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fairfield

FAIRFIELD ATLAS LIMITED



22ND
ANNUAL REPORT
2011-2012

FAIRFIELD ATLAS LIMITED

- BOARD OF DIRECTORS** : Jeffrey Potrzebowski
Chairman
D. E. Jacob
Managing Director
Riad Fyzee
J. M. Mapgaonkar
Avinash P. Gandhi
Ravi Kathpalia
Rakesh Chopra
Vivek Prakash
- COMPANY SECRETARY** : Marcel Rebello
- BANKERS** : AXIS Bank Ltd.
HDFC Bank Ltd.
- AUDITORS** : B S R & Associates
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
Email : atlas@bom4.vsnl.net.in
- 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 Fax : 2266 6164
Email : atlas@bom4.vsnl.net.in
- REGISTRARS AND SHARE TRANSFER AGENTS** : Sharex Dynamic (India) Pvt. Ltd.
Unit - 1, Luthra Industrial Premises,
Andheri Kurla Road, Safed Pool,
Andheri (East), Mumbai – 400 072.
Tel. : 2851 5606, 2851 5646 Fax : 2851 2885
Email : sharexindia@vsnl.com
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NOTICE

NOTICE is hereby given that the Twentysecond Annual General Meeting of shareholders of Fairfield Atlas Limited (the "Company") will be held on Tuesday, 31st July, 2012 at 4 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, 2012, 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. Avinash P. Gandhi, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. Riad Fyzee who retires by rotation and being eligible, offers himself for re-election.
4. To appoint B S R & Associates, Chartered Accountants (Firm's Registration number 116231W) 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 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, 311 and all other applicable provisions if any, of the Companies Act, 1956 ("the Act") (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule XIII of the Act and subject to the approval of the Central Government, if necessary, and such other approvals, permissions and sanctions, as may be required and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be accorded to the revision in the remuneration payable to Mr. D. E. Jacob, as Managing Director of the Company with effect from 1st October, 2011 till 31st October, 2013 upon terms and conditions set out in the Supplemental Agreement dated 21st February, 2012 entered into between Mr. D.E. Jacob and the Company.

FURTHER RESOLVED that where in any financial year during the currency of the tenure of Mr. D.E. Jacob, the Company has no profits or its profits are inadequate, the Company may pay to Mr. D.E. Jacob the above stated remuneration as the minimum remuneration by way of salaries, perquisites and other allowances and benefits as specified above subject to receipt of the requisite approvals, if any.

FURTHER RESOLVED that for the purpose of giving effect to this Resolution, the Board of Directors of the Company be authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard and further to execute all necessary documents, application, returns and writings as may be necessary, proper, desirable or expedient."

NOTES:

- a) The relative Explanatory Statement as required by Section 173 of the Companies Act, 1956 in regard to item no. 5 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, 24th July, 2012 to Tuesday, 31st July, 2012 both days inclusive.
- d) Members holding shares in electronic form are requested to intimate any change in their address to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change in the address to the Company/Registrars and Transfer Agents M/s. Sharex Dynamic (India) Pvt.Ltd., and 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.

Goa
18 May, 2012

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

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956 the following Explanatory Statement sets out all the material facts relating to the above items of business.

ITEM NO.5

In order to maintain the remuneration package of Mr. D.E. Jacob, Managing Director of the Company in line with other Senior Executives of the group the Board of Directors at their meeting held on 24th January, 2012 approved revision/addition in remuneration to Mr. D.E. Jacob as Managing Director of the company for a period commencing from 1st October, 2011 to 31st October, 2013 on terms and conditions set out in the Supplemental Agreement dated 21st February, 2012 the salient features of which are mentioned below:

1. Subject to the approval of the General Meeting and other necessary approvals, if any, the remuneration of Mr. D.E. Jacob as Managing Director of the Company be revised for the period commencing from 1st October, 2011 and ending 31st October, 2013.

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

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

The 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.

