



GALAXY BEARINGS LTD.

**14th Annual Report  
2003 - 2004**

For GALAXY BEARINGS LTD.

*[Handwritten signature]*  
DIRECTOR

**TRUE COPY**

## **GALAXY BEARINGS LIMITED**

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**Board of Directors** : **Shri V H Kansagara** *Chairman & Managing Director*  
**Shri N M Patel** *Director*  
**Shri N B Delvadia** "  
**Shri R V Bhalodia** "  
**Shri R G Patel** "  
**Shri B K Ghodasara** *Executive Director*

**Auditors** : **M/s. J T Shah & Company**  
Chartered Accountants  
Ahmedabad

**Banker** : **Bank of Baroda**

**Registered Office** : T-18, Vikram Chambers,  
Ashram Road,  
Ahmedabad - 380 009

**Factory** : Survey No. 253,  
National Highway No. 8B,  
Village : Shapar,  
Ta. Kotada Sagnani,  
Dist. Rajkot - 360 002

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**NOTICE**

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of the Company, will be held on Thursday, 30th September, 2004 at 11.30 a.m. at T-18, Viharam Chambers, Ashram Road, Ahmedabad -380 009, to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt audited accounts for the year ended on 31st March, 2004 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri N M Patel, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri B K Ghodasara, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS :**

5. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 198, 269, 309, Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, Shri Bharat K Ghodasara, be and is hereby re-appointed as Executive Director of the Company for a further period of five years with effect from 1st April, 2004, on a Salary of Rs.11,000/- per month in the Scale of Rs.11000-1000-1500-15000 plus other perquisites as are allowed to the Senior Executives of the Company, including House Rent Allowance, Bonus, Medical Reimbursement, Leave Travel Concession, Club Fees, Personal Insurance, leave Encashment, Provident Fund, Pension, Superannuation Fund, Gratuity, Free use of Car with driver and Free telephone facility at residence as per the Rules of the Company."

"RESOLVED FURTHER THAT the Board of Directors of the Company, be and is hereby authorised to revise and/or modify the terms and conditions of re-appointment of Shri Ghodasara including remuneration payable to him so however that the same shall not exceed the ceilings laid down in Schedule XIII to the Companies Act, 1956 and to do all such acts, deeds, matters and things as may be expedient for the purpose."

For GALAXY BEARINGS LTD

V H Kansagara  
Chairman & Managing Director

Place: Ahmedabad  
Date : August 25, 2004

## **GALAXY BEARINGS LIMITED**

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### **NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIMSELF AND THAT A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. A relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 and Clause 49 of the Listing Agreement, in respect of Item No.2, 3 & 5 are annexed hereto.
3. The Share Transfer Books and the Register of Members of the Company shall remain closed from Monday, 27th September, 2004 to Thursday, 30th September, 2004 (Both days inclusive).
4. Members desirous of any information or clarification on accounts, are requested to write to the Company atleast 10 days in advance of the meeting.
5. Members are requested to notify, change in address, if any, immediately to the Registered Office of the Company.

### **EXPLANATORY STATEMENT pursuant to Section 173 of the Companies Act, 1956 AND pursuant to Clause 49 of the Listing Agreement:**

#### **Item No.2**

Shri Navinchandra M Patel aged about 55 years is a M.Com. He has a vast experience in the marketing and other areas in the industry. He was appointed as a Director since incorporation of the Company. He has provided his valuable services to the Company.

None of the Directors, except Shri N M PATEL, is interested or concerned in the resolution.

#### **Item No.3**

Shri B K Ghodasara aged about 45 years is a Commerce Graduate. He has a vast experience in the administration and other areas in the industry. He was appointed as a Director with effect from 28.3.1994. He has been working as an Executive Director of the Company with effect from April, 1999. He has provided his valuable services to the Company.

None of the Directors, except Shri B K Ghodasara, is interested or concerned in the resolution.

#### **Item No.5**

The tenure of Shri Bharat K Ghodasara as an Executive Director of the Company expires on 31st March, 2004 and the Board of Directors of the Company has considered his contribution and valuable services provided to the Company and re-appointed him for a period of five years w.e.f. 1.4.2004. Shri Ghodasara shall be entitled to all the benefits and perquisites, Car with Chaufferur, telephone at residence, HRA, Bonus, LTC, Club Fees, Insurance, Grauity, PF, Pension, Superannuation, Leave Encashment, Medical Allowance as per the Rules of the Company in addition to his salary. The Board of Directors are authorised to revise or modify the terms including remuneration payable to him so however that the same shall not exceed the ceilings laid down in Schedule XIII to the Companies Act, 1956. He shall not be paid any sitting fees for attending any meeting of the Board of Directors or committees thereof. The appointment may be terminated by giving 30 days notice or salary in lieu thereof by either side. This may be treated as an abstract under section 302 of the Companies Act, 1956.

None of the Directors, except Shri B K Ghodasara, is interested or concerned in the resolution.

For **GALAXY BEARINGS LTD**

Place: Ahmedabad  
Date : August 25, 2004

V H Kansagara  
Chairman & Managing Director

## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting this Fourteenth Annual Report together with the audited accounts of the Company for the year ended 31st March, 2004.

### Financial Results

	Amount (Rs)	
	31.3.2004	31.3.2003
Turnover & Other Income	161497277	135835489
Profit before Depreciation & Interest	10781933	6104997
Interest	3014419	2112536
Depreciation	3131988	2531047
Profit before Taxation	4635526	1461414
Excess Provision W/off	113731	183391
Provision for Taxation	200000	120000
Provision for Deferred Tax	1648030	712478
Profit for the year	2901227	812327

### Operations

Your Directors are pleased to report that the Company has secured a net sales of Rs.14,77,67,840/- i.e.15% increase over the previous year's sales of Rs.12,83,31,894/- . The Company has explored overseas opportunities and made exports worth Rs.10.07 Crores and has received export incentives of Rs.74,10,247/-. The Company has installed CNC Turning Unit at Pune. The Company has carried out job work of Rs.47,22,772/-. The Company has endeavoured to control its manufacturing and other overheads. During the year under review, the Company has earned a net profit of Rs.29,01,227/- as against net profit of Rs.8,12,327/- earned during the previous year.

Your Company has achieved sales of Rs. 365.88 Lacs during the first quarter in the current year. Your Directors expect better results in the years to come.

### Deposits

The amount accepted by the Company are exempted borrowings within the meaning of Rule 2 (b) (xi) of the Companies (Acceptance of Deposits) Rules, 1975.

### Particulars of Employees

There were no employees covered under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and hence particulars are not given.

### Directors

Shri N M Patel and Shri B K Ghodasara are due to retire at the ensuing Annual General Meeting and being eligible for re-appointment, offer themselves for the same.

Shri B K Ghodasara was re-appointed as an Executive Director of the Company for a further period of five years with effect from 1st April, 2004. You are requested to consider the resolutions.

## **GALAXY BEARINGS LIMITED**

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### **Responsibility Statement**

The Directors confirm

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- b) that they have 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 and of the profit of the Company for the year ended on 31st March, 2004.
- c) that to the best of their knowledge and information, they have 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
- d) that they have prepared the annual accounts on a going concern basis.

