



AUSTIN ENGINEERING COMPANY LIMITED

32nd ANNUAL REPORT

2009-2010

: BOARD OF DIRECTORS :

Mr. N. C. VADGAMA	:	Chairman & Executive Director
Mr. S. M. THANKI	:	Managing Director
Mr. R. R. BAMBHANIA	:	Joint Managing Director
Mr. J. R. BHOGAYTA	:	Executive Director
Mr. B.D. JOSHI	:	Non Executive Director
Dr. B. R. SUREJA	:	Non Executive Director
Mr. K. J. MEHTA	:	Non Executive Director
Mr. D. B. NAKUM	:	Non Executive Director

AUDITORS :

DHIRUBHAI DAND & CO.
Chartered Accountants
Gokul Chamber, JUNAGADH - 362 001.

: COST AUDITORS :

S. B. PARIKH & CO.
Cost Accountants, VADODARA.

: BANKERS :

BANK OF BARODA,
Azad Chowk Branch - JUNAGADH - 362 001.

REGISTER & TRANSFER AGENT :

SHAREPRO SERVICES
13-AB, SAMHITA WAREHOUSING COMPLEX, NEAR SAKINAKA TELEPHONE EXCHANGE,
ANDHERI-KURLA ROAD, SAKINAKA, ANDHERI (EAST), MUMBAI - 400 072.

REGISTERED OFFICE & WORKS :

VILLAGE : PATLA, TALUKA : BHESAN, DIST : JUNAGADH - 362 030.

: JUNAGADH OFFICE :

101, G.I.D.C. ESTATE, VADAL ROAD, JUNAGADH - 362 003.

Visit at <http://www.aec-bearings.com>

E-mail : info@aecbearings.com



N O T I C E

NOTICE is hereby given that the 32nd 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 Wednesday, 22nd September, 2010 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, 2010 and the Directors' and Auditors' Reports thereon.
2. To declare dividend on Equity Shares for the financial year ended 31st March, 2010.
3. To appoint a Director in place of Dr. B. R. Sureja, who retires by rotation and being eligible offers himself for re- appointment.
4. To appoint a Director in place of Mr. K. J. Mehta, who retires by rotation and being eligible offers himself for re- appointment.
5. 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 authorize the Board of Directors to fix their remunerations.

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of Section 314 and all other applicable provisions, if any, of the Companies Act, 1956 and the rules made there under from time to time and subject to the prior approval of the Central Government and further subject to such modifications, amendments and variations as the Central Government may suggest, and which the Board of Directors of the Company is hereby authorised to accept and subject to such other consents, approvals, permissions as may be required, consent of the Company be and the same is hereby accorded for revising remuneration of Mr. Hiren Vadgama as Vice President-Design of the Company with effect from the first day of the following month of the date as the Central Government may approve while according its approval on the following remuneration including perquisites or such remuneration as may be approved by the Central Government while according its approval and as may be accepted by Mr. Hiren Vadgama.

- (1) Salary (in scale of): Rs.75000/- per month in the scale of 75000-10000-105000. + Bonus as per the rules of the Company.
- (2) Perquisites: The following perquisites will be allowed in addition to the salary.

(a) Medical Reimbursements :

For self and his family, subject to a ceiling of one month a year or 3 months salary over a period of 3 consecutive years subject to maximum Rs. 15000/- per annum.

(b) Leave Travel Concession :

For self and his family, once in a year incurred in accordance with the rules of the Company

(c) Gratuity :

It shall be payable at half a month's salary for each completed year of service.

(d) Leave :

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

"FURTHER RESOLVED THAT consent of the Company be and the same is hereby accorded for Mr. Hiren Vadgama to hold an office or place of profit in the Company, as above, he being a relative (son) of Mr. N C Vadgama, Chairman and Executive Director of the Company.

"FURTHER RESOLVED THAT Mr. S M Thanki, Managing Director of the Company be and is hereby authorised to do all such acts, deeds, and things, as may be expedient and desirable for the purpose of giving effect to the resolutions including all such modification/s, when necessary, to the above terms of remuneration as the Central Government may suggest or require while granting approval.

