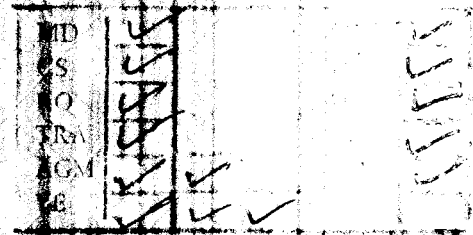


# ANNUAL REPORT 1997-98

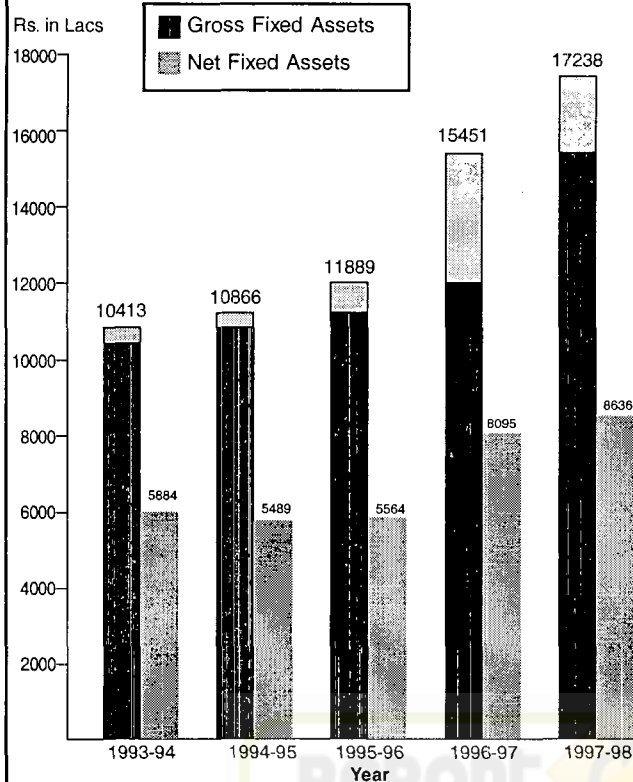
FAG Precision Bearings Limited



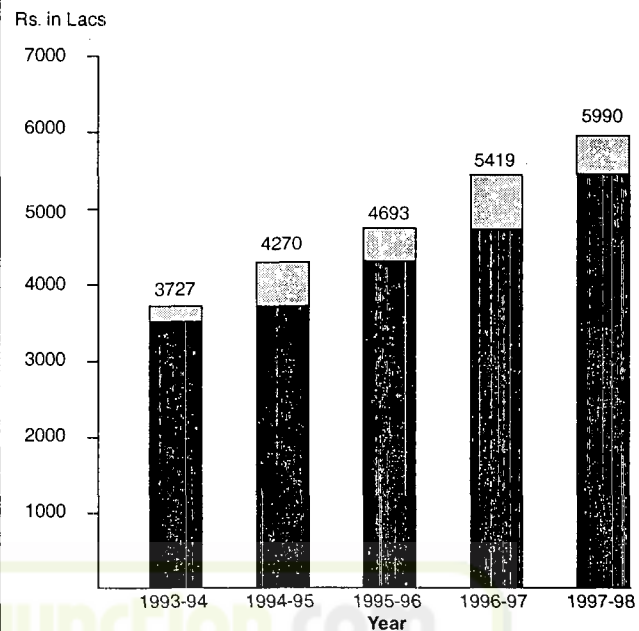
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## PERFORMANCE HIGHLIGHTS

