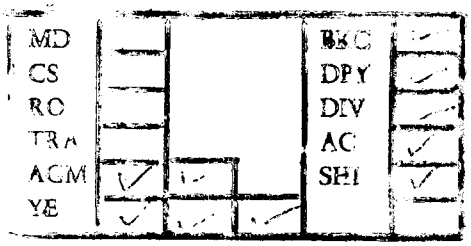
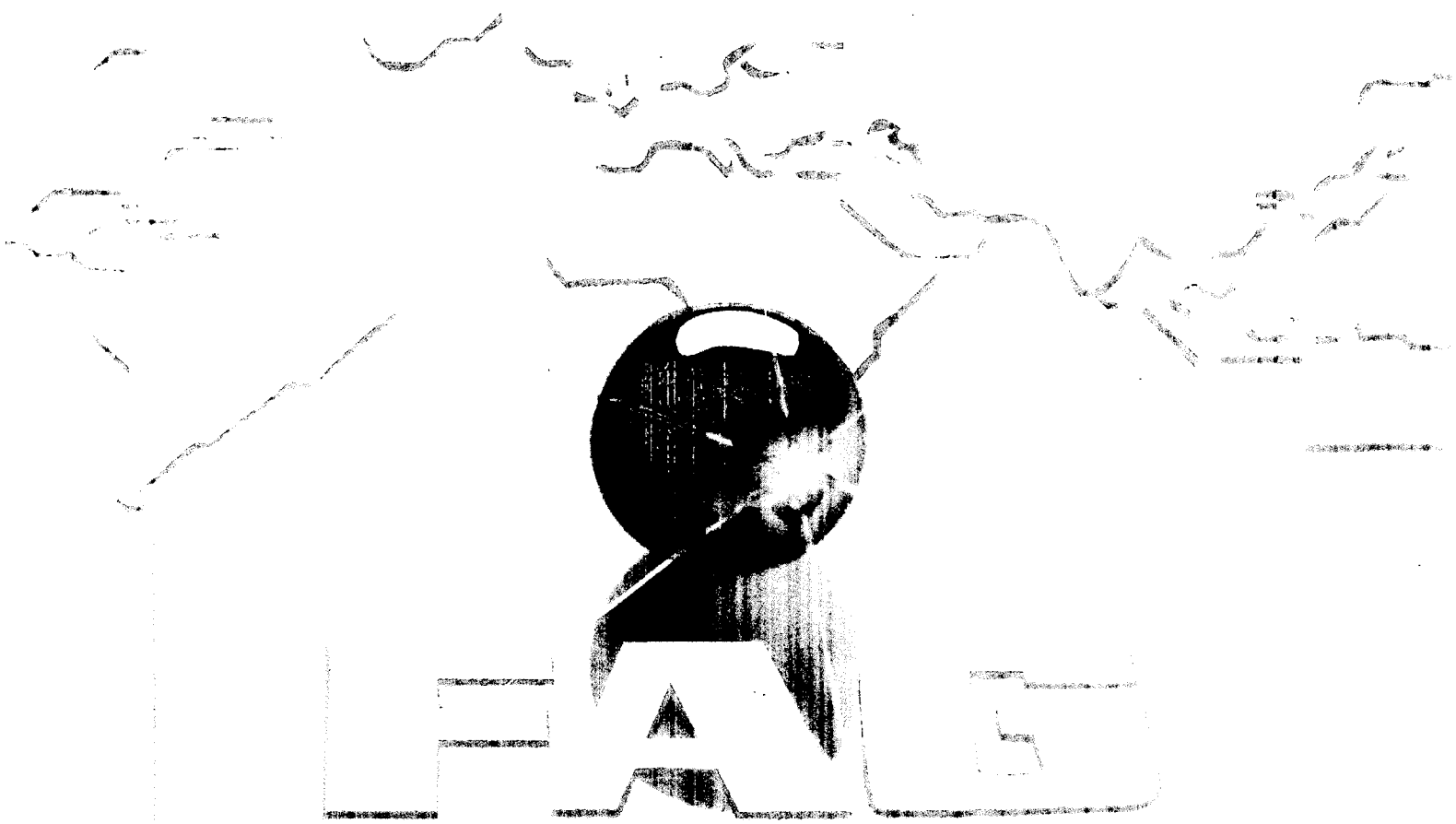
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Annual Report 1996-97

