

ABC

ABC Bearings Limited

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**Annual Report
2012-2013**

ABC



Factory building at Bharuch

NOTICE

NOTICE is hereby given that the Fifty-second Annual General Meeting of the Members of **ABC Bearings Limited** will be held on **Tuesday, the 16th July, 2013 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, 2013 and the Statement of Profit and Loss 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 consider and if thought fit, to pass, with or without modifications, the following resolution, in respect of vacancy caused by the retirement of Mr. Y. H. Malegam who retires by rotation and does not seek re-election, which is not proposed to be filled up, as an Ordinary Resolution :

“RESOLVED THAT Mr. Y. H. Malegam, who retires by rotation and does not seek re-election, be not be re-appointed and the vacancy caused thereby be not filled up.”
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/ herself 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. The Register of Members and Share Transfer Books of the Company will be closed from Tuesday, the 9th July, 2013 to Tuesday, the 16th July, 2013 (both days inclusive).
3. 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 2005-06 are provided hereunder:

Financial Year	Rate (%)	Date of declaration of Dividend	Tentative dates for transfer to IEPF
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
2010-11	60%	29.07.2011	03.09.2018
2011-12	50%	03.08.2012	09.10.2019

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.

4. 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).
5. 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.

6. The Securities and Exchange Board of India vide its Circular No.CIR/MRD/DP/10/2013 dated 21.03.2013, directed that, henceforth, Listed Companies shall mandatorily make all payments to Investors, including Dividend to Shareholders, through RBI approved Electronic mode of payment such as ECS[LECS (Local ECS)/RECS (Regional ECS/NECS (National ECS), NEFT, etc. In view of this, we appeal to all Shareholders of the Company to furnish the Bank Account details to facilitate prompt, safe and correct payment of the Dividend, whenever declared. In case, you do not want Electronic payment of the Dividend, kindly furnish your Bank Account information to the Company.
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. E-2, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai - 400 072.	Tel.: 022-40430200 Fax: 022-28475207 E-mail: investor@bigshareonline.com Website: www.bigshareonline.com
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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: 13th May, 2013.

S.B. Desai
Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the Fifty-second Annual Report with the Audited Statement of Accounts for the year ended 31st March, 2013.

FINANCIAL RESULTS:

	Year ended 31.03.2013 ₹ in Lacs	Year ended 31.03.2012 ₹ in Lacs
Gross Profit before Interest, Depreciation and Tax	1952.21	3028.07
Less: Finance Costs	314.92	143.96
Less: Depreciation	856.31	647.09
Profit before Tax	780.98	2237.02
Less: Provision for tax		
Current Tax	157.50	500.00
MAT credit entitlement	(153.35)	-
Deferred Tax (Charge)/Credit	(246.40)	(202.76)
Profit after Tax	530.43	1534.26
Add: Balance brought forward from previous year	701.79	838.72
Amount available for appropriations	1232.22	2372.98
Appropriations:		
Proposed Dividend	288.75	577.50
Tax on proposed dividend	49.07	93.69
Transfer to General Reserves	53.00	1000.00
Balance carried to Balance Sheet	841.40	701.79
	<u>1232.22</u>	<u>2372.98</u>

OPERATIONS:

Demand for heavy and medium commercial vehicles and tractors was adversely hit due to lack of confidence in the market. The Company did not receive orders as per the projections given by its customers. It resulted in lower production and sales. The input cost increased due to increase in fuel prices, high interest rates and also the depreciation of the Rupee.

The Company substantially renovated its plant at Bharuch and the same was appreciated by its valued customers.

The Company has also taken cost cutting measures which have started giving results. These measures will continue during the current year.

Uttarakhand Plant:

The operations at Uttarakhand plant have stabilised. However, production suffered due to reduction in demand.

Slewing Bearings:

The slewing and industrial bearing unit has successfully started supplies. The Company has added the necessary testing facilities to meet customer requirements. Many of the fixtures and some test equipments were designed and manufactured in-house to reduce the financial burden. The design, manufacturing and marketing operations were strengthened during the year.

