

FAIRFIELD ATLAS LIMITED

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***15TH
ANNUAL REPORT
2004-2005***

FAIRFIELD ATLAS LIMITED

- BOARD OF DIRECTORS** : Clement L. Strimel Jr.
Chairman
Riad Fyzee
Managing Director (till 30th June, 2005)
Autar Krishen Kaul
Whole-Time Director & Chief Executive Officer
(from 1st July, 2005)
Richard A. Bush
Gary J. Lehman
J. M. Mapgaonkar
Jayant G. Herwadkar
Avinash P. Gandhi
Ravi Kathpalia
- COMPANY SECRETARY** : Marcel Rebello
- BANKERS** : UTI Bank Ltd.
HDFC 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** : 202/3, Maruti Mansion
17, R. Dadaji Street,
Fort, Mumbai 400 001.
Tel.: 2266 6003.
- REGISTRARS AND SHARE TRANSFER AGENTS** : Sharex Dynamic (India) Pvt. Ltd.
17-B, Dena Bank Building, 2nd Floor,
Horniman Circle, Fort,
Mumbai 400 001.
Tel. : 2264 1376, 2270 2485
Fax : 2264 1349

NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of shareholders of Fairfield Atlas Limited (the "Company") will be held on Tuesday 20th September, 2005 at 3 P.M. at the Registered Office of the Company at Survey No 157, Devarwadi, Post Shinoli, 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, 2005, 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. Clement L. Strimel Jr who retires by rotation and, being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. J M Mappaonkar, who retires by rotation and being eligible, offers himself for re-election.
4. To appoint a Director in place of Mr. Riad Fyzee, who retires by rotation and being eligible, offers himself for re-election.
5. 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.
6. To appoint a Director in place of Mr. Ravi Kathpalia 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. Ravi Kathpalia as a candidate for the office of a director.
7. To appoint a Director in place of Mr. A. K. Kaul 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. A. K. Kaul as a candidate for the office of a director.
8. To consider and if thought fit to pass with or without modifications the following resolution as a Special Resolution: "RESOLVED THAT 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 reappointment of Mr. Riad Fyzee as Managing Director of the Company for the period from 1st April 2005 to 30th June 2005 and payment and provision of remuneration, perquisites and benefits to him upon terms and conditions set out in the Agreement dated 15th April, 2005 (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."
9. To consider and if thought fit to pass with or without modifications the following resolution as a Special Resolution: "RESOLVED THAT 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. A.K. Kaul as Whole Time Director and Chief Executive Officer of the Company for a period of 3 (three) years commencing from 1st July 2005 to 30th June 2008 and payment and provision of remuneration, perquisites and benefits to him

upon terms and conditions set out in the Agreement dated 5th August, 2005 (the Employment Agreement) entered into between Mr. A.K. Kaul 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. A.K. Kaul from time to time."

10. To consider and if thought fit to pass with or without modification the following as an ordinary resolution

"RESOLVED THAT pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchange(s) the consent of the Company be and is hereby accorded for payment of Rs.6000/- (Rupees Six Thousand Only) or such other amount as may be approved by the Board of Directors subject to the ceiling prescribed under the Companies Act, 1956 or rules framed thereunder, as amended from time to time as sitting fees for each meeting of the Board of Directors and the Committee(s) thereof attended by the Non Executive Directors of the Company".

NOTES:

- a) The relative Explanatory Statement as required by Section 173 of the Companies Act, 1956 in regard to item nos.6 to 10 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 Friday 9th September, 2005 to Tuesday 20th September, 2005, both days inclusive.
- d) As per Section 205A unclaimed dividend for the years ended 31st March 1998 and 1999 would be transferred to the Investor Education and Protection Fund of the Central Government in the years 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 : 27th June, 2005

Marcel Rebello
Company Secretary

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

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. 6

The Board of Directors appointed Mr. Ravi Kathpalia as an Additional Director of the Company with effect from 27th June, 2005 and accordingly he would hold office till the ensuing Annual General Meeting. Mr. Kathpalia holds Post Graduation Degrees in English Literature and Public Administration. He has passed the All India Civil Services Examination and was assigned to the Indian Audit and Accounts Services. During his earlier career spanning for more than three decades he held several responsible positions including Controller of Accounts in the Ministry of Finance. Mr. Kathpalia is presently on the Board of several leading companies and also does consulting work on financial management and corporate affairs. Mr. Kathpalia is a member of the Audit Committee and Remuneration Committee and is one of the Independent Director inducted on the Board.

