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FAIRFIELD ATLAS LIMITED

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18TH

ANNUAL REPORT

2007-2008

FAIRFIELD ATLAS LIMITED

Regd. Office : Survey No. 157, Devarwadi Village, Post Shinoli, Chandgad Taluka, Dist. Kolhapur, Maharashtra – 416 507.

ATTENDANCE SLIP

Registered Folio

Name of the Member / Proxy / Representative

I hereby record my presence at the 18TH ANNUAL GENERAL MEETING of the Company held on Wednesday, 10th September 2008 at 3.00 p.m. at Survey No. 157, Devarwadi Village, Post Shinoli, Chandgad Taluka, Dist. Kolhapur, Maharashtra

Signature of Attending Member / Proxy / Representative

NOTE : A Shareholder / Proxy Holder / Representative desiring to attend the meeting must complete the Attendance Slip and hand it over at the entrance of the meeting hall.

..... CUT HERE AND BRING THIS ATTENDANCE SLIP AT THE MEETING

FAIRFIELD ATLAS LIMITED

Regd. Office : Survey No. 157, Devarwadi Village, Post Shinoli, Chandgad Taluka, Dist. Kolhapur, Maharashtra – 416 507.

PROXY FORM

I / We

of being a member / members of the

above named company hereby, appoint of

.....or failing him

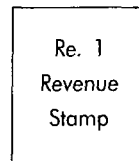
..... of

.....as my / our proxy to vote for me /us on my / our behalf at the 18TH ANNUAL GENERAL MEETING of the Company to be held on Wednesday, 10th September 2008 and at any adjournment thereof.

Signed this day of2008

Reference Folio / Client ID No.

No. of Shares



Signature

NOTE : This Proxy form must be returned so as to reach the Registered Office of the Company, Fairfield Atlas Limited, Survey No. 157, Devarwadi Village, Post Shinoli, Chandgad Taluka, Dist. Kolhapur, Maharashtra not less than FORTY EIGHT HOURS before the time for holding the aforesaid meeting

FAIRFIELD ATLAS LIMITED

- BOARD OF DIRECTORS** : Clement L. Strimel Jr.
Chairman
Lalit K. Chaudhary
Managing Director & Chief Executive Officer
(with effect from 1st January 2008)
Autar Krishen Kaul
Whole-Time Director (upto 30th June 2008)
Riad Fyzee
Gary J. Lehman
J. M. Mappaonkar
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 Eighteenth Annual General Meeting of shareholders of Fairfield Atlas Limited (the "Company") will be held on Wednesday 10th September, 2008 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, 2008, 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 who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. Ravi Kathpalia, who retires by rotation and being eligible, offers himself for re-election.
4. To appoint M/s. B S R and Co, Chartered Accountants as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
5. To appoint a Director in place of Mr. Lalit K. Chaudhary 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. Lalit K. Chaudhary as a candidate for the office of a director.
6. To consider and if thought fit to pass with or without modifications the following resolution as a Special Resolution:

"RESOLVED that subject to applicable provisions of the Companies Act, 1956 approval of the company be and is hereby accorded to modification of the Employment Agreement dated 5th August, 2005 entered into between the Company and Mr. A.K. Kaul, Whole Time Director upon terms and conditions set out in the Supplemental Agreement dated 24th January, 2008 entered into between the Company and Mr. A.K. Kaul, Whole Time Director.

7. 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. Lalit K. Chaudhary, as Managing Director and Chief Executive Officer of the Company for a period of 5 (five) years commencing from 1st January 2008 upon terms and conditions set out in the Agreement dated 7th February, 2008 entered into between Mr. Lalit K. Chaudhary 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 aforesaid Agreement and to review the remuneration, perquisites and benefits payable to Mr. Lalit K. Chaudhary from time to time."