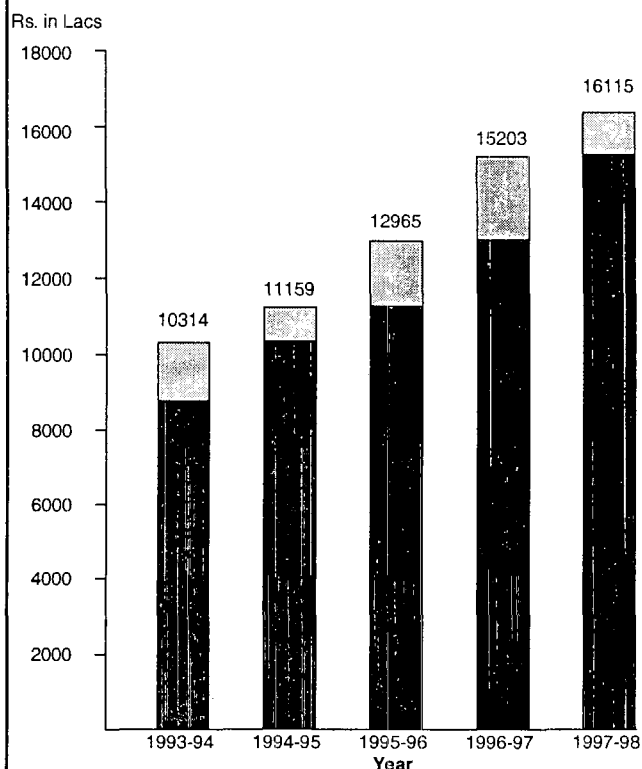
### Gross and Net Fixed Assets



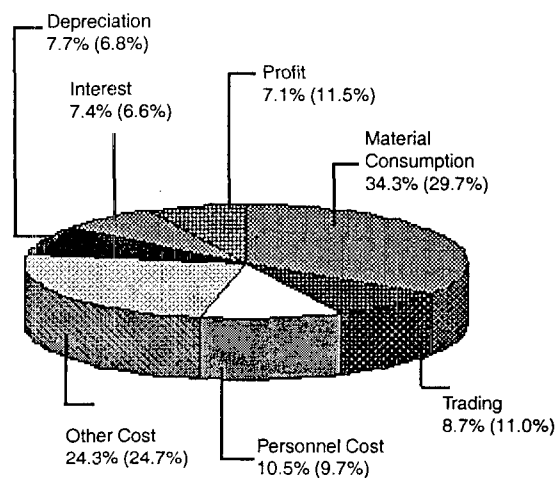
### Net Worth



### Sales (Net)



### How Rupee was spent



Brackets denote previous year's figures

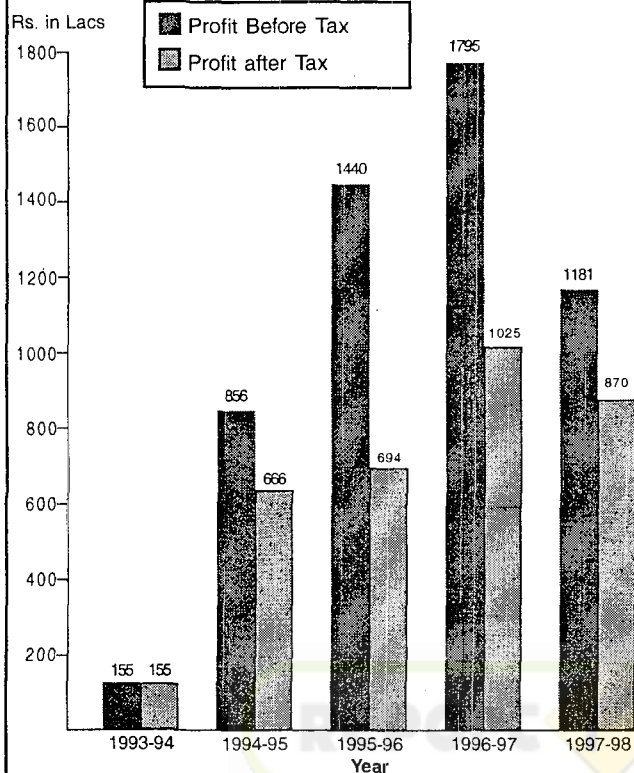
**FAG Precision Bearings Limited**  
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**FAG**

