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**12TH  
ANNUAL REPORT  
2001-2002**

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# FAIRFIELD ATLAS LIMITED

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

**COMPANY SECRETARY** : Mr. Marcel Rebello

**BANKERS** : HDFC Bank Ltd.  
The United Western Bank Ltd.

**AUDITORS** : Price Waterhouse  
Chartered Accountants  
Mumbai

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

**EXPORT ORIENTED UNIT** : Survey No. 116 and 119,  
Shinoli (Budruk),  
Chandgad Taluka,  
Dist.: Kolhapur  
Maharashtra 416 507.

**CORPORATE OFFICE** : 114, Mittal Towers,  
C Wing, Nariman Point,  
Mumbai 400 021.  
Tel. : 202 94 10

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

**NOTICE:**

NOTICE is hereby given that the Twelfth Annual General Meeting of shareholders of Fairfield Atlas Limited (the "Company") will be held on Monday, 30th September 2002 at 3 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 :

**Ordinary Business**

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2002, 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. Richard A. Bush, who retires by rotation and, being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. Mark D. Gustus, who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring auditors, M/s Price Waterhouse, Chartered Accountants, have expressed their willingness to accept the office, if reappointed.

**Special Business**

5. To appoint a Director in place of Mr. Clement Strimel, 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 together with the requisite amount as deposit, signifying his intention to propose Mr. Clement Strimel as a candidate for the office of a director.
6. To consider and if thought fit to pass with or without modifications the following as a Special resolution:  
"RESOLVED that subject to approvals of the Central Government, if any, required under the Companies Act, 1956, consent, approval and ratification of the Company in general meeting be and is hereby accorded to the payment to Mr. Riad Fyzee, Managing Director of the Company, of a sum of Rs. 2,59,200 as and by way of remuneration for the financial year ended March 31, 2002, over and above the remuneration payable to him and approved by the Company in general meeting held on December 21, 2000."
7. To consider and if thought-fit to pass with or without modifications the following as a Special resolution:  
"RESOLVED that in partial modification of the resolutions passed by the Company in the Annual General Meeting held on 21<sup>st</sup> December 2000 and pursuant to provisions of the sections 198, 269 and 309 read with Schedule XIII of the Companies Act 1956 (the "Act") and other applicable provisions of the Act and subject to such other approvals, if any, required under the Act and other applicable laws, consent of the shareholders of the Company in general meeting be and is hereby accorded to the payment to Mr. Riad Fyzee, Managing Director of the Company of Performance Bonus /ex-gratia payments and other allowances and amenities as applicable to other senior executives of the Company and as may be approved by the Board of Directors of the Company, for the financial years commencing from 1<sup>st</sup> April 2002 to 31<sup>st</sup> March 2004, over and above the remuneration approved by and set forth in the resolution of, the shareholders in general meeting passed on 21<sup>st</sup> December, 2000, provided always that the remuneration payable to Mr. Riad Fyzee, Managing Director, as approved by this resolution together with the remuneration approved

by resolutions passed earlier, shall not exceed the limits specified in sub-paragraph (B) of paragraph 1 of Section II of Part II of Schedule XIII of the Act;

"RESOLVED FURTHER that where in any financial year during the currency of the tenure of employment of Mr. Riad Fyzee as Managing Director of the Company, the Company has no profits or its profits are inadequate, consent and approval of the Company in general meeting be and is hereby accorded for payment to Mr. Fyzee the above-referred remuneration as minimum remuneration for the above period subject to requisite approvals, if any, under the Act;

"RESOLVED FURTHER that the terms and conditions governing the appointment of Mr. Riad Fyzee as Managing Director of the Company set forth in the resolution passed by the shareholders in general meeting held on 21<sup>st</sup> December, 2000 as amended by the resolution passed by shareholders in this meeting shall remain in full force and effect."

