



GALAXY BEARINGS LTD.

**17th Annual Report
2006 - 2007**

GALAXY BEARINGS LIMITED

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 *Jt. Managing 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

NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of members of the Company will be held on Saturday, 29th September, 2007 at 11.30 a.m. at T-18, Vikram Chambers, Ashram Road, Ahmedabad - 380 009, to transact the following business:

ORDINARY BUSINESS

- 1 To receive, consider and adopt audited Profit and Loss Account for the year ended on 31st March, 2007 and Balance Sheet as on that date, together with reports of the Directors and Auditors thereon.
- 2 To appoint a Director in place of Shri N B Delvadia, 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 modifications, the following resolutions as Special Resolutions:

"RESOLVED THAT pursuant to Section 198, 269, 309, 311, 316, 317, Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals or consents as may be necessary, consent of the Company be and is hereby given for the re-appointment of Shri Vinodbhai H Kansagara, who is also a Director of M/s Gujarat Cine Enterprises Pvt Ltd and looking after affairs of that Company, as Chairman and Managing Director of the Company for a further period of five years w.e.f. 1st August, 2007 on a Salary of Rs.20,000/- per month in the scale of Rs.20000-25000-50000-40000 plus perquisites and upon the major terms and conditions as set out in the Explanatory Statement annexed hereto and which is specifically approved."

"RESOLVED FURTHER THAT the Board of Directors of the Company, be and is hereby authorised to review/revise or otherwise alter the terms and conditions of the re-appointment including remuneration payable to Shri Vinodbhai H Kansagara, as Chairman and Managing Director of the Company, within 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."

By Order of the Board
For GALAXY BEARINGS LTD

Place : Ahmedabad
Date: 25-8-2007

V H Kansagara
Chairman & Mg Director

GALAXY BEARINGS LIMITED

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 26th September, 2007 to Saturday, 29th September, 2007 (both days inclusive).
4. A relative Explanatory Statement, in respect of item No.5, pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.
3. Members are requested to notify, change of addresses, 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 N B Delvadia aged about 75 years is a BE (Civil). He has a vast experience in technical and other areas in the industries. He is a promoter Director of the Company. He has been providing valuable services to the Company.

None of the Directors except Shri N B Delvadia is interested or concerned in the resolution.

Item No.3

Shri B K Ghodasara aged about 48 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 and promoted as a Joint Managing Director with effect from 1.9.2005. He has been providing 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 Vinodbhai H Kansagara as Chairman and Managing Director of the Company expired on 31st July, 2007 and the Board of Directors of the Company considered his expertise and able guidance provided to the Company and also found him fit and proper for his continued services to the Company. Shri Kansagara is also a working Director in Gujarat Cine Enterprises Pvt Ltd. Your Directors, therefore, by an unanimous resolution passed in their meeting held on 31st July, 2007, re-appointed him for a further period of five years from 1st August, 2007. The major terms and conditions of the re-appointment are as under:

1. Name of Appointee : Shri Vinodbhai H Kansagara
 2. Designation : Chairman & Managing Director
 3. Remuneration :
 - 3.1 Salary : Rs.20000/- per month in scale of Rs.20000-2500-5000-40000
 - 3.2 Perquisites : (Subject to the overall ceiling limit of Rs.2,40,000/- per year)
- I. Bonus : The appointee shall be entitled to bonus as per the rules of the Company.
 - II. Medical Reimbursement : The expenses incurred by the Managing Director and his family subject to a ceiling of One month's Salary in a year or three months salary in a block of three years.

III. Leave Travel Concession : for self and family, once in a year.

IV. Personal Accident Insurance : the premium on which shall not exceed Rs.50000/- per year.

Company's contribution towards provident fund and pension/superannuation fund as per the rules framed by the Company.

Gratuity not exceeding one half month's salary for each completed year of service.

Free use of car with driver for Company's business. Use of car for private purpose shall be charged for in accordance with the Rule of the Company.

One Month's earned leave on full pay and allowance for every 11 month of services.

Sitting Fees: The Managing Director shall not be paid sitting fees for attending the meetings of the Board of Directors or Committees thereof.

The Managing Director shall act under the superintendence, control and directions of Board of Directors of the Company and is vested with substantial powers of management and is authorised to exercise all the powers for general management and business of the Company and shall perform such functions as the Board of Directors of the Company may from time to time entrust to him.