FAG Precision Bearings Limited



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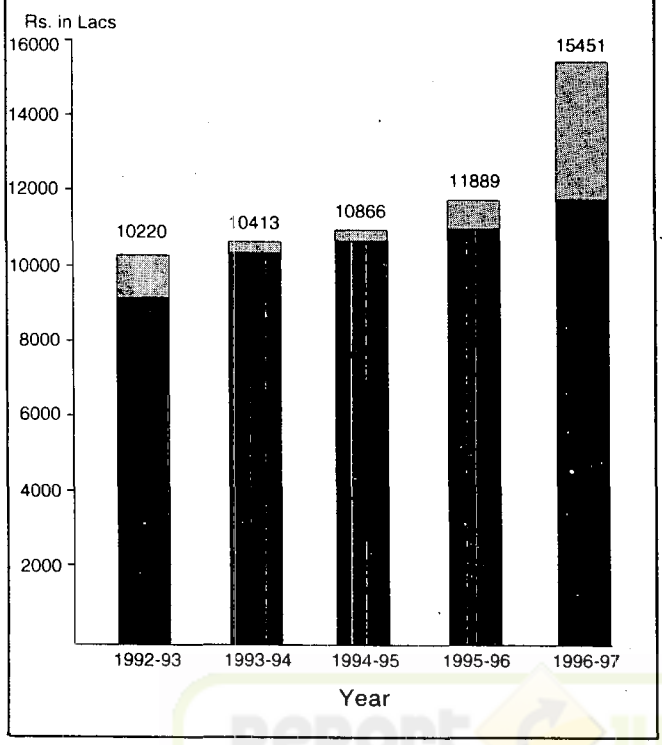


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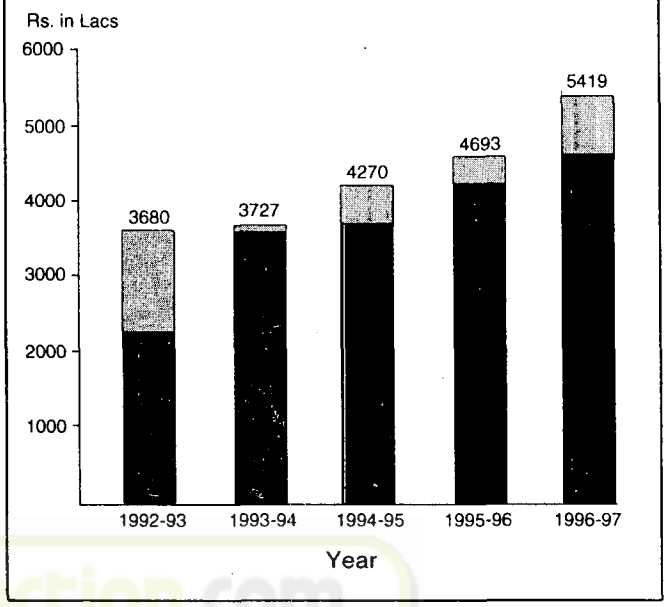
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PERFORMANCE HIGHLIGHTS