**NOTES:**

- a) The relative Explanatory Statement as required by Section 173 of the Companies Act, 1956 in regard to item nos. 5 to 7 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 will be closed from Saturday 14<sup>th</sup> September 2002 to Monday 30<sup>th</sup> September 2002, both days inclusive.
- d) As per Section 205A unclaimed dividend for the year ended 31<sup>st</sup> March 1997, 1998 and 1999 would be transferred to the Investor Education and Protection Fund of the Central Government in the years 2004, 2005 and 2006 respectively. Shareholders who have not encashed their Dividend Warrants for the said years are requested to send the same for revalidation to the Corporate Office/ Share transfer Agents. It may be noted that no claim will lie in respect of such unclaimed dividends transferred to the Central Government as above.
- 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.
- f) Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.

By Order of the Board of Directors

Place : Mumbai,  
Dated: July 1, 2002

Registered office :

Survey No 157,  
Devarwadi Village,  
Post Shinoli, Chandgad Taluka,  
Dist. Kolhapur,  
Maharashtra - 416507

**Marcel Rebello**  
Company Secretary

**FAIRFIELD ATLAS 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. 5**

Pursuant to the nomination made by Fairfield Manufacturing Company, Inc., USA ("Fairfield"), the Board of Directors in their meeting held on 27th December 2001 appointed Mr. Clement Strimel as additional director of the Company with effect from 1<sup>st</sup> December 2001. Accordingly, Mr. Strimel holds office till the ensuing Annual General Meeting. Mr. Clement Strimel is the Vice President – International Business Development of Fairfield. He is well versed and experienced in his field. The Board of Directors considers that it would be in the interest of the Company to have the benefit of his experience and advice of Mr. Clement Strimel as a member of the Board and accordingly commends his appointment to the members. He has filed with the Company his consent to act as a Director.

The Company has received notice from a shareholder pursuant to section 257 of the Companies Act, 1956 alongwith requisite deposit amount, proposing the candidature of the Mr. Strimel for appointment as director of the Company.

Mr. Clement Strimel may be deemed to be concerned or interested in the resolution relating to his appointment. No other director of the Company is concerned or interested in this item of business.

**ITEM NO. 6**

The Board of Directors at their meeting held on 1<sup>st</sup> October 2000 approved the appointment of, and payment of remuneration to, Mr. Riad Fyzee as Managing Director of the Company, for the period from 1<sup>st</sup> October 2000 to 31<sup>st</sup> March 2004. The appointment of Mr. Riad Fyzee as Managing Director and payment of remuneration to him was approved by the shareholders in general meeting held on 21<sup>st</sup> December, 2000. As per the above-referred approvals, the said remuneration was payable to Mr. Riad Fyzee in the event of absence or inadequacy of profits during his tenure subject to the limits specified in Schedule XIII to the Companies Act 1956.

The Company follows the practice of paying performance bonus/ ex-gratia payment to members of senior executives of the Company. Being a member of senior executive of the Company, Mr. Riad Fyzee is also entitled to receive performance bonus / ex-gratia payment, as applicable to other senior executives of the Company. However, the remuneration approved by the shareholders in general meeting held on 21<sup>st</sup> December 2000 did not take into account the remuneration payable to Mr. Riad Fyzee as performance bonus / ex-gratia payment. As per the norms followed by the Company for payment of performance bonus/ ex-gratia payment to senior executives of the Company, Mr. Riad Fyzee was paid a performance bonus of Rs. 2,59,200/- for the financial year ended 31<sup>st</sup> March, 2002. The said payment, being in excess of the ceiling applicable for payment of the remuneration to Mr. Riad Fyzee as approved by shareholders in the resolution passed on 21<sup>st</sup> December, 2000, would require specific approval of shareholders in general meeting. Hence the resolution is placed before the shareholders to seek their approval and ratification.

