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# **FAIRFIELD ATLAS LIMITED**

- BOARD OF DIRECTORS** : Clement L. Strimel Jr.  
*Chairman*  
D. E. Jacob  
*Managing Director*  
Gary J. Lehman  
Riad Fyzee  
J. M. Mapgaonkar  
Avinash P. Gandhi  
Ravi Kathpalia  
Rakesh Chopra
- COMPANY SECRETARY** : Marcel Rebello
- BANKERS** : AXIS Bank Ltd.  
HDFC Bank Ltd.
- AUDITORS** : B S R and Co.  
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, 2270 9025
- 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 Twentieth Annual General Meeting of shareholders of Fairfield Atlas Limited (the "Company") will be held on Thursday 23rd September, 2010 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, 2010, 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 Fyzee 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 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.

**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 Thursday 16th September, 2010 to Thursday 23rd September, 2010 (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.

Place : Goa  
Dated : 11th May, 2010

By Order of the Board of Directors

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

**Marcel Rebello**  
Company Secretary

## **FAIRFIELD ATLAS LIMITED**

### **DIRECTORS' REPORT**

The Directors are pleased to present their 20th Annual Report together with the audited accounts of Fairfield Atlas Limited (the "Company") for the year ended 31st March, 2010.

#### **i. Financial Results**

	<b>2009-2010</b>	<b>Rs. in lakhs</b> 2008-2009
Gross Income	<b>9818.89</b>	11624.45
Profit before depreciation, Interest and tax	<b>2003.19</b>	987.58
Interest and other finance charges	<b>71.32</b>	134.50
Depreciation and Amortisation	<b>637.19</b>	721.89
Prior Period Income	-	28.57
Exceptional item	<b>341.95</b>	-
Profit before Tax	<b>1294.68</b>	159.76
Provision for tax :		
Current tax	<b>232.78</b>	28.96
MAT Credit entitlement	<b>(447.03)</b>	-
Deferred Tax (credit)	-	(88.45)
Profit after tax	<b>1508.93</b>	219.25
Debit Balance in Profit & Loss Account	<b>(533.76)</b>	(753.00)
Balance in Profit & Loss		
Account Carried forward to Balance Sheet	<b>975.17</b>	(533.76)

#### **ii. Dividend**

The Directors did not recommend dividend for the year ended 31st March, 2010.

#### **iii. Performance**

The global economic slowdown has impacted the revenues of the company particularly from its export business. However, various initiatives were undertaken by the company in its domestic business to mitigate the effects due to economic slowdown. The initiatives include extending its footprint to new customers particularly in the construction industry which present exciting opportunities for growth. The company has identified the opportunities for serving various markets through its diversified range of products. Sales turnover and other income decreased to Rs. 9818.69 lakhs as compared to Rs.11624.45 lakhs for the previous financial year registering a marginal decrease of 15.53%. The company was entitled to a deferred sales tax benefit under the package scheme of incentives 1993 of the Government of Maharashtra. During the year the company has settled the entire liability at lower amount in pursuance of the option granted to it by the Sales Tax Act 1959. Apart from the above the company developed certain components for the parent company thereby earning development costs from these activities. All these factors contributed in maintaining the profitability trend of the company enabling it to wipe out its accumulated carried forward losses.

#### **iv. 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, 2010 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.

**v. 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.

**vi. Wage Agreement**

The company has successfully concluded a wage agreement with the recognized Labour Union for a period of four years commencing from 1st July, 2009.

**vii. 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.

**viii. 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.

**ix. Directors**

It has been decided by Mr. Riad Fyzee, Mr. J.M. Mapgaonkar and Mr. Rakesh Chopra who were appointed Directors on the same day that is 25th September, 2007, that Mr. Riad Fyzee and Mr. J.M. Mapgaonkar will retire at this Annual General Meeting. Mr. Riad Fyzee and Mr. J.M. Mapgaonkar being eligible offer themselves for reappointment as Directors.

None of the Directors of the Company is disqualified as on 31st March, 2010 for being appointed as Director as specified in Section 274(1)(g) of the Companies Act, 1956.

**x. CEO and CFO Certification**

The CEO and 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.

**xi. Auditors**

B S R and Co Chartered Accountants (KPMG), retire as Auditors at this Annual General Meeting and being eligible offer themselves for reappointment.