The Managing Director shall put his best efforts for the betterment of the Company and shall devote reasonable time and attention for the purpose.

The Appointment may be terminated by giving not less than 90 days notice in writing by the either party.

Shri Vinodbhai H Kansagara shall not liable to retire by rotation during his tenure as Managing Director.

This may be treated as an abstract under Section 302 of the Companies Act, 1956. A copy each of the letter of Appointment and Articles of Association of the Company are available for inspection at the Registered Office of the Company between 2.00 pm to 4.00 pm. during working days.

None of the Directors, except Shri Vinodbhai H Kansagara, may be deemed to be concerned or interested in the above special resolution. The Board recommends passing of the said Special Resolution.

By Order of the Board
For **GALAXY BEARINGS LTD**

Place : Ahmedabad

Date: 25-8-2007

V H Kansagara
Chairman & Mg Director

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting this Seventeenth Annual Report together with the audited accounts of the Company for the year ended 31st March, 2007.

Financial Results	31.3.2007	Amount (Rs) 31.3.2006
Sales (Net)	177788668	193316176
Profit before Depreciation & Interest	13045843	11961744
Interest	3590123	3700813
Depreciation	4488062	4282594
Profit before Taxation	4967658	3978337
Short/Excess Provision W/off	66711	48655
Provision for Taxation	1880000	1300000
Profit for FBT	260000	625000
Deferred Tax	(188530)	(202860)
Profit for the year	3082899	2304852

Operations

Your Directors have to report that the Company has achieved sales (net) of Rs.17,77,88,668/- against sales of Rs.19,33,16,176/- for the previous year. There has been stiff competition in the industry. The Company could execute export orders worth Rs.3.83 Crores only as against Rs.7.21 Crores for the previous year. The Company has received export incentives of Rs.15.67 lacs. There was heavy fluctuations in the foreign exchange rates. However, the major machineries were installed for better results. The Company has carried out job work of Rs.85.10 lacs. The profit is worked out to Rs.30,82,899/- as against profit of Rs.23,04,852/- earned during the previous year. Your Directors expect better results in the years to come.

Deposits

The amount borrowed by the Company are exempted loans 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 B Delvadia 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 Vinodbhai H Kansagara was re-appointed as Chairman and Managing Director for a further period of five years with effect from 1st August, 2007. Your Directors recommend their appointments.

Responsibility Statement

The Directors confirm

- 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.
- 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, 2007.

- 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 shares are continued to be enlisted with the BSE, i.e. The Stock Exchange at Mumbai. The Company has paid annual listing fees to the BSE.

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, 2007. The CFO/CEO has reported necessary compliances. 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: 25-8-2007

V H Kansagara
Chairman & Mg 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 Director's 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)

A. Power & Fuel Consumption		
Electricity (Purchased)	31.03.2007	31.03.2006
Units consumed	519837	580612
Total Amount	2637135	2824683
Rate/Unit Rs.	5.07	4.87
B. Consumption per Unit of Production :		
Avg. electricity consumption per Bearing Rs.	1.48	1.79

II. FORM B

(Form for disclosure of particulars with respect to absorption)

Research and development (R & D)

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. Specific areas in which R & D carried out by the Company. 2. Benefits derived as a result of the above R & D. 3. Future plan of action 4. Expenditure on R & D : | <p>The Company has no separte R & D Department and Developmental activities are carried out with the Company's own team of experts. Hence, expenses incurred are not seperately worked out.</p> |
|--|---|

Technology absorption, adoption and innovation

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. Efforts, in brief, made towards technology absorption, adoption and innovation. 2. Benefits derived as a result of the above efforts. 3. In case of imported technology (imported during last 5 yrs reckoned from the beginning of the financial year), following information may be furnished : <ol style="list-style-type: none"> (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, reasons therefor and future plans of action. | <p>The technology is indigenou and the Company has fully absorbed.</p> <p>N.A.</p> <p>N.A.</p> |
|--|--|

III. Foreign Exchange Earnings and Outgo :	
Earnings on account of Export	: Rs.38336922/-
Outgo	
Travelling	: Rs.582475/-
Capital Expenditure	: Rs.17862959/-
Foreign Bank Charges	: Rs.20580

Place : Ahmedabad
Date : 25-08-2007

For and on behalf of the Board
For Galaxy Bearings Ltd.
V. H. Kansagara
Chairman & Mg. Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

Galaxy Bearings Limited (GBL) 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. The Factory is located at Village Shaper, Ta. Kotada Sagnani in the State of Gujarat.

