



CERTIFICATE

Standard : **ISO / TS 16949:2009**
(3rd edition, 2009-06-15)

Certificate Registr. No. : 01 111 058896

IATF Certificate No. : 0123700

TÜV Rheinland Cert GmbH certifies:

Certificate Holder : **Austin Engineering Company Limited**
Village Patla, Taluka Bhesan Via. Ranpur (Sorath)
Post Hadmatiya District, Junagadh – 362 030, Gujarat, India

Scope : Manufacturer of Antifriction Bearings for Automotive Application
- with product design and development -

An audit was performed, Report No. 058896. Proof has been furnished that the requirements according to ISO/TS 16949:2009 are fulfilled.

The due date for future audits is 12-05 (dd.mm).

Validity : The certificate is valid from 2011-07-04 until 2014-07-03.

2011-07-04



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Deutschland



2-IAQ-QMC 01003



AUSTIN ENGINEERING COMPANY LIMITED

33rd ANNUAL REPORT 2010-2011

: 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 (INDIA) PVT. LTD.
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 (Gujarat).

: JUNAGADH OFFICE :

101, G.I.D.C. Estate, Vadal Road, JUNAGADH - 362 003 (Gujarat).

Visit at <http://www.aec-bearings.com>
E-mail : info@aecbearings.com



**NOTICE**

NOTICE is hereby given that the **33rd 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 Thursday, 22nd September, 2011 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, 2011 and the Directors' and Auditors' Reports thereon.
2. To declare dividend on Equity Shares for the financial year ended 31st March, 2011.
3. To appoint a Director in place of Mr. B. D. Joshi, who, retires by rotation and being eligible offers himself for re- appointment.
4. To appoint a Director in place of Mr. R. R. Bambhanja, 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 Section 314 of the Companies Act, 1956, and all other applicable provisions, if any, of the Companies Act, 1956 and the rules made there under from time to time and further to the Notification No. 17/75/2011-C.L.V. dated 06/04/2011 in respect of amendment in Rules 3 and 4(7) of Director's Relatives (Office or Place of Profit), 2003, consent of the Company be and is hereby accorded for revision in remuneration including perquisites to Mr. Hiren Vadgama as Vice President-Design of the Company with effect from **1st October, 2011**.
 (1) Salary (in scale of): Rs.75000/- per month in the scale of 75000-25000-150000 plus 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 in 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 the 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 authorized to do all such acts, deeds, and things, as may be expedient and desirable for the purpose of giving effect to the above resolution."
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 Section 314 of the Companies Act, 1956, and all other applicable provisions, if any, of the Companies Act, 1956 and the rules made there under from time to time and further to the Notification No. 17/75/2011-C.L.V. dated 06/04/2011 in respect of amendment in Rules 3 and 4(7) of Director's Relatives (Office or Place of Profit), 2003, consent of the Company be and is hereby accorded for revision in remuneration including perquisites to Mr. Jignesh Thanki as Vice President-Technical of the Company with effect from **1st October, 2011**.
 (1) Salary (in scale of): Rs.75000/- per month in the scale of 75000-25000-150000 plus 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 in 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 the 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. Shashikant Thanki, Managing Director of the Company.



“FURTHER RESOLVED THAT Mr. S. M. Thanki, Managing Director of the Company be and is hereby authorized to do all such acts, deeds, and things, as may be expedient and desirable for the purpose of giving effect to the above resolution.”