**xii 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 2010-2011 subject to the approval of the Central Government.

**xiii. Auditors' Report**

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

**xiv. 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

Place : Goa

Date : 11th May, 2010

**AVINASH P. GANDHI**

Director

**D.E. JACOB**

Managing Director

**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 2010.

**A. CONSERVATION OF ENERGY**

No measures for conservation of energy were taken during this financial year. However the company is making efforts on an ongoing basis to find measures for energy conservation in various areas and will implement the same if feasible.

**B. TECHNOLOGY ABSORPTION**

The company uses indigenous technology in the manufacture of gears for its domestic customers. Technical know how received from 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 at Item No. 20.11.

Place : Goa

Date : 11th May, 2010

For and on behalf of the Board of Directors

**AVINASH P. GANDHI**

Director

**D.E. JACOB**

Managing Director

## **Management Discussion and Analysis**

### **(a) Industry Structure and Developments**

The Company's core business operations fall in the broad categories of agriculture, construction, automotive, energy, mining and more specifically the on-off highway power transmission sector. Indian Manufacturers of gears for these markets/industries can be classified on the basis of being an original equipment supplier or a replacement market supplier or a combination of both. Currently, leading manufacturers in these industries 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 demand for the company's product is a derived demand and hence is dependent upon the growth rate of its OEM customers. The fiscal stimuli of the government and the budget proposals have lifted customer confidence and the domestic economy looks set to charter a fresh growth trajectory which augurs well for the company. Domestic sales in the past few months reflect the growing confidence of the customers. On the export front, the economies of the countries where the company products are supplied seem to manifest modest signs of recovery though not a sustained up-turn as yet.

### **(b) Opportunities and Threats**

The domestic demand for the company's products being an ancillary demand, the future of the company's domestic business depends significantly on the growth of the infrastructure segment, as well as the agriculture market. Fiscal stimuli introduced by the Government has lifted customer confidence and the positive signs from the industry are encouraging. The company has seized this opportunity and responded through selective and strategic capacity and capability improvements and increases. With the construction industry in India seemingly on a long-term growth trajectory, the company has identified the opportunities for serving various markets through its diversified range of products. At present the company supplies to several of the major Indian and global OEM's that participate in the manufacture of excavators, compactors, dumpers, tippers, etc...and envision to continue diversifying its customer-base and product offering in the coming years. The manufacturing capabilities in India, coupled with the additional offerings and engineering capabilities from the U.S. parent company position us well for the envisioned growth.

### **(c) Segment-Wise Performance**

The company has determined its business segments as on-highway (select applications), agriculture, mining, energy and construction related transmission gears. There are no other primary reportable segments since 100% of the company's business is from transmission-type gears. As indicated above, the company will evaluate and establish strategic investment and growth to appropriate segments that will yield appropriate returns on investment.

### **(d) Outlook**

The Indian economy appears to have shaken off the gloom and looks set to charter a fresh growth strategy as can be evidenced from the upward trend and stabilization in the domestic business of the company for the second half of the year under review. These signs give a positive outlook for the company's domestic business. On the export front there are slight signs of revival though not yet a sustained upturn. To face the new scenario and defend its profitability the company has continued on the path towards lean manufacturing through active participation and leadership via the ACMA Cluster project. Building long term and deep relationships with our customers remains an ongoing focus to meet the challenges of a changing economy.

### **(e) Internal Control System**

The company conducts its business based on ethical practices and in conformity with the laws and regulations

## **FAIRFIELD ATLAS LIMITED**

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that govern its business. It has a well established frame work of internal control in operation with suitable monitoring procedures of various parameters supported by the ERP system mechanism. The Statutory Audit is supplemented by review of the financial and operating controls by the Internal Audit conducted by a reputed firm of Chartered Accountants. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of the internal control systems and suggests improvements. The company's cost records are subject to Cost Audit as prescribed by the Government. Compliance with various laws and regulations pertaining to the company are also monitored by placing compliance reports at every Audit Committee meeting.

### **(f) Human Resources / Industrial Relations**

Industrial relations at the Plant continue to be cordial. The company is striving to cultivate an organizational culture that is conducive to the welfare and safety of its employees. The company has recently concluded a four year wage settlement effective 1st July 2009 with the workers union. As a sequel salary structure of the non-bargainable staff has also been revised. The employees have played a key role in contributing to the growth and reputation of the company.