The Board considers that it would be in the interest of the Company to have the benefit of his experience and advice and accordingly commends his appointment to the members. Mr. Kathpalia has filed his consent with the Company to act as a Director.

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

Mr. Ravi Kathpalia may be deemed to be concerned or interested in the resolution relating to his appointment. None of the other directors is concerned or interested in this item of business.

ITEM NOS. 7 TO 9

The Board of Directors appointed Mr. A.K. Kaul as Additional Director of the Company with effect from 1st July, 2005 and accordingly he would hold office till the ensuing Annual General Meeting. The Board also appointed him as Whole Time Director and Chief Executive Officer effective from the aforesaid date. Mr. Kaul holds a degree in Mechanical Engineering with Diploma in Operation Management and Certificate in Financial Management. He has held responsible positions in various reputed companies like Telco, Rammon & Demm Ltd., Greaves Ltd., RSB Transmissions etc., for over four decades of his professional career including positions on the Board in some of them. During the course of his career he has handled various assignments like manufacturing and marketing of gears, Engines, Construction equipment, Automobiles, Oil Drilling, Cranes, etc. Mr. Kaul has been with the Company for the past three years and is presently designated as Chief Operating Officer. In this capacity he oversees the entire Plant Operations both of the Domestic and Export Unit. Apart from Plant Operations he also oversees the accounts, finance, purchase, sales and HRD functions.

In view of the range of the activities presently under his control and his experience in the industry, the Board of Directors considers that it would be in the interest of the Company to have the benefit of his experience and accordingly commends his appointment to the members. Mr. Kaul has filed his consent with the company to act as Director.

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

Mr. A.K. Kaul may be deemed to be concerned or interested in the resolution relating to his appointment. None of the other directors is concerned or interested in this item of business.

The tenure of office of Mr. Riad Fyzee as Managing Director terminated on 31st March 2005. In order to ensure continuity in the business operations of the Company, the Board at their meeting held on 7th April, 2005 resolved to reappoint him as a Managing Director for a further period of three months from 1st April, 2005

to 30th June 2005 on the same terms and conditions of remuneration as payable immediately before his reappointment. Mr. Riad Fyzee has been a Director of the Company since inception and has ably handled the various aspects of the Company's business. The Board of Directors of the Company feels that it would be in the interest of the Company to continue to have the benefit of his experience and advice and accordingly recommends his reappointment for approval of the members.

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 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 1st February 1990 as a private company and commenced commercial production in the year 1993. The export oriented unit of the company commenced operations in the year 2003.

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

iv. Financial performance based on given indicators - as per audited financial results for the year ended 31st March 2005.

Particulars	Rs. in lakhs
Turnover and other income	10444.87
Profit before Depreciation and Finance Charges	1753.52
Depreciation	884.76
Finance Charges	513.83
Tax Provision	0.29
Profit / (Loss) after Depreciation Finance Charges and tax provision	354.64

v. Export performance and net foreign exchange collaborations.

The Company has entered into an agreement with Fairfield Manufacturing Co. Inc., USA for export of the Company's products to Fairfield and its customers. The Company's earnings in foreign exchange were Rs. 5868.5 lakhs for the financial year ended 31st March 2005.

vi. Foreign investments of 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 share capital of the Company.

II. Information about the appointees.**i. Background details**

a) Mr. Riad Fyzee is the founder and Chief Promoter of the Company incorporated in 1990. He has been the Chairman and Managing Director since inception of the Company. Mr. Fyzee is a graduate in Economics and holds a business degree from Montclair State College USA. Prior to his appointment in the Company Mr. Fyzee was Dy. Managing Director of MSAS Blue Skies Pvt. Ltd. an International Freight Forwarding Company.

b) Mr. A. K. Kaul holds a degree in Mechanical Engineering with Diploma in Operation Management and Certificate in Financial Management. He has held responsible positions in various reputed companies like Telco, Rammon & Demm Ltd., Greaves Ltd., RSB Transmissions etc., for over four decades of