NOTES:

- a) The relative Explanatory Statement as required by Section 173 of the Companies Act, 1956 in regard to item nos. 4 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 Tuesday 2nd September, 2008 to Wednesday 10th September, 2008, both days inclusive.
- d) 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.
- e) 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 : Goa,
 Dated : 12th May, 2008

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 items of business

ITEM NO.4

The Statutory Auditors Price Waterhouse, Chartered Accountants retire at the ensuing Annual General Meeting. However, Price Waterhouse, Chartered Accountants have expressed their unwillingness to be reappointed. Accordingly, in consonance with Oerlikon's policy to appoint M/s. B S R and Co, Chartered Accountants (KPMG) as Statutory Auditors in respect of all their establishments outside the U.S. the Company also proposes to appoint them as Statutory Auditors.

M/s. B S R and Co, Chartered Accountants have further confirmed that the said appointment, if made, would be in conformity with the provisions of section 224(1B) of the Act.

In view of the above and based on the recommendations of the Audit Committee, the Board of Directors has recommended the appointment of M/s. B S R and Co, Chartered Accountants, as the Statutory Auditors for the Financial Year 2008-09.

The Members approval is being sought to the appointment of M/s. B S R and Co, Chartered Accountants, as the Statutory Auditors and to authorise the Board of Directors, on the recommendation of the Audit Committee, to determine the remuneration payable to the said Auditors.

The Directors recommend the appointment for the approval of the Members.

None of the Directors of the Company is concerned or interested in this resolution.

ITEM NO.5 & 7

The Board of Directors at their meeting held on 8th January, 2008 appointed Mr. Lalit K. Chaudhary as Additional Director with effect from 1st January, 2008 and accordingly he would hold office till the ensuing Annual General Meeting. Mr. Chaudhary holds a B.Tech degree from IIT, Kanpur and is presently the Managing Director and Chief Executive Officer of Graziano Trasmissioni (India) Pvt.Ltd., (GTIPL) which is an affiliate company in the Oerlikon group and is also in the field of manufacture of gears, deriving nearly 75% of its turnover from exports.

In view of his experience in the industry and in similar line of activity, 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. Chaudhary 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. Chaudhary for appointment as director of the Company.

Mr. Chaudhary 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 these items of business.

At the said Board Meeting the Board of Directors also unanimously appointed Mr. Lalit K. Chaudhary as Managing Director and Chief Executive Officer of the Company for a period of 5 years with effect from 1st January, 2008 on terms and conditions set out in the Agreement dated 7th February, 2008 the salient features of which are mentioned below:

1. Appointment

Subject to the approval of the General Meeting and other necessary approvals, if any, Mr. Lalit K. Chaudhary be appointed Managing Director and Chief Executive Officer of the Company for a period of 5 years from 1st January, 2008. Mr. Chaudhary has represented to the Company that he holds the office of Managing Director of Graziano Trasmissioni (India) Private Limited, Noida (U.P) and that holding the said office and discharging his duties as such will not adversely affect the discharge by Mr. Chaudhary of his duties as Managing Director and Chief Executive Officer of the Company.

2. Remuneration

So long as Mr. Chaudhary holds the office of Managing Director of Graziano Trasmissioni (India) Pvt. Ltd or until decided by the Board of Directors of this Company, Mr. Chaudhary shall not be

entitled to receive any remuneration from the Company.

3. Other Conditions

- a) Mr. Chaudhary shall not become interested or otherwise concerned directly or indirectly through his wife, son or unmarried daughter in any selling agency of the Company.
- b) Mr. Lalit K. Chaudhary shall operate and discharge his duties from his office at Noida. He shall visit the registered office and factory of the Company as and when required for performing and discharging his duties as Managing Director and Chief Executive Officer.
- c) Mr. Chaudhary shall not reveal to any person trade secrets or confidential information which may come to his knowledge during his tenure as Managing Director and CEO.
- d) Subject to applicable policies, rules and guidelines prescribed by the Company, Mr. Chaudhary shall be entitled to reimbursement of expenses properly incurred in connection with the business of the Company.
- e) Subject to the provisions of the Act Mr. Chaudhary shall not so long as he holds the office of Managing Director and Chief Executive Officer be subject to retirement by rotation and shall not be reckoned as a Director for the purpose of determining the rotation or retirement of Directors.
- f) Either the Company or Mr. Chaudhary may terminate this Agreement by giving three months notice in writing.

