

FAIRFIELD ATLAS LIMITED



17TH

ANNUAL REPORT

2006-2007

FAIRFIELD ATLAS LIMITED

- BOARD OF DIRECTORS** : Clement L. Strimel Jr.
Chairman
Autar Krishen Kaul
Whole-Time Director & Chief Executive Officer
Riad Fyzee
Gary J. Lehman
J. M. Mapgaonkar
Avinash P. Gandhi
Ravi Kathpalia
Rakesh Chopra
- COMPANY SECRETARY** : Marcel Rebello
- BANKERS** : AXIS Bank Ltd.
HDFC Bank Ltd.
- AUDITORS** : Price Waterhouse
Chartered Accountants
Mumbai
- REGISTERED OFFICE AND DOMESTIC UNIT** : Survey No. 157,
Devarwadi Village,
Post Shinoli, Chandgad Taluka,
Dist. Kolhapur, Maharashtra – 416 507.
Tel.: (02320) 236605/6
- EXPORT ORIENTED UNIT** : Survey No. 116 and 119,
Shinoli (Budruk)
Chandgad Taluka,
Dist. Kolhapur, Maharashtra – 416 507.
Tel.: (02320) 236605/6
- 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 Seventeenth Annual General Meeting of shareholders of Fairfield Atlas Limited (the "Company") will be held on Tuesday 25th September, 2007 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 :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2007, 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. Riad Fyze who retires by rotation and, being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. J M Maggaonkar, 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.
5. To appoint a Director in place of Mr. Rakesh Chopra 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. Rakesh Chopra as a candidate for the office of a director.

NOTES:

- a) 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.
- b) The Register of Members and Share Transfer Books of the Company will be closed from Friday 14th September, 2007 to Tuesday 25th September, 2007, both days inclusive.
- c) 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.
- d) 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, 2007

Marcel Rebello
Company Secretary

Registered office :
Survey No. 157, Devarwadi Village,
Post Shinoli, Chandgad Taluka,
Dist. Kolhapur, Maharashtra - 416 507

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 item of business

ITEM NO.5

The Board of Directors appointed Mr. Rakesh Chopra as an Additional Director of the Company with effect from 21st May, 2007 and accordingly he would hold office till the ensuing Annual General Meeting. Mr. Chopra is a Fellow Member of the Institute of Chartered Accountants of England & Wales and also holds a Masters Degree in Business Administration from Cranfield, England. At present Mr. Chopra is a Senior Director in Alvarez and Marsal an International Firm of Management Consultants. Mr. Chopra has worked in various capacities in the Escorts Group as Director and Finance Head. He also worked in Indian and Foreign Chartered Accountants firms. He is presently on the Board of Bharat Gears Ltd. Mr. Chopra is one of the Independent Director inducted on the Board of Directors of the Company and is a member of the Audit and Remuneration Committees. Mr. Chopra does not hold any shares in the Company.

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. Chopra 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. Chopra for appointment as director of the Company.

Mr. Chopra 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.

By Order of the Board of Directors

Place : Mumbai,
Dated : 27th June, 2007

Marcel Rebello
Company Secretary

Registered office :
Survey No. 157, Devarwadi Village,
Post Shinoli, Chandgad Taluka,
Dist. Kolhapur, Maharashtra - 416 507

FAIRFIELD ATLAS LIMITED**DIRECTORS' REPORT**

The Directors are pleased to present their 17th Annual Report together with the audited accounts of Fairfield Atlas Limited (the "Company") for the year ended 31st March, 2007.

| i. Financial Results | (Rs. in lakhs) | |
|---|------------------|-----------|
| | 2006-2007 | 2005-2006 |
| Gross Income | 11246.63 | 11617.35 |
| Profit/(Loss) before depreciation, Interest and tax | 2379.65 | 2034.90 |
| Interest | 269.64 | 542.91 |
| Depreciation | 1415.96 | 790.75 |
| Profit/(loss) before tax | 694.05 | 701.24 |
| Provision for tax | 9.02 | 1.13 |
| Profit/(loss) after tax | 685.03 | 702.37 |
| Balance of Profit/(loss) brought from earlier year | (2853.72) | (3556.09) |
| Balance of Profit/(Loss) carried to Balance Sheet | (2168.69) | (2853.72) |

ii. Dividend

In view of the set off of carry forward accumulated losses against the profit earned during the year under review your Directors do not recommend dividend for the year ended 31st March, 2007.