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- his professional career including positions on the Board in some of them. During the course of his career he has handled various assignments like manufacturing and marketing of gears, Engines, Construction equipment, Automobiles, Oil Drilling, Cranes, etc.
- ii. Past remuneration during financial year ended 31st March 2005.
The total remuneration drawn by Mr. Riad Fyzee and Mr. A. K. Kaul for the year ended 31st March 2005 was Rs. 19.04 lakhs and Rs. 22 lakhs respectively including perquisites.
- iii. Recognition or Awards
Not applicable
- iv. Job Profile and their suitability.
- a) Mr. Riad Fyzee 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 Fyzee, in his capacity as Managing Director of the company. Mr. Fyzee is responsible inter alia for development of the business of the Company.
Mr. Fyzee has indepth knowledge of the working of the company having founded the company and being at the helm of its affairs for the past 14 years. Under his stewardship the company was able to successful implement its expansion plans.
- b) Mr. A. K. Kaul is Whole Time Director and Chief Executive Officer of the Company. He has been with the Company for the past three years and was designated as Chief Operating Officer. Prior to his appointment in the Company he has held responsible positions in reputed companies. In his present capacity he oversees the entire Plant Operations both of the Domestic and Export Unit. Apart from Plant Operations he also oversees the accounts, finance, purchase, sales and HRD functions. In view of his operational and organizational skills the Company was able to nearly treble its export performances apart from increase in domestic sales. Moreover the company will not have any other Executive Director on completion of term of Mr. Fyzee and hence Mr. Kaul is required to shoulder substantial responsibility for the Company's business. Mr. Kaul is therefore best suited for the position he occupies.
- v. Remuneration proposed.
- Mr. Riad Fyzee
Salary of Rs. 90,000 per month and perquisites, allowances and amenities mentioned at IV below, together with perquisites, allowances and amenities as set out in item No.8 of the Notice.
- Mr. A. K. Kaul
Salary of Rs. 1,65,000 per month and perquisites, allowances and amenities mentioned at IV below, together with perquisites, allowances and amenities as set out in item No.9 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 of 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 Fyzee and Mr. A. K. Kaul and the responsibilities shouldered by them, 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. Fyzee and Mr. Kaul do not have any other pecuniary relationship with the Company or relationship with any managerial personnel. However, Mr. Fyzee being founder and promoter of the Company, holds 967063 fully paid up equity shares in the Company, representing 3.54% of paid up share capital of the Company.
- III. Other information
1. Reason of loss or inadequate profits.
Not Applicable as the Company has posted a net profit after tax of Rs. 354.64 lakhs during the year ended 31st March 2005.
2. Steps taken or proposed to be taken for improvement and
3. Expected increase in productivity and profits in measurable terms.
Not applicable as the Company has adequate profits. The Company posted an operating profit of Rs. 1753.52 lakhs during the year ended 31st March, 2005.
- IV. Disclosures
Remuneration package of Mr. Riad Fyzee Managing Director as approved by the Remuneration Committee and the Board of Directors is as follows:
Salary: Rs.90,000 per month including all allowance.
1. Commission: One per cent of the net profits of the Company but not exceeding 50% of the salary payable in any one fiscal year.
2. 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

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include his spouse, dependent children and dependent parents.

Category B

During the term of his employment, Mr. Fyzee 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 one month's salary for each completed year of service (including for previous years) and
- c. 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 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 Fyzee, as minimum remuneration to him; subject to the limits prescribed under the Companies Act 1956 and the Rules made thereunder.

Remuneration package of Mr. A.K. Kaul, Whole Time Director and Chief Executive Officer as approved by the Remuneration Committee and the Board of Directors is as follows:

- i) Salary:

Basic Salary	Rs. 1,65,000/- per month
Special Allowance	Rs. 11,033/- per month
- ii) Commission:

One per cent of the net profits of the Company but not exceeding 50% of the salary payable in any one fiscal year.
- iii) Perquisites:

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

Category A

- a. Housing:

A suitable accommodation will be arranged and provided for Mr. Kaul by the company and actual rent/lease charges shall be recovered from him.

The upkeep, repairs and maintenance of the accommodation will be the responsibility of the company.
- b. Medical Reimbursements and Hospitalisation:

Expenses incurred for self and the family, subject to a ceiling of Rs. 15,000/- per year. The amount can be carried forward in accordance with the Company Policy upto a period of 3 years.
- c. Leave Travel Allowance:

For self and the family, once in a year, incurred in accordance with the Company Policy and limited to Rs. 35,000/- per year. This amount can be carried forward upto a period of 3 years.
- d. Personal Accident Insurance :

Payment of premium for personal accident insurance cover, in accordance with the Rules of the Company.
- e. 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 appointment, Mr. Kaul shall be entitled to the following perquisites, which shall not be included in the computation of the ceiling on the remuneration as 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 one month's salary for each completed year of service, and
- c. 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 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.

