

## NOTICE

**NOTICE** is hereby given that the 30th Annual General meeting of the Company will be held at the Registered office of the Company at Village Patla, Taluka : Bhesan, Dist: Junagadh 362 030 on **Monday, 22nd September, 2008** at 11.00 a.m. to transact the following business:

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended on 31st March, 2008 and the Directors' and Auditors' Reports thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Bhavesh R Sureja, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remunerations.

### SPECIAL BUSINESS :

5. To consider and, if thought fit to pass, with or without modification/s, the following resolution as Ordinary Resolution:

**"RESOLVED THAT** in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Mr. Rajan R Bambhanian, who was appointed as Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company liable to retire by rotation."

6. To consider and, if thought fit to pass, with or without modification/s, the following resolution as Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of section 198, 269, 309, 310 & 311 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, if required, the consent of the Company be and is hereby accorded to the re-appointment of Mr. Narottam C. Vadgama as Executive Director of the Company for a period of five years with effect from 1st August, 2008 on terms and conditions including remuneration and perquisites as set out in the explanatory statement annexed hereto and as may be agreed to between the Company and Mr. Narottam C. Vadgama.

**"FURTHER RESOLVED THAT** in the event of loss or inadequacy of profits in any financial year, the Company shall pay Mr. Narottam C. Vadgama in respect of such financial year, the said remuneration by way of salary, perquisites and any other allowances."

**"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 modification/s, the following resolution as Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of section 198, 269, 309, 310 & 311 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, if required, the consent of the Company be and is hereby accorded to the re-appointment of Mr. Shashikant M. Thanki, as Managing Director of the Company for a period of five years with effect from 1st August, 2008 on terms and conditions including remuneration and perquisites as set out in the explanatory statement annexed hereto and as may be agreed to between the Company and Mr. Shashikant M. Thanki.

**"FURTHER RESOLVED THAT** in the event of loss or inadequacy of profits in any financial year, the Company shall pay Mr. Shashikant M. Thanki, in respect of such financial year, the said remuneration by way of salary, perquisites and any other allowances."

**"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."

8. To consider and, if thought fit to pass, with or without modification/s, the following resolution as Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of section 198, 269, 309, 310 & 311 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, if required, the consent of the Company be and is hereby accorded to the re-appointment of Mr. Rajan R. Bambhanian as Jt. Managing Director of the Company for a period upto 31<sup>st</sup> July, 2013 on terms and conditions including remuneration and perquisites as set out in the explanatory statement annexed hereto and as may be agreed to between the Company and Mr. Rajan R. Bambhanian.

**"FURTHER RESOLVED THAT** in the event of loss or inadequacy of profits in any financial year, the Company shall pay Mr. Rajan R. Bambhanian in respect of such financial year, the said remuneration by way of salary, perquisites and any other allowances."

**"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."

9. To consider and, if thought fit to pass, with or without modification/s, the following resolution as Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of section 198, 269, 309, 310 & 311 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, if required, the consent of the Company be and is hereby accorded to the re-appointment of Mr. Jeshanker R Bhogayta as Executive Director of the Company for a period of five years with effect from 1st August, 2008 on terms and conditions including remuneration and perquisites as set out in the explanatory statement annexed hereto and as may be agreed to between the Company and Mr. Jeshanker R. Bhogayta.





**"FURTHER RESOLVED THAT** in the event of loss or inadequacy of profits in any financial year, the Company shall pay Mr. Jeshanker R. Bhogayta in respect of such financial year, the said remuneration by way of salary, perquisites and any other allowances."

**"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."

By order of the Board of Directors

**N C Vadgama**  
Chairman

Place : Patla, Dist. Junagadh

Date : 29th May, 2008

**NOTES:**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and on poll to vote instead of himself and the proxy need not be a member of the Company. The proxy must be lodged with the Company not less than 48 hours before the time fixed for holding the meeting.
2. The Register of Members and Share Transfer book of the Company will remain closed from 15th September, 2008 to 22nd September, 2008 (both days inclusive).
3. Dividend on Equity shares, upon its declaration at the meeting shall be paid to the shareholders whose names appear on the Register of members of the Company on 22nd September, 2008. In case of shares held in dematerialized form, the dividend thereon, upon its declaration at the meeting, shall be paid to the beneficial owners as per list provided by the depositories for the said purposes.
4. Shareholders holding shares in electronic form are hereby informed that bank particulars registered against the respective depository accounts will be used by the Company for payment of the dividend. The company or its Registrar can not act on any request received directly from the shareholders holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participants of the shareholders.
5. Shareholders holding shares in physical form are requested to advise any change of address immediately to the Company's Registrar and Share transfer agents, M/s Sharepro services, Satam Estate, 3rd floor, Above Bank of Baroda, Andheri (East), Mumbai 400 099. Shareholders holding shares in electronic form must send the advice about change in address to their respective Depository Participants and not to the Company.
6. Pursuant to the requirements on Corporate Governance under clause 49 of Listing Agreement entered into with the Stock Exchange, the information about the Directors proposed to be appointed/re-appointed is given in the Annexure to the Notice.
7. Members seeking any further information are required to write to the Company at least 7 days before the meeting so as to enable the management to keep the information ready at the meeting.
8. Member/Proxies are requested to bring with them duly filled attendance slip for attending the meeting.
9. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.