Industry Structure

The growth of the industry directly related to the OEM in the automobile, engineering segment, opportunities in the international markets and other replacement markets. The component industry in India has come to be recognised as a potential source for low cost sourcing. Significant rises in new material costs will impact production costs and if prices are not simultaneously raised, will drastically impact profit margins.

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. New bearings are also used for replacement of old, worn out bearings. Liberalisation in industrial policy, WTO driven reductions in duty structure, growth in demand in export market, entry of multinationals and increasing demand for industrial products have resulted in an increase in demand for bearings. There have been heavy fluctuations in the foreign exchange rates. 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, 2007, 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, 2007, 69 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, six Board Meetings were held on 29.4.2006, 29.6.2006, 31.7.2006, 25.8.2006, 31.10.2006, and 31.1.2007. 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	Category	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	4	Y	Nil	Nil
N M Patel	NED	3	Y	Nil	Nil
N B Delvadia	NED	2	N	Nil	Nil
R V Bhalodia	NED	6	Y	Nil	Nil
R G Patel	NED	6	Y	Nil	Nil
B K Ghodasara	ED	6	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 were held on 29.4.2006, 25.8.2006, 31.10.2006 and 31.1.2007 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 2006-2007

Name of Director	Remuneration Rs.	Perquisites Rs.
Shri V H Kansagara <i>Chairman & Managing Director</i>	1,80,000	15,000
Shri B K Ghodasara <i>Executive Director</i>	2,48,788	11,000

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 31.3.2007. 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:

Nature of complaints	Received	Cleared
Non receipt of Annual Report	4	4
Change of Address	7	7
Dividend/Misc	4	4
Total	15	15

7. **General Body Meetings**

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

Year	Location/Venue	Date	Time
2003-2004	T-18, Vikram Chambers Ashram Road, Ahmedabad-9	30.9.2004	11.30 a.m.
2004-2005	T-18, Vikram Chambers Ashram Road, Ahmedabad-9	30.9.2005	11.30 a.m.
2005-2006	T-18, Vikram Chambers Ashram Road, Ahmedabad-9	30.9.2006	11.30 a.m.

No Special Resolution was put through postal ballot last year.

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 shareholder. 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 Seventeenth Annual General Meeting will be held on Saturday, 29th September, 2007 at 11.30 a.m. at T-18, Vikram Chambers, Ashram Road, Ahmedabad 380009.

b) Book Closure :

The Share Transfer Books and the Registrar of Members shall remain closed from Wednesday, 26th September, 2007 to Saturday, 29th September, 2007 (Both days inclusive).

c) Financial Calender for the year 2007-2008 (Provisional)

Results for the	By the end of
quarter ending 30th June, 2007	July, 2007
quarter ending 30th September, 2007	October, 2007
quarter ending 31st December, 2007	January, 2008
quarter ending 31st March, 2008	April, 2008

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 15-20 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.

f) Stock Code :

Mumbai : 526073

GALAXY BEARINGS LIMITED

- g) Distribution of Shareholdings as on 31.3.2007
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 Folio	%	Shares Amount Rs.	%
From	To				
Below	5000	7559	95.08	10936700	34.39
5001	10000	160	2.01	1363300	4.29
10001	20000	45	0.57	623000	1.96
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	2893000	9.10
100001	AND ABOVE	47	0.59	12246000	38.51
Total		7950	100.00	31800000	100.00

- h) Shareholding pattern as on 31.3.2007

Category	No of holders	No of shares	% of holding
Promoters	117	1148500	36.11
Body Corporates	9	110100	3.46
Indian Public	<u>7824</u>	<u>1921400</u>	<u>60.43</u>
	<u>7950</u>	<u>3180000</u>	<u>100.00</u>

- i) Plant Location
Shaper Unit : Survey No.253
National Highway No.8B
Village: Shapar
Ta: Kotada Sagnani
Dist. Rajkot- 360 002 Gujarat
- Pune Unit : Gat No.626/1, Plot No.15
Nasik Road, At & Post: Kuruli
Ta: Khed, Dist. Pune 401501
Maharashtra
- j) 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 2006-2007, 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 & Company
Chartered Accountants