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

"RESOLVED THAT pursuant to the provisions of Section 314 and all other applicable provisions, if any, of the Companies Act, 1956 and the rules made there under from time to time and subject to the prior approval of the Central Government and further subject to such modifications, amendments and variations as the Central Government may suggest, and which the Board of Directors of the Company is hereby authorised to accept and subject to such other consents, approvals, permissions as may be required, consent of the Company be and the same is hereby accorded for revising remuneration of Mr. Jignesh Thanki as Vice President-Technical of the Company with effect from the first day of the following month as the Central Government may approve while according its approval on the following remuneration including perquisites or such remuneration as may be approved by the Central Government while according its approval and as may be accepted by Mr. Jignesh Thanki.

- (1) Salary (in scale of): Rs.75000/- per month in the scale of 75000-10000-105000 + Bonus as per the rules of the Company.
- (2) Perquisites : The following perquisites will be allowed in addition to the salary.

(a) Medical Reimbursements :

For self and his family, subject to a ceiling of one month a year or 3 months salary over a period of 3 consecutive years subject to maximum Rs. 15000/- per annum.

(b) Leave Travel Concession :

For self and his family, once in a year incurred in accordance with the rules of the Company.



(c) Gratuity :

It shall be payable at half a month's salary for each completed year of service.

(d) Leave :

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

"FURTHER RESOLVED THAT consent of the Company be and the same is hereby accorded for Mr. Jignesh Thanki to hold an office or place of profit in the Company, as above, he being a relative (son) of Mr. S M Thanki, Managing Director of the Company.

"FURTHER RESOLVED THAT Mr. N C Vadgama, Chairman and Executive Director of the Company be and is hereby authorised to do all such acts, deeds, and things, as may be expedient and desirable for the purpose of giving effect to the resolutions including all such modification/s, when necessary, to the above terms of remuneration as the Central Government may suggest or require while granting approval.

By order of the Board of Directors

N C Vadgama
Chairman

Place : Patla, Dist. Junagadh

Date : 29th May, 2010

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, 2010 to 22nd September, 2010 (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, 2010. 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, 13-AB, Samhita Warehousing Complex, 2nd Floor, Near Sakinaka Telephone Exchange, Andheri-Kurla Road, Sakinaka, Andheri (East) MUMBAI 400 072 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. 6 & 7 :

Mr. Hiren Vadgama and Mr. Jignesh Thanki has been working with the Company as Vice President since 15 years and both are presently drawing remuneration of Rs. 48,900/- per month. During their tenures, the Company made tremendous progress in terms of sales particularly on export front; profitability by taking several strategic managerial and financial decisions, increased the product mix and several value added products. Mr. Hiren Vadgama and Mr. Jignesh Thanki, are professionally qualified as B. E. (Mechanical) and both are associated with the Company since last 15 years. They fought out bravely and efficiently during the critical hours and reached the Company to its new heights under the able guidance of whole-time directors. Both of them have leadership qualities.

In terms of requirements of Section 314 (1B) of the Companies Act, 1956 read with the Directors' Relatives (Office or Place of Profit) Rules, 2003, the Remuneration Committee of the Company has also recommended Board of Directors to revise their remuneration as mentioned in the resolution. The perquisites proposed are more or less similar to other employees of the Company. Moreover they are in the exclusive employment of the Company and do not hold any place of profit in any other Company.





Since Mr. Hiren Vadgama is related to Mr. N. C. Vadgama, Chairman and Executive Director of the Company being his son and Mr. Jignesh Thanki is related to Mr. S. M. Thanki, Managing Director of the Company being his son and since the revised remunerations as proposed exceed Rs 50000/- per month, they will be deemed to be holding an office or place of profit in the Company within the meaning of Section 314 of the Companies Act, 1956 and holding of such an office or place of profit requires the prior consent of the Company by Special Resolution and the prior approval of the Central Government. In these circumstances, consent of the member is being sought for Mr. Hiren Vadgama and Mr. Jignesh Thanki to hold such an office or place of profit in the Company. Accordingly, Special Resolution set out in Item No.6 & 7 of the Notice is submitted to the meeting.