### **Listings**

The Stock Exchange at Ahmedabad has approved Company's application for voluntary delistings and accordingly, shares are delisted with effect from 11.2.2004 vide their letter No.ASE/2004/3831 dated 5.2.2004. The shares are continued to be enlisted with the Stock Exchange at Mumbai.

### **Auditors**

M/s J T Shah & Company, Chartered Accountants, retire as Auditors of the Company at the ensuing Annual General Meeting, but being eligible, offer themselves for their re-appointment.

The Auditors observations read with Notes to the Accounts are self explanatory.

### **Corporate Governance**

As required under the amended provisions of Clause 49 of the Listing Agreements, the Company has already implemented the code of corporate governance for the year ended on 31st March, 2004. A separate report on corporate governance as well as a Management Discussion and Analysis Report of the Company form part of this Annual Report.

### **Conservation of Energy, Technology Absorption etc.**

Particulars with respect to Conservation of Energy as per Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of this Report are given by way of an Annexure.

### **Acknowledgements**

Your Directors place on record of its appreciation of the co-operation and assistance received from Bankers of the Company. Your Directors wish to thank valued customers and suppliers of the Company for their co-operation.

Your Directors also appreciate the services rendered by staff members with their sincere and dedicated services provided to the Company.

For and on behalf of the Board  
For **GALAXY BEARINGS LTD**

Place: Ahmedabad  
Date : August 25, 2004

V H Kansagara  
Chairman & Managing Director

**ANNEXURE TO THE DIRECTORS' REPORT**

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of Directors' Report :

- I. **CONSERVATION OF ENERGY** The Company is conscious to save energy and has adopted various measures including improvement in manufacturing process, for competitive products. The Company has not made any additional investment. The other information is given as per Form A.

**FORM A**

(Form for Disclosure of Particulars with respect to Conservation of Energy)

<b>A. Power &amp; Fuel Consumption</b>		
Electricity (Purchased)	31.03.2004	31.03.2003
Units consumed	547903	497124
Total Amount	2640358	2417693
Rate/Unit Rs.	4.81	4.86
<b>B. Consumption per Unit of Production:</b>		
Avg. electricity consumption per Bearing Rs.	2.29	1.92

**FORM B**

(Form for disclosure of particulars with respect to absorption)

**Research and development (R & D)**

- |  |   |
|--|---|
| 1. Specific areas in which R & D carried out by the Company. | The Company has no separte R & D Department and Developmental activities are carried out with the Company's own team of expets. Hence, expenses incurred are not separately worked out. |
| 2. Benefits derived as a result of the above R & D:          |   |
| 3. Future plan of action                                     |   |
| 4. Expenditure on R & D                                      |   |

**Technology absorpition, adoptation and innovation**

- |   |  |
|---|--|
| 1. Efforts, in brief, made towards technology absorption, adoptation and innovation.  | The technology is indigenous and the Company has fully absorbed. |
| 2. Benefits derived as a result of the above efforts.   | N.A.   |
| 3. Incase of imported technology (imported during last 5 yrs reckoned from the beginning of the financial year) following information may be furnished: | N.A.   |
| (a) Technology imported   |  |
| (b) Year of import  |  |
| (c) Has Technology been fully absorbed?   |  |
| (d) If not fully absorbed, areas where this has not taken place, reasonsthereforand future plansof action.  |  |

**III. Foreign Exchange Earnings and Outgo:**

Earnings on account of Export	: Rs.100748578/-
<u>Outgo</u>	
Travelling	: Rs.152575/-
Capital Expenditure	: Rs.533008/-
Foreign Bank Charges	: Rs.173009/-

For and on behalf of the Board  
For GALAXY BEARINGS LTD

Place: Ahmedabad  
Date : August 25, 2004

V H Kansagara  
Chairman & Managing Director

## **GALAXY BEARINGS LIMITED**

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### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

#### **Overview**

Galaxy Bearings Limited was promoted by Shri Vinodrai H Kansagara, Chairman & Managing Director and his group. Shri Kansagara is a technocrate having very rich experience in the industry. The Company is engaged in manufacturing and marketing of Ball and Roller Bearings.

#### **Industry Structure**

During the year under review, the industry witnessed recessionary conditions both in domestic and international markets. The industry showed some improvement during the middle of the year due to softening up of prices in bearings and its parts, and fiscal initiatives taken by the Government. The component industry in India has come to be recognised as a potential source for low cost sourcing and there has been a spurt in the exports of auto components, which, as per ACMA, has touched the Billion Dollar Mark.

#### **Prospects**

With the revival and growth of various industries, the demand for the bearings has been increasing. The prospects of the Indian bearing industry is promising, if the quality of the product is maintained. The Company is quality conscious about the quality of the product.

#### **Opportunities, Threats, Risks and concerns**

The Company has a fair name in the Indian bearing industry and has strategic plans for marketing keeping in view the industry demand in domestic and international market. The demand for bearings remained almost constant due to goodwill, qualitative products and value addition. With the working capital facilities availed from bankers, the Company is set to achieve the higher production to meet with the industry demand. With the removal of the import restrictions, international market will be open. However, the Government is vigilant on the global competition. The Company's product has been qualitative and competitive. The Company has strengthened its marketing strategy. Further, the Company believes satisfaction of the customers and maintaining long term relationship with them, which will ultimately provide better opportunity to grow.

#### **Internal Control Systems**

The Company has adequate internal control systems in respect of efficiency of operation, financial reporting, compliance with laws etc. Exercises for safeguarding assets and protection against unauthorised use are undertaken. The Management reviews internal control system from time to time.

#### **Review of Financial Performance**

The financial performance during the year ended 31st March, 2004, has been satisfactory looking into the present industry trend and scenario. The Company expects better performance in the years to come, in view of the increasing demand of the Company's products and action taken to expedite expansion on hand.

#### **Human Resources**

As on 31st March, 2004, 120 personnel were working at its Factory and Offices at various places. The relations between the employees and the Management have remained cordial.

#### **Cautionary Statement**

Statements in this report on Management's Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however differ materially from those expressed or implied. The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.



## REPORT ON CORPORATE GOVERNANCE

## 1. A brief statement on Company's philosophy on code of conduct

The Company always believe in fair business and corporate practices while dealing with the shareholders, employees, lenders, customers, creditors, and others. The Company is prompt in discharging its statutory obligations and duties. The philosophy encompasses the serving of long term interest of all its stake holders.

## 2. Board of Directors

## a) Composition :

The Board of Directors presently comprises of Six Directors, four of whom are independent and non executive Directors. The Board is headed by Shri Vinodbhai H Kansagara, Chairman and Managing Director and is composed of eminent persons with wide experience in various fields.

None of the non-executive Directors have material pecuniary relationship or transactions with the Company.

During the year, Nine Board Meetings were held on 30.4.03, 31.7.03, 25.8.03, 3.9.2003, 31.10.03, 3.11.2003, 7.11.2003, 31.1.04 and 15.3.04. The time gap between two Board Meetings do not exceed four months. The composition of the Board of Directors and other particulars are as under:

Name of Director	Cate gory	No of Board Meetings attended	Attendance at the last AGM (Y/N)	Directorship in other public Companies	No of committees in which chairman/member in other public Co
V. H. Kansagara	CMD	9	Y	Nil	Nil
N M Patel	NED	9	Y	Nil	Nil
N B Delvadia	NED	4	N	Nil	Nil
R V Bhalodia	NED	9	Y	Nil	Nil
R G Patel	NED	9	Y	Nil	Nil
B K Ghodasara	ED	9	Y	Nil	Nil

- Note: 1. CMD - Chairman and Managing Director (Promoter). The appointment is contractual.  
2. NED - Non Executive Director and Independent Director  
3. ED - Executive Director

## b) Board Procedure:

The Board of Directors meet with detailed agenda for discussion and decision. The Directors actively take part in the discussion. All the decisions are taken unanimously. The terms of reference will, interalia, include the items covered under Clause 49 of the Listing Agreements.