Place : Ahmedabad
Date : 25.08.2007

J T Shah
Partner
[M.No.3983]

To,
The Members of
GALAXY BEARINGS LIMITED

1. We have audited the attached Balance Sheet of **GALAXY BEARINGS LIMITED** as at 31st March 2007, Profit & Loss Account and Cash Flow Statement of the company 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 the Companies (Auditors' Report) Order, 2003 issued by the Company Law Board in term of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in para 3 above, we report that:
 - (i) 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;
 - (ii) 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 those books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) 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 sub-section (3C) of section 211 of the Companies Act, 1956.
 - (v) On the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to and read together 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 the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (b) in the case of the Profit and Loss Account, of the **Profit** of the Company for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date.

FOR, J T SHAH & COMPANY
Chartered Accountants

Place : Ahmedabad
Date : 25-08-2007

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

ANNEXURE

GALAXY BEARINGS LIMITED

Referred to in paragraph 3 of our report of even date for the year ended 31st March 2007.

1. In respect of Fixed Assets:
 - a. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. As per the information and explanations given to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner 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.
 - c. *During the year, the Company has not disposed off any major/substantial part of the plant and machinery so as to affect the going concern assumption.*
2. In respect of its Inventories:
 - a. As explained to us, physical verification of the inventory was carried out at reasonable intervals by the management. In our opinion, the frequency of verification is reasonable.
 - b. In our opinion, and according to the information and explanation given to us, the procedure of physical verification of inventory followed by the management, are reasonable and adequate in relation to the size of the Company and nature of its business.
 - c. In our opinion, and according to the information and explanation given to us, the Company has maintained proper records of its inventory. The discrepancies noticed on physical verification of inventory as compared to the book records were not material.
3. In respect of loans, secured or unsecured, granted or taken by the company to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - a. The Company has not granted any loans, secured or unsecured, to the companies, firms or other parties covered in the register, maintained under section 301 of the Companies Act, 1956, and therefore the paragraphs 4(iii)(b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable.
 - b. The Company has taken loan from Companies and parties covered in the register maintained under section 301 of the Companies Act, 1956. There are eleven parties covered in the register maintained under section 301 of the Companies Act, 1956 from whom the company has taken loans. The maximum amount involved during the year was Rs. 48,38,572/- and the year end balance of loans taken from such parties was Rs. 28,78,236/-.
 - c. In our opinion and according to the information and explanation given to us, in case of loans taken during the year, the rates of interest and other terms and conditions are prime facie not prejudicial to the interest of the Company.

GALAXY BEARINGS LIMITED

- d. There are no stipulated terms of repayment of loans taken by the company from the companies/firms/parties listed in the register maintained under section 301 of the Companies Act, 1956, hence there is no question of repayment of loans.
4. 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 and services. During the course of our audit, no major weakness has been noticed in the internal controls.
5. In respect of contracts or arrangements covered under Section 301 of the Companies Act, 1956:
 - a. 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 contracts or arrangements that need to be entered into the register maintained under section 301 have been so entered.
 - b. 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 registers maintained under section 301 in respect of any parties during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India, the provisions of Sections 58A and 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed there under are applicable.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of accounts 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. We have not, however made a detailed examination of the records with a view to determine whether they are accurate or Complete.
9. In respect of Statutory Dues:
 - a. According to the information and explanations given to us, 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, service tax, custom duty, excise duty, cess and other statutory dues applicable to it **except there were delay in few cases of TDS.**
 - b. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, custom duty and excise duty were outstanding, as at 31st March, 2007 for a period of more than six months from the date they became payable.
 - c. According to the records of the Company, there are no dues of sales tax, income tax, wealth-tax, service tax, custom duty, excise duty, cess which have not been deposited on account of disputes.

10. The company has no accumulated losses. The Company has not incurred any cash losses in the financial year and immediately preceding financial year.
11. Based on the audit procedures and on the information and explanation given by the management, we are of the opinion that the company has not defaulted in repayment of dues to bank.
12. Based on our examination of documents and records and information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a Chit Fund or Nidhi / Mutual Benefit Fund / Societies. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purpose for which they have been acquired.
17. On the basis of an overall examination of the balance sheet and cash flow statement of the company, in our opinion and according to the information and explanations given to us, no funds raised on a short term basis are applied for long-term purpose.
18. In our opinion, and according to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. During the year covered by our audit report, the company has not issued any debentures.
20. During the year covered by our audit report, the company has not raised any money by way of Public issues.
21. 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 year.