- iv) The aggregate remuneration shall not exceed the limits specified in Sections 198, 309 and other applicable provisions of the Companies Act, 1956.
- v) In the event of absence or in adequacy of profits in any financial year, the above remuneration shall be payable to Mr. Kaul as minimum remuneration subject to limits, if any, specified in the Companies Act, 1956.

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.

ITEM NO. 10

As per the circular issued by The Securities and Exchange Board of India, Stock Exchanges have been advised to amend the Listing Agreement by inserting revised Clause 49 relating to corporate governance requirements to be fulfilled by listed Companies. The Stock Exchange, Mumbai on which the Company's shares are currently listed has amended the Listing Agreement. Companies have to ensure compliance with the revised clause 49 of the Listing Agreement by 31st December, 2005 One of the requirements stipulated under the revised clause is that all fees/compensation payable to Non Executive Directors, including Independent Directors, shall be fixed by the Board of Directors and shall require previous approval of the members in General Meeting.

At present the Company is paying sitting fees of Rs.6000/- to all Non Executive Indian Directors for each meeting of the Board of Directors and the Committee(s) thereof attended by them.

In view of the revised Clause 49 of the Listing agreement, the approval of members is sought for payment of sitting fees to all Non Executive Directors of the Company.

The Directors recommend the resolution for adoption of the members.

Except Mr. A. K. Kaul all the other Directors of the Company are concerned or interested in the resolution.

By Order of the Board of Directors

Place : Mumbai
Dated : 27th June, 2005

Marcel Rebello
Company Secretary

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

DIRECTORS' REPORT

The Directors are pleased to present their 15th Annual Report together with the audited accounts of Fairfield Atlas Limited (the "Company") for the year ended 31st March 2005.

I. Financial Results	(Rs. in lakhs)	
	2004-2005	2003-2004
Gross Income	10444.87	5296.56
Profit/(Loss) before depreciation, Interest and tax	1753.52	359.57
Interest	513.83	701.75
Depreciation	884.76	664.07
Preoperative Expenses Written Off	—	48.98
Profit/(loss) before tax	354.93	(1055.23)
Provision for tax	0.29	0.29
Profit/(loss) after tax	354.64	(1055.52)
Balance of Profit/(loss) brought from earlier year	(3910.73)	(2855.21)
Balance of Profit/(Loss) carried to Balance Sheet	(3556.09)	(3910.73)

II. Dividend

In view of the set off of accumulated losses against the profit earned during the year under review your Directors do not recommend dividend for the year ended 31st March, 2005.

III. Performance

The year under review witnessed a substantial surge in sales turnover setting the Company on its turnaround path. This was mainly due to the spectacular performance of the Company in its export business. Exports currently constitute approximately sixty percent of the sales turnover. Bulk of the exports have been made to the Company's Principals namely Fairfield Manufacturing Co. Inc., U.S.A.

The Company produced 1,938,749 pieces of gears during the year ended 31st March, 2005 as against 1,240,260 pieces produced during the previous year. Sales Turnover and other Income increased to Rs. 10444.87 Lakhs as against Rs. 5296.56 lakhs for the previous year registering a nearly two fold increase and exceeding the projections made by the Company for the year by nearly 33%. The Domestic business from the Automotive and Farm Equipment Divisions of Mahindra & Mahindra Ltd. and from KAMCO has also contributed to the sales turnover for the year in no small measure. Change in product mix due to up gradation of components with greater emphasis on components with higher value addition and contribution.

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

With the upswing in the global economy growth prospects for the current year continue to be promising. On the export front the Company has substantial export

orders on hand from its Principals. The Company is endeavoring to widen its geographical area of coverage by exploring the possibility of tapping markets outside the USA. Although a considerable portion of the sales revenue has been contributed by export business, it is heartening to note that the domestic arm is also moving in tandem. Apart from increased business from Automotive and Farm Equipment Division of Mahindra & Mahindra Ltd., supplies to Tata Motors for their Indica car are also on the increase and these sales could make a significant contribution to annual turnover for the current financial year. The Company is also focusing its attention on supplies to L&T John Deere and Carraro its other domestic customers and exports to Transaxle Manufacturing Co., Inc, USA.