By order of the Board of Directors

Place : Patla, Dist. Junagadh
Date : 30th May, 2011

Sd/-
N C Vadgama
Chairman

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 Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business is annexed herewith.
3. The Register of Members and Share Transfer book of the Company will remain closed from 15th September, 2011 to 22nd September, 2011 (both days inclusive).
4. 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 15th September, 2011. 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.
5. 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.
6. 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.
7. 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.
8. **“AECL”** is concerned about the environment and encourages the utilization of the natural resources in a sustainable manner. The Ministry of Corporate Affairs (MCA,) Government of India, through its Circular Nos. 17/2011 and 18/2011 dated April, 21, 2011 and April 29, 2011 respectively, has allowed Companies to send official documents to their shareholders electronically as part of its Green Initiatives in Corporate Governance.
Recognizing the spirit of the Circular issued by the MCA, **“AECL”** henceforth proposes to send documents like the Notice convening the General Meetings, Financial Statements, Directors' Report, Auditor's Report, etc. on the email address provided by the members to their Depositories/ Depository Participants (DP). The same shall also make available at Company's website **www.aec-bearings.com**
Members are requested to update their email address with the Depository Participants to ensure that the Annual Report and other documents reach them on their preferred email address.
Members holding shares in physical mode may also send the request to the Company or its Registrar by letter or by email at austin@shareproservices.com to receive the soft copy of the Annual Report by email instead of hard copy.
9. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are therefore requested to submit the PAN to their Depository Participants with whom they are maintaining their Demat accounts. Members holding share in physical form can submit their PAN details to the Company or their Registrar and Transfer Agents.
10. Relevant documents referred to in the accompanying notice are open for inspection at the registered office of the Company on all working days, except Fridays and Sundays, between 11.00 a.m. to 1.00 p.m. up to the date of the meeting.
11. 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.
12. Members/Proxies are requested to bring their copy of the Annual Report to the Meeting along with duly filled in Attendance Slips for attending the meeting.
13. Members holding shares in single name and in physical mode are advised to make nomination in respect of their shareholdings in the Company. The said nomination form can be downloaded from the Company's website **www.aec-bearings.com**

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 have been working with the Company as Vice President since 15 years and both are presently drawing remuneration of Rs. 75000/- 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). They fought out bravely and efficiently during the critical hours and reached the Company to the new heights under the able guidance of whole-time directors. Both of them have leadership qualities.





The Company had earlier obtained approval from the Ministry of Corporate Affairs vide letter reference no. SRN No. A96972112/1/2010-CL.VII and reference no. SRN No. A969734091/2010-CL.VII both dated 8th March, 2011 in terms of the resolution passed by the members of the Company at the Annual General Meeting held on Wednesday, 22nd September, 2010. In view of Notification No. 17/75/2011-C.L.V. dated 06/04/2011, the said remuneration is to be revised in the scale of Rs.75000-25000-150000 instead of 75000-10000-105000 as approved earlier. The Remuneration Committee at its Meeting held on 30th May, 2011 has also recommended the said revised scale to the Board of Directors. 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 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, your consent is being sought. Accordingly, Special Resolution set out in Item No.6 & 7 of the Notice is submitted to the meeting.

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	Mr. B. D. Joshi	Mr. R. R. Bambhania
Date of Birth	23-11-1946	29-08-1976
Appointed on	15-05-2009	01-02-2008
Qualifications	M.Com C.A.I.I.B.	D. M. E.
Expertise in Specific Functional Areas	Banking	Engineering
Directorships held in other Public Companies (excluding foreign companies)	NO	YES
Membership/Chairmanship of Committees across public Companies	NO	NO
Shareholding	NO	60300

By order of the Board of Directors

Place : Patla, Dist. Junagadh

Date : 30th May, 2011

Sd/-
N C Vadgama
Chairman

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 33rd Annual Report together with the Audited accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

(Rs. In Lacs)

	Year ended 31st March, 2011	Year ended 31st March, 2010
Gross profit before Interest Depreciation and Tax	1038.93	932.63
Less: Interest and Depreciation	272.05	282.82
Profit before Tax	766.88	649.81
Add : MTM Gain on Derivatives Contracts	26.10	275.90
For the ineffective hedge		
Less: Provision for Taxation	260.71	229.41
Deferred Tax Assets	(20.07)	(9.37)
Profit after Tax	552.34	705.67
Add: Balance brought forward from last year	2459.01	1893.60
Profit available for appropriations	3011.35	2599.27
Appropriations:		
- Proposed Dividend	86.95	52.17
- Provision for Tax on Proposed Dividend	14.10	8.09
- Transfer to General Reserve	80.00	80.00
Balance carried forwarded to next year	2830.30	2459.01



OPERATING RESULTS:

The performance of the company during the year remains fair. The sales of the Company have increased both in domestic and export segment. The sales during the year were Rs. 8359.09 Lacs as against Rs. 6886.23 Lacs in the previous year. The sales thus registered an increase of 21.39% as compared to the last year.