**ANNEXURE TO THE NOTICE**

**(Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956)**

**Item No. 5 :**

The Board of Directors of the Company appointed Mr. Rajan R Bambhania, as an Additional Director of the Company with effect from 1<sup>st</sup> February, 2008 pursuant to the provisions of Section 260 of the Companies Act, 1956 and as per the provisions of Articles of Association of the Company. In terms of the said provisions of Section 260 of the Act, Mr. Rajan R Bambhania would hold office upto the date of this Annual General Meeting.

The Company has received a notice in writing from a member along with a deposit proposing the candidature of Mr. Rajan R Bambhania for the Office of Director of the Company under the provisions of Section 257 of the Act.

Mr. Rajan R Bambhania, is not disqualified from being appointed as Director in terms of Section 274(1)(g) of the Act and has complied with the requirements of obtaining the Director Identification Number in terms of Section 266 A of the Act. The Company has received the requisite Form 'DD-A' from Mr. Rajan R Bambhania in terms of the Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003, confirming his eligibility for such appointment.

The Board recommends the said resolution as set out at Item No. 5 of the notice for your approval.

None of the directors except Mr. Rajan R. Bambhania is deemed to be concerned or interested in the said resolution.

**Item No. 6,7,8 & 9**

The terms of appointment of Mr. N. C. Vadgama, Mr. S M Thanki, and Mr. J R Bhogayta, expires on 31<sup>st</sup> July, 2008 and the appointment of Mr. R. R. Bambhania, expires on 30<sup>th</sup> September, 2008. Hence they are required to be re-appointed up to the period 31<sup>st</sup> July, 2013. The particulars of remuneration and perquisites payable to them are as under :

- (1) Salary (in scale of) : Rs. 75,000/- in the scale of Rs. 75000-5000-100000
- (2) Perquisites : The following perquisites will be allowed in addition to the salary.



**CATEGORY – A**

## (a) Medical Reimbursements :

Medical expenses for appointee and his family shall be reimbursed subject to a ceiling of one month a year of three months salary over a period of there consecutive years.

## (b) Leave Travel Concession :

For the appointee and his family, once in a year incurred in accordance with the rules specified by the Company

## (c) Personal accident insurance :

For premium not to exceed Rs. 5000/- per annum

**CATEGORY – B**

## (a) Contribution to provident fund to the extent not taxable under the Income Tax Act.

## (b) Gratuity shall be payable at half a month's salary for each complete year of service.

**CATEGORY – C**

## (a) Conveyance &amp; Telephone :

Provision of Car for Company's business and telephone at residence: This will not be considered as perquisites. Telephone bills at their residence and mobile bills for personal purpose shall not be reimbursed. The use of car for private purpose shall be billed by the Company to the appointee.

## (b) Leave on full pay allowance as per rules of the Company but not exceeding one month's leave for every 11 months services.

None of the directors except Mr. N. C. Vadgama, Mr. S M Thanki, Mr. R R Bambhanian and Mr. J R Bhogayta, may be deemed to be concerned or interested in the said resolution.

The above statement may be treated as an abstract of the terms and memorandum of interest under Section 302 of the Companies Act, 1956.

**BRIEF RESUME OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT AND DIRECTORS APPOINTED SINCE LAST A.G.M.****DIRECTORS SEEKING RE-ELECTION REAPPOINTMENT AT THE ANNUL GENERAL MEETING**

Particulars	Dr. Bhavesh R Sureja	* Mr. Rajan R Bambhanian
Date of Birth and Age	27-10-1968	29-08-1976
Appointed on	15-03-2003	01-02-2008
Qualifications	M. D.	D. M. E.
Expertise in Specific Functional Areas		
Internal Medicine Engineering		
Directorships held in other Public Companies (excluding foreign companies)	Nil	Creative Castings Ltd.
Membership/ Chairmanship of Committees across public Companies	Nil	Nil
Shareholding	Nil	60,300

\* Appointed as a Additional Director with effect from 1st February, 2008.

