



ATLAS GEARS LIMITED



10TH ANNUAL REPORT 1999-2000

ATLAS GEARS LIMITED

BOARD OF DIRECTORS : Mr. Riad Fyzee *Chairman and Managing Director*
Mr. Stephen K. Clough
Mr. Richard A. Bush
Mr. Thomas C. Sorrells
Mr. Mark D. Gustus
Mr. Jack M. Dykhuizen
Mr. William P. Dykhuizen
Mr. J.M. Mapgaonkar

COMPANY SECRETARY : Mr. Marcel Rebello

BANKERS : Bank of India
The United Western Bank Ltd.

AUDITORS : Suresh Surana & Associates

REGISTERED OFFICE AND FACTORY : Survey No. 157,
Devarwadi,
Chandgad Taluka,
Post Shinoli, Dist.: Kolhapur
Maharashtra 416 507

CORPORATE OFFICE : 9, Anil Chambers, 1st Floor,
Behind Metro Cinema, Cinema Lane,
Dhobitalao, Mumbai 400 020.
Tel. : 203 1922

REGISTRARS AND SHARE TRANSFER AGENTS : Sharex (India) Pvt. Ltd.
(Formerly Hamco Share Registry Pvt. Ltd.)
17-B, Dena Bank Building, 2nd Floor,
Horniman Circle, Fort,
Mumbai 400 001.
Tel. : 264 1376, 270 2485
Fax : 264 1349

ATLAS GEARS LIMITED**NOTICE:**

NOTICE is hereby given that the Tenth Annual General Meeting of shareholders of Atlas Gears Limited ("Company") will be held on Thursday 21st December 2000 at 4.00 P.M. at the Registered Office of the Company at Survey No 157, Devarwadi, Chandgad Taluka, Dist Kolhapur, Maharashtra 416507 to transact the following business :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2000, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. J. M. Mapgaonkar, who retires by rotation and, being eligible, offers himself for re-election.
3. To appoint auditors and fix their remuneration. The Company has received notice from the retiring auditors, namely Messrs. Suresh Surana and Associates, Chartered Accountants, expressing their unwillingness to be re-appointed. The Company has received notice from a shareholder of intended resolution to appoint Price Waterhouse, Chartered Accountants as auditors of the Company in place of the retiring auditors.

SPECIAL BUSINESS

4. To appoint a Director in place of Mr. Stephen K. Clough who holds office only upto the date of this Annual General Meeting and in respect of whom a notice has been received by the Company from a member signifying his intention to propose Mr. Stephen K. Clough as a candidate for the office of a director.
5. To appoint a Director in place of Mr. Thomas C. Sorrells III who holds office only upto the date of this Annual General Meeting and in respect of whom a notice has been received by the Company from a member signifying his intention to propose Mr. Thomas C. Sorrells III as a candidate for the office of a director.
6. To appoint a Director in place of Mr. Richard A. Bush who holds office only upto the date of this Annual General Meeting and in respect of whom a notice has been received by the Company from a member signifying his intention to propose Mr. Richard A. Bush as a candidate for the office of a director.
7. To appoint a Director in place of Mr. Mark D. Gustus who holds office only up to the date of this Annual General Meeting and in respect of whom a notice has been received by the Company from a member signifying his intention to propose Mr. Mark D. Gustus as a candidate for the office of a director.
8. To appoint a Director in place of Mr. Jack M. Dykhuizen who holds office only upto the date of this Annual General Meeting and in respect of whom a notice has been received by the Company from a member

signifying his intention to propose Mr. Jack M. Dykhuizen as a candidate for the office of a director.

9. To appoint a Director in place of Mr. William P. Dykhuizen who holds office only upto the date of this Annual General Meeting and in respect of whom a notice has been received by the Company from a member signifying his intention to propose Mr. William P. Dykhuizen as a candidate for the office of a director.