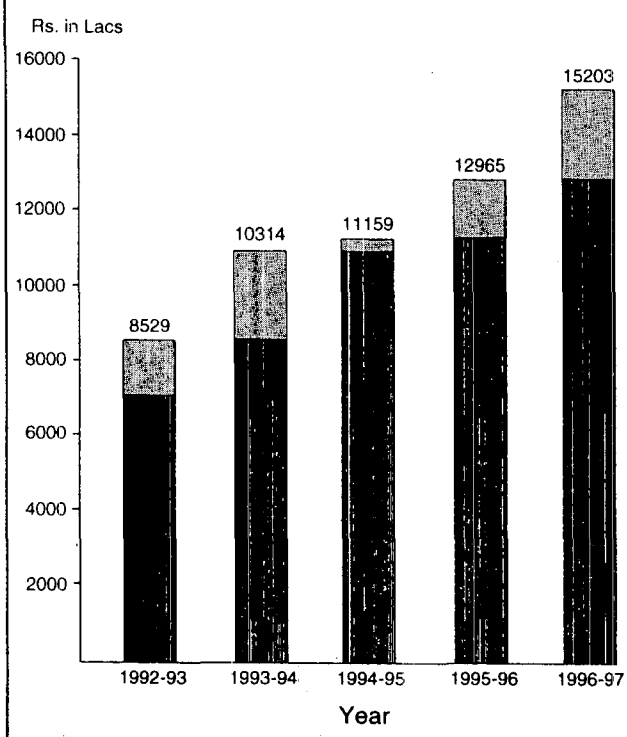
Gross Fixed Assets



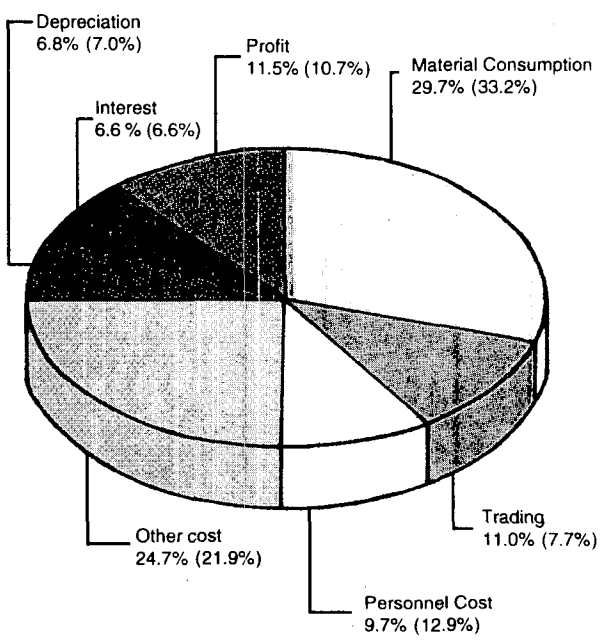
Net Worth



Turnover



How Rupee was spent



Brackets denote previous year's figures

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FAG PRECISION BEARINGS LIMITED

NOTICE

Notice is hereby given that the Thirty-Fourth Annual General Meeting of FAG PRECISION BEARINGS LIMITED will be held on Wednesday, August 20, 1997 at 3.00 P.M. at M.C. Ghia Hall, 18/20 Kaikhushru Dubash Marg, Mumbai-400 023 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the balance sheet as at March 31, 1997 and the profit and loss account for the year ended on that date, and the reports of the Auditors and the Board of Directors thereon.
2. To declare dividend for the year ended March 31, 1997.
3. To appoint a Director in place of Dr. M. Creydt who retires by rotation, and is eligible for re-appointment.
4. To appoint a Director in place of Mr. H. Steyer who retires by rotation, and is eligible for re-appointment.
5. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution.

   "RESOLVED THAT Messrs. A.F. Ferguson & Co., the retiring Auditors, be and they are hereby re-appointed as auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the next annual general meeting at a remuneration to be fixed by the Board of Directors in consultation with Messrs A. F. Ferguson & Co."

SPECIAL BUSINESS

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

   "RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company whatsoever and wheresoever situated, present and future and the part or the whole of the undertaking of the Company together with power to take over the management of the business and concern of the Company in certain events to or in favour of all or any one of the following :

   a) Industrial Development Bank of India (IDBI)
   b) Commerzbank
   c) Unit Trust of India (UTI)
   d) Life Insurance Corpn. of India (LIC)
   e) General Insurance Corpn. of India (GIC)
   f) The New India Assurance Co.Ltd. (NIA)

   to secure

   i) Foreign currency loan not exceeding US $ 5.57 lacs, DM 37.33 lacs, Swiss Franc 1.30 lacs and JY 1321.50 lacs equivalent to about Rs. 1525 lacs lent, agreed to be lent and advanced by IDBI to the company for acquisition of balancing/replacement equipments and modernisation.

   ii) Rupee loan not exceeding Rs. 350 lacs lent, agreed to be lent and advanced by IDBI to the Company for acquisition of balancing/replacement equipments and modernisation.

   iii) Foreign currency loan not exceeding US $ 5 Million equivalent to approx. Rs. 1800 lacs lent, agreed to be lent and advanced by Commerzbank, to the Company for 100% Export Oriented Unit (E.O.U.) Project.