The proposed holding of office or place of profit by Mr. Hiren Vadgama and Mr. Jignesh Thanki will also be subject to the prior approval of the Central Government for which necessary application will be made by the Company. The Special Resolution set out in the Notice also authorizes Mr. S M Thanki the Managing Director and/ or Mr. N C Vadgama, Chairman and Executive Director of the Company to accept such modifications or amendments or variations in the terms and conditions of remuneration of Mr. Hiren Vadgama and Mr. Jignesh Thanki as may be suggested by the Central Government while according its approval and as may be accepted by them.

Your Directors commend the resolution for your approval.

Except Mr. N C Vadgama, Chairman and Executive Director and Mr. S M Thanki, Managing Director of the Company, no other director is concerned or interested in this resolution.

BRIEF RESUME OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT AND DIRECTORS APPOINTED SINCE LAST A.G.M.

Particulars	Dr. B. R. Sureja	Mr. K. J. Mehta
Date of Birth	27-10-1968	24-11-1934
Appointed on	15-03-2003	15-03-2003
Qualifications	M. D.	B.A., C.A.I.I.B.
Expertise in Specific Functional Areas Directorships held in other Public Companies (excluding foreign companies)	NO	NO
Membership/ Chairmanship of Committees across public Companies	NO	NO
Shareholding	NO	NO

DIRECTORS' REPORT

To,
The Members,
Your Directors have pleasure in presenting the 32nd Annual Report with the audited accounts of the Company for the year ended 31st March, 2010

FINANCIAL RESULTS

	Rs. In Lacs	
	Year ended 31st March 2010	Year ended 31st March 2009
Gross profit before Interest Depreciation and Tax	932.63	1529.52
Less: Interest and Depreciation	282.82	352.94
Profit before Tax	649.81	1176.58
MTM Losses (Gain) on Derivative Contracts for ineffective hedge	(275.90)	229.55
Less : Provision for Taxation	229.41	412.43
Fringe Benefit Tax	-	10.50
Deferred Tax Assets	(9.37)	10.06
Profit after Tax.	705.67	514.04
Add : Balance brought forward from last year.	1893.60	1501.18
Profit available for appropriations	2599.27	2015.22
Appropriations :		
- Proposed Dividend	52.17	52.67
- Provision for Tax on Proposed Dividend	08.10	08.95
- Transfer To General Reserve	80.00	60.00
Balance carried forwarded to next year	2459.00	1893.60



OPERATING RESULTS :

The performance of the company during the year remains fair in spite of the depressionary conditions in the world economy. The sales of the Company have declined both in domestic and export segment. The sales during the year were Rs. 6886.23 lacs as against Rs.8432.95 lacs in the previous year. The net profit of the Company has however increased from Rs. 514.05 lacs to Rs. 705.67 lacs registering an increase of 37.28 % as compared to the last year. The Company has earned revenue of Rs. 73.95 lacs making net profit of Rs. 36.07 lacs out of the Wind Mill Project.

The Company continued to launch a number of new and higher value added products along with tightening cost factors, which will further strengthen the Company's competitiveness and profitability in the future.

DIVIDEND :

The Directors are pleased to recommend for approval of shareholders a dividend of Rs. 1.50 (Tax Free) per Equity share of the Company in respect of the financial year ended on 31st March, 2010. (Previous Year Rs.1.50) 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 31st March, 2010.

COMPLIANCE CERTIFICATE :

The company has obtained compliance certificate from M/s. K.J.SHAH & COMPANY, Company secretaries, Ahmedabad, under section 383 (A) of the Companies Act, 1956 and a copy of such certificate is annexed to this report.

BUYBACK OF EQUITY SHARES :

The Board of Directors of the Company at their meeting held on 8th January, 2009 had approved the Buyback of equity shares from the open market through stock exchange, not exceeding 4,50,000 nos. of equity shares of Rs.10/- each fully paid up for an aggregate amount not exceeding Rs. 2,92,50,000 at a price not exceeding Rs.65/- pre equity share.