For J. T. Shah & Company
Chartered Accountants

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

Place : Ahmedabad
Date : 25-08-2007

GALAXY BEARINGS LIMITED

BALANCE SHEET AS AT 31ST, MARCH, 2007

Particulars	Sche. No.	Rupees	As on	As on
			31-03-2007 Rs.	31-03-2006 Rs.
<u>SOURCES OF FUND</u>				
[1] <u>Shareholders' Funds :</u>				
(a) Share Capital	1	31800000		31800000
(b) Reserves and Surplus	2	<u>14153499</u>		<u>11070600</u>
			45953499	42870600
[2] <u>Loan Funds</u>				
(a) Secured Loans	3	41104267		28371158
(b) Unsecured Loans	4	<u>16943570</u>		<u>8007953</u>
			58047837	36379111
[3] <u>Deffered Tax Liability (Net)</u>			<u>4352795</u>	<u>4541325</u>
	Total....		<u>108354131</u>	<u>83791036</u>
<u>APPLICATION OF FUNDS</u>				
[1] <u>Fixed Assets</u>				
(a) Gross Block	5	88489748		68175971
(b) Less : Depreciation		<u>36734904</u>		<u>32762145</u>
Net Block			51754844	35413826
[2] <u>Investments</u>			NIL	NIL
[3] <u>Current Assets, Loans & Advances</u>				
(a) Inventories	6	66051461		34497538
(b) Sundry Debtors	7	50467091		35824978
(c) Cash & Bank Balances	8	552241		1440436
(d) Loans & Advances	9	<u>13249852</u>		<u>12894164</u>
Sub-Total [A]		130320645		84657116
[4] <u>Less: Current Liabilities & Provisions</u>				
(a) Current Liabilities	10	71581358		34354906
(b) Provisions	11	<u>2140000</u>		<u>1925000</u>
Sub-Total [B]		73721358		36279906
Net Current Assets			56599287	48377210
[5] <u>Miscellaneous Expenditure</u>				
(To The extent not W/off or Adjusted)			Nil	Nil
	Total.....		<u>108354131</u>	<u>83791036</u>
Notes on Accounts	16			

As per our report of even date attached herewith

For **J. T. SHAH & Company**
Chartered Accountants

For **GALAXY BEARINGS LTD.**

J T Shah
(Partner)

V H Kansagara
(Chairman & Mg. Director)

B K Ghodasara
(Jt. Mg. Director)

Place : Ahmedabad

Date : 25.08.2007

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PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

Particulars	Sche. No.	Rupees	Year Ended	Year Ended
			31-03-2007 Rs.	31-03-2006 Rs.
INCOME				
[1] Gross Sales		191148936		207033578
Less : Excise Duty		<u>13360268</u>		<u>13717402</u>
Sales (Net)			177788668	193316176
[2] Other Income	12		11263757	17734935
[3] Variation in Stock	13		16073210	(6211306)
			<u>205125635</u>	<u>204839805</u>
EXPENDITURE				
[1] Manufacturing & Other Expenses	14	192079792		192878061
[2] Depreciation	5	4488062		4282594
[3] Interest	15	<u>3590123</u>		<u>3700813</u>
			200157977	200861468
Profit Before Taxation			4967658	3978337
Add : Excess Income Tax Provision W/off			66711	48655
			<u>5034369</u>	<u>4026992</u>
Less : Provision for Taxation				
Current Year			1880000	1300000
Deferred Tax (Asset)/ Liability			(188530)	(202860)
Fringe Benefit Tax			260000	625000
			<u>3082899</u>	<u>2304852</u>
Add : Profit B/f from previous year			8570600	6265748
Balance carried over to Balance Sheet			<u>11653499</u>	<u>8570600</u>
Basic and Diluted Earning per Shares			0.97	0.72
Notes on Accounts	16			

As per our report of even date attached herewith

For **J. T. SHAH & Company**
Chartered AccountantsFor **GALAXY BEARINGS LTD.****J T Shah**
(Partner)**V H Kansagara**
(Chairman & Mg. Director)**B K Ghodasara**
(Jt. Mg. Director)