**DIRECTORS' REPORT**

To the Members,

Your Directors have pleasure in presenting the 30<sup>th</sup> Annual Report with the audited accounts of the Company for the year ended 31st March, 2008.

**FINANCIAL RESULTS**

	Rs.in Lacs	
	2007-2008	2006-2007
Gross profit before Interest Depreciation and Tax	1240.40	1147.45
Less : Interest and Depreciation	310.94	291.98
Profit before Tax	929.46	855.47
Less : Provision for Taxation	328.13	265.27
Fringe Benefit Tax	10.50	16.00
Deferred Tax Assets	( 59.78)	( 38.99)
Profit after Tax.	650.61	535.21
Excess Provision of I. Tax W. Back	-	-
Profit for the year	650.61	535.21
Add : Balance brought forward from last year.	1041.45	643.86
Profit available for appropriations	1692.06	1179.07
<b>Appropriations :</b>		
- Proposed Dividend	77.68	70.62
- Provision for Tax on Proposed Dividend	13.20	12.00
- Transfer To General Reserve	100.00	55.00
Balance carried forwarded to next year	1501.18	1041.45



## **OPERATING RESULTS :**

The Company has fared well during the year under review. The sales of the Company have increased both in domestic and export segment. The Sales during the year were Rs. 7723.56 Lacs as against Rs.6914.10 Lacs in the previous year. The sales thus registered an overall increase of 11.71 % including an increase in export to the tune of 46.69% as compared to the last year export.

The net profit of the Company is also increased from Rs. 545.48 Lacs to Rs.661.74 Lacs registering the growth of about 21.31%. The prospect of the Company for the current year both in domestic and export segment is also good. The Company has earned a revenue of Rs. 55.75 Lacs making net Profit of Rs. 17.68 Lacs out of the Wind Mill project installed last year.

The Company continued to launch a numbers of new and higher value added products which will further strengthen the Company's competitiveness in the future.

## **DIVIDEND :**

In view of the Company's profitable performance, the Directors are pleased to recommend for approval of shareholders a dividend of Rs. 2.20 (Tax Free) per Equity share of the Company in respect of the financial year ended on 31<sup>st</sup> March, 2008. (Previous Year Rs.2.00) The said dividend shall be payable to those members whose names appear on the Register of member of the company on record date.

## **FIXED DEPOSITS :**

There is no deposit outstanding/unpaid as at 31<sup>st</sup> March, 2008.

## **DIRECTORS :**

In accordance with the provisions of the Companies Act, 1956, and Articles of Association of the Company, Mr. Bhavesh R Sureja, Director of the Company retires by rotation at the ensuing annual general meeting and being eligible offer himself for re-appointment.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and as per the Articles of Association of the Company, Mr. Rajan R Bambhania was appointed as an Additional Director with effect from 1<sup>st</sup> February, 2008. He holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr. Rajan R Bambhania for the office of Director, liable to retire by rotation.

Brief resume of the Directors proposed to be appointed/reappointed, nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership/chairmanship of Board Committees, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange in India, are provided in the Report on Corporate Governance forming part of the Annual Report.

Mr. Ramniklal N Bambhania resigned as a Director and Joint Managing Director with effect from 1<sup>st</sup> February, 2008. The Board of Directors places on record its appreciation and gratitude to Shri Ramniklal N Bambhania, for the valuable services rendered by him during his tenure as Director of the Company.

## **DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2008 your Directors confirm that :

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- appropriate accounting policies have been selected and applied prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2008 and of the profit of the company for the year under review.
- 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.

## **AUDITORS :**

M/s. Dhirubhai Dand & Co. Chartered Accountants, the auditors of the Company retire at the conclusion of the ensuing Annual General Meeting. They are eligible for re-appointment and have furnished the certificate to the effect that their appointment, if made, will be in accordance with the limits specified under Section 224(B) of the Companies Act, 1956.

## **COST AUDITORS :**

Pursuant to the provisions of section 233B of the Companies Act, 1956 necessary approval had been obtained from the Department of Company Affairs for the appointment of M/s. S. B. Parikh & Co. as Cost Auditors to Audit the Cost Accounts maintained by the Company for the year ended on 31<sup>st</sup> March, 2008.

## **PARTICULARS OF EMPLOYEES :**

The particulars of employees as required Under Section 217(2-A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 is given in the annexure appended hereto and forms part of this Report. As per the Provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the report and accounts are being sent to the Shareholders of the Company, excluding the statement of particulars of employees under Section 217(2A) of the Act. Any share holder interested in obtaining a copy of the said statement may write to the Secretarial department at the Registered Office of the Company.