The Company had commenced the said buyback on 27th January, 2009 and closed the same on 7th January 2010. During the same period, the company had bought back 53,200 equity shares for the aggregate consideration of Rs. 29,25,593.78 (at an average of Rs. 54.99 per share). The present paid up capital of the company after extinguishment of above shares is Rs. 3,47,78,000 divided in to 34,77,800 equity shares of Rs.10/- each.

DIRECTORS :

Dr. B. R. Sureja, a Director of the Company who retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Mr. K. J. Mehta, a Director of the Company who retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000 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, 2010 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 retires 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 AUDIT :

As per the Government directives, the company's cost record in respect of Bearings for the financial year ended on 31st March, 2010 were being audited by M/s. S. B. Parikh & Company, Cost Auditor who were appointed by the Board pursuant to the provisions of section 233B of the Companies Act, 1956 with necessary approval from the Central Government.

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 :

Pursuant to section 212 of the Companies Act, 1956, the audited statement of accounts for the year ended on 31st March, 2010 of Accurate Engineering Inc. U.S.A., the wholly owned subsidiary together with the report of the auditors, necessary audited attachments and also the statement under section 212 of the Companies Act, 1956 are annexed to this report.

As prescribed by Accounting Standard 21 of the Institute of Chartered Accountants of India, the audited consolidated financial statements are annexed to this report.





LISTING OF EQUITY SHARES :

The Company's equity shares are listed at Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai 400 001
The Company has paid the annual listing fee of the said stock exchange for the financial year 2010-2011.

AUDIT COMMITTEE :

The Audit committee consists of the following directors viz;

1. Mr. B. D. Joshi, Chairman of committee
2. Mr. K. J. Mehta, Members of committee
3. Mr. D. B. Nakum, Members of committee

All the members of Audit Committee are independent directors.

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 wishes 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 : 29th May, 2010

N C VADGAMA
Chairman

ANNEXURE (I)

Information under section 217(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forming part of Directors Report for the financial year ended on 31st March, 2010

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/up gradation 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 making continuous efforts towards modernization and technology up-gradation and innovations.

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)	
	2009-2010	2008-2009
FOREIGN EXCHANGE EARNINGS :		
1. Exports of goods on FOB basis	3268.25	4985.76
Total Foreign Exchange earned	3268.25	4985.76
FOREIGN EXCHANGE OUTGO :		
1. Import of CIF value of Raw Materials, Capital goods & Spares.	8.39	110.76
2. Traveling	4.95	6.67
3. Sales Commission	28.67	54.26
4. Foreign Marketing & Sales Promotion Expenses	7.33	2.13
5. FCNR Loan Interest	-	15.38
6. Dividend	1.76	1.76
Total Foreign Exchange used	51.10	190.96

On behalf of the Board of Directors

N C VADGAMA
Chairman

Place : Patla, Dist.:Junagadh

Date : 29th May, 2010

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**OVERVIEW OF BEARING INDUSTRIES :**

The Indian Bearing market can primarily be divided into two sectors-Automotive and Industrial. Each of these segments may further be sub-divided into OEM and end users. OEM are the major uses of bearings in India with about 60% market share while the end user segment contributes to the remaining 40% market shares. Within the OEM's, the automobile segment consumes the largest share of bearings followed by the industrial sector.

The supply structure within the bearing industry is dominated by the domestic bearing manufacturers who accounts for almost 75% of the total demand. Balance is met through imports. The domestic bearing market focuses on the low and replacement market. There are different types of bearings among them ball bearings constituting of one third of the bearings sales while tapers, cylindrical, spherical and others form the rest.

Seals, lubrications, mechatronics and services are related technology segment at a nascent stage- which is growing alongwith the bearing market. With the rapid growth in the industry in the recent past, the total size of the bearing industry is expected to be well over 60 billion.

OPPORTUNITIES :

India's GDP is expected to go up 2.2 times from \$1.3 trillion a decade from today. The automotive and industrial sector is expected to play a leading role in the growth of economy.

Automotive industry is the largest consumer of bearings in India and has been growing at a significant pace on the back of strong domestic demand. We expect this industry to continue this space and be the highest contributor to the consumption.