Place : Ahmedabad

Date : 25.08.2007

GALAXY BEARINGS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

PARTICULARS	2006 - 2007		2005 - 2006	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit/(Loss) before Tax and Extraordinary Items		5034369		4026992
Adjustment for :				
Depreciation	4488062		4282594	
Interest Paid	3590123		3700813	
Income Tax	(66711)		(48655)	
Loss/ Profit on Sale of Assets	(21929)		9957	
Bad Debts W/off	4929436		1393846	
		<u>12918981</u>		<u>9338555</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		17953350		13365547
Adjustment for :				
Trade and Other Receivables	(13941724)		16931091	
Inventories	(31553923)		12280032	
Trade Payable	37226542		(17662671)	
Income Tax	66711		48655	
Bad Debts W/off	(4929436)		(1393846)	
		<u>(13131920)</u>		<u>10203261</u>
CASH GENERATED FROM OPERATIONS		4821430		23568808
Income Tax Paid	(2981077)	(2981077)	(1585724)	(1585724)
NET CASH FROM OPERATING ACTIVITIES (A)		1840353		21983084
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets		(21394151)		(4305239)
Sale of Fixed Assets		587000		121976
NET CASH USED IN INVESTING ACTIVITIES (B)		(20807151)		(4183263)
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Proceeds of Unsecured Loan		8935617		294906
Proceeds from Long Term Borrowings		(2921764)		(3309753)
Proceeds from Short Term Borrowings		15654873		(12803005)
Interest		(3590123)		(3708813)
NET CASH USED IN FINANCING ACTIVITIES (C)		9523323		(19518665)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)		(888195)		(1718844)
Cash and Cash Equivalents as at 01-04-2004		1440436		3159280
Cash and Cash Equivalents as at 31-03-2005		552241		1440436

As per our report of even date attached herewith

For **J. T. SHAH & Company**
Chartered Accountants

For **GALAXY BEARINGS LTD.**

J T Shah
(Partner)

V H Kansagara
(Chairman & Mg. Director)

B K Ghodasara
(Jt. Mg. Director)

Place : Ahmedabad

Date : 25.08.2007

**SCHEDULES "1 TO 16" FORMING THE PART OF BALANCE SHEET AND PROFIT & LOSS
ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007**

Particulars	As on 31-03-2007 Rs.	As on 31-03-2006 Rs.
SCHEDULE - 1		
SHARE CAPITAL		
(a) Authorised 5000000 Equity Shares of Rs. 10/- each	<u>50000000</u>	<u>50000000</u>
(b) Issued, Subscribed & Paid up 3180000 equity shares of Rs.10/- each fully paid up.	<u>31800000</u>	<u>31800000</u>
Total....	<u>31800000</u>	<u>31800000</u>
SCHEDULE - 2		
RESERVE & SURPLUS		
(a) General Reserve Balance as per last year Add : Transfer from State Government subsidy	2500000 NIL	NIL 2500000
(b) State Government Subsidy Balance as per last year Less : Transfer to General Reserve	NIL NIL	2500000 2500000
(c) Profit & Loss Account Add : Profit for the year	8570600 <u>3082899</u>	6265748 <u>2304852</u>
Total....	<u>11653499</u> <u>14153499</u>	<u>8570600</u> <u>11070600</u>
SCHEDULE - 3		
SECURED LOAN		
(a) From Banks Bank of Baroda - Term Loan Secured against Hypothecation of Plant & Machinery at Pune and Shapar (Veraval) & personal guarantee of Directors of the Company.	681175	3602939
(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.	39864689	24379722
(c) Motor Car Loan - Secured by Hypothecation of Motor Cars	558403	388497
Total....	<u>41104267</u>	<u>28371158</u>
SCHEDULE - 4		
UNSECURED LOAN		
(a) From Shareholders	2878236	4221941
(b) From others	4065334	3786012
(c) From Corporate Bodies	10000000	Nil
Total....	<u>16943570</u>	<u>8007953</u>

GALAXY BEARINGS LTD

Fixed Assets as at 31st March, 2007.