iii. Performance

The Company's performance for the year under review reflected a moderate achievement of budgeted sales although there was a slight drop in export targets for the third quarter of the financial year. However, marginal drop in exports was compensated to a certain extent with increase in export orders during the last quarter ended 31st March, 2007 and the vigorous sales efforts made by the company in increasing domestic supplies. Sales turnover and other income decreased by Rs. 370.72 lakhs as compared to sales turnover of Rs. 11617.35 lakhs in the previous year but more or less maintained the top line. This was possible due to the company's strategy in tapping and increasing the share of the domestic customers in the sales turnover for the year.

iv. Open Offer

On 9th February, 2007, OC Oerlikon Corporation AG Pfaffikon Switzerland (Oerlikon) and TH Licensing Inc., USA (THL) made an open offer for cash to acquire 5464108 equity shares of the company constituting 20% of the paid-up capital at a price of Rs.81/- per share. The offer was made as a result of the global acquisition of Saurer by Oerlikon. Saurer indirectly held 100% shares in THL the latter in turn

holding 75.77% of the paid-up share capital of the Company. The acquisition of Saurer by Oerlikon thereby resulted in indirect acquisition of the company's shares by Oerlikon. The open offer was therefore a mandatory offer under Regulations 10 and 12 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

The specified date for the purposes of the offer was fixed as 6th March, 2007. The schedule for the Open Offer as mentioned in the earlier announcement was subsequently revised. According to the revised schedule the offer opened on 6th July, 2007 and closed on 25th July, 2007. Payment for the acquired shares was made on 6th August, 2007. There was no minimum level of acceptance. 2224796 equity shares constituting 8.14% of the paid up capital were tendered by 155 shareholders, who accepted the offer.

v. Directors 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 31st March, 2007 and of the profit 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
- (iv) that the Directors had prepared the annual accounts on a going concern basis.

vi. Finance

During the year the Company was able to pay off a further part of the debt (part of secured loan) due to Fairfield Manufacturing Co., Inc. (FMC). Effective from 1st April, 2006 FMC had agreed to treat the said debt as Interest Free External Commercial Loan and has also waived accrued interest on the said sum upto 31st March, 2006. Accordingly the company wrote back/reversed the aggregate interest provided for the period upto 31st March, 2006.

vii. Status before the BIFR Board

Pursuant to the order passed by the BIFR Board the company has submitted to it draft of the revival/

rehabilitation scheme through IDBI the Operating Agency appointed for the purpose. The Board had fixed 28th June, 2007 as the date for hearing of the petition.

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 from a Practising Company Secretary regarding compliance of conditions of Corporate Governance is annexed to the report. Reasons for non compliance of Sub Clause 1(A) of Clause 49 has been given below:

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

In response to observation made in the report by the Practising Company Secretary 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 21st May, 2007 consequent upon the appointment of Mr. Rakesh Chopra as Independent Director the number of independent directors was atleast one third of the total strength of the Board of Directors, the Chairman of the Board being non-executive.

x. Particulars of Employees

The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the rules thereunder, forms part of this Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the reports and accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company.

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. Riad Fyzee, Mr. Ravi Kathpalia, Mr. A.K. Kaul, Mr. Clement Strimel and Mr. Jonathan M. Mapgaonkar who were appointed Directors on the same day i.e. 20th September 2005

that Mr. Riad Fyzee and Mr. Jonathan M. Mapgaonkar will retire at this Annual General Meeting. Mr. Riad Fyzee and Mr. Jonathan M. Mapgaonkar being eligible offer themselves for reappointment.