India is one of the fastest growing passenger car markets in the world and second largest two wheeler manufacturers globally. The Indian domestic market will continue to be dominated by small cars and is growing significantly in the segment of medium and big cars in the recent past. Your Company aims to leverage this opportunity on its financial strength and its market leadership.

THREATS :

Steel and alloy steel form the basic raw-material for the manufacturing of bearings and constitute the single largest components of bearing cost. Steel prices therefore, have significant impact on margins.

The counterfeiting of bearings is the biggest threat to the industry since these spurious bearings affect the business and brand image. Spurious bearings are of poor quality and are unsafe and unreliable. Spurious bearings mainly cater to the replacement market, which is price sensitive. Your company is taking steps to curtail spurious trade by improved packaging, creating awareness and other necessary action.



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's 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 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 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 majority of its revenues. We had 100% subsidiaries in USA, which also act as marketing front-end. What may come as a surprise to the most is that despite of 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 diameter.

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 :

The Company has a sound system of internal controls for financial reporting of the various transactions, and compliance with relevant laws, rules and regulations. The Company has well documented policies, procedures and authorization guidelines commensurate with the level of responsibility and standard operating procedures specific to the business.

The Internal Audit department has an extensive audit programmes for the year. The 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 27 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 :

The Indian economy has strongly recovered and most estimates now indicate a return of 8% plus growth rate from 2010 onwards. Acceleration of reforms and capital inflows will spur investments; however, the risk from high inflation, higher cost of capital and financing constraints arising from, among others, the fiscal deficit could have a dampening effect on growth. Indian's growth prospectus remains "fair and bright" as it was not at the centre of the global crisis with its growth well balanced with mainly reliant on domestic consumption.



Indian economy is gradually strengthening and more stable on the front of economic development. There is an unprecedented boom in the automotive sector, led by strong sales in the car and two wheeler segment while the industrial sector comprising of metals, mining, cement, power etc. are showing encouraging signs. The Index for industrial production has in recent months, indicated a return to high growth days in manufacturing sector. This Augurs well for our business and we remain cautiously optimistic that 2010-11 will be a good year.

The market leadership in the segment in which it represents coupled with product quality, global group support and financial strengths shall provide excellent opportunities for growth in the years to come.

We are also actively working on the following areas which are very close to commercialization and they are as follows:

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 believes that the quality of its employees is the key to its success in the long run and is committed to provide necessary human resources development and training opportunities to equip them with skill, enabling them to adapt to contemporary technological advancements. Industrial relations during the year continued to be cordial and the company is committed to maintain good relations through negotiations and meetings.

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.

COMPLIANCE CERTIFICATE

Company Identification No: L27259GJ1978PLC003179

Nominal Capital: Rs.40000000

To,
The Members,
AUSTIN ENGINEERING CO. LTD.

We have examined the registers, records, books and papers of AUSTIN ENGINEERING COMPANY LIMITED as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the Financial Year ended on 31st March, 2010. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

- 1 The Company has kept and maintained all registers as stated in Annexure "A" to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
- 2 The Company has duly filed the forms and returns as stated in Annexure "B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under.
- 3 The Company being a public limited company, comments are not required.
- 4 The Board of Directors duly met Eight times on 10th April, 2009, 15th May, 2009, 23rd June, 2009, 29th July 2009, 22nd September, 2009, 28th October, 2009, 4th January, 2010 and 25th January, 2010 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose
- 5 The Company has closed its Register of Members and/or Debenture holders from 15th September, 2009 to 22nd September, 2009 and necessary compliance of Section 154 of the act has been made.
- 6 The annual general meeting for the financial year ended on 31st March, 2009 was held on 22nd September, 2009 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- 7 No extra ordinary general meeting was held during the financial year
- 8 The Company has not advanced any loan to its directors or persons or firms or companies referred to under section 295 of the Act..
- 9 The Company has duly complied with the provisions of section 297 of the act in respect of contracts specified in that section.
- 10 The Company has made necessary entries in the Register maintained under section 301 of the Act.
- 11 As there were no instances falling within the purview of section 314 of the Act, the Company has not obtained any approvals from the board of Directors, members or Central Government.
- 12 The Board of Directors or duly constituted Committee of Directors has approved the issue of duplicate share certificates.
- 13 The Company has:
 - i) delivered all the certificates on lodgment thereof for transfer in accordance with the provisions of the act.
 - ii) deposited the amount of dividend declared in a separate Bank Account on 25th September, 2009 which is within five days from the date of declaration of such dividend.