## 3. Audit Committee

## a) Terms of Reference:

The Company has constituted an Audit Committee with effect from February, 2003 whose terms of reference include the matters covered under Clause 49 of the Listing Agreements. The Committee is to review internal audit and control systems, meet statutory auditors and discuss their findings, suggestions and other related matters.

## b) Composition:

The Audit Committee, presently comprises of three Non Executive Directors, i.e. (1) Shri N M Patel, (2) Shri R V Bhalodia and (3) Shri R G Patel, all of whom are independent. Shri N M Patel was appointed Chairman of the Committee.

## **GALAXY BEARINGS LIMITED**

c) **Audit Committee Meetings:**

During the year four meetings of the Audit Committee was held on 31.7.2003, 25.8.2004, 30.10.2003 and 31.1.2004 and all the members have attended the meeting.

4. **Remuneration Committee**

The Company has not set up separate remuneration Committee. However, Audit Committee was entrusted with the power of fixing remuneration payable to the working Directors of the Company. Non Executive Directors are not paid remuneration. Remuneration of other employees largely consists of base remuneration, perquisites, bonus, exgratia, etc. The components of the total remuneration vary for different cadres and are governed by the industry pattern, qualifications, experience and other relevant factors of the employees.

5. **Remuneration of Directors**

Details of remuneration paid to the Directors for the year 2003-2004.

<b>Name of Director</b>	<b>Remuneration Rs.</b>	<b>Perquisites Rs.</b>
Shri V H Kansagara <i>Chairman &amp; Managing Director</i>	1,80,000	15,000
Shri B K Ghodasara <i>Executive Director</i>	1,32,000	17,346

6. **Shareholders Grievance Committee**

The complaints relating to the split, issue of duplicate share certificate and complaints relating to non receipt of share certificates, non receipt of Annual Reports etc and other investors' grievances incidental thereto have been entrusted with the Shareholders/ Investors Grievance Committee constituted w.e.f. February, 2003. The said Committee comprises of Shri Vinodbhai H Kansagara, Chairman & Mg Director and two other non executive Directors namely (1) Shri N M Patel and (2) Shri R V Bhalodia. Shri N M Patel is the Chairman of the Committee. The Committee is to meet as and when need arises. There is no share transfer pending as on 31.3.2004. Shri Dixit S Patel has been designated as Compliance Officer. The details of complaints received and solved to the satisfaction of shareholders are as under:

<b>Nature of complaints</b>	<b>Received</b>	<b>Cleared</b>
Non receipt of Annual Report	2	2
Change of Address	16	16
Dividend/Misc	8	8
<b>Total</b>	<b>26</b>	<b>26</b>

7. **General Body Meetings**

The details of the location and time for last three Annual General Meetings are given as under:

<b>Year</b>	<b>Location/Venue</b>	<b>Date</b>	<b>Time</b>
2000-2001	T-18, Vikram Chambers Ashram Road, Ahmedabad-9	29.9.2001	11.30 a.m.
2001-2002	T-18, Vikram Chambers Ashram Road, Ahmedabad-9	30.9.2002	11.30 a.m.
2002-2003	T-18, Vikram Chambers Ashram Road, Ahmedabad-9	30.9.2003	11.30 a.m.

No Special Resolution was put through postal ballot last year.

## FOURTEENTH ANNUAL REPORT

### 8. Disclosures

No transaction of material nature has been entered into by the Company with its promoters, Directors or the management, their subsidiaries or relatives etc that may have potential conflict with the interest of the Company.

There were no instances of non-compliance or penalty, strictures imposed on the Company by Stock Exchanges or SEBI or any matter related to capital markets, during the last three years.

### 9. Means of Communication

Half yearly Results are not sent to each household of shareholders. Quarterly Results are sent to the Stock Exchanges for information of shareholders. The results are normally published in Western Times. The Management Discussion and Analysis (MD&A) is a part of the Annual Report.

### 10. General Shareholder Information

#### a) Annual General Meeting:

The Fourteenth Annual General Meeting will be held on Thursday, 30th September, 2004, at 11.30 a.m. at T-18, Vikram Chambers, Ashram Road, Ahmedabad 380 009. A special resolution is proposed for re-appointment of Shri B K Ghodasara as Executive Director.

#### b) Book Closure:

The Share Transfer Books and the Registrar of Members shall remain closed from Monday, 27th September, 2004 to Thursday, 30th September, 2004 (Both days inclusive).

#### c) Financial Calender for the year 2004-2005 (Provisional)

Results for the	By the end of
quarter ending 30th June, 2004	July, 2004
quarter ending 30th September, 2004	October, 2004
quarter ending 31st December, 2004	January, 2005
quarter ending 31st March, 2005	April, 2005

#### d) Share Transfer System :

The Company's shares are not dematerialised and are only in physical form. The Company's Share transfers etc is handled by the In House Share Transfer Department. The Company had constituted Share Transfer Committee since 1993, to approve share transfers etc. At present, approval of the Share Transfers, Transmission, Transposition etc are delegated to Shri Vinodbhai H Kansagara, Chairman and Managing Director of the Company. The Share Transfers are normally approved and returned within 15-30 days provided the documents received are valid in all respects.

#### e) Listings :

The Company's shares are listed with the stock Exchanges at Mumbai. The Company has paid listing fees. No market price is available as there is no trading in the Company's shares, except casual trading at Rs.3.60 per share for 100 shares only at BSE. The Stock Exchange at Ahmedabad has approved Company's application for voluntary delistings with effect from 11.2.2004 vide their letter No.ASE/2004/3831 dated 5.2.2004.

**GALAXY BEARINGS LIMITED**

- f) Stock Code :  
Mumbai : 526073  
Ahmedabad : 18020
- g) Distribution of Shareholdings as on 31.3.2004  
Authorised Share Capital : Rs.5,00,00,000/-  
Issued, Subscribed & Paid Up Share Capital : Rs.3,18,00,000/-  
Listed Share Capital : Rs.3,18,00,000/-

Shareholdings		No of	%	Shares Amount	
From	To				%
Below	5000	7600	95.15	10968700	34.49
5001	10000	158	1.98	1345300	4.23
10001	20000	43	0.54	590000	1.86
20001	30000	50	0.63	1260000	3.96
30001	40000	10	0.13	363000	1.14
40001	50000	43	0.54	2115000	6.65
50001	100000	36	0.45	2912000	9.16
100001	AND ABOVE	47	0.59	12246000	38.51
<b>Total</b>		<b>7987</b>	<b>100.00</b>	<b>31800000</b>	<b>100.00</b>

- h) Plant Location : Survey No.253, National Highway No.8B  
Village : Shapar, Ta: Kotada Sagnani  
Dist. Rajkot- 360 002. (Gujarat)
- i) Address for correspondence : T-18, Vikram Chambers, Ashram Road,  
Ahmedabad 380 009. (Gujarat)

**AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT:**

To  
The Members of  
Galaxy Bearings Ltd.  
Ahmedabad.