Mr. Rakesh Chopra was appointed Additional Director of the Company with effect from 21st May, 2007. He ceases to hold office on the date of this Annual General Meeting and being eligible offers himself for reappointment as Director.

The Board noted with regret the sad demise of Mr. Jayant Herwadkar a director of the company on 9th October, 2006 and placed on record his valuable contribution to the company during the tenure of his office.

None of the Directors of the Company is disqualified as on 31st March, 2007 for being appointed as Directors as specified in Section 274(1)(g) of the Companies Act 1956.

xiii. CEO/CFO Certification

The CEO/CFO have certified to the Board of Directors in respect of review of the financial statement and cash flow statement for the year in terms of the requirement of Clause 49(V) of the Listing Agreement.

xiv. Cost Audit

Pursuant to the directions from the Department of Company Affairs for appointment of Cost Auditors, the Company appointed M/s. M.P. Turakhia & Associates, Cost Accountants as the Cost Auditor for the financial year 2007-2008 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, 2007

FAIRFIELD ATLAS LIMITED**ANNEXURE**

STATEMENT UNDER 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 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2007.

A. CONSERVATION OF ENERGY.

No measures for conservation of energy were taken during this financial year. However the company will examine the measures for energy conservation in various areas and will implement the same if feasible and subject to funds availability.

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 gears for its domestic customers. During the previous financial year the company capitalised technical know-how received from its parent company (Fairfield Manufacturing Co., Inc.) for its new products and components. This has enabled the company to improve its export revenues.

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
Dated : 27th June, 2007

Management Discussion and Analysis**(a) Industry Structure and Developments**

The Company's core business operations fall in the broad categories of auto and agriculture ancillaries sector and more specifically in the power transmission sector. Manufacturers of gears for these segments can be classified on the basis of being an original equipment supplier or a replacement market supplier or a combination of both. Currently, leading automobile and tractor manufacturers source their gear requirements through their captive in-house facilities, if any, or from suppliers approved by them. Fairfield Atlas Ltd., is one such approved and preferred supplier to OEM'S in the markets mentioned above.

The Company has been successfully expanding its market and product range in consonance with changing trends in the industry.

The business of the Company ranges from single components, to assembly kits and complete assemblies in keeping with our philosophy of adding value for our customers. The clocking of healthy growth rates for the auto and tractor business is a welcome development for the company's business. An emerging trend in recent times is the foray made by established auto and tractor manufacturers in the field of auto ancillaries including gears.

(b) Opportunities and Threats

The indirect acquisition of the company's parent company and Graziano Trasmissioni by Oerlikon, Switzerland unfolds an opportunity to the company to make its debut in the European market thus presenting an exciting opportunity for additional growth on a global scale. Association with companies having a global presence usually offers an opportunity of increased outsourcing by these companies for their worldwide production due to competitive cost of manufacturing combined with availability of engineering talent existing here.

On the domestic front the current bullish demand prevailing in the vehicle industry is fuelling a demand for components. The Company has taken advantage of this scenario and increased its supply to its existing domestic customers and is on the lookout for adding new customers to its stable. The company is well poised to take advantage and seize both these opportunities.

The setting up of joint ventures or acquisition (both in India and abroad) by leading automobile manufacturers, of companies for manufacture of components pose a potential threat to the domestic business of the company in the long run.

(c) Segment-Wise Performance

The company has determined its business segments as automotive (select applications), 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 company becoming part of the Oerlikon Group consequent upon change in ownership structure of its Principal Fairfield Manufacturing Co., Inc augurs well for the future business prospects of the company mainly in the field of exports. The company along with its Principal

Fairfield Manufacturing and Graziano Trasmissioni will be in position to fully exploit the synergies within the Oerlikon Group and also provide an extensive product portfolio that include a broad range of gears and transmissions.

On the domestic front the business outlook of the company seems bright. Going by the trend during the past few months there seems to be a steady increase in demand from some of the existing domestic customers. Moreover the company has also widened its domestic customer base and continues to update its product portfolio so that overall domestic business appears to be tracking with the market.