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

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

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

NOT APPLICABLE

iv. Financial performance based on given indicators – as per Audited Financial results for the year ended 31st March 2012.

| Particulars | Rs. in lakhs |
|--|---------------------|
| Turnover and other income | 25,332.74 |
| Profit before Depreciation, Interest and Tax | 5,592.19 |
| Depreciation | 841.34 |
| Interest and other Finance Charges | 316.39 |
| Profit before taxation | 4,434.46 |
| Provision for taxation | |
| Current Tax | 1,402.84 |
| MAT Credit Entitlement | - |
| Deferred Tax | (69.05) |
| Profit after taxation | 3,100.67 |

v. Export performance and net foreign exchange collaborations.

The Company's earnings in foreign exchange were Rs.12886.29 lakhs for the financial year ended 31st March 2012

vi. Foreign investments of collaborators, if any.

TH Licensing Inc., USA, a wholly owned subsidiary of Fairfield Manufacturing Co.Inc. USA, presently holds 22924796 equity shares of Rs.10/- each constituting 83.91% of the paid up share capital of the Company.

II. Information about the appointee.

i. Background details

Mr. Jacob is an Engineer by profession and has been stationed at the company's plant for the past 19 years. He has been the Managing Director of the Company since 24th October, 2008. In view of his capability in successfully steering the operations of the company the Board of Directors has reappointed him as the Managing Director till 31st October 2013. In his present capacity as the Managing Director of the Company he oversees the entire plant operations both of the DTA Unit and EOU Unit. Mr. Jacob has received training at the Plant of the Company's Principals, Fairfield Manufacturing Co., Inc., USA and the company's other foreign suppliers.

ii. Past remuneration during financial year ended 31st March 2012.

The total remuneration drawn by Mr. D. E. Jacob as Managing Director for the year ended 31st March 2012 was Rs.48.69 lakhs including perquisites.

iii. Recognition or Awards

Not applicable

iv. Job Profile and their suitability.

Mr. D. E. Jacob is the Managing Director of the Company since 24th October 2008. The Board has delegated substantial powers of management of the Company to Mr. D. E. Jacob, in his capacity as Managing Director of the company. Mr. Jacob is an Engineer by profession and has been stationed at the company's plant for the past 19 years and hence has acquired indepth knowledge of the functioning of the various departments. He has received training at the Plant of the Company's Principals, Fairfield Manufacturing Co., Inc., USA and the company's other foreign suppliers. Mr. Jacob is responsible interalia for development of the business of the Company. In his present capacity he oversees the entire Plant Operations both of the Domestic and Export Units. Apart from Plant Operations he also oversees the purchase, sales and HRD functions. Since Mr. Jacob is the sole Managing Director he is required to shoulder substantial responsibilities of the company's growing business which includes both domestic and export business. In view of his ably handling the business operations of the company during his previous tenure the Board of Directors has reappointed him for a further period from 24th October, 2010 till 31st October, 2013. Therefore, in view of his long association and experience with the company, Mr. Jacob is best suited for the position he occupies.

v. Remuneration proposed.

Salary of Rs. 1,90,000 per month and perquisites, allowances and amenities mentioned at IV below and as set out in item No.5 of the Notice.

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

Considering the size of the company and volume of its operations both in the domestic and export fields, the background experience and profile of Mr. D. E. Jacob and the responsibilities shouldered by him, the remuneration proposed to be paid is commensurate with remuneration packages given to similar senior level executives in other companies.

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

Apart from the proposed remuneration, Mr. Jacob does not have any other pecuniary relationship with the Company or relationship with any managerial personnel. However, Mr. Jacob holds 2 fully paid up equity shares in the Company.

III. Other information

1. Reason of loss or inadequate profits.

Not Applicable as the company has posted a net profit after tax of Rs.3100.67 lakhs during the year ended 31st March, 2012

2. Steps taken or proposed to be taken for improvement and
3. Expected increase in productivity and profits in measurable terms.

Not applicable as the Company has adequate profits.