Increase in Capacity:

The market conditions led the Company to reduce or defer the large capex which was originally planned to meet the projections initially given by the customers. Two new lines were commissioned during the year. However, some machines which used in advance stage of manufacture at the suppliers end could not be deferred and have been installed during the year.

Turnover:

The turnover was lower due to reduced production at our customers end as well as their inventory correction. Your Directors feel that the situation will improve from the later part of the current year.

DIVIDEND:

The Directors are pleased to recommend a dividend of ₹ 2.50/- (25%) per Share for the financial year ended 31st March, 2013, 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 16th July, 2013 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 payout 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:

The Collaboration with NSK Ltd., Japan, continues to be active and the Company is receiving the requisite support whenever required.

JOINT VENTURE COMPANY:

The Joint Venture Company NSK-ABC Bearings Limited continues to increase its production capacity to meet the increased demand for existing as well as new customers. It will provide support to expand business volumes and customers.

QUALITY CERTIFICATIONS:

Your Company continues to enjoy the TS 16949 as well as the ISO 140001 certification. The OE customers continue to repose their confidence with self-certification status for us.

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.

DIRECTORS:

Mr. C.U. Shah expired on 31st January, 2013. He joined the Board of Directors of the Company on 17th October, 1961.

In accordance with the requirements of the Companies Act, 1956, and the Articles of Association of the Company, Mr. Y.H. Malegam retires by rotation at this Annual General Meeting. He has expressed his desire not to seek re-election. The Company does not intend to fill the vacancy caused by the retirement of Mr. Y. H. Malegam.

The Board of Directors place on record its appreciation for valuable services rendered by Mr. C.U. Shah and Mr. Y.H. Malegam during their long tenure of directorships with the Company.

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.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information relating to Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo as required to be disclosed under section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure forming part of this 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 2013-14, 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: 13th May, 2013.

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:

Besides the use of natural lighting and ventilation at all plants in Bharuch and Dehradun, the Company has improved the efficiencies of its DG sets to minimise diesel consumption and pollution. Variable frequency drives have been introduced to further reduce energy consumption. Air conditioning equipment have been set to operate at reasonable comfort levels.

B. TECHNOLOGY ABSORPTION:

The Company has entered into a partnership with IIT Kharagpur to enhance its capabilities in design and testing. The Company is designing several new bearings to meet enhanced customer requirements.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Earnings	: ₹ 213.52 Lacs
Outgo	: ₹ 2615.44 Lacs

For and on behalf of the Board

Place: Mumbai
Date: 13th May, 2013.