(e) Internal Control System

The Company has an adequate system of internal control under which all transactions are meticulously recorded, correctly reported and independently verified and vouched. The installation of the ERP System has changed the management information system so that decisions are now taken on actual instead of estimated figures. The Company's cost records are subject to Cost Audit as prescribed by the Government. The Company has also established an extensive programme of in-house internal audits in conformity with Oerlikon standards and procedures as well as by external Chartered Accountant's firm and the latter's Report alongwith Cost Audit Report are discussed at Audit Committee meetings alongwith Statutory Auditors so as to ensure greater transparency and accountability.

(f) Human Resources / Industrial Relations

Industrial relations at the Plant continue to be cordial. Employees are important assets of the company since they create value and products. The training needs for the management and other categories of employees are assessed by the HR Department in conjunction with Top Management. Training programmes are organized inhouse or with external experts as well as at the plants of the Principals and machinery suppliers to deliver functional need based training. Employees are rewarded with opportunities for learning and career advancement. The Company's human resource management systems and processes aim to create a committed workforce, focused customer centric culture so as to be equipped to seize emerging market opportunities. The Company has strength of 426 permanent employees as on 31st March, 2007.

(g) Risks and Concerns

Since a major portion of the Company's revenue is derived from dollar denominated exports, a key concern for the company is the appreciation in the rupee. A rising rupee will have an adverse impact on export realizations in view of the company's exposure to the US and other foreign markets. The Company has made efforts to partially offset this trend and protect its margins by increasing its supplies in the domestic market. Also as a major portion of the Company's income is derived from exports a slackening of export business could impact the revenues of the company.

Another matter of concern is the raw material and other input prices which are northbound. The reduction of import duties may open a window for import of components. The prevailing power instability in the industrial sector of the country resulting sometimes in load shedding is also a matter of concern for the Company.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

FINANCIAL INFORMATION

FIXED ASSETS

During the year the company's fixed assets gross block has increased due to the addition of some core machines and furnace in view of the company's focus on widening its domestic customer base and to cater to the future increase in its domestic and export orders. Also the company has paid advances for few machines.

INVENTORIES

The inventory level as on 31st March 2007 was Rs.1563 lakhs as compared to Rs.1322 lakhs in the previous year which was an increase of around 18%. The increase in inventory was mainly due to raw material which constitutes 80% of increased inventory value. Raw material inventory has gone up due to more orders on hand from domestic and export customers and considering hike in the prices of steel.

SUNDRY DEBTORS

Sundry debtors as on 31st March 2007 was Rs. 1323 lakhs being an increase of 91% over previous year debtors which amounted to Rs. 687 lakhs. The increase in the level of debtors was due to more business from domestic customers where credit period is longer than overseas customers. Further, remittances from overseas customers for sales made during the month of March 2007 were delayed and were received after close of financial year.

RESULTS OF OPERATIONS

| | F-2007 | Rs. in lakhs F-2006 |
|---|----------------|------------------------|
| Expenditure | | |
| Raw Materials Finished & semi finished products | 5286.63 | 5848.77 |
| Employee costs | 1075.46 | 940.00 |
| Manufacturing and other Expenses | 3063.07 | 2686.80 |
| Interest | 269.64 | 542.91 |
| Depreciation | 1415.96 | 790.74 |

For the year ended 31st March, 2007 there is a marginal decrease in raw material cost as a percentage of sales due to change in the product mix. Total employee cost has gone up by Rs.135 lakhs due to implementation of new wage agreement and revision in salary structure of staff. Manufacturing and other expenses have increased proportionate to increase in scale of operations. Interest cost has been reduced mainly in view that the parent company has agreed to treat the debt due to them as interest free external commercial loan effective from 1st April, 2006. Depreciation for the year was more or less constant. However, increase in depreciation charge for the year is due to amortization of technical know-how fees to the extent of Rs.621 lakhs.

Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward - looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices. Cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.