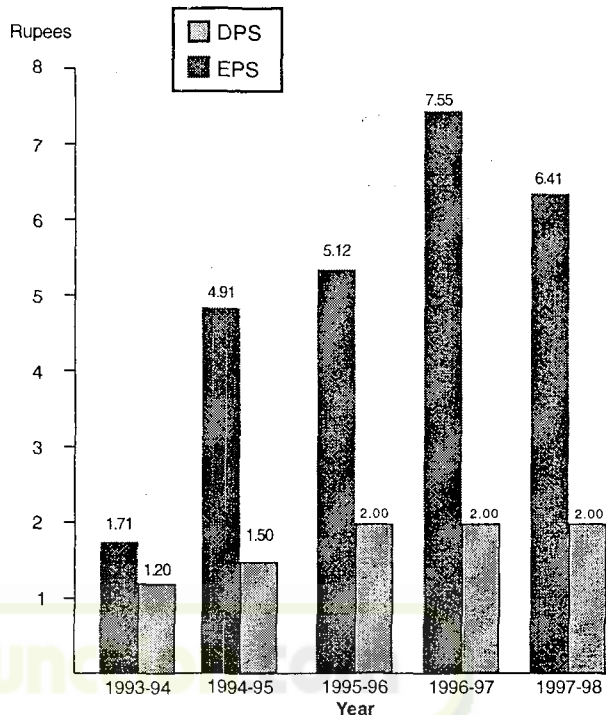
<b>Contents</b>	<b>Page No.</b>	<b>General Information</b>
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Notice To Members	3	
Directors' Report	5	Chairman Vidya Sagar
Auditors' Report	8	<i>Vice Chairman and</i>
Balance Sheet	12	<i>Managing Director</i> Jal R. Patel
Profit and Loss Account	13	<i>Nominee of LIC, UTI &amp; GIC</i> Bandi Surender
Schedules	14	<i>Nominee of IDBI</i> Sumanth P. Tawde
Cash Flow Statement	28	Martin Creydt
10 Years Highlights	29	Bernd H. Hofmann
Distribution & Analysis of Shareholding	30	Peter -J. Kreher
		Helmut Steyer
		Chandrakant K. Thanawala
		Alternate to M. Creydt Hubert Reuss
		Alternate to B. H. Hofmann Frank Huber
		Alternate to P.-J. Kreher Jashwant P. Thacker
		Alternate to H. Steyer Yazad S. Kapadia
		<i>Secretary</i> Hemant R. Shukla
		<i>Bankers</i> Union Bank of India
		Central Bank of India
		State Bank of India
		Deutsche Bank
		<i>Auditors</i> A. F. Ferguson & Co.
		<i>Cost Auditors</i> B. J. D. Nanabhoy & Co.
		<i>Tax Auditors</i> O. P. Rath & Co.
		<i>Solicitors</i> Mulla & Mulla & Craigie Blunt & Caroe
		Remfry & Sagar
		<i>Collaborators</i> FAG Kugelfischer Georg Schaefer AG., Germany
		<i>Registrars &amp; Transfer Agents</i> PCS Industries Ltd.
		'Ashirwad' 18, Ganga Park, Race Course,
		Gotri Road, Baroda - 390 015
		Maneja, Vadodara - 390 013
		Calcutta, Chennai, Mumbai, New Delhi, Pune.
<i>Registered Office :</i>		<i>Head Office &amp; Works</i>
Nariman Bhavan, 227, Backbay Reclamation, Nariman Point, Mumbai - 400 021		<i>Sales Offices</i>