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FAG Precision Bearings Limited

ANNUAL REPORT
1996-97

FAG

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Registered Office :

Nariman Bhavan,
227, Backbay Reclamation,
Nariman Point,
Mumbai - 400 021

General Information

Board of Directors

Chairman	Vidya Sagar
Vice Chairman and Managing Director	Jal R. Patel
Nominee of ICICI	Gollapalli V. Jagannatha Kumar
Nominee of LIC, UTI & GIC	Bandi Surender
Nominee of IDBI	*Sumanth P. Tawde*
	Martin Creydt
	Bernd H. Hofmann
	Peter-J. Kreher
	Helmut Steyer
	Chandrakant K. Thanawala
Alternate to M. Creydt	Hubert Reuss
Alternate to B. H. Hofmann	Frank Huber
Alternate to P.-J. Kreher	Jashwant P. Thacker
Alternate to H. Steyer	Yezad S. Kapadia
Secretary	Hemant R. Shukla
Bankers	Union Bank of India
	Central Bank of India
	State Bank of India
	Deutsche Bank
Auditors	A. F. Ferguson & Co.
Cost Auditors	B. J. D. Nanabhoy & Co.
Tax Auditors	O. P. Rathi & Co.
Solicitors	Mulla & Mulla & Craigie Blunt & Caroe
	Remfry & Sagar
Collaborators	FAG Kugelfischer Georg Schaefer AG., Germany
Registrars & Transfer Agents	PCS Industries Ltd.
	'Ashirwad' 18, Ganga Park, Race Course,
	Gotri Road, Baroda - 390 015
Head Office & Works	Maneja, Vadodara - 390 013
Sales Offices	Calcutta, Chennai, Mumbai, New Delhi, Pune.

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Directors' Report

To the members of the Company

Your Directors are pleased to present the 34th Annual Report of the Company together with audited accounts for the year ended March 31, 1997.

1. FINANCIAL RESULTS

	(Rs. in lacs) 1996-97	1995-96
Gross Profit before Depreciation and Interest	3897.69	3291.44
Depreciation	1069.96	952.04
Interest and Commitment Charges	1033.11	899.89
Profit before Taxation	1794.62	1439.51
Provision for Taxation	770.00	745.03
Profit after Taxation	1024.62	694.48
Profit brought forward	307.07	332.08
Profit available for appropriation	1331.69	1026.56
APPROPRIATION		
Debenture redemption reserve	70.50	73.07
Proposed dividend	271.42	271.42
Additional income tax on dividend	27.14	—
Transfer to general reserve	600.00	375.00
Surplus carried to Balance Sheet	362.63	307.07
	1331.69	1026.56

2. DIVIDEND

Your Directors recommend for your approval dividend for the year under review at the rate of Rs. 2.00 (previous year Rs. 2.00) per equity share amounting to Rs. 271.42 lacs (previous year Rs. 271.42 lacs). Dividend will not be subject to deduction of tax at source as the Company will pay Rs. 27.14 lacs as tax on dividend.

3. OPERATING RESULTS

The continued growth, though relatively lower than the previous year, in the automotive and other industries led to increase in sales by 17%, which together with measures for productivity improvement undertaken by the Company resulted in a growth of 24.7% in profit before tax. Profit after tax of Rs. 1024.62 lacs showed increase of 47.5% over last year.

4. EXPANSION

100% Export Oriented Unit (E.O.U.) project was successfully completed as planned and production of Cylindrical Roller Bearings started from February 1997. The quality of the products from the plant has been certified as fully acceptable by our collaborators. The initial response to the export is satisfactory.

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5. FINANCE

During the year, the Company raised term loans of Rs. 1875 lacs in foreign currency/rupees from IDBI for the ongoing modernisation project and privately placed debentures of Rs. 500 lacs with UTI, LIC, GIC and NIA for long term working capital requirements. The 100% E.O.U. was financed by foreign currency loan of approx. Rs. 1800 lacs from Commerzbank.

The proceeds of debentures issued in the past have been utilised for the purpose for which they were raised.

As on March 31, 1997, deposits amounting to Rs. 11.25 lacs (including interest due) had matured for repayment but had not been claimed. Out of this amount, deposits amounting to Rs. 6.12 lacs have been renewed/refunded till date.

6. DIRECTORS

Your Directors Dr. M. Creydt and Mr. H. Steyer retire by rotation and being eligible, offer themselves for re-election.