Inspection of Documents

The Agreement referred to in this Explanatory Statement will be available for inspection by shareholders at the Registered Office of the Company between 10 a.m. to 12 noon on all working days prior to the date of the meeting.

ITEM NO.6

At the meeting of the Board of Directors held on 8th January, 2008 the Board approved entering into a Supplemental Agreement with Mr. A.K. Kaul, Whole Time Director amending the Employment Agreement dated 5th August, 2005 entered with him subject to approval of the General Meeting.

The terms of the Supplemental Agreement dated 24th January, 2008 are as follows:

- a) Mr. Kaul shall relinquish the office of Chief Executive Officer with effect from January 1, 2008 and shall continue to hold the office of Whole Time Director, for the balance duration of the Employment Agreement.
- b) As Whole Time Director of the Company, Mr. Kaul shall perform and discharge such duties and responsibilities as may be assigned to him by the Board of Directors, from time to time.
- c) The Employment Agreement, as amended by this Supplemental Agreement, shall remain in full force and effect.

Except Mr. Kaul no other director of the company is interested or concerned in this item.

Inspection of Documents:

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

By Order of the Board of Directors

Place : Goa,
Dated : 12th May, 2008

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 18th Annual Report together with the audited accounts of Fairfield Atlas Limited (the "Company") for the year ended 31st March, 2008.

i. Financial Results	Rs. in lakhs	
	2007-2008	2006-2007
Gross Income	15995.57	11246.63
Profit/(Loss) before depreciation, Interest and tax	3048.32	2379.65
Interest	212.58	269.64
Depreciation and Amortisation	1120.35	1415.96
Profit/(Loss) before tax	1715.39	694.05
Provision for tax	299.71	9.02
Profit/(Loss) after tax	1415.68	685.03
Balance of Profit/(Loss) brought from earlier year	(2168.69)	(2853.72)
Balance of Profit/(Loss) carried to Balance Sheet	(753.01)	(2168.69)

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, 2008.

iii. Performance

The Company's performance for the year under review reflected an encouraging growth as compared to the performance of the previous year.

Sales turnover and other income increased to Rs.15995.57 lakhs as compared to Rs.11246.63 lakhs for the previous year registering an increase of 42%.

This growth could be achieved mainly due to increase in export sales volume on development of new products, greater acceptability of the company's products in USA and simultaneously in the domestic market. Increased export orders from our Principals and other overseas customers surpassed the budgeted sales for the year.

The company continues with its focus on exports and increasing its share in the domestic market.

iv. Achievements and Customer Recognition**a. Star Export House**

Due to its consistent export performance the company has been accorded Star Export House status by the Joint Development Commissioner, SEEPZ SEZ Government of India, Ministry of Commerce & Industry, Mumbai. The company is making vigorous efforts to upgrade its star export rating category.

b. The company was awarded a certificate of appreciation by HV Transmissions Ltd., (Tata Motors) for the fastest Ram up of gears and shafts.**c. The company was given an award by Mahindra & Mahindra Ltd., Tractor Division, in recognition of its consistent adherence to quality standards.****v. Open Offer**

Pursuant to the Open Offer, TH Licensing, USA, the Company's holding Company, acquired 2224796 equity shares thereby increasing its shareholding in the company to 22924796 equity shares constituting 83.91% of the paid up capital.

vi. 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, 2008 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 Director's had prepared the annual accounts on a going concern basis.

vii. Finance

The Company executed an Amendment Letter to the Loan Agreement with TH Licensing Inc., USA whereby the rate of interest on the ECB loan has been reduced by 200 basis points effective 1st January, 2008.

viii. Status before the BIFR Board

The Company's petition before the BIFR Board is in the process of being heard.