The remuneration paid to Mr. Riad Fyzee for the financial year ended 31<sup>st</sup> March 2002 exceeded by Rs. 2,59,200 the remuneration prescribed as per provisions of the Part II Section II of the prevailing Schedule XIII of the Companies Act 1956

calculated on the effective capital of the Company. However the Central Government has amended with effect from 16<sup>th</sup> January 2002, Part II, Section II of Schedule XIII to the Companies Act 1956. The excess remuneration paid to Mr. Fyzee is within the limits prescribed as per amended Schedule XIII to the Companies Act 1956 subject to the conditions prescribed thereunder. The excess remuneration as above has been approved by the Remuneration Committee and ratified by the Board of Directors. The other information required as per the amended Schedule XIII is given in item 7 below.

Apart from Mr. Fyzee, no other director is concerned or interested in this item of business.

**ITEM NO. 7**

The remuneration payable to Mr. Riad Fyzee as Managing Director of the Company was approved by the Board of Directors at their meeting held on 1<sup>st</sup> October 2000 and the Company in General Meeting on 21<sup>st</sup> December 2000.

At the time of fixing the remuneration payable to Mr. Riad Fyzee as Managing Director, the Company had not taken into account the remuneration payable to senior executives of the Company, by way of performance bonus / ex-gratia payment. The Board of Directors now extend the performance bonus / ex-gratia benefit to Mr. Riad Fyzee as well. It is therefore now proposed to amend the terms of remuneration payable to Mr. Riad Fyzee as Managing Director for the period commencing from 1<sup>st</sup> April 2002 to 31<sup>st</sup> March 2004, to include as part of the remuneration package to him the performance bonus / ex-gratia payment applicable to senior executives of the Company. Accordingly the remuneration committee of the Board at its meeting held on 30<sup>th</sup> January 2002 has resolved to extend the benefit of such payments to Mr. Riad Fyzee for the period from 1<sup>st</sup> April 2002 till the remainder of his term. The Board of Directors in their meeting held on June 28, 2002 has approved and ratified the said resolution of the remuneration committee

The Board of Directors recommends the resolution for your approval.

Apart from Mr. Riad Fyzee, no other director of the Company is concerned or interested in the above matter.

The following additional information as required by schedule XIII to the Companies Act 1956 as amended is given below

**I. General Information****i. Nature of industry**

The business of the Company is manufacture and sale of transmission, engine, and industrial gears, and fully assembled transmission gears required in utility vehicles, tractors and off-road equipment

**ii. Date or expected date of commencement of commercial production.**

The Company was incorporated on 1<sup>st</sup> February 1990 as a private company and commenced commercial production in the year 1993.

**iii. In case of new companies, expected date of commencement of activities as per project approved by financial institution appearing in the prospectus.**

Not Applicable

**12th Annual Report 2001-2002**

- iv. Financial performance based on given indicators – as per audited financial results for the year ended 31st March 2002.

Particulars	Rs. in lakhs
Turnover and other income	2,792.00
Profit before Depreciation and Finance Charges	150.85
Depreciation	430.95
Finance Charges	465.65
Profit / (-Loss) after Depreciation and Finance Charges	(745.75)

- v. Export performance and net foreign exchange collaborations.

The Company has entered into an agreement with Fairfield for export of the Company's products to Fairfield and its customers. The Company's earnings in foreign exchange were Rs. 734 lakhs for the financial year ended 31st March 2002.

- vi. Foreign investments or collaborators, if any.

TH Licensing Inc., USA, a wholly owned subsidiary of Fairfield Manufacturing Co. Inc. USA, has invested in 2,07,00,000 equity shares of Rs. 10/- each constituting 76% of the paid up capital of the Company.

## II. Information about the appointee.

- i. Background details

Mr. Riad Fyze is the founder and Chief Promoter of the Company. He has been the Chairman and Managing Director since inception of the Company. Mr. Fyze is a graduate in Economics and holds a business degree from Montclair State College USA. Prior to his appointment in the Company, Mr. Fyze was Dy. Managing Director of MSAS Blue Skies Pvt. Ltd. an International Freight forwarding Company.