During the year, Mr. D. K. Parikh, Nominee of ICICI resigned and in his place Mr. G. V. Jagannatha Kumar, Vice President, Infrastructure, ICICI was appointed as a Director. Mr. S. P. Tawde, Dy. Gen. Mgr. (IDBI), was appointed by IDBI as their nominee director during the year.

Dr. F. Lehnen resigned and Mr. B. H. Hofmann, member of the Board of Management of FAG Kugelfischer Georg Schaefer AG, was appointed as a Director to fill in this casual vacancy. Mr. W. Poesl resigned and Dr. G.-P. Blumbach, member of of the Board of Management of FAG OEM Und Handel AG, was appointed as a Director, to fill in this casual vacancy. Subsequently Dr. Blumbach also resigned.

7. PERSONNEL AND INDUSTRIAL RELATIONS

Industrial relations during the year under review continued to be cordial.

The information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules 1975, forms part of this report. However, the above information is not being sent alongwith the Annual Report and any shareholder interested in obtaining such information may write to the Registered Office of the Company.

8. AUDITORS

The Auditors, Messrs A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

Information required as per Section 217 (1)(e) of the Companies Act,1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 has been given in the Annexure forming part of this report.

10. ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the wholehearted and continued support extended by FAG, Germany, suppliers, customers, stockists & importers, lending institutions, banks and the employees of the Company during the year under report.

For and on behalf of the Board

V. Sagar
Chairman

Mumbai : July 8, 1997

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Annexure to Directors' Report

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

(A) CONSERVATION OF ENERGY

During the year, Company undertook various energy conservation measures. These efforts include introduction of energy efficient equipments, installation of effluent treatment plant and thereby usage of treated water for horticulture purpose.

Additional investment is also proposed in current year for measures leading to conservation of energey.

These measures have resulted in reduction of energy consumption per unit of production.

FORM B

(B) TECHNOLOGY ABSORPTION

1. R & D activity is carried out by the Company in the field of :

   - New Product Development
   - Enhancement of level of product quality
   - Development and evaluation of oils & lubricants.

2. Benefits derived are :

   - Import substitution for our customer
   - Optimization of production process and performance of product.

3. Future Plans :

   - Centralized R & D facilities and upgradation of old generation equipments with the support of collaborators.

4. Expenditure on R & D :

   Total revenue expenditure is Rs. 6.89 lacs during the year.

TECHNOLOGY ADAPTATION, ABSORPTION & INNOVATION :

i) Efforts made :

Latest technology equipments installed. This was achieved through exchange of technologists with FAG Germany.

ii) Benefits derived :

Upgradation of technological competence of equipments, process and people has helped to improve product quality.

iii) Technology imported :

A new agreement for know how and technical services has been signed on 30th August 1996 for design and manufacturing process of Cylindrical Roller Bearings for 100% Export Oriented Unit. This will help Company to achieve productivity and quality of international standard.

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(C) FOREIGN EXCHANGE EARNING AND OUTGO

The exports of rolling bearings from India have been very limited due to buoyancy in the domestic demand for the types locally produced and lower price levels obtainable in the export market.

Concentrated efforts are being made to explore the possibility of exporting bearings in a larger way with the assistance of the collaborators.

	(Rs. in lacs) 1996-97	1995-96
Imports CIF value of raw materials		
Components, Products purchased for sale, Stores & Spares and Capital goods.	4363.76	1593.52
Expenditure in foreign currency		
(Interest on foreign currency loans, Fees for use of technology, interest on foreign suppliers credit and other expenses)	498.12	546.04
Dividends paid to Shareholders (Net of tax)	91.62	68.72
Total foreign exchange used	4953.50	2208.28
Earnings in foreign exchange		
Consultancy Service Fees	129.68	161.21
FOB value of exports	26.56	100.78
Total foreign exchange earned	156.24	261.99

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Auditors' Report

To the members of FAG Precision Bearings Limited

We have audited the attached Balance Sheet of FAG Precision Bearings Limited as at March 31, 1997 together with the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

(1) As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

(2) Further to our comments in the Annexure referred to in Paragraph (1) above, we report that:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

(c) the Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account;

(d) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :

i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 1997, and,

ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For A.F. Ferguson & Co.
Chartered Accountants

M.S. Dharmadhikari
Partner

Mumbai : July 8, 1997

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