We have reviewed the implementation of Corporate Governance procedures by Galaxy Bearings Limited (the Company) during the year 2003-2004, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

On the basis of our review and according to the information and explanations given to us, the conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges have been complied with in all material respects by the Company.

For J T Shah & Co.  
Chartered Accountants

Date: August 25, 2004

(J T Shah)  
Partner  
M.No.3983

**AUDITORS' REPORT**

To,  
The Members of  
Galaxy Bearings Limited  
Ahmedabad.

- 1 We have audited the attached Balance Sheet of **GALAXY BEARINGS LIMITED** as at 31st March, 2004, Profit & Loss Account and Cash Flow Statement for the year ended on that date (together referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by Companies (Auditor's Report) Order, 2003 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure hereto a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we state that :
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 such books.
  - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in compliance with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
  - e) As per the information and explanations given to us, none of the directors are disqualified as on 31st March, 2004 from being appointed as directors in terms of Clause (g) of Sub- Section (1) of Section 274 of the Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the accounts subject to and read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2004 AND
    - b) In the case of Profit & Loss Account, of the PROFIT for the year ended on that date AND
    - c) In the case of Cash Flow Statement, Cash Flow for the year ended on that date.

**FOR, J T SHAH & COMPANY**  
**CHARTERED ACCOUNTANTS**

Place : Ahmedabad  
Date : 25th August, 2004

J T Shah  
(Partner)  
[M.No.3983]

**ANNEXURE TO THE AUDITORS' REPORT**

**(Referred to in paragraph 3 of the Auditor's Report of even date to the Members of Galaxy Bearings Limited on the accounts for the year ended 31st March 2004)**

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. As explained to us; some of the fixed assets have been physically verified by the management according to a programme of verification which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
3. In our opinion, during the year, the company has not disposed off a major part of the plant and machinery so as to affect the going concern assumption.
4. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
5. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
6. On the basis of our examination of the records of inventory, we are of opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and books records were not material.
7. As informed to us, the Company has not granted any loans to any parties covered under the register maintained under Section 301 of the Companies Act, 1956. The Company had taken loans from 12 parties covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 74,59,022/- and the year end balance is Rs.64,00,000/-.
8. In our opinion the rate of interest and other terms and conditions on which loans have been taken from / granted to companies, firms or other parties listed in the registers maintained under Section 301 are not, prima facie, prejudicial to the interest of the Company.
9. The terms of repayment in case of loans taken or granted by/to the Company are not defined hence there is no question of repayment of loans. The parties have repaid the principle amounts as stipulated and have been regular in payment of interest.
10. As the terms of repayment are not defined the question of over due does not arise.
11. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
12. Based on the audit procedures applied by us and according to the information and explanations provided by management, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 have been so entered.
13. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
14. The Company has not accepted any deposit from Public.
15. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
16. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that

prima facie the prescribed accounts and records have been made and maintained.

17. According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employee's state insurance, income-tax, sales-tax, wealth-tax, custom duty, excise-duty, cess and other statutory dues applicable to it except in case of Professional Tax there is delay in payment.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding. However there is undisputed amount payable in respect of professional tax amounting to Rs.4,240/- as at 31st March, 2004 for a period of more than six months from the date they became payable.
19. According to the records of the Company, there are no dues of sales tax, income tax, customs tax / wealth-tax, excise duty / cess which have not been deposited on account of any dispute.
20. The Company do not carry any accumulated losses. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
21. Based on the audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to bank.
22. Based on the examination of documents and records and information and explanation given to us, the Company has not granted any loans against the security by way of pledge of shares, debentures and other securities.
23. In our opinion, the Company is not a chit fund or nidhi / mutual benefit fund / society. Therefore, the provisions of Clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
24. In our opinion, the Company is not dealing in or trading in shares, securities debentures and other investmetns. Therefore, the provisions of Clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
25. In our opinion, the Company has not granted any guarantee for loans taken by others from bank or financial institutions.
26. In our opinion and according to information and explanation given to us, the term loans have been applied for the purpose for which they have been acquired.
27. On the basis of overall examination of Balance Sheet of the Company, and based on information and explanation given to us, no funds raised for long term basis are applied for short term purpose or vice a versa.
28. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
29. During the period covered by our audit report, the Company has not issued any debentures.
30. During the period covered by our report, the Company has not raised any money by way of public issue.
31. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For J. T. SHAH & COMPANY  
CHARTERED ACCOUNTANTS**

**Place:- AHMEDABAD  
Date :- 25th August, 2004**

**(J.T.Shah)  
Partner  
[M.No.3983]**

**GALAXY BEARINGS LIMITED****BALANCE SHEET AS AT 31ST, MARCH, 2004**

Particulars	Sche. No.	Rupees	As At	As At
			31-03-2004 Rs.	31-03-2003 Rs.
<b>SOURCES OF FUND</b>				
1				
<u>Shareholders' Funds :</u>				
(a) Capital	1	31800000		31800000
(b) Reserves and Surplus	2	<u>6407799</u>		<u>3506572</u>
			<b>38207799</b>	<b>35306572</b>
2				
<u>Loan Funds</u>				
(a) Secured Loans	3	36273640		8722569
(b) Unsecured Loans	4	<u>6400000</u>		<u>7038392</u>
			<b>42673640</b>	<b>15760961</b>
3				
Net Deferred Tax Liability			<b>3950350</b>	<b>2302320</b>
	Total....		<b><u>84831789</u></b>	<b><u>53369853</u></b>
<b>APPLICATION OF FUNDS</b>				
4				
<u>Fixed Assets</u>				
(a) Gross Block	5	52808780		46599974
(b) Less : Depreciation		25409021		22848111
Net Block			<b>27399759</b>	<b>23751863</b>
5				
Investments			<b>NIL</b>	<b>NIL</b>
6				
<u>Current Assets, Loans &amp; Advances</u>				
(a) Inventories	6	42101213		26926028
(b) Sundry Debtors	7	36006085		31439496
(c) Cash & Bank Balances	8	444188		323902
(d) Loans & Advances	9	<u>18303510</u>		<u>9753095</u>
		<b>96854996</b>		<b>68442521</b>
7				
Less: <u>Current Liabilities &amp; Provisions</u>				
(a) Current Liabilities	10	39222966		38704531
(b) Provision for Taxation	11	<u>200000</u>		<u>120000</u>
		<b>39422966</b>		<b>38824531</b>
Net Current Assets (5-6)			<b>57432030</b>	<b>29617990</b>
8				
<u>Misc. Expenditure</u>				
(To The extent not written off Or Adjusted)	12		<b>Nil</b>	<b>Nil</b>
	Total.....		<b><u>84831789</u></b>	<b><u>53369853</u></b>
Notes on Accounts	17			

As per our report of even date

For **J. T. SHAH & Company**  
**Chartered Accountants****J T Shah**  
(Partner)**V H Kansagara**  
(Chairman & Mg. Director)**B K Ghodasara**  
(Executive Director)