The company has a strength of 479 permanent employees as on 31st March, 2010.

### **(g) Risks and Concerns**

Since export revenues continue to be a significant contributor to the Company's turnover a slackening of the export markets can have an impact on the overall profitability. Another matter of concern is the fluctuating rate of the dollar which can sometimes have a negative effect on the company's export competitiveness, import bill and loan repayment commitments. The Company's domestic business being tied to the automobiles and tractor business any slow down there due to low demand or vagaries of the monsoon could percolate and affect the company's business. Rising of input costs could impair profitability of the company's business whereas concerns of escalation in oil prices could crimp recovery of the economy as a whole.

## **DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

### **FINANCIAL INFORMATION**

#### **FIXED ASSETS**

The company's fixed asset gross block remained more or less at the same level as the previous year.

#### **INVENTORIES**

In spite of the slow down in the export business, the company was able to maintain its inventory at more or less the same level as the previous year.

#### **SUNDRY DEBTORS**

Sundry debtors for the year ended 31st March, 2010 amounted to Rs.2716.03 lakhs being an increase of 63% over the previous year's sundry debtors which amounted to Rs.1662.07 lakhs. The increase in debtors is due to granting of extended period of credit to overseas buyers as compared to previous year.

### **RESULTS OF OPERATIONS**

		<b>Rs. in lakhs</b>
Expenditure	<b>FY-2010</b>	FY-2009
Cost of Goods Sold (COGS)	<b>4580.04</b>	6044.78
Employee costs	<b>1197.96</b>	1061.84
Manufacturing and other Expenses	<b>2379.65</b>	3575.79
Finance Cost	<b>71.32</b>	134.50
Depreciation	<b>637.19</b>	721.89

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Cost of Goods Sold: The company has reduced its COGS as compared to previous financial year due to change in product mix and additions of new products for existing and new customers.

Employee Costs: The increase in employee costs is due to increased wages and salaries paid to the workmen and other employees consequent upon signing up of new wage agreement effective from 1st July, 2009.

Manufacturing Costs: Manufacturing Costs and other expenses for the financial year has been reduced since the company had a foreign exchange gain during the financial year as compared to a foreign exchange loss of approximately Rupees 10 crores for the previous financial year. Additionally the company has also reduced all other expenses in line with its quantum of sales.

Finance Cost: Interest cost has been reduced due to lowering of LIBOR rate applicable to the term loans and appreciation in the value of rupee vis-a-vis the US Dollar.

Depreciation: Depreciation has reduced due to working of factory on two-shift basis for part of the financial 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, 2010.

**2. Board of Directors :**

The names and categories of Directors are given below. The Chairman being non-executive and "related" to the promoters vide Amendment/Explanation dated 11th November, 2008 to the Listing Agreement the number of Independent Directors should be one half 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 and papers for consideration at the Board/Committee Meetings are circulated to each Director in advance of Board and Committee Meetings. The Managing 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 4 times on 12th June, 2009, 29th July, 2009, 29th October, 2009, and 25th January, 2010. The maximum time gap between any 2 meetings was not more than 4 calendar months.

The following table gives details of Directors, attendance of Directors at the Board meetings and at the last Annual General Meeting, held on September 17, 2009, 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 Directorships	No. of Committee # Membership held	No. of Chairmanship of Committee # held
		Board Meeting	Last AGM			
Clement L. Strimel +	Chairman Non Executive Director	2	Yes	-	-	-
Gary J. Lehman +	Non Executive Director	-	Yes	-	-	-
Riad Fyzee	Independent Director	3	Yes	-	1	1
Devanand E. Jacob	Managing Director	4	Yes	-	1	-
J. M. Mapgaonkar	Non Executive Director	3	Yes	1	1	-
Avinash P. Gandhi	Independent Director	4	Yes	11	4	2
Ravi Kathpalia	Independent Director	4	Yes	6	4	2
Rakesh Chopra	Independent Director	4	No	1	4	-

+ Nominee Director – Fairfield Manufacturing Co., Inc, U.S.A.

# Committees considered are Audit Committee and Shareholders/Investors Grievance