- iii) paid/posted warrants for dividends to all the members within a period of 30 (Thirty days) from the date of declaration and that all unclaimed dividend has been transferred to Unpaid Dividend Account of the company with Yes Bank, Worli, Mumbai on 28th October, 2009.
- iv) transferred the amounts in unpaid dividend account, application money due for refund, matured deposits and interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund.
- v) duly complied with the requirements of section 217 of the Act.
- 14 The Board of Directors of the Company is duly constituted and the appointment of directors, additional directors, alternate directors and directors to fill casual vacancies has been duly made.
- 15 The Company has not appointed any Managing Director/ Whole time director/ Manager during the financial year.
- 16 The Company has not appointed any sole selling agents during the financial year.
- 17 The Company has obtained all necessary approvals of the Central Government, Company Law board, Regional Director, Registrar or such authorities as prescribed under the various provisions of the Act as detailed below:
- (i) approval from Regional Director under the proviso to sub-section (1) of section 297 of the Companies Act, 1956
- 18 The directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and rules made there under.
- 19 The Company has not issued any shares, debentures or other securities during the financial year.
- 20 The Company has bought back 33450 equity shares during the financial year ending on 31st March, 2010 after complying with the provision of the Act.
- 21 There was no redemption of preference shares or debentures during the financial year.
- 22 The Company wherever necessary has kept in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares in compliance with the provisions of the Act.
- 23 The Company has complied with the provisions of sections 58A and 58AA read with Companies (Acceptance of Deposit) Rules, 1975/the applicable directions issued by the Reserve Bank of India/any other authority in respect of deposits accepted including unsecured loans taken, amounting to Nil raised by the company during the year and the company has filed the copy of Statement in lieu of Advertisement/ necessary particulars as required with the Registrar of Companies Gujarat on 3rd August, 2009. The Company has also filed return of deposit with the Registrar of Companies, Reserve Bank of India and other authorities.
- 24 The amount borrowed by the Company from directors, members, public financial institutions, banks and others during the financial year ending 31st March, 2010 are within the borrowing limits of the Company and that necessary resolutions as per section 293(1)(d) of the Act have been passed in dully conveyed annual general meeting.
- 25 The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
- 26 The Company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one State to another during the year under scrutiny.
- 27 The Company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
- 28 The Company has not altered the provisions of the Memorandum with respect to name of the company during the year under scrutiny.
- 29 The Company has not altered the provisions of the Memorandum with respect to share capital of the company during the year under scrutiny.
- 30 The Company has not altered its Articles of Association during the year.
- 31 As informed to us, there was no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other punishment was imposed on the company during the financial year, for offences under the Act.
- 32 The Company has not received any money as security from its employees during the financial year.
- 33 The Company has generally regularly deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

Place: AHMEDABAD
Date: 29TH MAY, 2010

Name of the Company Secretary
KAUSHIK J SHAH
CP NO 1414 FCS NO 2420

K. J. Shah & Company
301, 'Sambanna', B/h., Navrangpura Bus Stand,
Ahemdabad- 380 009. Ph. (O) : 26423700

ANNEXURE "A"

STATUTORY REGISTERS :

- | | | |
|---|---|------------|
| 1) Register of Members | : | U/s 150 |
| 2) Register of Directors | : | U/s 303 |
| 3) Register of Directors Shareholdings | : | U/s 307 |
| 4) Register of Contracts, Companies & Firms in which director etc. are interested | : | U/s 301(3) |
| 5) Register of Board Minutes | : | U/s 193 |
| 6) Register of AGM / EOGM Minutes | : | U/s 193 |