## **SUBSIDIARY COMPANY :**

As required U/s. 212 of the Companies Act, 1956, the audited statement of Accounts for the year ended on 31<sup>st</sup> March, 2008 of Accurate Engineering Inc. U.S.A., the wholly owned subsidiary, together with the report of the Auditors and also the statement U/s. 212 of the Companies Act, 1956 are annexed.

## **CORPORATE GOVERNANCE REPORT :**

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are annexed to this report.



**MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT :**

A Report on Management Discussion and Analysis Statement is separately annexed to this report.

**INDUSTRIAL RELATIONS :**

The industrial relation with workmen and staff continued to be extremely cordial during the year under review.

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

The particulars as prescribed 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 are set out in an Annexure to this Report.

**ACKNOWLEDGMENT :**

The Directors wish to place on record their gratitude for the continued co-operation and patronage extended by the esteemed customers both in OEM and after market segments. The Directors would also like to place on record their sincere appreciation for the continued co-operation, guidance, support and assistance during the year under report by our Bankers, all the customers, suppliers of the Company including Government agencies. The Board of Directors also wish to express its appreciation for the efforts and contribution made by the employees at all levels during the year under report.

On behalf of the Board of Directors

Place :: Patla, Dist.:Junagadh

Date :: 29<sup>th</sup> May,2008

N C VADGAMA

Chairman

**ANNEXURE (I)**

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

**FORM A :****(A) CONSERVATION OF ENERGY :**

- (a) Energy Conservation measures taken:

Regular preventive maintenance of Machinery & Electric equipments.

- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy : None

- (c) Impact of measures at a)and (b)for reduction of energy consumption and consequent impact on the cost of production of goods The aforesaid measures have resulted in a saving in the consumption of electricity & Fuel.

- (d) Total Energy Consumption and Energy Consumption per unit of production as per prescribed Form A is not applicable as the Company is not covered under the list of specified industries and hence not given.

**FORM B :****(A) RESEARCH & DEVELOPMENT :**

- (i) Specific areas in which R & D is carried out by the Company:

The R & D efforts of the Company are directed towards quality assurance, improvement/upgradation of existing product lines, minimizing dependence on scarce and imported raw materials, development of new products and subjecting them to stringent endurance tests.

- (ii) Benefits derived as a result of the above R & D :

The benefits are improvement in the quality of the existing range of products, cost reduction, development of new products, energy saving, export promotion and import substitution.

- (iii) Future plans of action :

R & D efforts are being planned as a continuous exercise to improve quality, reduce costs and try for import substitution as far as possible.

- (iv) Expenditure on R & D :

Expenditure on R & D is not quantifiable at present since it is a continuous exercise, forming part of our Technical Department.

**(B) TECHNOLOGY, ADOPTION & ABSORPTION & INNOVATION :**

The Company is continuously undertaking a comprehensive modernisation and technology upgradation.

Quality of earnings has improved substantially & are well accepted by OEM as import substitute.

Technology imported during last five years : Nil.





**(C) FOREIGN EXCHANGE EARNING AND OUTGO :**

(Rs. in Lacs)

**FOREIGN EXCHANGE EARNINGS :**

1. Exports of goods on FOB basis
2. Interest Income
3. Tooling Charges Income

Total Foreign Exchange earned

**FOREIGN EXCHANGE OUTGO :**

1. Import of CIF value of Raw Materials, Capital goods & Spares.
2. Traveling
3. Sales Commission
4. Foreign Marketing & Sales Promotion Expenses
5. FCNR Loan Interest
6. Dividend

Total Foreign Exchange used

2007-2008	2006-2007
3351.65	2849.27
-	0.88
33.10	5.82
3384.75	2855.97
76.29	69.92
2.13	1.23
31.83	41.03
-	0.16
75.26	7.68
1.60	0.96
187.11	120.98

On behalf of the Board of Directors

N C VADGAMA  
ChairmanPlace : Patla, Dist.:Junagadh  
Date : 29<sup>th</sup> May,2008**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****OVER VIEW OF BEARING INDUSTRY :**

The strong fundamentals of the Indian economy provides the necessary optimism for achieving the 11th Five-Year Plan Projections of 9% Annual GDP growth rate and in fact, provides a room for improving the same.

