



34th Annual Report 2011-2012



Austin Engineering Company Limited

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:

**Manufacture of Antifiction 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
169429:2009 are fulfilled.

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

Validity:

The certificate is valid from 2011-07-04 until 2014-07-13.

2011-07-04



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AUSTIN ENGINEERING COMPANY LIMITED

34th ANNUAL REPORT 2011-2012

: 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.

: BANKERS :

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

: REGISTRAR & 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, Vadad Road, JUNAGADH - 362 003 (Gujarat).

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

E-mail : info@aecbearings.com





NOTICE

NOTICE is hereby given that the **34th 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 Saturday, **22nd September, 2012** 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, 2012 and the Directors' and Auditors' Reports thereon.
2. To declare dividend on Equity Shares for the financial year ended 31st March, 2012.
3. To appoint a Director in place of Mr. Jeshanker R Bhogayta, who, retires by rotation and being eligible offers himself for re- appointment.
4. To appoint a Director in place of Mr. Dipsing B Nakum, 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.

By order of the Board of Directors

Sd/-
N C Vadgama
Chairman

Place: Patla, Dist. Junagadh

Date: 29th May, 2012

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, 2012 to 22nd September, 2012 (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 **15th September, 2012**. 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't 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.
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. **"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.



8. 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.
9. 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.
10. 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.
11. 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.
12. 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

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

Particulars	Mr. J. R. Bhogayta	Mr. D. B. Nakum
Date of Birth	08-01-1946	15-04-1944
Appointed on	27-07-1978	15-03-2003
Qualifications	D. M. E.	B. Com
Expertise in Specific Functional Areas	Engineering	Banking
Directorships held in other Public Companies (excluding foreign companies)	NIL	NIL
Membership/ Chairmanship of Committees across public Companies	NIL	NIL
Shareholding	75500	-

By order of the Board of Directors

Sd/-
N C Vadgama
Chairman

Place: Patla, Dist. Junagadh

Date: 29th May, 2012



**DIRECTORS' REPORT**

To the Members,

Your Directors have pleasure in presenting the 34th Annual Report together with the Audited accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS

(Rs. In Lacs)

	Year ended 31 st March, 2012	Year ended 31 st March, 2011
Gross profit before Interest Depreciation and Tax	1227	1032
Less: Interest and Depreciation	309	273
Profit before Tax	918	759
Add: MTM Gain on Derivatives Contracts	0	26
For the ineffective hedge		
Less: Provision for Taxation	300	253
Deferred Tax Assets	(19)	(20)
Profit after Tax.	637	552
Add: Balance brought forward from last year	2830	2459
Profit available for appropriations	3467	3011
Appropriations:		
- Proposed Dividend	87	87
- Provision for Tax on Proposed Dividend	14	14
- Transfer to General Reserve	100	80
Balance carried forwarded to next year	3266	2830

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. 10215 Lacs as against Rs. 8359 Lacs in the previous year. The sales thus registered an increase of 22.20% as compared to the last year.

The net profit of the Company has increased from Rs. 552 lacs to Rs. 637 lacs registering growth of 15.40% as compared to the last year. The Company has earned revenue of Rs. 72 Lacs making profit before tax to the tune of Rs 35 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, 2012. (Previous Year **Rs.2.50**) 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, 2012.

DIRECTORS:

Mr. Jeshanker R Bhogayta and Mr. Dipsing B Nakum, 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, 2012 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, 2012 were being audited by **Ms. Ila Patel, Cost Auditor** who were appointed by the Board of Directors by its meeting held on 18th January, 2012 on recommendation of Audit Committee pursuant to the provisions of section 233B of the Companies Act, 1956 in place of casual vacancy arisen due to the death of Mr. S B Parikh.

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 aftermarket 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.