S. M. PATEL
Chairman

10 YEARS' HIGHLIGHTS

₹ in lacs

PARTICULARS	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Sales & Other Income	11200.74	15264.22	18255.23	21591.51	19534.84	15064.33	17737.99	22480.14	19441.70	16696.68
Materials Consumed	4963.87	6790.84	8239.07	9235.20	8907.07	7286.85	9151.34	11161.48	9658.59	8101.00
Excise Duty	1464.84	2019.08	2413.71	3000.90	2700.48	1678.37	1332.79	1965.02	1782.87	1759.54
Employee Cost	853.09	1069.49	1186.26	1122.80	1192.12	1052.55	1249.53	1573.71	1865.59	2137.84
Interest & Finance Charges	342.00	280.96	269.36	382.51	318.46	1094.89	69.73	53.56	143.96	314.92
Depreciation	676.85	630.19	684.15	801.89	684.10	503.82	422.67	419.53	647.09	856.31
Other Expenses	1701.05	2366.32	2749.38	3547.19	2888.98	2343.30	2910.36	3103.29	3106.58	2746.08
Profit / (Loss) Before Tax & Exceptional Items	1199.04	2107.34	2713.30	3501.02	2843.63	1104.55	2601.57	4203.54	2237.02	780.98
Exceptional Items	—	222.75	399.08	428.08	406.28	62.71	500.00	—	—	—
Diminution in value of Investments	—	—	—	—	—	—	—	—	—	—
Provision for Current Tax	91.00	910.00	979.15	1196.40	1011.86	359.50	1030.00	1220.07	500.00	157.50
MAT Credit Entitlement	—	—	—	—	—	—	—	—	—	(153.35)
Provision for Deferred Tax (Charge) / Credit	(270.72)	177.64	235.62	136.57	166.09	(15.84)	(17.13)	(156.72)	(202.76)	(246.40)
Profit/(Loss) After Tax & Exceptional Items	621.86	1152.23	1570.69	2013.11	1591.58	657.50	2054.44	2826.75	1534.26	530.43
Prior Period Adjustment (net)	—	—	—	—	—	—	—	—	—	—
Equity Dividend	173.25	346.50	462.00	462.00	462.00	231.00	519.75	693.00	577.50	288.75
Equity Dividend %	15.00	30.00	40.00	40.00	40.00	20.00	45.00	60.00	50.00	25.00
Retained Earnings	426.41	757.13	1043.89	1472.59	1051.06	387.24	1448.36	2021.33	863.07	192.61
Gross Fixed Assets *	9054.62	9168.41	10183.96	11373.25	12106.74	12645.86	13437.31	17748.52	22102.49	25732.50
Net Fixed Assets *#	3405.68	2970.69	3378.52	3825.21	3898.64	3966.95	4355.52	8407.59	12151.33	15008.32
Investments	21.73	21.73	139.05	21.73	1271.73	1250.10	1250.10	1250.10	1250.00	1250.00
Net Current Assets *	3429.45	4042.36	4433.83	6262.88	5956.97	7975.12	4217.03	3787.27	3371.55	1905.10
Deferred Revenue Exp.	440.48	217.74	834.37	406.28	—	—	—	—	—	—
Total Assets (Net)	6324.71	6457.53	8785.77	10516.10	11127.34	13192.18	9822.65	13444.96	16772.88	18163.42
Share Capital - Equity	1155.00	1155.00	1155.00	1155.00	1155.00	1155.00	1155.00	1155.00	1155.00	1155.00
Reserves and Surplus	1820.79	2577.92	3621.82	5094.41	6125.47	6472.79	7921.14	9942.47	10805.53	10998.14
Net Worth	2975.79	3732.92	4776.82	6249.41	7280.47	7627.79	9076.14	11097.47	11960.53	12153.14
Borrowings *	3348.92	2724.61	3449.58	3843.89	3590.16	5291.84	456.83	1901.10	4163.19	5114.73
Deferred Tax Liability	972.63	794.99	559.37	422.80	256.71	272.55	289.68	446.40	649.16	895.55
Total Fund Employed	6324.71	6457.53	8785.77	10516.10	11127.34	13192.18	9822.65	13444.96	16772.88	18163.42
Earnings per Share ₹	5.38	9.98	13.60	17.43	13.78	5.69	17.79	24.47	13.28	4.59
Book value per Share ₹	25.76	32.32	41.36	54.11	63.03	66.04	78.58	96.08	103.55	105.22
Debt : Equity *	1.32	0.78	0.88	0.66	0.49	0.69	0.05	0.17	0.35	0.42
Turnover/Inventory(Times)	6.86	6.82	6.24	6.45	6.16	4.50	5.45	10.26	4.44	4.04
Turnover/Net Block *	3.29	5.14	5.40	5.64	5.01	3.80	4.07	2.67	1.60	1.11
Current Assets / Current Liabilities*	2.80	2.96	2.62	3.03	2.76	4.36	2.22	1.90	1.77	1.33
Number of Shareholders	7870	7161	7097	7401	7757	8345	7625	10764	9848	9219
Number of Employees	526	509	314	331	355	355	337	365	386	424

* Regrouped/reworked as per requirements of Revised Schedule VI for Financial Years 2010-2011 and 2011-2012

Including Capital advances

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company firmly believes that Corporate Governance is very closely linked to its core values and is associated with best practices, a fine blend of law, regulation and voluntary practices with the overall objective of protecting the interests of its stakeholders. The Company continues to focus on best practices in the area of Corporate Governance with specific emphasis on ensuring accountability and transparency.

Your Company confirms the compliance of Corporate Governance as contained in Clause 49 of the Listing Agreement, the details of which are given below:

2. GOVERNANCE PRACTICES:

The Company's Corporate Governance practices are driven by the ideology of transparency, integrity, ethical conduct, openness and fair reporting. The Company has adopted various best practices with a view to ensure that its corporate responsibilities are fully met.