Two key elements during the next 5 years will be 1) increasing contribution of private investment in India's capital formation and 2) investment in infrastructure to increase from current levels of around 3% of GDP to about 9% of GDP

The domestic market size in bearing industry is estimated at 54 billion. Approximately 45% of the demand is met through imports and the balance through indigenous product. The sales of organized bearings industry in India in domestic market are estimated at Rs. 24 billion and it recorded a growth of 7% during the year 2007 in terms of sales value.

Bearing industry comprises ball bearings and roller bearings. In India to a large extent ball bearings account for about 50% of the total bearings market. The prospects of bearing industry are directly linked to performance to key sectors namely automotive and infrastructure.

Increase in bank lending rates in the recent past and excess capacity of medium and heavy trucks that was created during the last 5 years, led to slow down in the commercial vehicle sector. A general slow down was also experienced in motorcycles and passenger car segments. However, the growth in infrastructure sector compensated more than the slowdown in the automotive sector.

Given the growth prospectus of economy and industry drivers, significant capacity expansion is being planned by most bearing manufactures. Most of the investments on ground and expansion programmes cater to the automotive sector. Large size bearings, used pre-dominantly in heavy industry, continue to be imported into India. Reduction of import tariffs has made this route more viable.

**OPPORTUNITIES AND THREATS :**

Indian economy has witnessed impressive rates of industrial growth in last four years and the same was 11.5% in 2006-07. The growth of manufacturing was even more at about 12.5% during 2006-07. Though growth of manufacturing has slightly decreased in financial year 2007 on account of slackening of consumer durable sector, the smart growth in capital goods is suggestive of significant addition to industrial capacity.

The counterfeiting of bearings is the biggest threat to the industry since these spurious bearings affect the business and brand image. Your company is taking steps to curtail spurious trade by improved packaging creating awareness and other necessary action. Necessary action has also been taken at industry level to check the menace of counterfeit, which has increased over last few years.

**OUR BUSINESS STRATEGY :**

AECL is the leading manufacturers of all types of antifriction bearings namely Ball, Tapered Roller, Spherical Roller, Needle Roller and Thrust Bearing. The Company offers wide range of bearings to the different category of buyers like automobiles, Defence, State Road Transport Corporation, Steel Plants, Thermal plants, Cements Plants, Sugar and Paper Industries, Fan and Pump Industry and material handling equipments.

At the core of AECL, technical up gradations and advancements is the involvement of the top management which itself endeavors and supports new developments, continuous quality improvement and strong desire to prove that Indian technology can compete with any top technologically advanced country products, thus resulting in unshakable customer confidence in India and abroad for 'aec' Bearings.

The majority of the product range of the Company is import substitutes and thus indirectly it serves the country by saving Foreign Exchange. A number of initiatives for strict cost control, and improving efficiency and productivity at all levels have been taken which is expected to further enhance the performance of the Company in the years to come.



The Company is striving to focus on sharpening its competitiveness, and for offering a product mix which is totally market driven in order to create a competitive advantage over other players in the market.

We are in a growth mode and our operating and financial performance outlook for the future continues to be strong. We are executing multiple initiatives aimed at enhancing our national presence, strengthening our market position and providing specialized quality to our customers.

We as "AECL" restrict our exports domain only to the most quality conscious markets like USA and Europe which accounts for over 40% of its revenues. We have setup 100% subsidiaries in USA and Italy, which also act as marketing front-end. What may come as a surprise to the most is that despite its our very modest size, we have the widest range of bearings in the domestic market. We manufacture bearings from 50 gms. to over half a tone. It is also among a few companies globally to manufacture bearings with 1200mm .

We manufacture bearings for very demanding applications. It is among a handful of customized bearing manufacturers worldwide to produce bearings with 1200mm diameter.

Ours special bearing range includes-

1. Steel Plant Bearings
2. Mining Equipment.
3. Material handling equipment.
4. Bearings for cement, sugar, paper and other continuous process industry
5. Special bearings for high speed heavy duty turbines (used in power plants)
6. Oilfield applications

## SEGMENTWISE PERFORMANCE :

The Company has primarily two segment of activity namely "Bearings" and "Power" Their present performance and future prospectus have been given separately in Directors' Report.

## INTERNAL CONTROL SYSTEMS :

AECL has adequate internal control systems commensurate with its size and complexity of operations, which enables the management to achieve the following objectives.:

- Monitoring efficiency of operations
- Ensuring protection of resources
- Accuracy and promptness of financial reporting
- Compliance with statutes and regulations

The frame-work of the system comprises a well defined organizations structure, authority levels, documented policy guidelines, procedures, management reviews and use of information technology. The Internal Audit department has an extensive audit programme for the year, Post audit checks and reviews are also carried out to ensure follow-up on the observations made by the Audit Committee. The Audit Committee reviews the internal audit reports and the adequacy of internal controls periodically and takes corrective action as and when necessary.