IV. Disclosures

Revised remuneration package of Mr. D. E. Jacob, Managing Director as approved by the Remuneration Committee and the Board of Directors with effect from 1st October, 2011 till 31st October, 2013 is as follows:

1. Basic Salary Rs.1,90,000 per month.
2. Bonus/Incentive: In accordance with Company's policy applicable to Senior Managerial personnel of the Company.
3. Special Allowance: Rs.23,700/- per month.
4. Perquisites:

Provision of perquisites and benefits as appearing hereinafter:

a. Housing:

HRA to be paid at 40% of Basic Salary per month.

b. Medical Reimbursements and Hospitalisation:

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

c. Leave Travel Allowance:

For self and the family, once in a year, incurred in accordance with the Company Policy and limited to Rs. 35,000/- per year. This amount can be carried forward up to 3 years.

d. Attire Allowance:

Attire Allowance of Rs.25,000 per annum to be drawn in accordance with the Rules of the Company.

Apart from above revision/addition in remuneration the other terms and conditions including perquisites and other benefits as approved by the Remuneration Committee, the Board of Directors and the Company in General Meeting and contained in the Employment Agreement dated 15th November, 2010 entered into between Mr. D.E. Jacob and the Company remain unchanged.

Inspection of Documents

The Supplemental 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 any working day prior to the date of the meeting.

Goa
18 May, 2012

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

DIRECTORS' REPORT

The Directors are pleased to present their Twentysecond Annual Report together with the audited accounts of Fairfield Atlas Limited (the "Company") for the year ended 31st March, 2012.

i. Financial Results

| | 2011–2012 | Rs. in lakhs 2010–2011 |
|--|------------------|----------------------------------|
| Gross Income | 25,332.74 | 16,490.27 |
| Profit before depreciation, Interest and tax | 5,592.19 | 2,717.99 |
| Interest and other finance charges | 316.39 | 79.82 |
| Depreciation and Amortisation on Tangible assets | 840.33 | 693.76 |
| Intangible assets | 1.01 | 0.04 |
| Profit before Tax | 4,434.46 | 1,944.37 |
| Provision for tax | | |
| • Current tax | 1,402.84 | 395.28 |
| • MAT Credit entitlement | - | (375.83) |
| • Deferred Tax (credit) | (69.05) | 163.89 |
| Profit after tax | 3,100.67 | 1,761.03 |

ii. Dividend

The Directors did not recommend dividend for the year ended 31st March, 2012.

iii. Performance

The Company inspite of facing challenging times was able to register its best performance due to growth in volumes which resulted in substantial growth of income of the company by 53.62% to Rs.25,332.74 lakhs in the year under review from Rs.16490.27 lakhs in the previous year. Increase in domestic business during this year was due to higher intake by existing customers and widening of the customer base by the addition of new customers by the company. Export business revenues were driven primarily due to the increase in export business during the latter half of the financial year offered by the Company's Principals Fairfield Manufacturing Company Inc. A small increase in sales revenue can also be attributed to the strengthening of the US Dollar viz-a-viz the Rupee. Consequent upon this remarkable and commendable performance the Profit for the year before Depreciation, Interest and Tax recorded more than a two fold increase as compared to the previous year. The Company will continue to focus on controls including upward spiral in input costs and process efficiencies to enable it to maintain profitable growth in the present market conditions.

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, 2012 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. Finance

The Company has during the year under review paid in the aggregate USD 10 lakhs towards installment of its foreign currency loans as per the terms and conditions agreed with the foreign lenders.

vi. 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.

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, as amended.

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

Mr. Avinash P. Gandhi retires by rotation at this Annual General Meeting and being eligible offers himself for reappointment as Director. It has been decided by Mr. Riad Fyzee and Mr. J.M. Mapgaonkar who were appointed Directors on the same day that is 23rd September, 2010 that Mr. Riad Fyzee will retire at this Annual General Meeting. Mr. Riad Fyzee being eligible offers himself for reappointment as Director.