- ii. Past remuneration during financial year ended 31st March 2002.

The total remuneration drawn by Mr. Riad Fyze for the year ended 31st March 2002 was Rs. 21.27 lakhs including perquisites.

- iii. Recognition or Awards

Not applicable.

- iv. Job Profile and his suitability.

Mr. Riad Fyze is the Chairman and Managing Director of the Company since inception. The Board has delegated substantial powers of management of the Company to Mr. Riad Fyze, in his capacity as Managing Director of the Company. Mr. Fyze is responsible inter alia for development of the business of the Company.

Mr. Fyze has in-depth knowledge of the business and working of the Company having founded the Company and being at the helm of its affairs for the past 12 years. Under his stewardship the Company was able to successfully implement its expansion plans. Moreover, the Company does not have any other Executive Director at present and hence Mr. Fyze is required to shoulder the responsibility of management of the Company. Mr. Fyze is therefore best suited for the position he occupies.

- v. Remuneration proposed.

Salary of Rs. 90,000 per month and perquisites, allowances and amenities as approved at the Annual General Meeting held on 21st December 2000 mentioned at IV below, together with perquisites, allowances and amenities as set out in item No. 7 of the Notice.

- vi. Comparative remuneration profile with respect to industry, size of the Company profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin).

Considering the size of the Company and volume of its operations, particularly on establishment of the EOU and the background, experience and profile of Mr. Riad Fyze and the responsibility shouldered by him, the remuneration proposed to be paid is commensurate with remuneration packages given to similar Senior level executives in other companies.

- vii. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel if any.

Apart from the proposed remuneration, Mr. Fyze does not have any other pecuniary relationship with the managerial personnel if any. Being founder and promoter of the Company, Mr. Fyze holds 1108490 fully paid up equity shares in the Company, representing 4.06 % of paid up share capital of the Company.

## III. Other information

1. Reason of loss or inadequate profits.

The Company has undergone a major expansion by setting up an 100% Export Oriented Unit and thereby has incurred heavy expenses on the same. In addition there has been a heavy interest burden on loans taken for establishing the 100% E.O.U. The recession in the agriculture sector has impacted the order position from the Tractor Division of M & M Ltd.

2. Steps taken or proposed to taken for improvement.

The Company is in the process of initiating several cost cutting measures. Negotiations are in progress with suppliers of raw materials and consumables to reduce prices. On the export front the Company is expecting sizeable orders from its principals Fairfield Manufacturing Co. Inc. USA. Apart from this, the Company has successfully introduced new international customers and widened its customer base. With increased focus on technology driven products, the Company expects to move up the value chain by delivering high technology products to its customers. This would also result in improved added value realizations resulting in improved profitability.

3. Expected increase in productivity and profits in measurable terms.

As per the projections made for the three years ended 31/3/2003, 31/3/2004 & 31/3/2005 the Company proposes to post a turnover of Rs. 5700 lakhs for the first year going up to Rs. 10500 lakhs in the third year. Profit after tax for the first year is expected to be Rs. 36 lakhs going up to Rs. 600 lakhs in the third year.



**FAIRFIELD ATLAS LIMITED**

## IV. Disclosures

Remuneration package of Mr. Riad Fyze Managing Director as approved at the Annual General Meeting held on 21<sup>st</sup> December 2000.

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.

## 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 his employment, 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:

- a. 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,
- b. Gratuity payable at a rate not exceeding 15 days salary for each completed year of service, and
- c. Encashment of leave at the end of the end of the tenure of service with the Company

## Category C

Provision of Chauffeur driven car for use on Company's business and telephones 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 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.

## Inspection of Documents:

The documents referred to in this Explanatory Statement will be available for inspection by shareholders at the Registered Office of the Company between 10.00 AM and 12.00 Noon, on all working days prior to the date of the meeting.