The following codes have been included in the Code of Corporate Governance:

(a) Code of Conduct

The Company's Code of Conduct, which is required to be followed by the Board Members and Senior Management Personnel, is based on the principle that business should be conducted ethically, honestly and with integrity, to the exclusion of personal gains. The document also requires conduct of business in a professional manner directed towards maintaining and enhancing the reputation of the Company.

(b) Prohibition of Insider Trading

The Company's Code of Conduct for prevention of Insider Trading, which applies to Board Members and Senior Management, seeks to prohibit trading in the securities of the Company based on insider or privileged information.

(c) Confidentiality of Information

Any information concerning the Company's business, its customers, suppliers, etc. to which the Directors and Senior Management have access or which is possessed by the Directors and Senior Management, must be considered privileged and confidential and should be held in confidence at all times, and should not be disclosed to any person, unless (i) specifically authorised; or (ii) the same is part of the public domain at the time of disclosure; or (iii) is required to be disclosed in accordance with applicable laws.

(d) Health, Safety and Environment

The Board Members and Senior Management shall be committed to prevent the wasteful use of natural resources and minimise any hazardous impact of the development, production, use and disposal of any of its products and services on the ecological environment.

(e) Protection of Assets

The Board Members and Senior Management shall employ the assets of the Company and for the purpose of conducting the business for which they are duly authorised. These include tangible assets such as equipment and machinery, systems, facilities, materials, resources as well as intangible assets such as propriety information, relationships with customers and suppliers etc.

(f) Financial Reporting And Records

The Board Members and Senior Management will prepare and maintain their accounts fairly and accurately in accordance with the accounting and financial reporting standards which represent the generally accepted guidelines, principles, standards, laws and regulations of the country in which the Company or its subsidiaries conducts its business affairs.

(g) Quality Services

The Board Members and Senior Management will be committed to render services of the highest quality standards, backed by efficient after-sales service consistent with the requirements of the customers to ensure their total satisfaction. The quality standards of the Company's services should meet the required international standards.

(h) Shareholders

The Board Members and Senior Management will be committed to enhance shareholder value and comply with all regulations and laws that govern shareholders' rights. The Board of Directors of the Company will duly and fairly inform the shareholders about all relevant aspects of the Company's business and disclose such information in accordance with the respective regulations and agreements.

3. BOARD OF DIRECTORS:

The Board of Directors comprises a fair number of independent, professionally competent and acclaimed Non-executive Directors. The Company has an Executive Chairman, with the number of Non-Executive Independent Directors being 50% of the total number of Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

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 Directorships of other Public Companies	No. of Committees in which Chairman/ Member of other Public Companies		No. of Board Meetings attended	Whether attended last AGM Yes/No
			Member	Chairman		
Mr. S.M. Patel	Executive Chairman	2	1	–	4	Yes
Mr. P.M. Patel	Managing Director	6	4	–	4	Yes
Mr. T.M. Patel	Executive Director	2	2	–	3	Yes
Mr. Y.H. Malegam*	Non-Executive – Independent	6	–	4	4	Yes
Mr. S.K. Diwanji	Non-Executive – Independent	4	4	1	4	Yes
Mr. Jal R. Patel	Non-Executive – Independent	5	3	3	4	Yes
Mr. C.U. Shah**	Non-Executive – Independent	–	–	–	1	No

This excludes alternate directorships/directorships in foreign companies, wherever applicable.

* Expressed his inability for re-appointment at the ensuing Annual General Meeting

**Mr. C.U. Shah has ceased to be a Director with effect from 31st January, 2013 on his demise.

During the financial year 2012-13, four Board meetings were held on the following dates i.e. on 11th May, 2012, 3rd August, 2012, 8th November, 2012 and 11th February, 2013 and the Annual General Meeting was held on 3rd August, 2012.

4. CODE OF CONDUCT:

The Board of Directors has adopted the Code of Business conduct and Ethics 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 2012-2013.

P.M. Patel
Managing Director