V. Quality Standards

- i) The Company has been foremost in achieving quality standards compatible with international specifications. After rigorous Quality Evaluation Audit the company has been granted the TS 16949 Quality Management Certificate for establishment of the Quality Management System. The granting of this certificate has strengthened the acceptability of the Company's products both in the International and Domestic market.
- ii) In the year 2004, the Company had embarked upon the initiative of Total Productive Maintenance (TPM) aimed primarily to enhance its Operational Performance capabilities. TPM is a focussed approach which when implemented in any organization helps in building up a robust system to achieve excellence in operation. In 2004, the Company started with this initiative, identified 5 managers model machines, gave the necessary training and step-wise implementation was put in place. This resulted in enhancement of Overall Equipment Efficiency for these manager model machines from a level of 35% to 85% and all losses on these machines were reduced to 50% from their benchmark level. The Company is now ready for the TPM take off and this initiative shall be implemented all over its plant and offices during the next 2 years.

VI. 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 judgments 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 31st March, 2005 and of the profit of the Company for that period;

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

VII. Finance

Due to Restructuring of Long Term Debt the Company has saved Rs. 187.91 lakhs as interest during the current financial year.

VIII. Status of the company

The Company has prepared a draft Rehabilitation Plan and is making efforts to have an early hearing of its application before the BIFR. Simultaneously the company has made tremendous progress in strengthening and reorganizing its operations in an effort to come back in the black.

IX. 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.

X. 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-clause of clause 49 of the Listing Agreement stipulating conditions of Corporate Governance the Board of Directors offer the following clarification:

Sub-clause 1(A): With effect from 27th June 2005 the number of independent directors were atleast one third of the total strength of the Board of Directors.

XI. 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.

XII. 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.

XIII. Directors

Mr. Clement L. Strimel Jr. and Mr. Riad Fyzee retire by rotation at this Annual General Meeting and being

eligible offer themselves for reappointment as Directors. Mr. Clement L. Strimel Jr. was appointed Chairman of the Board of Directors with effect from 16th February, 2005 in place of Mr. Mark D. Gustus.

It has been decided by Mr. Jayant Herwadkar and Mr. J.M. Mapgaonkar who were appointed Directors on the same day i.e. 8th September, 2003 that Mr. J.M. Mapgaonkar will retire at this Annual General Meeting. Mr. J.M. Mapgaonkar being eligible offers himself for reappointment as Director.

Mr. Ravi Kathpalia was appointed Additional Director of the Company with effect from 27th June, 2005. He ceases to hold office on the date of this Annual General and being eligible offers himself for reappointment as Director.

Mr. A. K. Kaul was appointed Additional and Whole Time Director and Chief Executive Officer of the Company with effect from 1st July, 2005. He ceases to hold office on the date of this Annual General Meeting and being eligible offers himself to be reappointed as Director.

Mr. Premnath Rai ceased to be a Director with effect from 16th February, 2005 consequent upon his resignation. Mr. Mark D Gustus ceased to be Chairman and Director with effect from 16th February, 2005 consequent upon withdrawal of his nomination by Fairfield Manufacturing Co., Inc., USA. The Board placed on record its appreciation of the guidance and advice received from them during the tenure of their office.

XIV. Cost Audit

Pursuant to the directions from the Department of Company Affairs for appointment of Cost Auditors, the Company has appointed M/s. M.P. Turakhia & Associates, Cost Accountants as the Cost Auditor for the financial year 2004-2005 subject to the approval of the Central Government.

XV. Auditors

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

XVI. Auditors' Report

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

XVII. Acknowledgement

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

For and on behalf of the Board of Directors

CLEMENT L. STRIMEL JR.

Chairman

Place : Mumbai

Date : 27th June, 2005

15th Annual Report 2004-2005**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 2005.

A. CONSERVATION OF ENERGY.

The Company has always been conscious of the need for conservation of energy. Energy conservation measures are in the process of being implemented throughout the Plants. During the year the Company has carried out some modifications in Heat Treatment plant in DTA Unit by putting special lining which resulted in energy saving with consequent reduction in Power Cost. In addition to the above, company has installed Thyristor Controlled Capacitor bank to control power factor fluctuation during start up of Motors which resulted into saving of power cost.