By Order of the Board of Directors

Place : Mumbai,  
Dated: July 1, 2002

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

**Marcel Rebello**  
Company Secretary

**DIRECTORS' REPORT**

The Directors are pleased to present their 12th Annual Report together with the audited accounts of Fairfield Atlas Limited (the "Company") for the year ended 31<sup>st</sup> March 2002.

**I. Financial Results**

(Rs. in lakhs)

	2001-2002	2000-2001
Gross Income	2791.94	2539.80
Profit/(Loss) before depreciation, interest and tax	150.85	(178.11)
Interest	465.65	535.17
Depreciation	430.95	380.91
Profit & Loss before prior year's expenses	(745.75)	(1094.19)
Profit/(Loss) before tax	(745.75)	(1094.19)
Provision for tax	0.43	58.79
Profit/(Loss) after tax	(746.18)	(1152.98)
Balance of Profit/(Loss) brought from earlier year	(1536.45)	(383.47)
Balance of Profit/(Loss) carried to Balance Sheet	(2282.63)	(1536.45)

**II. Dividend**

The Directors did not recommend a dividend for the year ended 31<sup>st</sup> March 2002.

**III. Operations**

The financial year under review witnessed a marginal increase in sales. The company responded to the several constraints faced during the year by well planned strategy both on production and marketing fronts.

The Company produced 7,01,431 pieces of gears during the year ended 31<sup>st</sup> March 2002 as against 6,17,449 pieces produced during the previous year. Sales turnover and other income for the year amounted to Rs. 2,791.94 lakhs as against Rs. 2,539.80 lakhs for the previous year, registering a marginal increase. Sales to Tractor Division of Mahindra & Mahindra Ltd. were affected due to the adverse impact of several factors on the Tractor industry. Sales to the Automotive Division registered an increase due to change in the product mix supplied. Sales to the three-wheeler division at Zaheerabad have increased substantially due to higher production demands. The company has initiated steps to take full advantage of the opportunities offered. In addition the Company is manufacturing engine gears for the new Scorpio vehicle which is the new top of the line product of M&M with great potential.

The export business of the Company has a very promising future with substantial projected order positions. However the export business of the Company suffered a slight set back due to the catastrophic events that took place in the U.S. last September. In spite of this the Company was able to achieve an export turnover

of around Rs. 800 lakhs and will stand to gain from various tax exemption on this account. The export products of the company from the Domestic Unit are also eligible for benefits under the DEPB Scheme.

An analysis of the Company's performance is given in the Management discussion and Analysis Report which forms part of this Report.

**IV. Current Year**

The Company continues to be a major supplier of gears to its OEM customer, namely Mahindra & Mahindra Ltd. for its Automotive and Farm Equipment Sector and occupies the position of being a preferred and major supplier of Gears to the M & M group. During the first three months of the current year there has been a decrease in the off take of gears particularly by the Tractor Division of Mahindra & Mahindra Ltd. On the other hand, supplies of gears to the Automotive Division have registered a marginal increase during the said period. However during this period there has been an accelerated growth in the supplies made for the 3 wheeler business. The company has also commenced supply of engine gears to M & M for their new E.U.V. engine being developed by them which conforms to Euro II standards. This engine is being fitted by M & M to their recently launched "Scorpio Vehicle". During 3 months of the current year the export business has been to the tune of Rs. 140 lakhs. Trial runs of the machines in the EOU have been completed and the machines have been productionised. Exports from the EOU have commenced in the first week of June.

**V. Director's Responsibility Statement**

Pursuant to the provisions of sub-section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors confirm:

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year as on 31<sup>st</sup> March, 2002 and of the loss of the Company for that period;
- (iii) that the Directors had taken proper and sufficient care 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; and

**FAIRFIELD ATLAS LIMITED**

- (iv) that the Directors had prepared the annual accounts on a going concern basis.

**VI. New customers**

Efforts in tapping export potential of other customers have met with success. Orders have been secured from Carraro, L & T John deere and GKN for new business which is projected at Rs. 12 crores to Rs. 15 crores for next financial year.