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 from a Practising Company Secretary regarding compliance of conditions of Corporate Governance is annexed to the report.

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

Mr. Clement Strimel and Mr. Ravi Kathpalia retire by rotation at this Annual General Meeting and being eligible offer themselves for reappointment as Directors.

Mr. Lalit K. Chaudhary was appointed Additional Director of the Company designated as Managing Director and CEO for a period of 5 years with effect from 1st January, 2008. He ceases to hold office on the date of this Annual General Meeting and being eligible offers himself for reappointment as Director.

Mr. A.K. Kaul has resigned from the Board of Directors with effect from 28th July, 2008 on completion of his term of office as Whole Time Director of the company. The Board placed on record its appreciation of the

contribution made by Mr. Kaul to the progress of the company initially during his tenure as Chief Operating Officer and subsequently as Whole Time Director and CEO.

None of the Directors of the Company is disqualified as on 31st March, 2008 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 with the Stock Exchange

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 2008-2009 subject to the approval of the Central Government.

xv. Auditors

Price Waterhouse the current Statutory Auditors of the Company retire at this Annual General Meeting but have expressed their unwillingness to be reappointed. Accordingly, in consonance with the global policy of Oerlikon the Company proposes to appoint M/s. B S R and Co, Chartered Accountants (KPMG) as Statutory Auditors of the Company. M/s. B S R and Co, being eligible offer themselves for appointment as Auditors and have further confirmed that the said appointment would be in conformity with the provisions of section 224(1B) of the Companies Act, 1956.

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 : Goa

Date : 12th May, 2008

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 2008.

A. CONSERVATION OF ENERGY.

No measures for conservation of energy were taken during this financial year. However the company is making efforts on an on going basis to find 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. Technical know-how received from its parent company has enabled improvement in export revenues of the Company.

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 : Goa

Dated : 12th May, 2008

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

The Company's core business operations fall in the broad categories of auto, agriculture, construction and more specifically the on-off highway 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 OEMs in the markets mentioned above.

The demand for the company's product is a derived demand and hence is dependent upon the growth rate of its OEM customers. The sustained/improved growth rate of the company's main OEMs customers viz. TATA Motors, M&M, John Deere and Carraro for its domestic business and FMC, John Deere, TMA for its export business is a development which will help the company to fulfill its business aspirations.

The industry is also witnessing consolidation in the domestic as well as the international market, a trend we anticipate to continue in the foreseeable future.

(b) Opportunities and Threats

The focus of foreign Original Equipment Manufacturers (OEMs) to cut costs and better align with the global customer-base has created an outsourcing opportunity for India and has lured global OEMs to source supplies and establish factories for their worldwide production. The company being in the category of supplier to original equipment manufacturer both for its domestic and international business has built up a reputation vis-à-vis the quality standard adopted by it. Moreover, the Company has been granted the TS 16949 Quality Management Certificate for establishment of the Quality Management System. This status coupled with the fact that the company is now an unit in the Oerlikon conglomerate which encompasses Oerlikon Fairfield in USA and Oerlikon Graziano in Italy the international affiliates and strategic partners broadens the offering of its products. The latter also has a presence in India viz. Graziano Trasmissioni (India) Pvt.Ltd. Hence there are opportunities of exploring the various synergies that could be undertaken between the two companies so as to augment the ability to serve its customers and parent company. The company is therefore fully equipped to cater to the new marketing opportunities that may be offered in the field of its business activities.

The setting up in India of new manufacturing facilities by renowned international OEMs automobile manufacturers and the expansion of existing manufacturers both international and domestic have opened up excellent opportunities for the company's growth prospects. The company is striving to seize the opportunities offered by new and existing customers and strengthen its market position by adding value to its select customers.

The company also faces threats to its business due to progressive reduction of import tariffs that will increase competition pressures in the domestic business of the company.