Place : Ahmedabad

Date : 25th August, 2004



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH,2004.**

Particulars	Sche. No.	Rupees Rs.	Year Ended	Year Ended
			31-03-2004 Rs.	31-03-2003
<b>INCOME</b>				
1			<b>160478904</b>	138768799
			<b>12711064</b>	10436905
			<b>147767840</b>	128331894
2	13		<b>13729437</b>	7503595
3	14		<b>6737630</b>	5667599
			<b>168234907</b>	141503088
<b>EXPENDITURE</b>				
1	15	157452974		135398091
2	5	3131988		2531047
3	16	3014419		2112536
			<b>163599381</b>	140041674
			<b>4635526</b>	1461414
Add :			<b>113731</b>	183391
			<b>4749257</b>	1644805
Less :				
Provision for Taxation				
Current Year			<b>200000</b>	120000
Deferred Tax			<b>1648030</b>	712478
			<b>2901227</b>	812327
Add/Less : Profit/Loss B/f from previous year			<b>1006572</b>	194245
Balance carried over to Balance Sheet			<b>3907799</b>	1006572
<b>Basic and Diluted Earning per Shares</b>			<b>0.91</b>	<b>0.26</b>
Notes on Accounts	17			

As per our report of even date  
For **J. T. SHAH & Company**  
Chartered Accountants

**J T Shah**  
(Partner)

**V H Kansagara**  
(Chairman & Mg. Director)

**B K Ghodasara**  
(Executive Director)

Place : Ahmedabad

Date : 25th August, 2004

**GALAXY BEARINGS LIMITED****SCHEDULES "1 TO 17" FORMING THE PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2004**

Particulars	As at	As at
	31-03-2004	31-03-2003
	Rs.	Rs.
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
(a) <u>Authorised</u> 5000000 Equity Shares of Rs. 10/- each	<u>5000000</u>	<u>5000000</u>
(b) <u>Issued, Subscribed &amp; Paid up</u> 3180000 equity shares of Rs. 10/- each fully paid up.	<u>3180000</u>	<u>3180000</u>
Total....	<u>3180000</u>	<u>3180000</u>
<b>SCHEDULE - 2</b>		
<b>RESERVE &amp; SURPLUS</b>		
(a) State Government Subsidy Balance as per last year	2500000	2500000
(b) Profit & Loss Account	1006572	194245
Add : Profit for the year	2901227	812327
Total....	<u>3907799</u>	<u>1006572</u>
	<u>6407799</u>	<u>3506572</u>
<b>SCHEDULE - 3</b>		
<b>SECURED LOAN</b>		
(a) <u>From Banks</u> Bank of Baroda - Term Loan Secured against Hypothecation of Plant & Machinery at Pune and Shapar (Veraval) & personal guarantee of Directors of the Company.	8655037	Nil
(b) Bank of Baroda - Working Capital Secured by hypothecation of Raw Materials, Finished Goods, Stock in process, Inventory & Book Debts & also Secured against First Charge by way of equitable mortgage of land, building, plant & machinery and other assets & personal guarantee of Directors of the Company.	27308255	8071988
(c) ICICI Ltd - Secured against Hypothecation Motor Car	310348	650581
Total....	<u>36273640</u>	<u>8722569</u>
<b>SCHEDULE - 4</b>		
<b>UNSECURED LOAN</b>		
(a) From Shareholders	3050000	3670602
(b) From others	3350000	3367790
Total....	<u>6400000</u>	<u>7038392</u>

## GALAXY BEARINGS LTD

### Fixed Assets as at 31st March, 2004.

#### SCHEDULE - "5"

SR. No.	DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION / AMORTASATION				NET BLOCK	
		AS ON 01.04.03	ADDITION DURING THE YEAR	DEDUCTION ON A/C. OF SALE	BALANCE AS ON 31.03.04	UPTO 31.03.03	PROVIDED DURING THE YEAR	DEDUCTION ON A/C. OF SALE	TOTAL UP T 31.03.04	AS ON 31.03.04	AS ON 31.03.03
<b>A.</b>	<b><u>TANGIBLE ASSET</u></b>										
1.	LAND	377641	Nil	Nil	377641	Nil	Nil	Nil	Nil	377641	377641
2.	BUILDING	9259722	Nil	Nil	9259722	3002122	309275	Nil	3311397	5948325	6257600
3.	PLANT & MACHINERY	30435202	6380166	698791	36116577	17780329	2426284	462806	19743807	16372770	12654873
4.	FURNITURE & DEAD STOCK	601170	88220	Nil	689390	158607	41989	Nil	200596	488794	442563
5.	TURE WELL	517619	16808	Nil	534427	148137	17615	Nil	165752	368675	369482
6.	ELECTRIC INSTALLATION	2757958	217260	Nil	2975218	1164795	136212	Nil	1301007	1674211	1593163
7.	VEHICLES	2650667	271986	137143	2785505	594121	186553	108272	672402	2113103	2056541
<b>B.</b>	<b><u>INTANGIBLE ASSET</u></b>										
1.	COMPUTER SOFTWARE	Nil	70300	Nil	70300	Nil	14060	Nil	14060	56240	Nil
	<b>TOTAL RS.</b>	<b>46599974</b>	<b>7044740</b>	<b>835934</b>	<b>52808780</b>	<b>22848111</b>	<b>3131988</b>	<b>571078</b>	<b>25409021</b>	<b>27399759</b>	<b>23751863</b>
	Pre. Year. Total Rs.	43145612	4594760	1140398	46599974	21158113	2531047	841049	22848111	23751863	21987499

## GALAXY BEARINGS LIMITED

Particulars	As at 31-03-2004 Rs.	As at 31-03-2003 Rs .
<b>SCHEDULE - 6</b>		
<b>INVENTORIES</b>		
(As per inventory prepared, valued and certified by Director) [Lower of cost and net realisable value]		
(a) Raw Material	14005176	5974848
(b) Semi Finished Goods	1523362	4554330
(c) Finished Goods	23555524	13786926
(d) Consumable Stores, Spare & Packing Materials	3017151	2609924
Total....	<u>42101213</u>	<u>26926028</u>
<b>SCHEDULE - 7</b>		
<b>SUNDRY DEBTORS (UNSECURED)</b>		
(a) Outstanding for a period exceeding 6 months		
(i) Good	9004999	7805608
(ii) Doubtful	Nil	Nil
	<u>9004999</u>	<u>7805608</u>
(b) Others		
(i) Good	27001086	23633888
(ii) Doubtful	Nil	Nil
	<u>27001086</u>	<u>23633888</u>
Total....	<u>36006085</u>	<u>31439496</u>
<b>SCHEDULE - 8</b>		
<b>CASH AND BANK BALANCES</b>		
(a) Cash on Hand	115273	81833
(b) Balance with Scheduled Banks	328915	242069
Total....	<u>444188</u>	<u>323902</u>
<b>SCHEDULE - 9</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
(a) Advances to suppliers and others recoverable in cash or kind or for value to be received	16224573	7982031
(b) Deposits	1865372	1618774
(c) Prepaid Expenses	99022	135356
(d) Tax Deducted at Source	112351	14742
(e) Balance with Excise Authority	2192	2192
Total....	<u>18303510</u>	<u>9753095</u>
<b>SCHEDULE - 10</b>		
<b>CURRENT LIABILITIES</b>		
(a) Sundry Creditors	38887889	38429542
(b) Unpaid Expenses	335077	274989
Total....	<u>39222966</u>	<u>38704531</u>