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

"RESOLVED THAT pursuant to Section 31(1) and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered by substituting the word "two" appearing in the third line of Article 159 (a) by the word "four"

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

"RESOLVED THAT pursuant to Section 31(1) and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered by deleting the word "directly" appearing in the fourth line of Article 142"

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

"RESOLVED THAT in supersession of the resolutions passed by the shareholders at the meetings held on 18th August 1999 and 14th January 2000 and subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act 1956, and limits laid down therein read with Schedule XIII thereof as amended and subject to such other approvals as may be necessary, the approval of the Company be and is hereby accorded to the appointment of Mr. Riad Fyzee as Managing Director of the Company for the period from 1st October 2000 to 31st March 2004 and payment and provision of remuneration, perquisites and benefits to him, upon the terms and conditions set out in the Agreement dated October 1, 2000 (the "Employment Agreement") entered into between Mr. Riad Fyzee and the Company".

"FURTHER RESOLVED that, subject to the limits, if any, specified in the Act for payment and provision of remuneration, perquisites and benefits, the Board of Directors be and is hereby authorised to approve any changes or amendments to the Employment Agreement and to review the remuneration, perquisites and benefits payable to Mr. Riad Fyzee from time to time."

10th Annual Report 1999-2000**NOTES:**

- a) The relative Explanatory Statement as required by Section 173 of the Companies Act, 1956 in regard to item nos. 3 to 12 is annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXY FORMS MUST REACH THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- c) The Register of Members and Share Transfer Books of the Company were closed from Friday, 15th September 2000 to Saturday 30th September 2000 both days inclusive.
- d) Shareholders who have not encashed their Dividend Warrants for the years 1997, 1998 and 1999 are requested to send the same for the revalidation to the Corporate Office./ Share transfer Agents.
- e) Members are requested to:
- i) Intimate to the Company's Registrars and Share Transfer Agents change if any, in their registered address at an early date;
 - ii) Quote Folio Numbers in all their correspondence.

By Order of the Board of Directors

Place : Mumbai,
Dated : 26th October 2000

Marcel Rebello
Company Secretary

Registered Office:
Survey No 157,
Devarwadi Village,
Dist. Kolhapur,
Post Shinoli,
Maharashtra - 416507



ATLAS GEARS LIMITED**EXPLANATORY STATEMENT**

As required by Section 173 of the Companies Act, 1956 the following Explanatory Statement sets out all the material facts relating to the above items of business

Item No. 3

M/s Suresh Surana and Associates, auditors of the company will retire at the ensuing Annual General Meeting. The Company has received notice from Messrs Suresh Surana and Associates expressing their unwillingness to be re-appointed as auditors of the Company. The Company has received notice from a shareholder to propose a resolution for appointment of Price Waterhouse, Chartered Accountants as auditors of the Company. Price Waterhouse have signified their willingness to accept the office of auditors, if appointed. Further, Price Waterhouse have issued requisite certificate pursuant to proviso to Section 224(1) of the Companies Act, 1956 to the effect that their appointment as auditors, if made, will be in accordance with the limits specified in sub-section (1B) of Section 224 of the Companies Act, 1956. The Board recommends the appointment of Price Waterhouse, Chartered Accountants, as auditors of the Company.

Item Nos. 4 to 9

Pursuant to the resolutions approved by shareholders in the extraordinary general meeting held on September 26, 2000 Fairfield Manufacturing Company, Inc., USA (Fairfield) has subscribed to, through its subsidiary, T-H Licensing Inc, approximately 76 per cent of subscribed share capital of the Company. Fairfield is the financial and technical collaborator of the Company. Pursuant to nominations made by Fairfield, the Board of Directors, in their meeting held on October 1, 2000, appointed Messrs. Stephen K. Clough, Thomas C. Sorrells, Richard A. Bush, Mark D. Gustus, Jack M. Dykhuizen and William P. Dykhuizen as additional directors of the Company. The aforesaid additional directors hold office till the ensuing Annual General Meeting.

Mr. Stephen K. Clough is the President & CEO of Fairfield Manufacturing Co. Inc., U.S.A. , Mr. Thomas C. Sorrells is the Vice President Business Development, Mr. Richard A. Bush Vice President & Chief Financial Officer , Mr. Mark D. Gustus Vice President Operations, of Fairfield Manufacturing Company, Inc. Mr. Jack M. Dykhuizen and Mr. William P. Dykhuizen are Managers Operations. All these gentlemen are well versed and experienced in their respective fields and the Board of Directors feels that it would be in the interest of the Company to have the benefit of their experience and advice and accordingly commend their appointment to the members. The aforesaid gentlemen have filed with the Company their consent to act as Directors.