None of the directors of the Company is disqualified as on 31st March, 2012 for being appointed as Directors 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 & Associates retire as Auditors at this Annual General Meeting and being eligible offer themselves for reappointment. They have further confirmed that their reappointment if made, would be in conformity with the provisions of Sec 224(1B) of the Companies Act, 1956.

xii Cost Audit

Pursuant to the directions from the Central Government Department of Company Affairs, the Company carried out an audit of its cost records by M/s. M.P. Turakhia and Associates, Cost Accountants, Indore The due date of filing of the Cost Audit Report with the Ministry of Corporate Affairs for the financial year ended 31st March, 2011 was 180 days from the end of the financial year. The Report was filed on 30th September, 2011. The Board of Directors has upon recommendation of the Audit Committee also appointed M/s. M.P. Turakhia and Associates, Cost Accountants, as Cost Auditors of the Company for the financial year 2012-13 subject to approval of the Central Government.

Necessary confirmation has been obtained from M/s. M.P. Turakhia and Associates to the effect that they are eligible for appointment as Cost Auditors under Sec 233B of the Companies Act, 1956.

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 valuable co-operation extended by Oerlikon Corporation and Fairfield Manufacturing Co.Inc and contribution of the employees at all levels to the performance of the Company.

For and on behalf of the Board of Directors

Goa
18 May, 2012

JEFFREY POTRZEBOWSKI
Chairman

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 2012.

A. CONSERVATION OF ENERGY

During the year the company carried out certain energy conservation measures like, high HP motors replaced with low HP, metal halide lamps replaced with LED lamps, modification to carry plant activity on single Genset instead of two Gensets for night shifts and weekly offs, reduction in air leakages to ascertain saving in Power cost.

B. TECHNOLOGY ABSORPTION

There was no significant Technology Absorption in the Company during the year.

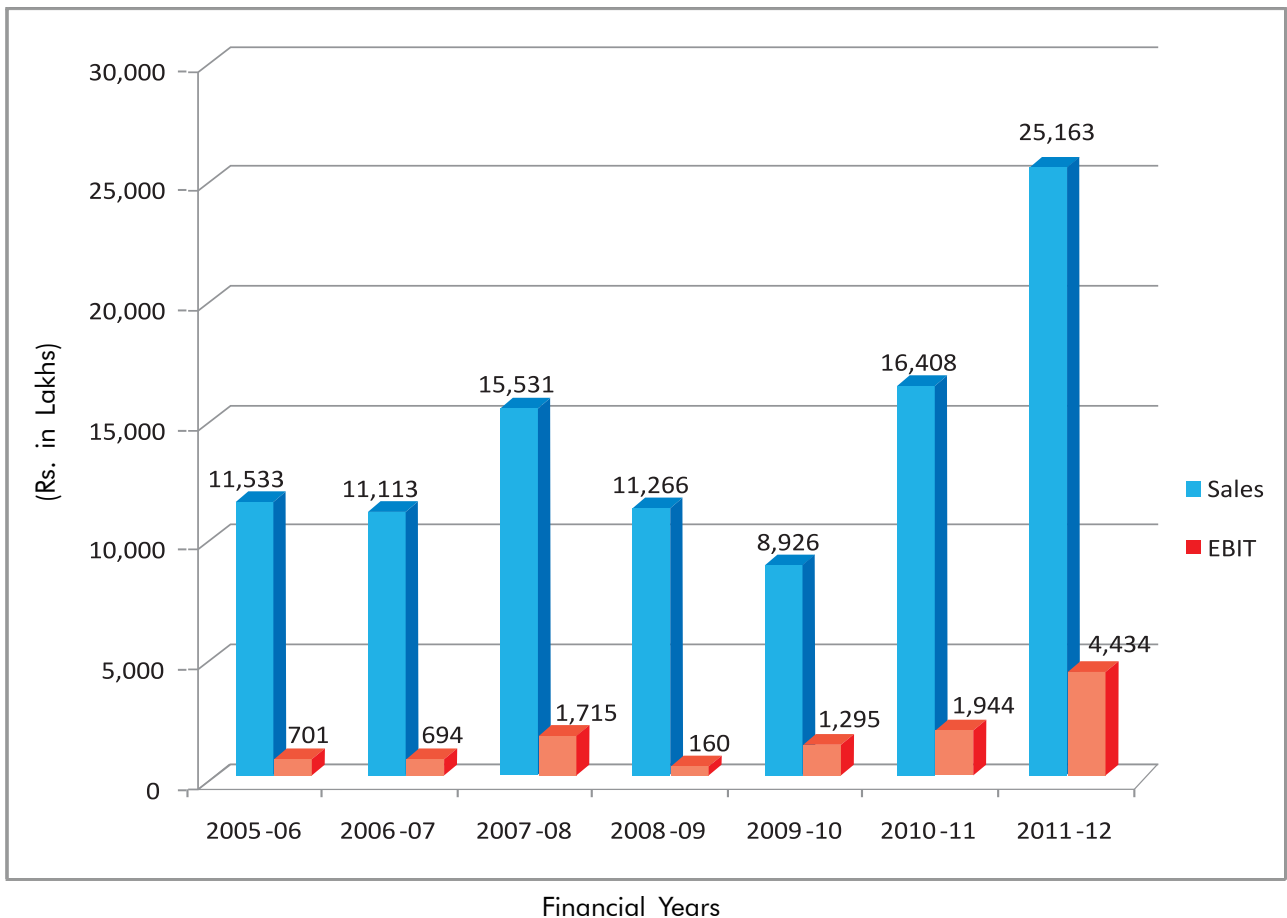
C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on foreign exchange earnings and outgo is furnished in Notes to the Financial Statements at Note No. 33.