The continuing trend of major domestic automobile manufacturers acquiring by merger or outright purchase manufacturing facilities both domestically and internationally in lines of business akin to the company's could evolve as a potential threat to the company's future growth.

(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

There is a strong linkage between the growth of the automobile industry and the growth of the auto component sector. It is observed that during the past five years the automobile sector has grown at a fast pace. This growth coupled with growth in the Indian economy has led to growth in demand in the industry due to higher disposable incomes. If these conditions

continue the outlook for the future business of the company appears bright.

Tractors too show a return to growth driven by good monsoons, rising agri-commodity prices in recent months and the continued emphasis by the Government on rural credit. These factors have brightened the outlook for domestic agriculture. Consequently there will be a beneficial impact on the company's business in this sector. Considering the current trends in the export business of the company, indications are that the company's export business will have a positive growth. The company being a part of the Oerlikon Group is in a position to expand its market presence thereby opening up access to additional international customer groups while strengthening existing relationships.

(e) Internal Control System

The Company has an adequate internal control system which provides for a reasonable assurance of recording the transactions in all material aspects and assuring protection against significant misuse or loss of company assets. The utilization of the ERP system enhances the internal control mechanism. The company's cost records are subject to Cost Audit as prescribed by the Government. The company has engaged an independent Chartered Accountancy firm to conduct internal audits and the Internal Audit Report is discussed at Audit Committee meetings alongwith Statutory Auditors and necessary corrective action taken after mutual discussions. Due to the preoccupation of the Internal Auditor, internal audit could not be conducted for a short period. However the company proposes to appoint another firm to conduct the internal audit.

(f) Human Resources / Industrial Relations

Industrial relations at the Plant continue to be cordial. Employees are the human capital in the company. Their knowledge and experience are the foundation for the strength and ultimate success of the company. In view of the ongoing changes in the company's profile, the employees function in a challenging and inspiring work environment. The aim is to promote each employee's ongoing development. To this end training needs are assessed by the HR Department in conjunction with the functional heads. Accordingly a broad range of training programs are organized inhouse or at the plants of the Principals so as to impart specialized knowhow and fundamental skills. The purpose is to create a committed and competent work force to meet the challenges that may arise.

The company has a strength of 484 permanent employees as on 31st March, 2008.

(g) Risks and Concerns

Exports being a major growth driver contribute significantly to the company's turnover. Almost all the exports are made to USA. However, the ultimate customers are in various countries around the world, providing somewhat of an insulating effect of a U.S. economic slowdown. Further since exports are dollar denominated, fluctuations in the value of the dollar vis-à-vis the rupee will have an impact on the company's export realizations. In order to reduce any adverse impact on currency fluctuations, the company is hedging its transactions in foreign exchange. Prices of petroleum products are also gradually rising whereas the prices of steel are not stabilized but are on the increase in the short run. The company uses L.P. gas for its furnaces whereas steel is used in making forgings which is the main raw material for the company. The company has entered in long term contracts with the suppliers but long term contracts have a limited validity. The company is however optimistic in meeting these challenges through better negotiations, process efficiencies and innovative cost control. Shifting by Mahindra & Mahindra of part of its Tractor operations from Mumbai to Uttarkhand and three wheeler operations to Haridwar has marginally reduced volume of supplies of tractor components by the company to them although the reduction has been compensated to a certain extent by increased supplies to their Nagpur Plant. The company has filled the vacuum by increasing its sales to other domestic customers.

Inflationary pressures in the economy may affect demand at the macro level and may percolate to the micro level.

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 addition of core machines to cater to the future domestic and export business of the company and change in product mix as well as due to additions to factory building.

INVENTORIES

The inventory level as on 31st March 2008 was Rs.2062 lakhs as compared to Rs.1564 lakhs for the previous financial year being an increase of around 31%. The increase in inventory is chiefly due to increase in raw material for future business maintained as a safeguard against price increases.