The Company has received notices from shareholders pursuant to Section 257 of the Companies Act, 1956 alongwith requisite deposit amount, proposing the candidature of the aforesaid persons for appointment as directors of the Company.

Mr. Stephen K. Clough, Mr. Thomas C. Sorrells, Mr. Richard A. Bush, Mr. Mark D. Gustus, Mr. Jack M. Dykhuizen and Mr. William P. Dykhuizen may be deemed to be concerned or interested in the resolution relating to their appointment.

Item Nos. 10 and 11

Article 159(a) of the Articles of Association provides that quorum for a meeting of the Board shall be one-third of the total number of directors or two directors, whichever number is higher. The amendments proposed seeks to raise the quorum from "two" to "four". Article 142 of the Articles of Association empowers the Board of Directors to agree to any provision for appointment of nominee directors by certain category of persons. The said Article provides inter alia for appointment of nominee directors by persons who directly subscribe to shares in the Company. Since Fairfield Manufacturing Company, Inc., USA has subscribed to shares indirectly i.e., through its subsidiary, T-H Licensing Inc., USA, the resolution seeks to delete the word "directly" appearing in Article 142.

Mr. Stephen K. Clough, Mr. Thomas C. Sorrells, Mr. Richard A. Bush, Mr. Mark D. Gustus, Mr. Jack M. Dykhuizen and Mr. William P. Dykhuizen may be deemed to be concerned or interested in this item of business..

Item No. 12

The Shareholders at their meetings held on 18th August 1999 and 14th January 2000 had approved the reappointment of, and payment of remuneration to Mr. Riad Fyzee as Managing Director for a period of 5 years with effect from 1st July 1999. In view of the increased responsibility to be shouldered by Mr. Fyzee consequent upon foreign collaboration agreements entered into by the Company, the Board in its meeting held on October 1, 2000 approved appointment of Mr. Fyzee and payment of remuneration to him, in supersession of the resolutions passed earlier. Pursuant to resolution approved by the Board, the Company entered into an Agreement dated October 1, 2000 with Mr. Riad Fyzee. The Agreement provides for payment of the following remuneration, perquisites and benefits to Mr. Riad Fyzee :

1. Salary : Rs. 90,000 per month including all allowance.
2. Commission : one per cent of the net profits of the Company.
3. Perquisites :

Provision of perquisites and benefits classified into three Categories A, B, C, as appearing hereinafter:

Category A

- a. Housing I :

The expenditure by the Company on hiring furnished accommodation shall be subject to a ceiling of 60% of the salary.

10th Annual Report 1999-2000**Housing II :**

In case the accommodation is owned by the Company, 60% of his salary shall be deducted by the Company.

Housing III :

In case no accommodation is provided by the Company, he shall be entitled to house rent allowance subject to ceiling laid down in Housing I above.

Utilities :

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962.

- b. Medical Reimbursements and Hospitalisation: Expenses incurred for self and the family.

- c. Leave Travel Allowance :

For self and the family, once in a year, incurred in accordance with the Company Policy.

- d. Club Fees :

Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

- e. Personal Accident Insurance :

Payment of premium for personal accident insurance cover, in accordance with the Rules of the Company.

- f. Reimbursement of any other expenses properly incurred by him in accordance with the Rules and Policies of the Company.

Explanation :

For the purpose of Category A, "family" shall mean and include his spouse, dependent children and dependent parents.

Category B

During the term of this Agreement, Mr. Fyze shall be entitled to the following perquisites, which shall not be

included in the computation of the ceiling on the remuneration specified in the preceding paragraph:

- Contribution by the Company to Provident Fund and Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961,
- Gratuity payable at a rate not exceeding 15 days salary for each completed year of service, and
- Encashment of leave at the end of the tenure of service with the Company.