FAIRFIELD ATLAS LIMITED**CORPORATE GOVERNANCE:****1. Company's philosophy on Corporate Governance:**

Fairfield Atlas Limited ("the Company") is committed to adhere to the corporate governance code as prescribed by the Stock Exchange and has accordingly implemented various aspects of the code for the year ended 31st March, 2007 except for appointment of Third Independent Director which has been done on 21st May 2007.

2. Board of Directors :

The Board of Directors consists of 8 directors. A Whole Time Director & C.E.O., one non-executive nominee director, 2 non-executive nominee directors representing Oerlikon Fairfield Drive Systems U.S.A. (Formerly Fairfield Manufacturing Company Inc., USA) and 3 non executive directors who are Independent Directors and one non executive director. The Chairman of the Board is non-executive.

The Chairman being non-executive, number of Independent Directors should be one third of the total strength. The Company complies with the same and at present all the three Independent Directors are non-executive Directors. However, during the period 9th October 2006 to 20th May 2007 the Company had only two Independent Directors, due to the demise of Mr. Jayant Herwadkar an Independent Director.

3. Attendance of Directors at Meetings of Board and Members:

During the year 2006-2007, the Board met 5 times on June 23, 2006, July 29, 2006, September 9th, 2006, October 17, 2006 and January 27, 2007. The maximum time gap between any 2 meetings was not more than 4 calendar months. A meeting of the Committee of Directors was held on 16th December, 2006.

The following table gives details of Directors, attendance of Directors at the Board meetings and at the last Annual General Meeting, held on September 9, 2006, number of memberships held by Directors in the Board/Committee of various companies.

| Name | Category | Attendance Particulars | | No. of other Directorship | No. of Committee* Membership held | No. of Chairmanship of Committee** held |
|----------------------|------------------------------------|------------------------|----------|---------------------------|-----------------------------------|---|
| | | Board Meeting | Last AGM | | | |
| A. K. Kaul | Whole Time Director & C.E.O | 5 | Yes | - | 2 | - |
| Riad Fyzee | Non Executive Director | 5 | Yes | - | 1 | 1 |
| J. M. Mapgaonkar @ | Non Executive Director | 1 | No | 1 | 1 | - |
| Clement L. Strimel + | Chairman Non Executive Director | 2 | Yes | - | - | - |
| Jayant Herwadkar ** | Independent Director | 1 | - | - | - | - |
| Ravi Kathpalia | Independent Director | 5 | Yes | 4 | 3 | 2 |
| Gary J. Lehman + | Non Executive Director | - | No | - | - | - |
| Avinash P. Gandhi | Independent Director | 4 | No | 7 | 8 | 3 |
| Rakesh Chopra*** | Independent Director | - | N.A | 1 | 2 | - |

* Committees considered are Audit Committee and Shareholders/Investors Grievance Committee, including Fairfield Atlas Ltd.

@ Nominee Director - Mahindra and Mahindra Limited

+ Nominee Director - Oerlikon Fairfield Drive Systems, U.S.A. (formerly Fairfield Manufacturing Co., Inc. USA)

** Ceased to be a Director w.e.f 9th October, 2006 consequent upon his death.

*** Appointed Director w.e.f. 21st May, 2007

4. Directors seeking reappointment:

At the ensuing Annual General Meeting Mr. Riad Fyzee, and Mr. Jonathan M. Mapgaonkar retire by rotation and being eligible offer themselves for reappointment. Mr. J. M. Mapgaonkar 58, is a Director nominated by Mahindra & Mahindra Ltd., where he holds the post of Chief-Strategic Sourcing. Mr. Mapgaonkar liaises with the company in respect of the supplies to be made to Mahindra & Mahindra Ltd., and has contributed to its progress. Mr. Mapgaonkar has been the Director of the company since 1995. Mr. Mapgaonkar is a member of

the Shareholders Grievance Committee of the Board. Mr. Mapgaonkar does not hold any shares in the company.

Mr. Riad Fyzee 52, was the founder and Chief Promoter of the Company. He was the former Managing Director of the Company and has in-depth knowledge of the working of the Company. In view of his experience and association with the Company since inception, Mr. Fyzee continues on the Board of Directors in a non-executive capacity. As on 31st March 2007 Mr. Fyzee holds about 1.02% of paid-up share capital of the company.