## STRENGTH :

The Directors are well experienced and technically qualified with well succession plan.

The Company is this line of business for more than 26 years and enjoys its brand name in the market.

The Company has wide market net work with established customer base.

The Company is able to obtain skilled workers at comparatively lower cost.

The Company is a profit making and self-performance are improving year after year.

## WEAKNESS :

The industry is highly capital intensive and as such operating at the minimum economic volume assumes greater significance. A decline in the capacity utilization would lead to a major negative impact on the operational parameters considering the huge initial capital outlay.

The manufacturers are facing a threat from the spurious parts manufactured who manufacture duplicate parts and sell them in the names of popular brands in the replacement market at a very low price.

Steel and alloy steel are the basic raw-material for the bearing industry and their prices are expected the upward trend in the coming future.

A serious threat is being faced from imports due to decline in duty rates and at the same time, domestic manufacturers are subject to the increased levies.

Higher inventory holding also lead to increase in direct cost

## OUTLOOK :

There has been marked change in the way the Indian economy is viewed, both within the country and in other countries of the world. This is largely due to the sustained, well directed efforts of the government that have resulted in globally acclaimed rates of economic growth, increased global competitiveness of Indian industries, strong macro fundamentals and a highly favourable economic outlook. In the face of the huge opportunities provided by the automobile sector, capital goods industry and sizzling Indian economy, the Company expects to build up demand from various industries, which will provide growth to the bearing industry.





We are also actively working on the following areas which are very close to commercialization which are:

1. Developing bearings for aerospace applications.
2. One of the few manufacturers in the world to manufacture SPB's of 1200mm diameter.
3. Development of Geared Slewing Rim bearings for Heavy Earth Moving and construction equipment.

## HUMAN RESOURCES AND INDUSTRIAL RELATIONS :

The Company firmly believes that the Human Resources are the valuable assets for growth and success. Satisfaction and morale of the employees remained high throughout the year. Industrial relations continued to be cordial.

The performance linked bonus and rewards were instituted, which not only helped to improve productivity but also brought the culture of healthy competitive performance within the organization. The gap between existing and desired skills has been filled up in the employees through training and development

## CAUTIONARY STATEMENT :

Certain statements in this annual report may be forward looking statements. Such forward looking statements are subject to certain risks and uncertainties like regulatory changes, local, political or economic developments, technological risks and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward looking statements. AECL will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward looking statements to reflect subsequent events or circumstances.

## REPORT ON CORPORATE GOVERNANCE

In Compliance with the requirements of Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreements with the Stock Exchanges, the Company's Policies on Corporate Governance and compliance thereof in respect of specific areas, as applicable, for the year ended 31st March, 2008 is set out below for information of shareholders and investors of the Company.

### 1. PHILOSOPHY :

The Company's philosophy on Corporate Governance is to conduct its affairs in a manner, which is transparent, clear and evident to those having dealings with or having a stake in the Company, namely shareholders, lenders, creditors and employees. The Company's philosophy on corporate governance is thus concerned with the ethics, values and morals of the Company and its Directors, who are expected to in the best interest of the Company and remain accountable to shareholders and other beneficiaries for their action.

### 2. BOARD OF DIRECTORS :

#### (a) Composition of Board:

The Board of directors of the Company consist of Eight directors. In Executive Directors, there are Two whole-time directors, One Managing Director and One Joint Managing Director. All others are Non-Executive as well as independent directors. The Non-Executive Directors are eminent personnel with wide range of skills and experience in business, finance and law. The Chairman of the Board is an Executive Director, and 50% of the Board comprises of independent directors.

Name of the Directors		No. of Board Meetings Attended During the Year	Whether Attended AGM held on Sep 29, 2007	No. of Other Directorship(s) Public Private		No. of Outside Committee(s) Public Private	
Mr. N C Vadgama	Chairman & E.D.	8	YES	1	1	-	-
Mr. S M Thanki	Managing Director	8	YES	1	1	-	-
Mr. R N Bambhanja	Jt. Managing Director	6	YES	-	1	-	-
Mr. R R Bambhanja	Jt. Managing Director	1	NO	1	1	-	-
Mr. J R Bhogayta	Executive Director	8	YES	-	1	-	-
Mr. S V Vaishnav	Director	8	YES	-	1	-	-
Dr. B R Sureja	Director	8	YES	-	-	-	-
Mr. K J Mehta	Director	8	YES	-	-	-	-
Mr. D B Nakum	Director	8	YES	-	-	-	-

Mr. Rajan R Bambhanja was appointed as Additional Director and Jt. Managing Director with effect from 1<sup>st</sup> February, 2008.