**VII. Finance**

During the year the Company has regularly paid GE Capital Services India, interest on the Term Loan and Revolving credit obtained from them.

**VIII. Corporate Governance**

Pursuant to Clause 49 of the listing agreement with the stock exchange a section titled "Corporate Governance" has been included in this annual report along with management discussion and analysis report and shareholder information report. Certificate of auditors of the company regarding compliance of conditions of Corporate Governance is annexed to the report. Reasons for non compliance of certain sub clauses of clause 49 have been given below.

**IX. Reasons for non-compliance with conditions of Corporate Governance as per Listing Agreement with the Stock Exchange.**

In response to observations made by the Auditors on non compliance of following sub-clauses of clause 49 of the Listing Agreement stipulating conditions of Corporate Governance the Board of Directors offer the following clarification:

- a. Clause I A : The Company is in the process of inducting persons as independent directors upto the required number.
- b. Clause II (A) (a) : Provisions of the clause will be complied with on inducting persons as independent directors
- c. Clause II (A) (b) Independent director will be appointed as chairman of the Audit Committee on completing formalities as given in (a) above.
- d. Clause II (A) (c) The Chairman of the Audit committee was not present in India at the time of Annual General Meeting.
- e. Clause II (B) Only 2 Audit committee meetings were

held due to non availability of Audit committee members. However it is being ensured that at least 3 such meetings will be held this financial year.

**X. Particulars of Employees**

The Company does not have any employee of the category specified in section 217 (2A) of the Companies Act, 1956, read with the Companies (particulars of Employees) Rules, 1975.

**XI. Conservation of energy technology absorption and foreign exchange earnings and outgo**

The information required in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in the annexure forming part of this Report.

**XII. Directors**

It has been decided by Mr. Stephen K. Clough, Mr. Richard A. Bush, Mr. Mark D. Gustus, and Mr. J. M. Mapgaonkar who were appointed Directors, on the same day i.e. 21<sup>st</sup> December 2000 that Mr. Richard A. Bush and Mr. Mark D. Gustus will retire at this Annual General Meeting. Mr. Richard A. Bush and Mark D. Gustus being eligible offer themselves for reappointment as Directors.

**XIII. Auditors**

Price Waterhouse Chartered Accountants, retire at this Annual General Meeting and being eligible offer themselves for reappointment.

**XIV. Auditors' Report**

The notes on Accounts, referred to in the Auditors' Report are self-explanatory.

**XV. Acknowledgement**

The Directors express their sincere thanks for the continued support and co-operation given by the Financial Institutions and Employees of the Company.

For and on behalf of the Board of Directors

**RIAD FYZEE**

Chairman & Managing Director

Place : Mumbai

Date: July 1, 2002



## ANNEXURE

STATEMENT UNDER SECTION 217 (I) (e) OF THE COMPANIES ACT 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS), RULES 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2002.

### A. CONSERVATION OF ENERGY

1. To reduce the energy consumption on the major area of Hobbing of Gear Teeth, four Hobbing Machines have been converted from A.C. Induction Motor type drives to A.C. Servo drive type. This has resulted in saving of approx. 30% energy consumption.
2. To effect savings in the energy consumption for lighting, all the new lighting installation in the E.O.U. and North expansion are "METAL HALIDE" Type. This will enable us to effect at least 20% saving on the energy required for lighting.
3. Three Perkins Gensets have been commissioned with a total capacity of 2600 KVA. These are being run 2 days a week so that the electrical energy consumption is reduced.

### B. TECHNOLOGY ABSORPTION

1. The Company does not have a Research and Development Department at present
2. The Company uses indigenous technology in the manufacture of its gears.