## PERFORMANCE HIGHLIGHTS

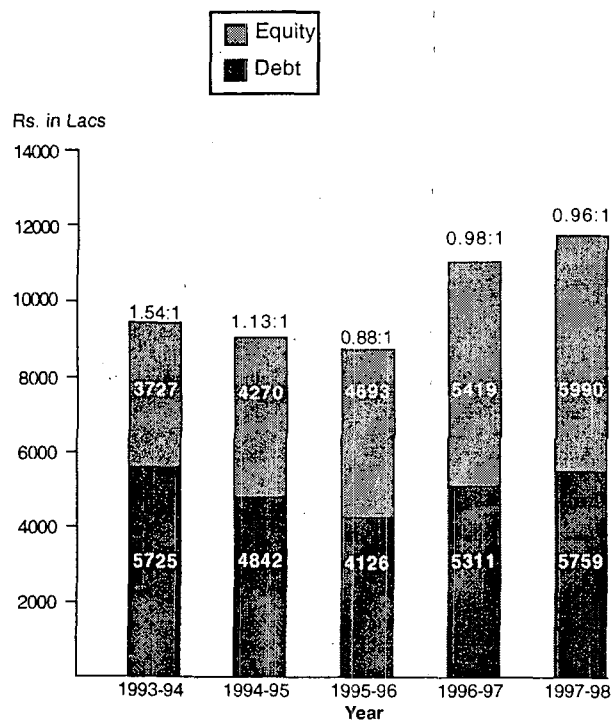
### Profit Before & After Tax



### Earnings & Dividend Per Share



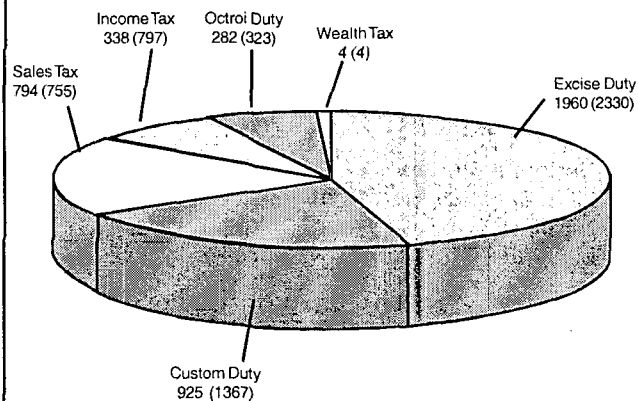
### Debt : Equity



### Contribution to Exchequer

Rs. 4303 (5576)

Rs. in lacs



Brackets denote previous year's figures

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FAG

## Notice to Members

Notice is hereby given that the Thirty-Fifth Annual General Meeting of FAG PRECISION BEARINGS LIMITED will be held on Tuesday, September 15, 1998 at 12.15 P.M. at M.C. Ghia Hall, 18/20 Kaikhushru Dubash Marg, Mumbai-400 023 to transact the following business :

## ORDINARY BUSINESS

1. To receive, consider and adopt the balance sheet as at March 31, 1998 and the profit and loss account for the year ended on that date, and the reports of the Auditors and the Board of Directors thereon.
2. To declare dividend for the year ended March 31, 1998.
3. To appoint a Director in place of Mr. B. H. Hofmann who retires by rotation, and is eligible for re-appointment.
4. To appoint a Director in place of Dr. V. Sagar who retires by rotation, and is eligible for re-appointment.
5. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution.

"RESOLVED THAT Messrs A. F. Ferguson & Co., the retiring Auditors, be and they are hereby re-appointed as auditors of the Company to hold office from the conclusion of this meeting upto the conclusion of the next annual general meeting at a remuneration to be fixed by the Board of Directors in consultation with Messrs A.F. Ferguson & Co."

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By Order of the Board

H. R. Shukla  
Secretary

## Registered Office :

Nariman Bhavan  
227, Backbay Reclamation  
Nariman Point  
MUMBAI - 400 021

Date : July 29, 1998

## NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The instrument of proxy, duly completed, should be lodged at the Registered Office of the Company not less than forty eight hours before the commencement of the Annual General Meeting.
3. The relevant Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 in respect of the special resolution at item No. 5 set out in the Notice is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from August 06, 1998 to August 20, 1998 (both days inclusive).



**FAG Precision Bearings Limited**

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5. Dividend on equity shares, if sanctioned, will be made payable on or after October 25, 1998 and will be paid to those shareholders whose names appear on the Register of Members as on 20th August, 1998.
6. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the dividend paid for the financial year 1994-95 will be transferred to the General Revenue Account of the Central Government on or before October 1, 1998. Prior to such transfer, the Company would be informing the shareholders concerned individually the particulars of the unclaimed dividend. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Company immediately and from the Registrar of Companies, Maharashtra, Mumbai 400 033 on and after October 2, 1998.
7. Members are also requested to intimate consolidation of different registered folios, if any, immediately to the Registrars and Transfer Agents of the Company.
8. Members are requested to intimate change, if any, in their registered address or bank accounts.
9. Shareholders are requested to bring their copies of Annual Report to the meeting.