SCHEDULE - "5" : FIXED ASSETS

SR. No	Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Balance As at 01/04/06 Rs.	Additions during the year Rs.	Deduction on A/c. of Sale or transfer Rs.	Balance as on 31/03/07 Rs.	Upto 01/04/06 Rs.	Provided during the year Rs.	Deduction on A/c. of Sale or transfer Rs.	Total Upto 31/03/07 Rs.	Balance As on 31/03/07 Rs.	Balance As on 31/03/06 Rs.
A.	TANGIBLE ASSET										
1.	LAND	2211188	Nil	Nil	2211188	Nil	Nil	Nil	Nil	2211188	2211188
2.	BUILDING	9409734	Nil	Nil	9409734	3935667	314285	Nil	4249952	5159782	5474067
3.	PLANT & MACHINERY	48613722	19552889	439254	67727357	25870918	3635211	344385	29161744	38565613	22742804
4.	FURNITURE & DEAD STOCK	843297	73152	Nil	916449	297598	54676	Nil	352274	564175	545699
5.	TURE WELL	534427	Nil	Nil	534427	201452	17850	Nil	219302	315125	332975
6.	ELECTRIC INSTALLATION	2564567	926229	156095	3334701	1356808	123511	34603	1445716	1888985	1207759
7.	VEHICLES	3813186	835281	485025	4163442	1034236	304039	136315	1201960	2961482	2778950
B.	INTANGIBLE -ASSET										
1.	COMPUTER SOFTWARE	185850	6600	Nil	192450	65466	38490	Nil	103956	88494	120384
	Total Rs.	68175971	21394151	1080374	88489748	32762145	4488062	515303	36734904	51754844	35413826
	Pre. Year. Total Rs.	64111413	4305239	240681	68175971	28588299	4282594	108748	32762145	35413826	35523114

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Particulars	As on 31/03/2007 Rs.	As on 31/03/2006 Rs.
SCHEDULE - 6		
INVENTORIES		
(As per inventory prepared, valued and certified by Director)		
(a) Raw Material	25367448	9100878
(b) Semi Finished Goods	20506062	4752778
(c) Finished Goods	17376380	17056454
(d) Consumable Stores, Spare & Packing Materials	2801571	3587428
Total....	<u>66051461</u>	<u>34497538</u>
SCHEDULE - 7		
SUNDRY DEBTORS (UNSECURED)		
(a) Outstanding for a period exceeding 6 months		
(i) Good	8116025	8706311
(ii) Doubtful	Nil	Nil
	<u>8116025</u>	<u>8706311</u>
(b) Others		
(i) Good	42351066	27118667
(ii) Doubtful	Nil	Nil
	<u>42351066</u>	<u>27118667</u>
Total....	<u>50467091</u>	<u>35824978</u>
SCHEDULE - 8		
CASH AND BANK BALANCES		
(a) Cash on Hand	195427	506926
(b) Balance with Scheduled Banks		
- In Current Account	293585	760447
- In Fixed Deposit	63229	173063
Total....	<u>552241</u>	<u>1440436</u>
SCHEDULE - 9		
LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
(a) Advances to suppliers and others recoverable in cash or kind or for value to be received	9894893	10663510
(b) Deposits	836888	865707
(c) Prepaid Expenses	221186	190611
(d) Tax Deducted at Source	2225171	1169094
(e) Balance with Excise Authority (Repayable on Demand)	71714	5242
Total....	<u>13249852</u>	<u>12894164</u>

GALAXY BEARINGS LIMITED

Particulars	As on 31/03/2007 Rs.	As on 31/03/2006 Rs.
SCHEDULE - 10		
CURRENT LIABILITIES		
(a) Sundry Creditors	70822268	34042501
(b) Unpaid Expenses	759090	312405
Total....	<u>71581358</u>	<u>34354906</u>
SCHEDULE - 11		
PROVISIONS		
(a) Provision for Income Tax (Including FBT)	2140000	1925000
Total....	<u>2140000</u>	<u>1925000</u>
Particulars	Year ended 31/03/2007 Rs.	Year ended 31/03/2006 Rs.
SCHEDULE - 12		
OTHER INCOME		
(a) Interest (TDS Rs.5711/- Pr. Year Rs.1814)	34345	65286
(b) Waste & Scrap Sales	1318197	973597
(c) Job Work Income (TDS Rs.219461/- Pr.Yr.Rs.325780)	8510115	13175398
(d) Export Incentive	1567485	2022540
(e) Misc. Income	70660	91739
(f) Exchange Difference	0	251395
(g) Excise Duty Difference in Stock	(360553)	1154980
(e) Profit on Sale of Asset	123508	0
Total....	<u>11263757</u>	<u>17734935</u>
SCHEDULE - 13		
VARIATION IN STOCK OF FINISHED GOODS & SEMI-FINISHED GOODS		
Opening Stock	21809232	28020538
Less : Closing Stock	37882442	21809232
Total....	<u>16073210</u>	<u>(6211306)</u>
SCHEDULE - 14		
MANUFACTURING AND OTHER EXPENSES		
(a) Raw Materials Consumed	116241287	124656763
(b) Payments to and provisions made for employees :		
(1) Wages, Salaries and Bonus	8931312	4791575
(2) Company's Contribution to Provident and other Funds	608548	495900
(3) Gratuity	260603	693989
(4) Staff Welfare expenses	361744	407948
(5) Labour charges	25659738	25232894
(6) Directors' Remuneration & Perq.	454788	313628
	<u>36276733</u>	<u>31935934</u>