SUNDRY DEBTORS

Sundry Debtors as on 31st March, 2008 amounted to Rs.1906 lakhs being an increase of 40% over previous year's debtors which amounted to Rs.1323 lakhs. The increase in debtors reflect receivables from parent company in respect of export business.

RESULTS OF OPERATIONS

	Rs. in lakhs	
Expenditure	F-2008	F-2007
Raw Materials Finished & semi finished products	8147.79	5286.63
Employee costs	1255.69	1075.46
Manufacturing and other Expenses	3543.76	3063.07
Interest	212.58	269.64
Depreciation	1120.35	1415.96

Increase in raw material cost is due to increase in prices of steel being the basic component of raw material and change in the export product mix. Total employee cost has risen due to annual increments to staff. Manufacturing and other expenses have increased proportionate to increase in scale of operations. Interest cost has been reduced due to lowering of interest rate by parent company with effect from 1st January, 2008. Depreciation for the year was more or less constant. Reduction in depreciation charge is due to amortization of last installment of technical knowhow fees for part of the year.

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.

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, 2008.

2. Board of Directors :

The names and categories of Directors are given below. 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 Independent Directors are non-executive Directors. No Director of the Company is related to each other.

3. Board Procedure :

A detailed Agenda is sent to each Director in advance of Board and Committee Meetings. The Managing/ Whole Time Director briefs the Board on the overall performance of the Company and clarifies queries

raised by the Board Members on any item of the Agenda as well as presentations made by Senior Executives of the Company.

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

During the year the Board met 7 times on 21st May 2007, 27th June 2007, 28th July 2007, 29th October 2007, 8th January 2008, 25th January 2008 and 27th March 2008. 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 18th December, 2007.

The following table gives details of Directors, attendance of Directors at the Board meetings and at the last Annual General Meeting, held on September 25, 2007, number of memberships held by Directors in the Board/ Committee of various public companies. None of the Directors on the Board was a member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement) across all the companies in which he is a Director :

Name	Category	Attendance Particulars		No. of other Directorship	No. of Committee* Membership held	No. of Chairmanship of Committee* held
		Board Meeting	Last AGM			
Lalit K. Chaudhary *	Managing Director & C.E.O	3	N.A.	-	1	-
A. K. Kaul **	Whole Time Director	3	Yes	-	1	-
Riad Fyzee	Non Executive Director	5	Yes	-	1	1
J. M. Mapgaonkar @	Non Executive Director	4	No	1	1	-
Clement L. Strimel +	Chairman Non Executive Director	3	No	-	-	-
Gary J. Lehman +	Non Executive Director	-	No	-	-	-
Ravi Kathpalia	Independent Director	7	Yes	3	3	2
Avinash P. Gandhi	Independent Director	7	No	7	8	3
Rakesh Chopra	Independent Director	7	No	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, U.S.A.
 * Appointed Managing Director and CEO w.e.f. 1st January, 2008.
 ** Relinquished office of CEO w.e.f. 1st January, 2008.

5. Directors seeking reappointment:

At the ensuing Annual General Meeting Mr. Clement Strimel and Mr. Ravi Kathpalia retire by rotation and being eligible offer themselves for reappointment.

Mr. Clement L. Strimel age 46 years was appointed Director by the Board on 1st December 2001 as a nominee of Oerlikon Fairfield, USA. He was appointed by the shareholders at the Annual General Meeting held on 30th September 2002. Mr. Strimel is the Vice President International Business Development of Oerlikon

Fairfield, USA and has been successful in securing orders for the Company from international customers. Mr. Strimel does not hold any shares in the Company nor is he related to any Director of the Company.

Mr. Ravi Kathpalia age 70 years holds Post Graduation degrees in English Literature and Public Administration. He has passed the All India Civil Services Examination and has held important and responsible positions in the Accounts and Finance Department of the Ministry of Finance as an Adviser/Consultant. Post retirement he is