**FOURTEENTH ANNUAL REPORT**

Particulars	As at 31-03-2004 Rs.	As at 31-03-2003 Rs.
<b>SCHEDULE - 11</b>		
<b>PROVISIONS</b>		
(a) Provision for Income Tax	200000	120000
Total....	<u>200000</u>	<u>120000</u>
<b>SCHEDULE - 12</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
[To the extent not W/off or Adjusted]		
(a) <u>Public Issue Expenses</u>		
Opening Balance	Nil	380949
Less : 1/10th W/off	Nil	380949
	Nil	Nil
Total....	<u>Nil</u>	<u>Nil</u>

Particulars	Year ended 31-03-2004 Rs.	Year ended 31-03-2003 Rs.
<b>SCHEDULE - 13 :: OTHER INCOME</b>		
(a) Interest (TDS Rs.14137/- Pr.Year Rs.4280)	75631	21545
(b) Waste & Scrap Sales	1028734	436532
(c) Job Work Income (TDS Rs.98214/- Pr.Yr.Rs.10462)	4722772	1053914
(d) Export Incentive	7410247	5964838
(e) Profit on Sale of Asset	492053	24106
(f) Kasar	Nil	2660
Total....	<u>13729437</u>	<u>7503595</u>

<b>SCHEDULE - 14</b>		
<b>VARIATION IN STOCK OF FINISHED GOODS &amp; SEMI-FINISHED GOODS</b>		
Opening Stock	18341256	12673657
Less : Closing Stock	25078886	18341256
Total....	<u>6737630</u>	<u>5667599</u>

## GALAXY BEARINGS LIMITED

Particulars	Year ended 31-03-2004 Rs.	Year ended 31-03-2003 Rs.
<b>SCHEDULE - 15</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
(a) Raw Materials Consumed	84560486	66519098
(b) <u>Payments to and provisions made for employees</u>		
(1) Wages, Salaries and Bonus	4275757	3615218
(2) Company's Contribution to Provident and other Funds	494114	501013
(3) Gratuity	211091	184920
(4) Staff Welfare expenses	235237	179875
(5) Labour charges	39195727	37355171
(6) Directors' Remuneration & Perq.	344346	343345
	<u>44756272</u>	<u>42179542</u>
(c) <u>Operating and other expenses</u>		
(1) Stores Spares & Packing Materials consumed	11482291	11866029
(2) Freight, Octroi, Clearing and Forwarding Charges	2880774	2249074
(3) Power, Fuel & Water Charges	2850601	2683764
(4) Repairs and Maintenance	362135	910383
(5) Rent, Rates and Taxes	117600	9600
(6) Insurance	569556	376946
(7) Printing, Stationery, Postage Advertisement & Telephone Expenses	1241306	1144722
(8) Travelling, Conveyance and Vehicle Expenses (Including Directors Travelling Exp. of Rs. Nil/- Previous Year Rs. Nil/- Foreign Travelling Rs. 898012/- Pr. Year Rs. 1096454/-)	2342382	2883225
(9) Auditor's remuneration		
(a) Audit fees	18900	18625
(b) In other capacities		
- For Income tax	7500	7500
(c) Tax Audit Fees	5400	5000
	<u>31800</u>	<u>31125</u>
(10) Legal and Professional Charges	424770	220750
(11) Sales Promotion	2814396	2179366
(12) Bad Debts Written Off	84886	26489
(13) Loss on Sale of Asset	10909	48455
(14) Foreign Exchange Difference	550455	(113726)
(15) General expenses (including license fees, bank charges and other miscellaneous expenses)	2372355	1791600
(16) Pre. Exp & Public Issue Exp W/off	Nil	391649
	<u>28136216</u>	<u>26699451</u>
Total....	<u>157452974</u>	<u>135398091</u>
<b>SCHEDULE - 16</b>		
<b>INTEREST PAID TO</b>		
(a) Banks	1633443	1123081
(b) Others	1380976	989455
	<u>3014419</u>	<u>2112536</u>

SCHEDULE - 17

**NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2004.**

1. Paise are rounded upto the nearest rupee.
2. Previous year's figures have been regrouped or rearranged so as to make them comparable with those of current year wherever necessary.
3. Balances are subject to confirmation.
4. In the opinion of the Board, Current Assets, Loans and Advances are approximately of the value stated if realised in the ordinary course of business.
5. **Accounting Policies**

The significant accounting policies followed by the Company are as stated below :

a) **Basis of Accounting :**

The Financial statements are prepared on a historical Cost Convention on the accrual basis and are materially complies with the mandatory accounting standards issued by the Institute of Chartered Accountants of India.

b) The Accounts are prepared on historical cost basis and as a going concern, accounting policies not specifically referred to otherwise are consistent with generally accepted accounting principles.

c) **Fixed Assets and Depreciation :**

**Fixed Assets :**

Fixed assets are stated at cost of acquisition/construction. Direct costs including the financing costs till commencement of commercial production are allocated to the respective fixed assets. All other indirect costs upto the date of commercial production are suitably apportioned to the fixed assets.

**Depreciation :**

Depreciation is provided on Straight Line Method except on Plant & Machinery which is on Written Down Value Method at the rates and in the manner specified under Schedule XIV of the Companies Act, 1956 (as revised vide notification No.GSR 756 (E) dated 16th December, 1993 of the Department of Company Affairs, Government of India.

d) **Inventories :**

The basis of valuation of inventories is : " Lower of cost and net realisable value ".

Finished Goods and Work in Progress are valued on weighted average method.

Other inventories are valued on FIFO Basis.

## **GALAXY BEARINGS LIMITED**

- e) **Sales :**  
Sales are accounted for on dispatch of goods to the customers and is net of Sales Return.
- f) **Treatment of Retirement Benefits:**  
The Company has started a Group Gratuity Scheme for the Employees linked with L.I.C. of India with effect from 18.03.1997 and has established trust namely Galaxy Bearings Limited Employees Group Gratuity Scheme duly approved by Commissioner of Income - Tax. The Company has paid necessary contribution for the same. The Company does not expect any more liability than what has been provided for in the accounts. Contribution to Provident Fund is made monthly at a pre-determined rate and debited to the Profit & Loss Account on an accrual basis.
- g) **Taxation**  
Provision for Taxation has been made in accordance with the Income Tax Laws and Rules prevailing at the time of the relevant assessment years.
- Deferred Tax resulting from the timing difference between book and tax profit is accounted for under the liability method, at the current rate of tax to the extent that the timing difference are expected to crystallized.
- h) **Borrowing Cost :** Borrowing Costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. All other borrowing cost are charged to revenue.
- i) **Intangible Assets :** Direct cost incurred for acquisition of Intangible Assets is capitalised. Intangible Assets are amortised over period of five years.
- j) **Miscellaneous Expenditure :**  
Preliminary and Share issue expenses are amortized over a period of ten years.