Goa
18 May, 2012

For and on behalf of the Board of Directors

JEFFREY POTRZEBOWSKI
Chairman

YEARWISE SALES AND EBIT

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 products is a derived demand and hence is dependent upon growth rate of its OEM customers. The growth of the Indian economy and the rise in level of income of the population together with changes in lifestyle are likely to enlarge the automotive market which can therefore positively impact the Company's domestic business. The continued Government support of rural development and adoption of improved agricultural practices are developments that can increase demand in the agricultural market. The Company being associated with some of the largest tractor manufacturing companies in the country may stand to benefit from these developments in the form of increased share of business.

(b) Opportunities and Threats

The Company is a part of OC Oerlikon Corporation AG Pfaffikon a global technology company and a leader in quality and reliability. The company alongwith its fellow subsidiary in India viz. Graziano Transmission (India) Pvt.Ltd., forms part of the Oerlikon Drive Systems group within the country. The various synergies between the two units in the group can bring about a wide range of capabilities and drive solutions in the market thus creating potential for new opportunities in the drive system business. A favourable monsoon can signal an increase in tractor sales thus giving an opportunity for the company to augment its supplies to that sector of its business. Growing real estate and Government sponsored infrastructure development presents the company with opportunities for increasing supplies of components for construction equipment. However, the company faces competition from other suppliers in the domestic market. Further the setting up of captive units by some of its customers may also pose a threat or present a stiff challenge to the domestic business of the company. However, the budding recovery of the US economy could present opportunities for increasing the product range of the export business so as to offset shortfall if any in the domestic business.

(c) Segment-Wise Performance

The company has determined its business segments as on-highway (select applications), agriculture, mining, energy, specialty industrial and construction related transmission 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 outlook for the company during the coming year continues to be positive. With the US economy once again manifesting a revival, the company is bracing itself to tap this potential in its export business. The company is also carving out niche areas for its products to drive growth and where competition is minimal.

On the domestic side the country is associated as a supplier to dominant manufacturers of Tractors in the country. The expectations of a favourable monsoon and buoyant rural economy has helped increasing mechanisation of farming in the country and may consequently stimulate growth of the components for this sector. A good monsoon impacts the economy since agriculture and rural income are linked to industry.

The market demand for construction equipment is expected to increase on account of the booming real estate and the increase in spending in urban infrastructure development, roads, general construction sectors and