**Annexure to Notice**

Explanatory statement under Section 173 of the Companies Act, 1956 relating to the special business / resolution mentioned in the notice convening the Annual General Meeting.

**Item No. 5**

Section 224A of the Companies Act, 1956 provides that in case of a Company in which not less than 25% of the Subscribed Capital is held, either singly or in any combination, by Public Financial Institutions, Government Companies etc., the appointment of an auditor of the Company should be made by a special resolution. In the case of the Company, the combined holding of the aforesaid categories exceeds 25% of the Subscribed Capital. Hence it is necessary to pass a Special Resolution to re-appoint Messrs A.F.Ferguson & Co. as the Auditors of the Company. As required under Section 224 of the Act, a certificate has been received from the Auditors to the effect that appointment, if made, will be in accordance with the limits specified in Section 224 of the Act.

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

# ANNUAL REPORT 1997-98

FAG

## Directors' Report

To the members of the Company

Your Directors are pleased to present the 35th Annual Report of the Company together with audited accounts for the year ended March 31, 1998.

### 1. FINANCIAL RESULTS

	(Rs. in lacs)	
	1997-98	1996-97
Sales (Net)	16114.67	15202.81
Gross profit before depreciation and interest	3695.36	3897.69
Depreciation	1282.77	1069.96
Interest and Commitment Charges	1231.82	1033.11
Profit before Taxation	1180.77	1794.62
Provision for Taxation	311.27	770.00
Profit after Taxation	869.50	1024.62
Profit brought forward	362.63	307.07
Profit available for appropriation	1232.13	1331.69
APPROPRIATION		
Debenture redemption reserve	70.50	70.50
Proposed dividend	271.42	271.42
Additional income-tax on dividend	27.14	27.14
Transfer to general reserve	500.00	600.00
Surplus carried to Balance Sheet	363.07	362.63
	1232.13	1331.69

### 2. DIVIDEND

Your Directors recommend for your approval dividend for the year under review at the rate of Rs. 2.00 ( previous year Rs. 2.00 ) per equity share amounting to Rs. 271.42 lacs( previous year Rs. 271.42 lacs). Dividend will not be subject to deduction of tax at source as the Company will pay Rs.27.14 lacs as additional income tax on dividend.

### 3. OPERATING RESULTS

The Company achieved sales growth of 6.0% over the previous year despite severe competition which led to price reductions in all market segments. However, adverse impact on margins could be minimised by various cost reductions. The 100% EOU of the Company showed export sales for the year of Rs. 1214.00 lacs (previous year Rs. 22.85 lacs).

The profit before tax for the year is lower by 34.2% as compared to previous year mainly on account of price reduction in sales and increase in interest and depreciation. Tax provision for the year is lower and therefore the reduction in profit after tax is 15.1%.

### 4. EXPANSION

Encouraged by the favourable response, the Company has planned to double the capacity of the 100% EOU which will become operational in the third quarter of 1998. The Company has also decided to set up a

**FAG Precision Bearings Limited**

production line for DRACBB (Double Row Angular Contact Ball Bearing) which will commence production in early 1999.

**5 FINANCE**

During the year under review, the Company received disbursements of foreign currency loans from Commerzbank to finance the 100% EOU and from IDBI to finance the on going modernisation project.

The proceeds of debentures issued in the past have been utilised for the purpose for which they were issued.

As on March 31, 1998, deposits amounting to Rs. 16.86 lacs (including interest due) had matured for repayment but had not been claimed. Out of this amount, deposits amounting to Rs. 8.40 lacs have been renewed/refunded till date.