6. The Company deals with several Small Scale Industrial (SSI) Undertakings on mutually accepted terms and conditions. Basis on the information received from SSI suppliers, the various amounts due to SSIs and included under sundry creditors aggregate Rs.4217786/-. The name of such SSI suppliers where individual balance is in excess of Rs.1/- Lakh and due for more than 30 days are as under: M/s.Ravi Metal Treatment, M/s. Narmada Forge Pvt.Ltd, M/s.Star Industries M/s.Jayesh Engg Co. M/s. Vishal Bearings P Ltd.

7. In the opinion of management the Co. is primarily engaged in the business of Ball & Roller Bearings. All other activities of the Co. revolve around the main business and as such there are no separate reportable business segment.

The operations of the Company are confined to India as well as outside India with export contributing to 71.93% of annual turnover. Hence in view of the management India and exports market represents different geographical segment.

Secondary segment information for the year ended 31st March, 2004.

	India	Outside India	Total
Segment Revenue	41478208	106289632	147767840
Segment Assets	107113631	17141124	124254755
Capital Expenditure	7044740	Nil	7044470



## FOURTEENTH ANNUAL REPORT

8. List of related parties with whom transaction have taken place during the year.

1. Key Management Personnel

- Vinodbhai H. Kansagara
- Navinchandra M. Patel
- Bharatbhai K. Ghodasara

2. Relative of Key Management Personnel

**Name of Person**

- Sonal S. Patel
- Mrs. Tuhina R. Bera
- Shetal V Patel
- Mrs. Indiraben V Kansagara
- Mr. Kiritkant H Kansagara
- Gujarat Cine Ent. Pvt Ltd
- Galaxy Decor Pvt Ltd
- Galaxy Hotels

**Related Party Relation**

- Daughter of Key Management Personnel
- Daughter of Key Management Personnel
- Daughter of Key Management Personnel
- Wife of Key Management Personnel
- Brother of Key Management Personnel
- Private Ltd.Co. where Director's have Control
- Private Ltd.Co. where Director's have Control
- Firm when Director's are Partner

**Details of Transaction :-**

Sr. No.	Nature of Transaction	Key Management Personnel	Relative of Key Management Personnel	Associates	Total Rs.
1.	<u>Unsecured Loan</u>				
	Loan taken during the year	Nil (235600)	85000 (3380000)	Nil (Nil)	85000 (3615600)
	Loan repaid during the Year	Nil (275824)	1418886 (1900000)	Nil (Nil)	1418886 (2175824)
	Closing Balance on 31/03/04	Nil (Nil)	2525000 (3525462)	Nil (Nil)	2525000 (3525462)
2.	<u>Advance Given</u>				
	Advance given during the year	Nil (Nil)	Nil (Nil)	Nil (150327)	Nil (150327)
	Advance Setteled during the year	Nil (Nil)	Nil (Nil)	110000 (290327)	110000 (290327)
	Closing Balance	Nil (Nil)	Nil (Nil)	922454 (1032454)	922454 (1032454)

## GALAXY BEARINGS LIMITED

Sr. No.	Nature of Transaction	Key Management Personnel	Relative of Key Management Personnel	Associates	Total Rs.
3.	<u>Expenses</u>				
	Directors Remuneration	344346 (343345)	Nil (Nil)	Nil (Nil)	344346 (343345)
	Payment made to a Firm for Travelling	Nil (Nil)	Nil (Nil)	10868 (5697)	10868 (5697)
	Interest Paid	Nil (7956)	377145 (287995)	Nil (Nil)	377145 (295951)
4.	<u>Others</u>				
	Sale of Asset	55000 (Nil)	Nil (Nil)	Nil (Nil)	55000 (Nil)
	Closing Balance	55000 (Nil)	Nil (Nil)	Nil (Nil)	55000 (Nil)

9. Major companies of deferred tax Assets & Liabilities arising out of timing difference are as follows :

<u>Deferred Tax Assets :</u>	<u>2003-04</u>	<u>2002-03</u>
Assets arising due to claim of unabsorbed Depreciation	6,71,936	20,93,067
Deferred Tax Assets	6,71,936	20,93,067
<u>Deferred Tax Liabilities :</u>		
Difference between Tax & Book Depreciation	46,22,286	43,95,387
Deferred Tax Liabilities	46,22,286	43,95,387
Net deferred Tax Liabilities	39,50,350	23,02,320

10. Earning per Shares 31/03/2004      31/03/2003

• Numerator for calculating basic & Diluted earning per share (Profit After Tax)	2901227	812327
• Weighted Avg.No. of Shares used as denominator for calculating basic & Diluted earning per shares	3180000	3180000
• Nominal Value per Shares	10	10
• Basic & Diluted Earning per share	0.91	0.26

11. Advance to Private Ltd. Companies where some of the Directors of the Company are interested as Directors/ Members.

Sr. No.	Name of The Company	Debit Balance Rs.	Maximum Debit Balance at any time during the year.
1.	Gujarat Cine Ent.Pvt.Ltd.	922454 (922454)	922454 (922454)
2.	Galaxy Decor Pvt .Ltd	Nil (110000)	110000 (205000)
3.	Platinum Veneers Pvt.Ltd	Nil (Nil)	Nil (48000)

**FOURTEENTH ANNUAL REPORT**

12. Detailed quantitative information in respect of each class of goods (as certified by Director)

(a) Class of goods manufactured :

	Licensed/ Registered Capacity	Installed Capacity P.A.
Ball and Roller Bearings (Nos)	Not applicable Since license not required.  (DO)	15,00,000  (15,00,000)

Class of Good Manufactured	Stock		Production	Closing Stock		Sales	
	Nos.	Rs.	Nos.	Nos.	Rs.	Nos.	Rs.
Ball & Roller Bearings	@ 75146 (86939)	13786926 (10123342)	* 1150976 (1259996)	145112 (75146)	23555524 (13786926)	1081010 (1271789)	147767840 (128331894)
TOTAL PREVIOUS YEAR TOTAL		13786926 (10123342)			23555524 (13786926)		147767840 (128331894)

\* Production includes rejection of sales 6321 pcs. (Pr. Year 9538 Pcs)

@ Includes Opening Stock of Trading Goods of 8976 pcs of Rs.946198/-

(b) Raw Materials and Components Consumed :

	Unit	Quantity	Value in Rs.
(1) Alloy Steel Bar	Mt.	1892.038 (1475.266)	45466897 (28195539)
(2) Rolled/Forged Rings	Nos.	* 2136643 (2386929)	315363 (1839542)
(3) Cages	Nos.	1069509 (1164817)	9602766 (8485791)
(4) Roller	Nos.	20785824 (21950833)	26830377 (21107935)
(5) Other Components		— —	2345084 (6890291)
Total....			84560486
Previous Year Total.....			(66519098)

\* Includes consumption of own production of 2118908 Pcs

## **GALAXY BEARINGS LIMITED**

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(c) Percentage of Consumption :

		Imported	Indigenous
(i) Raw Materials and Components	Rs....	Nil (Nil)	84560486 (66519098)
	Percentage	Nil (Nil)	100% (100%)
(ii) Stores & Spares	Rs.	Nil (Nil)	11482291 (11866029)
	Percentage	Nil (Nil)	100% (100%)
(d) CIF Value of Imports :			
1. Raw Materials		Nil	(Nil)
2. Stores and Spares		Nil	(Nil)
3. Capital goods		533008	(Nil)
(e) Expenditure in Foreign Exchange :			
1. Travelling	Rs.	152575	(160987)
2. Foreign Bank Charges	Rs.	173009	(113754)
(f) Earning in Foreign Exchange			
F.O.B. Value to Export	Rs.	100748578	(66007974)