The net profit of the Company has however decreased from Rs. 705.67 lacs to Rs. 552.34 lacs registering diminution of 21.73% as compared to the last year. The Company has earned revenue of Rs. 65.82 Lacs making net profit of Rs. 28.03 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 your approval a dividend of **Rs. 2.50** (Tax Free) per Equity share of the Company in respect of the financial year ended on 31st March, 2011. (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, 2011.

DIRECTORS:

Mr. B. D. Joshi, and Mr. R. R. Bambhania, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re- appointment.

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, 2011 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, 2011 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. Necessary application is also being submitted to the Department of Corporate Affairs for his appointment as Cost Auditor for financial year ended 31st March, 2012.

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.

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:

In accordance with the General Circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss account and other documents of **M/s Accurate Engineering Inc.**, the subsidiary company, are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the said subsidiary company and its related detailed information to any member of the Company who may be interested in obtaining the same and also on Company' website.

The Annual Accounts of the subsidiary company will also be kept open for inspection at the registered office of the Company and the subsidiary company.

A statement as required under Section 212 of the Companies Act, 1956 is annexed to this report.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard (AS)-21, the audited consolidated financial statements are annexed to this Annual Report.



**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:

The Company has accepted the highest standards of Corporate Governance and adheres strictly to the said requirements as set out by SEBI. The Report 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 are annexed to this report.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT:

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement is presented in separate section forming part of the Annual 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 : 30th May, 2011

Sd/-
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, 2011.

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 in (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 & is well accepted by OEM as import substitute.

Technology imported during last five years: Nil.

(C) FOREIGN EXCHANGE EARNING AND OUTGO:

		(Rs. in Lacs)	
S.No.	FOREIGN EXCHANGE EARNINGS:	2010- 2011	2009- 2010
1	Exports of goods on FOB basis	3782.77	3268.25
	Total Foreign Exchange Earned	3782.77	3268.25
	FOREIGN EXCHANGE OUTGO:		
1	Import of CIF value of Raw Materials, Capital goods & Spares.	99.38	08.39
2	Traveling	11.13	04.95
3	Sales Commission	1.30	28.67
4	Foreign Marketing & Sales Promotion Expenses	1.27	07.33
5	Dividend	1.20	1.20
	Total Foreign Exchange Used	114.28	50.54

On behalf of the Board of Directors

Place : Patla, Dist. Junagadh

Date : 30th May, 2011

Sd/-
N C Vadgama
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERVIEW OF BEARING INDUSTRY:

The Indian bearing market comprises of ball and roller bearings which is estimated to be of Rs. 66 billion in size. The said bearing market can be primarily divided into two sectors viz. 'Automotive' and 'Industrial'. Each of these segments may further be sub divided into 'OEM' and 'end user'. The organized bearing sector contributes to about 65% of the total market size. Of the total domestic demand, about 85% are met through import route.

The bearing industry can further be classified based on the rolling element used in the bearings, into basic bearing family categories, like deep groove ball bearings, tapered roller bearings, cylindrical roller bearings, spherical roller bearings, needle roller bearings, etc. and other special kind of bearings for specific applications. The major user of bearings in India is OEM followed by automobile segment consumers. Bearings are used in many user industry segments such as Automotive, Agricultural machinery, Defense, General engineering, Infrastructure, Cement, Off-Road vehicles, Power, Railways, Steel, Machine tools, Material Handling, to name a few.

During the period April – December 2010, India's GDP growth averaged at 8.6 % with quarterly development as follows:

Period	April – June 2010	July – September 2010	October-December 2010
% GDP growth over last year	8.9%	8.9%	8.2%

Industrial Production during April - December 2010 also rose by 8.6%. Developments in Mining, Manufacturing and Electricity sectors were placed at 7.7%, 9.1% and 4.7% respectively.

The Automotive industry saw one of the strongest periods of demand in 2010.