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Mr. Rakesh Chopra 56, is a Fellow Member of the Institute of Chartered Accountants of England & Wales and also holds a Masters Degree in Business Administration from Cranfield, England. At present Mr. Chopra is a Senior Director in Alvarez and Marsal an International Firm of Management Consultants. Mr. Chopra has worked in various capacities in the Escorts Group, as Director and Finance Head. He is presently on the Board of Bharat Gears Ltd and Founder member on the Governing Council of the Rajiv Gandhi Cancer Institute & Research Centre, New Delhi. Mr. Chopra is one of the Independent Directors inducted on the Board of Directors of the company and is a member of the Audit and Remuneration Committees. Mr. Chopra does not hold any shares in the company.

5. Code of Conduct :

The Board has laid down Code of Conduct for Directors and Senior Executives of the Company. All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct. A declaration signed by Mr. A.K. Kaul, Wholetime Director and Chief Executive Officer is enclosed at the end of the report.

6. Stock Options:

No scheme for grant of stock options to Directors or employees.

7. Committees of the Board:**i. Audit Committee:**

Consequent upon the demise of Mr. Jayant Herwadkar as Independent Director, the Audit Committee was reconstituted with induction of Mr. A.K. Kaul, Whole Time Director & CEO. However, on the appointment of Mr. Rakesh Chopra on 21st May, 2007, as Independent Director the Committee was again reconstituted. The members of the present Audit Committee are therefore Mr. Ravi Kathpalia, Mr. Avinash Gandhi and Mr. Rakesh Chopra as Independent Directors and Mr. A. K. Kaul. Mr. Avinash Gandhi is Chairman of the Committee. The Company Secretary acts as Secretary to the Committee. The terms of reference of the Audit Committee cover the matters enumerated in Clause 49 of the Listing Agreement.

The previous Audit Committee reviewed with the Statutory Auditors, the financial statement for the year ended March 31, 2006, the Unaudited Financial Statement for the quarter ended June 30, 2006 and the Internal Audit Report for the year ended March 31, 2006.

The Reconstituted Audit Committee reviewed with the Statutory Auditors the Unaudited Financial Statements for the quarter ended 30th September, 2006 and 31st December, 2006 and the Cost Audit Report for the year 2005-2006.

The Committee held 4 meetings during the year.

The attendance at the meetings was as under:

| Previous Committee Members | Meetings Attended | Reconstituted Committee Members | Meetings Attended |
|----------------------------------|-------------------|---------------------------------|-------------------|
| Mr. Jayant Herwadkar Chairman | 1 | Mr. Avinash Gandhi Chairman | 2 |
| Mr. Avinash Gandhi Member | 2 | Mr. Ravi Kathpalia Member | 2 |
| Mr. Ravi Kathpalia Member | 2 | Mr. A.K. Kaul Member | 2 |

The erstwhile Chairman of the Audit Committee Mr. Jayant Herwadkar could not attend the Annual General Meeting of the Company held on September 9, 2006 due to his illness.

ii. Shareholders/Investors Grievance Committee:

Consequent upon the demise of Mr. Jayant Herwadkar, the Committee was reconstituted by the induction of Mr. A.K. Kaul. The present Committee consists of Mr. Riad Fyzee, Mr. J. M. Mapgaonkar and Mr. A.K.Kaul. Mr. Riad Fyzee is the Chairman of the Committee. The Committee looks into redressing of shareholders complaints like transfer of shares, non-receipt of Balance Sheet, dividend etc. The work of the Registrar and Transfer Agent is overseen by the Committee. Mr. Marcel Rebello, Company Secretary is the Compliance Officer. During the year, 16 complaints were received from the shareholders all of which were resolved to their satisfaction. The Committee had 4 meetings till date. The attendances at these meetings were as under:

| Previous Committee Members | Meetings Attended |
|------------------------------|-------------------|
| Mr. Riad Fyzee, Chairman | 2 |
| Mr. J. M. Mapgaonkar, Member | - |
| Mr. Jayant Herwadkar, Member | 2 |

| Reconstituted Committee Members | Meetings Attended |
|---------------------------------|-------------------|
| Mr. Riad Fyzee, Chairman | 2 |
| Mr. J. M. Mapgaonkar, Member | - |
| Mr. A.K. Kaul, Member | 2 |

iii. Remuneration Committee:

With the appointment of Mr. Rakesh Chopra the Remuneration Committee was reconstituted. The reconstituted Remuneration Committee comprises

FAIRFIELD ATLAS LIMITED

of Mr. Ravi Kathpalia, Mr. Avinash P. Gandhi and Mr. Rakesh Chopra. Mr. Kathpalia is the Chairman of the Committee. The Committee recommends to the Board the remuneration package of the Managing/Whole Time Director and other Directors. The previous Remuneration Committee comprised of Mr. Avinash Gandhi, Mr. Ravi Kathpalia and late Mr. Jayant Herwadkar. No meetings of the Committee were held during the financial year 2006-2007.

The remuneration paid to the Whole time Director & CEO is in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

The Whole time Director & CEO is paid remuneration within the limits envisaged under Schedule XIII of the Companies Act, 1956. The remuneration payable is recommended by the Remuneration Committee and is approved by the Board of Directors.

| Names | Remuneration paid during 2006-2007 | | | | Total (Rs.) | Service Contract, notice period, severance fees |
|--|---|--|--|----------------------|----------------|---|
| | Salary House Rent Allowance Special Allowance (Rs.) | Commission (Performance Linked) (Rs.) | Company's contribution to Provident and Pension Fund (Rs.) | Perquisites (Rs.) | | |
| A. K. Kaul Wholetime Director & CEO | 2127396 | 694055 | 237600 | NIL | 3059051 | The appointment is for a period of 3 years from 1st July 2005 subject to termination by three months notice in writing on either side or payment of remuneration for three months in lieu of notice. If Agreement terminated without cause company to pay compensation subject to provisions of section 318 of the Companies Act 1956 calculated in accordance with Section 318(4) of the Companies Act 1956. |
| Mr. Riad Fyze | - | - | - | - | 34000 | Sitting fees for attending Board and Committee Meetings. |
| Jayant Herwadkar | - | - | - | - | 12000 | Sitting fees for attending Board and Committee Meetings. |
| Avinash Gandhi | - | - | - | - | 66000 | Sitting fees for attending Board and Committee Meetings. |
| Ravi Kathpalia | - | - | - | - | 62000 | Sitting fees for attending Board and Committee Meetings. |
| Mr. J. M. Mappaonkar | - | - | - | - | 10000 | Sitting fees for attending Board and Committee Meetings. |
| None of the other Non Executive Directors has been paid any remuneration including sitting fees during the year. Non Executive Directors entitled to only sitting fees of Rs. 6,000 per Board or Committee meeting attended, increased to Rs.10,000/- effective from the Board Meeting held after 17th October, 2006. | | | | | | |

Financial Calendar of the Company:

The financial year covers the period 1st April to 31st March.

Financial Reporting for

| | | |
|------------------|--------------------|------------------|
| Quarter ending | June 30, 2007 | End July 2007 |
| Half Year ending | September 30, 2007 | End October 2007 |
| Quarter ending | December 31, 2007 | End January 2008 |
| Year ending | March 31, 2008 | End June 2008 |

Note: The above dates are indicative.

GENERAL INFORMATION FOR SHAREHOLDERS:**Annual General Meeting:**

The Seventeenth Annual General Meeting of the Company will be held on Tuesday 25th September, 2007 at 3 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 14th September, 2007 to Tuesday, 25th September, 2007 (both days inclusive)

Dividend payment date:

Not Applicable

Listing of securities:

The company's securities are listed only on the Stock Exchange, Mumbai. The Depositories for the Company's shares are National Securities Depository Ltd., and Central Depository Services (India) Ltd. The listing fees of the Stock Exchange and custodial fees of Depositories for the year