Mr. Ramniklal N Bambhanja resigned as a Director and Jt. Managing Director with effect from 1<sup>st</sup> February, 2008.

Attention of the members is invited to the relevant items in the Notice of the Annual General Meeting for seeking their approval for the aforesaid appointments. The information as required under clause 49(IV)(G) of the Listing Agreement is annexed to the Notice of the AGM.

#### (b) Details of Board Meeting held during the year 2007-08.

Date of Meeting	No. of Directors Present	Date of Meeting	No. of Directors Present
10th April, 2007	8	29th September, 2007	7
23rd June, 2007	8	25th October, 2007	7
18th July, 2007	8	18th January, 2008	8
20th September, 2007	8	15th March, 2008	8





**(c) Details of sitting fees, remuneration etc. paid to Directors for the year ended 31st March, 2008.**

Name of the Directors	Remuneration paid to Directors	Sitting fees paid for attending Board / Audit Committee
Mr. N C Vadgama	75000 per month	NIL
Mr. S M Thanki	75000 per month	NIL
Mr. R N Bambhania	75000 per month (10 Months)	NIL
Mr. R R Bambhania	75000 per month ( 2 Months)	NIL
Mr. J R Bhogayta	75000 per month	NIL
Mr. S V Vaishnav	NIL	10000
Mr. B R Sureja	NIL	10000
Mr. K J Mehta	NIL	10000
Mr. D B Nakum	NIL	10000

Note : The Non-Executive Directors are not entitled to any remuneration except sitting fees for attending Board/Committee meetings. As regards to Executive Directors, they are entitled to remuneration as per terms of appointment.

**(d) Remuneration Committee :**

The Company has set up a remuneration committee which consist of three Non-Executive independence Directors namely (1) Mr. K J Mehta (2) Mr. S V Vaishnav and (3) Mr. D B Nakum.

The said committee recommend/review the remuneration package of the Managing/Whole-time Directors and also senior managerial personnel. The Company pays remuneration by way of salary and perquisites subject to requisite approval from the Board of Directors of the Company and also from the shareholders as prescribed under the Companies Act, 1956.

During the Financial Year 2007-08, Mr.N.C.Vadgama, Mr.S.M.Thanki, and Mr.J.R.Bhogayta have been paid monthly remuneration of Rs.75,000/- each for the whole year and Mr. R N Bambhania, has been paid the same remuneration up to 31<sup>st</sup> January, 2008. Mr. R R Bambhania, has also been paid the same remuneration from 1<sup>st</sup> February, 2008 to 31<sup>st</sup> March, 2008.

The Remuneration Committee also at its meeting held on 25<sup>th</sup> January, 2008 recommends the remuneration to Mr. Rajan R Bambhania, the Joint Managing Director detailed here under with a salary of Rs.75,000 in the scale of Rs.75,000-5,000-1,00,000 with effect from 1<sup>st</sup> February, 2008.

Mr. S V Vaishnav, the Chairman of Remuneration Committee was present at last Annual general Meeting held on 29<sup>th</sup> September, 2007.

Three meetings of Remuneration Committee were held on 10.05.07, 23.06.07 and 25.01.08 during the year.

**3. AUDIT COMMITTEE :**

The Audit Committee of Directors comprises three Non-Executive independent directors viz.(1) Mr. S V Vaishnav, (2) Mr. K J Mehta and (3) Mr. D B Nakum, who all have adequate financial accounting knowledge. Mr. S V Vaishnav is the Chairman of the Audit Committee. The Audit Committee whose terms of reference have been specified as per Clause 49 of the Listing Agreement and as defined by the Board are as under :

- It shall have the authority to investigate into any matter relating to accounts as referred to it by the Board and for this purpose, shall have full access to information contained in "Accounting records" of the Company.
- Overview of the Company's financial reporting process and manner of disclosure of financial information to ensure that the financial statements are true and correct.
- Recommending the appointment and removal of Statutory Auditors, fixation of audit fees and also approval for payment for any other services relating there to.
- Reviewing the Company's financial and risk management policies.
- Looking into the reasons for substantial defaults if any, in the payment to the shareholders (non-payment of declared dividends etc) and creditors etc.
- And such other matters incidental or as may be delegated by the Board of Directors to the Committee from time to time.