Category C

Provision of chauffeur driven car for use on Company's business and telephone at residence. These will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to him.

- In the event of absence or inadequate profit in any financial year, the remuneration aforesaid shall be paid to Mr. Riad Fyze, as minimum remuneration to him; subject to the limits prescribed under the Companies Act 1956 and the Rules made thereunder

The Agreement dated 1st October 2000 is available for inspection by the members at the registered office of the company on all working days between 11.00 A. M. and 1.00 P.M. till the date of the meeting.

Except Mr. Riad Fyze, no director of the Company may be deemed to be interested or concerned in this item of business.

By Order of the Board of Directors

Place : Mumbai,

Dated : 26th October 2000

Registered Office:

Survey No 157,

Devarwadi Village,

Dist. Kolhapur,

Post Shinoli,

Maharashtra - 416507

Marcel Rebello

Company Secretary

ATLAS GEARS LIMITED**GENERAL INFORMATION FOR SHAREHOLDERS****Annual General Meeting**

The Tenth Annual General Meeting of the company will be held on Thursday 21st December 2000, at 4 P. M. at the Registered office situated at Survey No.: 157, Devarwadi Village, Chandgad Taluka, Dist. Kolhapur, Maharashtra - 416 507

Dates of book closure

Friday 15th September 2000 to Saturday 30th September 2000 (both days inclusive)

Listing of securities

The company's securities are listed on the Stock Exchange Mumbai

Stock Code 20145.**Registrar and Transfer Agents**

Sharex (India) Pvt. Ltd.

(formerly Hamco Share Registry Pvt. Ltd.)

a. 17B Dena Bank Bldg., Horniman Circle,
Fort, Mumbai 400 001
Tel. : 2702485, 2641376 Fax : 2641349

b. Unit No. 1, Luthra Industrial Premises,
Andheri Kurla Road, Safed Pool, Andheri East,
Mumbai 400 072
Tel. : 8515606, 8515646 Fax : 8512885

Shareholding Pattern as on 15th October 2000

	Number of Equity shares of Rs. 10/- each	% to subscribed capital
Promoter/ Promoter Group	2081780	7.62
M/s. T. H. Licensing Inc. U.S.A.	20700000	75.77
Mahindra & Mahindra Ltd.	1391860	5.09
FI/ /Bank	533700	1.96
Mutual/ Venture Funds	604300	2.21
NRI/OCBs	514200	1.88
Bodies Corporate	62700	0.23
Public	1432000	5.24
Total equity capital	<u>27320540</u>	<u>100.00</u>

Market Price Data

High/ low during each month of the last financial year.

	High Rs.	Low Rs.
April 1999	5.55	4.95
May 1999	5.70	3.00
June 1999	6.00	4.70
July 1999	9.00	4.60
August 1999	15.00	6.15
September 1999	23.90	10.00
October 1999	23.00	17.60
November 1999	18.70	14.00
December 1999	18.50	13.20
January 2000	21.50	12.50
February 2000	18.50	12.00
March 2000	13.05	7.70

Distribution of shareholdings as on 15th October 2000

Share of nominal value	No. of holders	% of holders	No. of shares	% of Shares
upto to 5000	5582	92.48	870000	3.18
5001 to 10000	270	4.47	233800	0.86
10001 to 20000	102	1.69	156700	0.57
20001 to 30000	36	0.60	91100	0.33
30001 to 40000	9	0.15	32500	0.12
40001 to 50000	12	0.20	55700	0.20
50001 to 100000	10	0.17	71600	0.26
100001 to above	16	0.24	25809140	94.48
	<u>6037</u>	<u>100.00</u>	<u>27320540</u>	<u>100.00</u>

Share transfer details

Months	No. of transfers	No. of shares
April 1999	24	2400
May 1999	63	6600
June 1999	97	11,000
July 1999	145	14,500
August 1999	128	15,400
September 1999	643	64,800
October 1999	136	14,000
November 1999	119	12,700
December 1999	209	35,000
January 2000	303	32,400
February 2000	215	23,000
March 2000	279	28,000

Plant Location :

The company's plant is located at Survey No 157, Devarwadi, Chandgad Taluka, Dist Kolhapur, Maharashtra 416507.