**6. CHANGE OF ACCOUNTING YEAR**

The Company has decided to change the accounting year to calendar year. Accordingly, current year will be of nine months from April 1, 1998 to December 31, 1998. From 1999 onwards, the accounting year will be of twelve months from January 1 to December 31 every year.

**7 DIRECTORS**

Your Directors Dr. V. Sagar and Mr. B. H. Hofmann retire by rotation and being eligible, offer themselves for re-election.

Mr. G. V. Jagannatha Kumar nominee of ICICI resigned during the year.

**8. PERSONNEL AND INDUSTRIAL RELATIONS**

Industrial relations during the year under review continued to be cordial.

The information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules 1975, forms part of this report. However, the above information is not being sent alongwith the Annual Report and any shareholder interested in obtaining such information may write to the Registered Office of the Company. A Voluntary Retirement Scheme (VRS) had been introduced in December 1997 and 42 employees availed of the scheme. The cost to the Company was Rs. 101.4 lacs.

**9. INFORMATION TECHNOLOGY**

An Enterprise Resources Planning (ERP) Solution for the Company involving IBM hardware and SAP software was introduced. The system has gone live in April 1998. Project implementation cost incurred for this during the year was Rs. 550.4 lacs of which Rs. 165.93 lacs have been charged to Profit and Loss Account.

**10. AUDITORS**

The Auditors, Messrs A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

**11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO**

Information required as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 has been given in the Annexure forming part of this report.

**12. ACKNOWLEDGEMENT**

Your Directors place on record their appreciation for the wholehearted and continued support extended by FAG, Germany, suppliers, customers, stockists & importers, lending institutions, banks and the employees of the Company during the year under report.

For and on behalf of the Board

V. Sagar  
Chairman

New Delhi : June 8, 1998.



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**Annexure to Directors' Report**

**Particulars under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.**

**(A) CONSERVATION OF ENERGY**

During the year, Company undertook various energy conservation measures resulting in improved utilisation of energy.

**FORM B**

**(B) TECHNOLOGY ABSORPTION**

R & D activity is carried out by the Company in the field of product and process development. This resulted in improved productivity and quality. Total revenue expenditure on R & D is Rs. 5.89 lacs during the year.

**TECHNOLOGY ADAPTATION, ABSORPTION & INNOVATION**

New manufacturing concepts with latest equipment could be installed with the support of Collaborator.

Cylindrical Roller Bearings produced out of 100% Export Oriented Unit were well accepted in the international market.

**(C) FOREIGN EXCHANGE EARNING AND OUTGO**

Import substitution is used as a measure of cost reduction, where possible.

This being the first complete year of operations of 100% EOU, the exports have gone up considerably. The trend will accelerate with commissioning of expansion of 100% EOU.

	(Rs. in lacs)	
	1997-98	1996-97
<b>Imports CIF value of raw materials</b>		
Components, Products purchased for		
Sales, Stores & Spares and Capital goods	2695.86	4363.76
<b>Expenditure in foreign currency</b>		
(Interest on foreign currency loans,		
Fees for use of technology, interest		
on foreign suppliers credit and other		
expenses)	596.71	498.12
<b>Dividend paid to Shareholder</b>		
(Previous year net of tax)	108.57	91.62
<b>Total foreign exchange used</b>	<u>3401.14</u>	<u>4953.50</u>
<b>Earnings in foreign exchange</b>		
Consultancy Service Fees	131.00	129.68
FOB value of exports	1224.23	26.56
<b>Total foreign exchange earned</b>	<u>1355.23</u>	<u>156.24</u>

For and on behalf of the Board

V. Sagar  
Chairman

New Delhi : June 8, 1998.

## FAG Precision Bearings Limited

**Auditors' Report**

To the members of FAG Precision Bearings Limited

We have audited the attached Balance Sheet of FAG Precision Bearings Limited as at March 31, 1998 together with the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

- (1) As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to in Paragraph (1) above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
  - (c) the Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account;
  - (d) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 1998, and,
    - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For A.F. Ferguson & Co.  
Chartered Accountants

M.S. Dharmadhikari  
Partner

Mumbai : June 9, 1998