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company earned foreign exchange during the year under review amounting to Rs. 734.55 lakhs on exports (Previous year Rs. 17,492) Total Expenditure in Foreign Currency on finance charges Rs. Nil (Previous year Rs. 32.20 lakhs) Legal & Professional Fees Rs. Nil (Previous year Rs. 22.90 lakhs) Guarantee Commission Rs. 46.15 lakhs (previous year Nil) Foreign Travel Rs. 48.42 lakhs (Previous year Rs. 2.60 lakhs).

For and on behalf of the Board of Directors

**RIAD FYZEE**

Chairman & Managing Director

Place : Mumbai

Dated : July 1, 2002

## MANAGEMENT DISCUSSION AND ANALYSIS :

### Industry Structure & Developments

The Indian Automobile and Tractor manufacturers meet their gear requirements either through their inhouse facilities or by outsourcing them from approved vendors. The auto component industry (gears) in India is categorised on the basis of original equipment supplier, replacement market supplier, or a combination of both. The business of Fairfield Atlas is manufacture and sale of Gears used in transmissions, engines, industrial usage and gears for off road equipment as well as fully assembled transmissions. Presently the Company caters to requirements for Utility Vehicles, Tractors, LCV's, three wheelers and off road equipment. Bulk of the sale of its products is made by the Company for exports and to Mahindra & Mahindra Ltd. and a small portion to Kerala Agro Machinery for use in their power tillers. Fairfield Atlas is an original equipment manufacturer (OEM) for both tractors and utility vehicles manufactured by Mahindra & Mahindra Ltd. (M & M).

### Performance

There are 4 main vendors who supply transmission gears as O.E.M. to M & M Tractor Division. (FAL) supplies 20 categories of gears to M & M Kandivli and to their Nagpur unit. FAL is the single source supplier for some of the Tractor gears supplied to the Kandivli and Nagpur unit.

As far as the Automotive Sector is concerned, FAL supplies 12 types of gears to M & M as original equipment to be fitted to their utility vehicles and 10 types of engine gears for

the E.U.V. engine used by the new 'Scorpio' vehicle being manufactured by M&M. FAL also supplies 6 types of gears for their spares division. For the Automotive sector there are 2 vendors but FAL is a single source supplier for some gears. FAL supplies gears for the 3 wheeler "Champion" which is being manufactured by M & M at Zaheerabad (Andhra Pradesh) and has been nominated as a single source supplier for these gears.

The Tractor industry as a whole was adversely affected by several factors. Consequently it impacted the demand of components supplied by FAL to this segment.

Over the last financial year, the Company has been able to achieve substantial growth on the export front. The Company is manufacturing at present over 80 different types of gears for the U.S. off road equipment market.

### Opportunities and threats

With increasing number of multinational companies in automotive and engineering segments deciding to source their requirements from India, the company expects substantial growth in the auto ancillary segment (particularly technology driven auto components like gears, gear assemblies) in future and is confident of meeting such increased demand.

Most automobile and tractor manufacturers use their in house captive gear manufacturing facilities to optimise their manufacturing capacity provided it is economically viable and source their requirements in excess of their internal capacity from independent suppliers like FAL. The Company's business could be affected if such excess does not arise.

## FAIRFIELD ATLAS LIMITED

### Segment-wise performance

The company has determined its business segment as automotive transmission gears. Since 100% of the company's business is from automotive transmission gears there are no other primary reportable segment.