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 information on foreign exchange earnings and outgo is furnished in the Notes to the Accounts.

For and on behalf of the Board of Directors

CLEMENT L. STRIMEL JR.

Chairman

Place : Mumbai

Date : 27th June, 2005



FAIRFIELD ATLAS LIMITED

"Our business in life is not to get ahead of others but to get ahead of ourselves – to break our own records, to outstrip our yesterdays by our todays, to do our work with more force than ever before."

– Steward B. Johnson

The Company's vision and work culture is summed up in the above lines.

Management Discussion And Analysis

(a) Industry Structure And Developments

The Company's business operations fall in the broad category of Auto components industry and more specifically in transmission gear sector. Gear manufacturers are classified on the basis of being an original equipment supplier or replacement market supplier or a combination of both. Established vehicle and tractor manufacturers source their gear requirements either through their in-house facilities or from approved vendors. Fairfield Atlas Limited is one of such approved and preferred vendor of Mahindra & Mahindra Ltd., (M&M) and supplies gears to them to be fitted to their vehicles, tractors and three wheelers as original equipment. M&M outsources from the company its gear requirement meant for vehicles and tractors and for the three wheelers.

(b) Opportunities and Threats

Indian automotive component companies are leveraging their current preferred outsourcing market status into a more tangible set of competitive advantages.

In view of the current state of road infrastructure in the interiors coupled with the fact that rural public transportation is not as extensively developed as in urban areas it provides a good opportunity to the company for supplying components for MUVs and LCVs manufactured by M&M since these are the appropriate and economical vehicles for these sectors. Further MUVs are also preferred vehicles for projects and on construction sites. The Company will do its level best to capitalize on these opportunities.

Opportunities can also arise due to regulatory measures on compulsory scrapping of vehicles beyond a particular year of manufacture since these measures can give rise to replacement demand for scrapped vehicles and as corollary their components. The entry of the Company in supply of gears for TATA MOTORS Indica Project has offered an excellent opportunity to the company to cater to the requirement of the ever growing and healthy demand scenario of the passenger car segment.

The prospect of a favourable monsoon could spur the demand for tractors and power tillers signaling a revival for the industry and an opportunity to the Company to further leverage this sector.

The acceleration of the US economy has offered a vast opportunity to the company to step up its exports and the company has capitalized on this opportunity as can be seen from its performance for the financial year ended March 2005. The Company is not satisfied with resting on its laurels but is making concerted efforts to extend the geographical coverage of its exports so as to flourish

and capture a handsome market share in the international trade.

The weakening of the dollar against the rupee could marginally affect export realizations as the US is a major export destination. Any further decline in the dollar could have an adverse impact on export sales and profit of the Company. The current momentum in the outsourcing of auto components from India is facing a challenge from China and other "low cost" countries thus forcing us to replenish our arsenals with newer weapons. Unfavourable monsoon could impact Tractor and power tiller sales. Another concern is the possible increase in consumer finance rates which could have a significant impact on all auto sales as a low interest rate was one of the major drivers of the growth in auto sales.

(c) Segment-Wise Performance

The company has determined its business segments as automotive, agriculture and construction related transmission gears. There are no other primary reportable segments since 100% of the company's business is from transmission-type gears.

(d) Outlook

The comparative cost of manufacturing combined with availability of engineering talent and indigenous machine tool/forging industry are some of the reasons for using India as a sourcing base for critical components such as gear boxes. With substantial orders on hand for the Electric Wheel Drive a proprietary product of the company's Principals i.e. Fairfield Manufacturing Co.Inc., USA export growth revenues for F.Y.06 will get a boost and will require the company to align its strategy to global needs. On the domestic side, the tractor industry volumes are expected to grow 10-12 percent over the next two year period driven by current Central Government Thrust on rural economy. The widening of the road network in the country will help create a robust growth in the utility vehicle segment. These developments reflect a promising outlook for the company during F.Y.06, and is expected to propel the company on a growth trajectory. The Company will be able to sustain its pace of growth as long as its export and the auto component sector are on the upswing, and that strategic investments continue to be made. Consistent hike in raw material prices and other input costs particularly steel will maintain pressure on margins. However, pressure on input costs will be adequately made up through higher volumes and ongoing operational efficiencies.

(e) Internal Control System

The Company has an internal control system where roles and responsibilities of people across various