Five Audit Committee meetings were held on 23rd June, 2007, 18<sup>th</sup> July, 2007, 29th September, 2007, 25<sup>th</sup> October, 2007 and 18<sup>th</sup> January, 2008. The attendance of Audit Committee member is given hereunder:

Name of the Director	Category	Nos. of Meetings Attended
Mr. S V Vaishnav	Chairman of Committee	5
Mr. K J Mehta	Member of Committee	5
Mr. D B Nakum	Member of Committee	5

The Audit committee at its meeting held on day, 29<sup>th</sup> May, 2008 reviewed the Annual Accounts for the year 2007-2008 and recommended the same for approval of the board of Directors.

The Audit Committee invites such of the executives and directors, as it considers appropriate to be present at its meetings. The Manager, the Accountant, the Statutory Auditors and the Internal Auditors are normally invited to this meeting.





#### 4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE :

The Shareholders/Investors Grievance Committee was constituted to look into the redressal of shareholders/investors grievances, if any, like transfer/ transmission / demat of shares, loss of shares certificate, non-receipt of Annual Report, Dividends etc.

The Committee oversees the performance of the Registrar and Transfer Agents and recommends measures for overall improvement in the quality of investor services.

The Composition of Committee is as follows:

Name of the Directors & Position	Category
Mr. N C Vadgama	Chairman & Executive Director
Mr. R R Bambhania	Joint Managing Director
Mr. B R Sureja	Independent Non- Executive Director

One meeting of Share holder/ Investor Grievances Committee was held on 15<sup>th</sup> March, 2008.

No complaint was received during the financial year from the shareholders or any other statutory authorities.

#### 5. CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING :

The Company has a policy for prevention of Insider Trading in the securities of the Company. The Code, inter alia, prohibits purchase/ sale of shares of the Company by the employees while in possession of unpublished price sensitive information in relation to the Company.

The Company adopted the Code of Conduct and ethics for Directors and Senior Management. The code had been circulated to all the members of the Board and senior management. The Board member and senior management have affirmed their compliance with the Code. A declaration of Managing Director as to the compliance of the Code of Conduct by the Board Members and Key Managerial Employees has been provided at the end of this report.

#### 6. GENERAL BODY MEETINGS :

Location, time and date where the last three Annual General Meetings of the Company were held are given below :

Financial Year	Date	Location of the Meeting	Time
2004 - 2005	22/0 9/2005 (AGM)	Village: PATLA, Tal: BHESAN Dist : JUNAGADH 362 030	11.00a.m
2005 – 2006	14/03/2006 (EOGM)	Village: PATLA, Tal: BHESAN Dist : JUNAGADH 362 030	11.00a.m.
2006 – 2007	31/05/2006 (EOGM)	Village: PATLA, Tal: BHESAN Dist : JUNAGADH 362 030	11.00a.m.
2006 - 2007	22/09/2006 (AGM)	Village: PATLA, Tal: BHESAN Dist : JUNAGADH 362 030	11.00a.m.
2007 - 2008	29/09/2007 (AGM)	Village: PATLA, Tal: BHESAN Dist : JUNAGADH 362 030	11.00a.m.

All resolutions moved at the last Annual General Meeting were passed by a show of hands by the requisite majority of members attending the meeting. The followings are the Special Resolutions passed at the previous three Annual General Meetings and Extra Ordinary General Meeting.

AGM/EOGM Held on	Whether Special Resolution Passed	Summary
22-09-04 (AGM)	Yes	Voluntary De-listing from DSE
22-09-05 (EOGM)	No	N.A.
14-03-06 (EOGM)	Yes	(1) Amending Object Clause by inserting sub-clause 43 to 46 (2) Commencing activity as stated in Other Objects(Cl.43 to 46)
31-05-06 (EOGM)	Yes	(1) Issue of Equity Shares on Preferential basis
22-09-06 (AGM)	No	N.A.
29-09-07 (AGM)	No	N.A.

#### 7. DISCLOSURES :

- i) During the year under review, besides the transactions mentioned elsewhere in the annual report, there were no other related party transactions by the Company with its promoter, directors, management and subsidiaries that had a potential conflict with the interests of the Company at large.

The Audit Committee is briefed of the related party transactions undertaken by the Company in the ordinary course of business (summary), material individual transactions which were not in the normal course of business and material individual transactions with related parties or others, which were not at arm's length basis together with management's justification for the same.

- ii) The Senior Management has made disclosures to the Board relating to all material, financial and commercial transactions stating that they did not have personal interest that could result in a conflict with the interest of the Company at large.
- iii) The Company has complied with various rules and regulations prescribed by the Stock Exchange, Securities and Exchange Board of

