual Report with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2011.

### FINANCIAL RESULTS:

	Year ended 31.03.2011 ₹ in lacs	Year ended 31.03.2010 ₹ in lacs
Gross Profit before Interest, Depreciation and Tax	4676.63	3593.97
Less: Interest & Finance Charges	53.56	69.73
Depreciation	419.53	422.67
Profit before Tax	4203.54	3101.57
Less: Provision for tax		
Current Tax	(1200.00)	(1030.00)
Income Tax for earlier years	(20.07)	-
Deferred Tax (Charge)/Credit	(156.72)	(17.13)
Profit after Tax	2826.75	2054.44
Add: Balance brought forward from previous year	617.40	569.04
Amount available for appropriations	3444.15	2623.48
Appropriations:		
Proposed Dividend	693.00	519.75
Tax on proposed dividend	112.42	86.33
Transfer to General Reserves	1800.00	1400.00
Balance carried to Balance Sheet	838.73	617.40
	<b>3444.15</b>	<b>2623.48</b>

### OPERATIONS:

With the Indian economy back on the growth path, the year under review was a satisfying one for the Company. The growth in the automotive sector in which your Company sells majority of its products surpassed all expectations. Therefore the demand for the Company's products remained robust throughout the year. The Company utilised near full capacity to meet the increased demand for its products.

The plant in Uttarakhand commenced its operations as scheduled and ramp up of production commenced gradually in line with the customer's requirements.

The slewing and large bearing project was completed on schedule and within budget. Commercial production commenced in March 2011. A number of enquiries from various customers have been received and the Company is confident of improving the capacity utilisation during the year.

With all around good economic growth especially in the auto sector, the Company has posted its best ever sales of ₹ 200.27 crores representing a 24% growth over the previous year in its fiftieth year of operations.

With the improved capacity utilisation and keeping the costs under control, the Company was able to improve on all the margins and post a good profitability for the year under review.