### Outlook

Exports to Fairfield Mfg. Co. Inc. U.S.A. during the preceding year have been to the tune of Rs. 750 lakhs. These have been effected from the Domestic Unit. The company has made an application to DGFT for issue of Licence for exports made in last quarter since these products are eligible for DEPB benefits. Machines imported have been installed at the EOU and production has already commenced. These machines will help to diversify the range of products exported. The installation of the machines at the EOU including state of art heat treatment furnace fired by LP gas will ensure uniform heat and hardening process besides being safe and environment friendly. Further the new machines installed will help improve the quality of products, thereby reducing, if not eliminating rejections. However production and sales from the EOU depends on the continuous placing of orders by Fairfield. To safeguard against possible decline in orders from Fairfield the company has made efforts to tap export potential of other customers. Efforts in this direction have met with success. In its quest for new business the company has secured orders from Carraro, L & T John Deere and GKN and negotiating with Lister Petter and Parker. At present the company is developing samples for Carraro, L & T John Deere and GKN. The total projected new business in hand shall add Rs. 12 crs. to Rs. 15 crs. in the next financial year, each averaging at Rs. 3 crs. to Rs. 4 crs. The company will also endeavour to cater to the requirements of Indian customers to the extent permitted under Import Export Policy for E.O.U. The Company remains optimistic about the long term opportunities that may arise.

### Internal Control System

The company has a proper and adequate Internal Control mechanism to safeguard its assets against unauthorized use or disposition. The company has appointed a reputed management consultancy and auditing firm to perform the internal audit function. Quarterly internal audit reports given by them are discussed by the management so as to monitor the effectiveness of the internal control. The Audit committee of the Board of Directors deals with significant control issues raised by the internal and external auditors and directs corrective and remedial action besides giving instructions for further areas to be covered.

Besides the company has in place well defined roles and responsibilities for the managers at various levels. This, coupled with the established internal information system and periodic reports by senior management personnel ensures adequate information flow for effective monitoring.

### Human resources / Industrial Relations

Employees are a vital resource of the company. The company has been able to create a friendly work environment that

encourages the employees to contribute their best. With the objective of developing and improving the skills of the employees several training programmes were organized by the company. The managers/executives attended seminars in their respective and related field of activity. Industrial relations continue to be cordial. The present wages settlement will terminate in August this year. Preliminary discussion on the future settlement has already commenced. The total strength of the company as on 31<sup>st</sup> March 2002 was 450 permanent employees.

### Risks and concerns.

The slowdown in the US economy may effect the Company's exports to US. The erratic monsoon may subdue the demand for Tractors and the cyclic nature of the automobile industry may affect supplies made by the Company to these two segments.

### Discussion on Financial performance with respect to operational performance.

#### Financial Information

##### Fixed Assets

During the year the Gross block of Fixed Assets increased from Rs. 4044.51 lakhs to Rs. 4796.25 lakhs. During the year major items of capital expenditure were incurred on Land, Factory Building and Plant and Machinery, Furniture, Fittings of the E.O.U. Unit and leased vehicles.

##### Inventories

The inventory level as on 31<sup>st</sup> March 2002 was Rs. 665 lakhs as compared to Rs. 654 lakhs as on 31<sup>st</sup> March 2001. Stocks, Spares and raw materials were maintained in keeping with the level of activity. However this year inventory of finished goods was lower as compared to last year.

##### Sundry Debtors

Sundry Debtors amount to Rs. 433.18 lakhs as at 31<sup>st</sup> March 2002 as compared to Rs. 229.61 lakhs as at 31<sup>st</sup> March 2001. Debtors at the year end represented mainly supplies to M & M.

##### Results of operations

Sales/Income from operations for the year increased to Rs. 2,748.61 lakh as compared to Rs. 2,519.51 lakhs for the year ended 31<sup>st</sup> March 2001. Other income increased to Rs. 43.32 lakhs from Rs. 20.28 lakhs for the previous year ending 31<sup>st</sup> March 2001. Other income comprises mainly of interest on Deposits, Liabilities/Provisions no longer required written back and Foreign Exchange gain.

	Rs. in lakhs	
<b>Expenditure</b>	<b>F-2002</b>	<b>F-2001</b>
Raw Materials Finished & semi finished products	<b>1191.07</b>	1134.99
Employee costs	<b>449.95</b>	383.06
Manufacturing and other Expenses	<b>1000.05</b>	1199.84
Interest	<b>465.65</b>	535.17
Depreciation	<b>430.95</b>	380.91
Contingencies	<b>5.40</b>	5.40