By order of the Board of Directors

Sd/-

N C Vadgama
Chairman

Place: Patla, Dist. Junagadh

Date: 29th May, 2012



**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, 2012.

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:	2011- 2012	2010- 2011
1	Exports of goods on FOB basis	4637	3783
	Total Foreign Exchange Earned	4637	3783
	FOREIGN EXCHANGE OUTGO:		
1	Import of CIF value of Raw Materials, Capital goods & Spares.	94	99
2	Traveling	8	11
3	Sales Commission	3	1
4	Foreign Marketing & Sales Promotion Expenses	1	1
5	Seminar Expenses	1	—
6	Dividend	2	1
	Total Foreign Exchange Used	109	113

On behalf of the Board of Directors

Place: Patla, Dist. Junagadh
Date: 29th May, 2012

Sd/-
N. C. Vadgama
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERVIEW OF BEARING INDUSTRY:

The Indian Bearing market consists of Roller as well as Ball Bearing which are estimated at about 85 billion out of which about 45% have been met with imports. Production of bearing industry in organized sector as estimated by Ball and Roller Bearing Manufacturer's Association was placed at about 43 billions. Indigenous manufacturers are regularly expanding their capacity to meet growing demand for diverse sectors.

Roller Bearing is the precision engineering industry requiring high investments. India has a number of manufacturers in unorganized sector that mainly caters to the requirements in replacement sectors. At the same time small scale companies are often the origin of counterfeit products and thus poses severe threats both to bearing companies and the consuming industries.

The automotive industry is the single largest consumer of the bearing product. According to SIAM, sales of overall automobile sector increased by about 14% in 2011 as compared to 31% in 2010. These were mainly due to the decline in sale of passenger car. Rising interest rate, fluctuating fuel price frequently and the negative global sentiments were the main reasons for such slow down. The sentiments in two wheelers and commercial vehicles were more enthusiastic.

Production of Automotive Industry April-December 2011

Category	Number of Vehicles In thousands		% of change
	Year 2011	Year 2010	
Two-Three Wheelers	12200	10,448	17%
Passenger Cars & MUVs	2200	2,134	3%
Light Commercial Vehicles	391	288	36%
Medium and Heavy Vehicles	271	243	12%

Source: SIAM

The overall index of industrial production in India remained subdued during 2011. In 2011, industrial production grew at 3.6% as compared to 8.3% in the last year. Production of capital goods declined by 2.9% as compared to last year. Production of core industries like coal, cement, petroleum, fertilizers grew only at 4.4% as compared to 5.7% in the last year indicating deceleration in infrastructure industry.

STRENGTH:

The Directors are well experienced and technically qualified with well succession plan. The Company is in this line of business for more than 33 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:

Despite the subdued sentiments in economic growth in India, the long term outlook as a whole remains positive.

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. 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 indicate Indian government's priority to infrastructure sector. Renewable energy too shows a lot of potential in the medium and long term.

Overall prospects for industrial development remain 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:

Over the last few years increase in the price of steel which is the major raw material put a pressure on cost and margin of Indian bearing manufacturers.

Dumping of cheap bearings by Chinese manufacturer always causes a serious threat to the industry.

Slow growth in developed markets in US and Europe also causes depressionary trends in the said bearing industry.

Counterfeit bearing products accounting for about 20% to 25 % were sold in the replacement market. These fake products of inferior quality represent threat not only to organized sectors but to global customer as whole. Your Company is taking active measures to protect "AEC" brands. Your Company continues to focus on quality and technology innovations besides further developing application engineering and R & D capabilities to strengthen the competitiveness.

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 varieties to the different segments of people.

The Company blend optimism with caution as it looks ahead to short term future. Easing of inflation and liquidity will set better chance for investment and consumption.

At the Company level, the majority of product range is the import substitute and there is like hood to increase our sale on export front. A number of steps for strict cost control and improving efficiency and production at all levels have been taken which is expected to further enhance the performance of 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 your Company’s 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 various 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 on marketing front. 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 manufacturer worldwide producing bearings of 1800mm 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
7. Agro-machinery
8. Gear Box
9. Motor/Pumps

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 therefore is committed to provide necessary human resource 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 the Management Discussion and Analysis describing the Company’s objectives, projections, estimates, expectations or predictions may be ‘forward-looking statements’ within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied therein. Important factors that could make a difference include raw material availability and prices thereof, cyclical demand and pricing in the Company’s principal markets, changes in government regulations and tax regime, economic developments within India and the countries in which the Company conducts business and other incidental factors. The Company will not be in any way responsible for any actions based on such statements and undertakes no obligation to publicly update these forward looking statements to reflect subsequent events or circumstances.