Production of Automotive Industry April-December 2010

Category	Number of Vehicles In thousands		% Growth
	Year 2010	Year 2009	
Two-Three Wheelers	10,448	8,040	30%
Passenger Cars & MUVs	2,134	1,671	28%
Light Commercial Vehicles	288	214	34%
Medium and Heavy Vehicles	243	162	50%

Source: SIAM

STRENGTH:

The Directors are well experienced and technically qualified with well succession plan. The Company is in this line of business for more than 32 years and enjoys its brand name in the market. The Company has wide market network with established customer base. The Company is able to obtain skilled workmen at comparatively lower cost. The Company is profit making one and self performance is improving year after year.



**OPPORTUNITIES:**

Indian GDP growth slowed down to 8.2% in the third quarter of 2010. However, the same is expected to exceed 8.5% during 2010-11, while it is likely to be around 8.5% during 2011-12. The growth trends in automotive industry remain positive at about 12 to 15 per cent in 2011 and the prospect for growth in the said industry will range from moderate to good in 2011-12.

A steady growth in educated young population in India, expansion of middle class and trickle down effects of overall prosperity in rural areas, are good indicators of inclusive economic growth. The need for effective and efficient transportation both personal and public will rise more rapidly than before. At the same time, the 'value consciousness' of Indian middle class will mean that market growth will be mainly focused in areas of motorcycles and small cars segments at least during the medium term.

A large number of public and private investment programs in power sector manifest Indian government's priority to this sector. Renewable energy too shows a lot of potential in the medium and long term.

Overall prospects for industrial development thus remain very positive in India and it seems that the strong demand for bearing products will continue in the coming times. The inflationary force on economy is a great concern requiring urgent corrective steps to tame the inflation.

THREATS:

Overall global scenario presents a mixed picture. Impact of political situation in Egypt and Libya on global economies is severe. Tragic consequences of destruction in Japan due to earthquake and tsunami are still unclear, but it is clear that it will certainly influence the Indian Economy.

Oil prices always remain an issue of concern.

Inflationary trends in Indian economy remain unwarranted. Rising input cost is a major concern that leads to uncertainty in the growth.

Consistent increase in the Steel prices poses a pressure on the cost and margin to bearing manufacturers.

Cheap imports from China and South East Asian countries have shown an increasing trend, causing depression in the domestic consumption and pressure on your company's margin.

The counterfeiting of the bearings is the biggest bane to the industry. These spurious products affect the business and the brand image. These spurious bearings mainly caters to the replacement market which is price sensitive. Your Company is taking steps to curtail the spurious trade by improved packaging, creating awareness among the consumers, protecting "AECL" brand and such necessary actions.

SEGMENT WISE PERFORMANCE:

The Company has primarily two segments of activities, namely, 'Bearings' and 'Power'. Their present performance and future prospects have been given separately in Directors' Report.

INTERNAL CONTROL SYSTEMS:

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

The Internal Audit Department has extensive audit programs 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.

BUSINESS STRATEGY AND OUTLOOK:

AECL is the leading manufacturer of all types of anti-friction bearings and it offers wide range of bearings to the different categories of buyers, like Automobiles, Defense, State Road Transport Corporation, steel plants, thermal plants, cement plants, sugar and paper industries, fan and pump, gear box, agro-machinery industries and material handling equipments.

Recent data of Indian Economy manifest fast getting back to growth trajectory. It seems private and public investment in new project will certainly increase the demand as the basic confidence improves.

At the Company level, the majority of the product range is import substitutes and there is likelihood to increase our sale on export front. A number of initiative for strict cost control and improving efficiency and production at all levels have been taken, which is expected to further enhance the performance of the Company in the years to come.

At the core of AECL, technical up gradation and advancement is a perpetual effort soliciting involvement of the top management which itself endeavors to encourage new development, continuous quality improvement and strong desire to prove that our technology is proficient to compete with any top technologically advanced organization and thus, resulting in unshakeable customer confidence in India and abroad for AEC bearings.

The Company is trying to focus on sharpening its competitiveness and offering a product mix which is totally market driven.

The Company restricts its export domain only to the most quality-conscious market like the United States and European Union which accounts majority of its revenue. We have 100% subsidiary in the USA which also acts as a marketing front end. What may come as a surprise to the most is that, despite our very modest size, we have the widest range of bearings in the domestic market, weighing from 50 gms to over 500 Kgs.

We manufacture bearings for demanding applications. It is among a handful of customized bearing manufacturers worldwide producing bearings of 1800mm diameter.