Address for Correspondence :

Correspondence can be addressed to the registered office of the company or the offices of share transfer agents for the attention of Company Secretary.

DIRECTORS' REPORT

The Directors are pleased to present their 10th Annual Report together with the audited accounts of Atlas Gears Limited (the "Company") for the year ended 31st March 2000.

1. FINANCIAL RESULTS

	(Rs. in lakhs)	
	1999-2000	1998-99
Gross Income	2378.28	1665.27
Profit before depreciation, Interest and tax	272.23	464.89
Interest	614.56	210.39
Depreciation	345.99	100.83
Profit before tax	(688.32)	153.67
Provision for tax	—	18.10
Profit after tax	(688.32)	135.57
Prior year expenses	(1.70)	—
Tax adjustment for earlier year	(0.97)	2.21
Balance of Profit brought from earlier year	307.52	210.47
Provision for Dividend	—	32.71
Provision for tax on Dividend	—	3.60
Balance of Profit/(Loss) carried to Balance Sheet	(383.47)	307.52

2. DIVIDEND

In view of the loss suffered by the Company, the Directors are not able to recommend dividend for the year ended 31st March 2000.

3. OPERATIONS

The Company produced 6,77,217 pieces of gears during the year ended 31st March 2000 as against 4,38,189 pieces produced during the previous year, thus registering an increase of 54.55%. Sales turnover and other income for the year amounted to Rs.2378.28 lakhs as against Rs.1665.27 lakhs for the previous year, registering an increase of 42.82%. Sales to the Tractor Division of Mahindra & Mahindra Ltd. were adversely affected due to a month long strike during January – February 2000 at their plant at Kandivli (Mumbai). The drought conditions which prevailed in certain parts of the country in the year 1999-2000 adversely affected sales of tractors by the Company's OEM customer, namely Mahindra & Mahindra Ltd. and consequently adversely affected off take of gears by the said OEM customer. Profit contribution margin was lower in the year 1999-2000, compared with the previous year. The interest cost and depreciation charge were higher during the year on account of manufacturing capacity

expansion and modernisation program undertaken by the Company. The sharp increase in interest cost and depreciation partly contributed to the loss for the year.

4. FOREIGN COLLABORATION

The Company has during the current year entered into technical and financial collaboration with Fairfield Manufacturing Company, Inc., USA ("Fairfield"), who are one of the leaders in manufacture of wide range of gears for diverse applications. Pursuant to special resolution passed in the Extraordinary General Meeting held on September 26, 2000, Fairfield subscribed to, through its wholly owned subsidiary, namely T-H Licensing Inc, USA, 20,700,000 equity shares of Rs.10/- each, for cash at par value, which represents approximately 76 per cent of subscribed equity share capital of the Company. The Company has entered into a technical collaboration agreement with Fairfield, whereby Fairfield has agreed to provide technology to the Company to upgrade its manufacturing facilities and capabilities, standards and process.

With the foreign collaboration entered into by the Company, it is considered expedient for the Company to streamline its accounting policies and standards. To start with, the Company discontinued the practice of carrying forward the pre-operative expenses pending allocation. Consequently, the balance amount of the pre-operative expenses has been written off during the year.

5. CURRENT YEAR

The Company supplies gears to its OEM customer, namely Mahindra & Mahindra Ltd. for its Tractor and Jeep Divisions. During the year, the Company has finalised plans for supply of gears to Carraro India Ltd. for exports by the customer. The Company has entered into a long term Product Supply Agreement with Fairfield for supply of products to Fairfield for its international customers. With the foreign collaboration entered into by the Company and plans initiated by the Company, the Directors expect the Company to register a reasonable growth during the current year.

6. FINANCE

The Company has made arrangements with GE Capital Services India for availing term loan and revolving credit facilities. The Company has utilised the proceeds of preferential issue of shares and the amount drawn down from the term loan, for retiring high cost debts and working capital finance borrowed from banks and financial institutions.

7. PARTICULARS OF EMPLOYEES

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 a statement giving the requisite information is annexed hereto and forms part of this report.