Signature to Schedules "1" to "17"

As per our report of even date  
For **J. T. SHAH & Company**  
**Chartered Accountants**

**J T Shah**  
(Partner)

**V H Kansagara**  
(Chairman & Mg. Director)

**B K Ghodasara**  
(Executive Director)

**Place :** Ahmedabad

**Date :** 25th August, 2004

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I. Registration Details

Registration No.          State Code

Balance Sheet Date

Date Month Year

II. Capital Raised during the year (Amount in Thousand)

Public Issue	Right Issue
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	Private Placement
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

III. Position of Mobilisation and Deployment of Funds (Rupees in Thousand)

Total Liabilities	Total Assets
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="5"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="5"/>

Sources of Funds

Paid up Capital	Reserves & Surplus
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="8"/>
Secured Loans	Unsecured Loans
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="4"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/>
Deferred Tax Liability	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="0"/>	

Application of Funds

Net Fixed Assets	Investment
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Net Current Assets	Misc. Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="2"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Accumulated Loss	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>

IV. Performance of Company (Rupees in Thousand)

Turnover & Other Income	Total Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="5"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="9"/>
+ - Profit Before Tax	+ - Profit After Tax
<input checked="" type="checkbox"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="6"/>	<input checked="" type="checkbox"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="1"/>

(Please tick Appropriate box + for Profit & - for Loss)

Earning per Share (In Rs.)     Dividend

V. Generic Names of Principal Products / Services of Company

I.T.C. Code	Product Description
<input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="."/> <input type="text" value="1"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="B"/> <input type="text" value="A"/> <input type="text" value="L"/> <input type="text" value="L"/> <input type="text" value="B"/> <input type="text" value="E"/> <input type="text" value="A"/> <input type="text" value="R"/> <input type="text" value="I"/> <input type="text" value="N"/> <input type="text" value="G"/> <input type="text" value="S"/>
<input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="."/> <input type="text" value="2"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="R"/> <input type="text" value="O"/> <input type="text" value="L"/> <input type="text" value="L"/> <input type="text" value="E"/> <input type="text" value="R"/> <input type="text" value="B"/> <input type="text" value="E"/> <input type="text" value="A"/> <input type="text" value="R"/> <input type="text" value="I"/> <input type="text" value="N"/> <input type="text" value="G"/> <input type="text" value="S"/>

Place : Ahmedabad

Date : August 25, 2004

V. H. Kansagara  
Chairman & Managing Director

B.K. Ghodasara  
Executive Director

**GALAXY BEARINGS LIMITED**

**CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004**

PARTICULARS	2003 - 2004		2002 - 2003	
	Rs.	Rs.	Rs.	Rs.
<b>(A) CASHFLOW FROM OPERATING ACTIVITIES :</b>				
NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS		4749257		1644805
Adjustment for :				
Depreciation	3131988		2531047	
Interest Paid	3014419		2112536	
Amortisation of Preliminary Expenses	Nil		391649	
Income Tax	(113731)		(183391)	
Loss/ Profit on Sale of Assets	(481144)		24349	
Bad Debts W/off	84886		26489	
		<u>5636418</u>		<u>4902679</u>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<b>10385675</b>		<b>6547484</b>
Adjustment for :				
Trade and Other Receivables	(13019395)		1439700	
Inventories	(15175185)		(5857047)	
Trade Payable	518435		2129602	
Bad Debts W/off	(84886)		(26489)	
		<u>(27761031)</u>		<u>(2314234)</u>
<b>CASH GENERATED FROM OPERATIONS</b>		<b>(17375356)</b>		<b>4233250</b>
Interest	(3014419)		(2112536)	
Income Tax Paid	(103878)		(4112)	
		<u>(3118297)</u>		<u>(2116648)</u>
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>		<b>(20493653)</b>		<b>2116602</b>
<b>(B) CASHFLOW FROM INVESTING ACTIVITIES :</b>				
Purchase of Fixed Assets		(7044740)		(4594760)
Sale of Fixed Assets		746000		275000
		<u>(6298740)</u>		<u>(4319760)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES (B)</b>				
<b>(C) CASHFLOW FROM FINANCING ACTIVITIES :</b>				
Repayment of Unsecured Loan		(638392)		Nil
Proceeds from Long Term Borrowings		8653037		650357
Proceeds from Short Term Borrowings		18896034		(487958)
		<u>26912679</u>		<u>162399</u>
<b>NET CASH USED IN FINANCING ACTIVITIES (C)</b>		<b>120286</b>		<b>(2040759)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)</b>				
Cash and Cash Equivalents as at 01-04-2003		323902		2364661
Cash and Cash Equivalents as at 31-03-2004		444188		323902

Place : Ahmedabad  
Date : 25th August, 04

V H Kansagara  
Chairman & Mg. Director

B K Ghodasara  
Executive Director

To,  
The Board of Directors,  
Galaxy Bearings Limited.

We have examined the attached Cash Flow Statement of GALAXY BEARINGS LIMITED for the year ended 31st March, 2004. The Statement has been prepared by the Company in accordance with the requirements of clause 32 of listing agreement with Stock Exchange Mumbai and is based on and is in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our Report dated 25.08.2004 to the members of the Company.

For, J T Shah & Co.  
Chartered Accountants

J T Shah  
Partner  
M. No. 3985

Place : Ahmedabad  
Date : August 25, 2004

# **GALAXY BEARINGS LIMITED**

Regd. Office :- T-18, Vikram Chambers, Ashram Road, Ahmedabad - 380 009

## **ATTENDANCE SLIP**

Folio No.....

No. of Shares Held.....

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company, hereby record presence at the **FOURTEENTH ANNUAL GENERAL MEETING** of the members of Galaxy Bearings Ltd., at T-18, Vikram Chambers, Ashram Road, Ahmedabad - 380 009, at 11.30 A.M. on Thursday, 30th September, 2004.

.....  
(Member's/Proxy's Name in BLOCK Letters)

.....  
(Member's/Proxy's Signature)

**Note :** Please fill in this attendance slip and hand it over at the ENTRANCE OF THE HALL

..... **TERE HERE** .....

# **GALAXY BEARINGS LIMITED**

Regd. Office :- T-18, Vikram Chambers, Ashram Road, Ahmedabad - 380 009

## **FORM OF PROXY**

Folio No.....

No. of Shares Held.....

I/We ..... of ..... being member(s) of the above named Company, hereby appoint Shri/Smt. .... of ..... or failing him/her, Shri/Smt ..... of ..... as my/our proxy to vote for me/us on my/our behalf at the **FOURTEENTH ANNUAL GENERAL MEETING** of the Company to be held on Thursday, 30th September, 2004 and at any adjournment thereof.

Signed this ..... day of .....,2004 Signature

1 Rs.  
Revenue  
Stamp

**Note:** This instrument of Proxy should be deposited at the Registered Office of the Company not less than 48 (FORTY EIGHT) hours before the time of holding the Meeting.

Book Post

*If undelivered please return to*  
**GALAXY BEARINGS LIMITED**  
T-18, Vikram Chambers,  
Ashram Road,  
Ahmedabad - 380 009  
Gujarat