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Particulars	Year ended	Year ended
	31/03/2007	31/03/2006
	Rs.	Rs.
(c) Operating and other expenses		
(1) Stores Spares & Packing Materials consumed	13386334	12799416
(2) Freight, Octroi, Clearing and Forwarding Charges	2384312	2383761
(3) Power, Fuel & Water Charges	3005091	3277626
(4) Repairs and Maintenance		
• Building	739247	324491
• Plant & Machinery	282703	106320
• Others	111234	156974
(5) Rent, Rates and Taxes	263335	610143
(6) Insurance	327414	334270
(7) Printing, Stationery, Postage		
Advertisement & Telephone Expenses	1709089	1888835
(8) Travelling, Conveyance & Vehicle Expenses (Including Directors Travelling Exp. of Rs. Nil/- Previous Year Rs. Nil/- Foreign Travelling Rs. 1338294/- Pr. Year Rs. 984105/-)	3843292	4104835
(9) Auditor's remuneration		
(a) Audit fees	48672	50508
(b) In other capacities		
- For Income tax	7500	7500
(c) Tax Audit Fees	9336	9336
	65508	67344
(10) Legal and Professional Charges	189503	497138
(11) Sales Expenses	4603622	5481058
(12) Bad Debts Written Off	4929436	1393846
(13) Loss on Sale of Asset	101579	9957
(14) General expenses (including license fees, bank charges and other miscellaneous expenses)	3619773	2849350
	38671614	36285364
Total....	192079792	192878061
SCHEDULE - 15		
INTEREST PAID TO		
(a) Banks	2224808	2185764
(b) Others	1365315	1515049
Total....	3590123	3700813

SCHEDULE - 16

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007.

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.

- 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 crystallize.
- 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 is 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) Provisions, Contingent Liabilities and Contingent Assets :
Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes to accounts. Contingent Assets are neither recognized nor disclosed in the financial statement.

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.268045/- (Previous Year Rs. 1508294/-). The name of such SSI suppliers is M/s.Jayesh Engg Co. where individual balance is in excess of Rs.1,00,000/- and due for more than 30 days.
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 is no separate reportable business segment.

The operations of the company are confined to India as well as outside India with export contributing to 36.14% (previous year 70.50%) of annual turnover. Hence in view of the management India and exports market represents different geographical segment.

GALAXY BEARINGS LIMITED

Secondary segment information for the year ended 31st March, 2007.

	India	Outside India	Total
Segment Revenue	125419095 (132217871)	52369573 (74815707)	177788668 (207033578)
Segment Assets	173942130 (113248606)	8133359 (6822336)	182075489 (120070942)
Capital Expenditure	21394151 (4305239)	Nil (Nil)	21394151 (4305239)

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

- Tuhina R. Bera
- Shetal V Patel
- Kiritkant H. Kansagara
- Naynaben B. Ghodasara
- Dineshchandra K. Ghodasara
- Dilipbhai K. Ghodasara
- Mukeshbhai K. Ghodasara
- Narmadaben K. Ghodasara
- Gujarat Cine Ent. Pvt Ltd
- Galaxy Hotels

Related Party Relation

- Daughter of Key Management Personnel
- Daughter of Key Management Personnel
- Brother of Key Management Personnel
- Wife of Key Management Personnel
- Brother of Key Management Personnel
- Brother of Key Management Personnel
- Brother of Key Management Personnel
- Brother of Key Management Personnel
- Mother of Key Management Personnel
- Private Ltd.Co. where Director's have Control
- Firm where 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 (Nil)	593461 (778000)	Nil (Nil)	593491 (778000)
	Loan repaid during the Year	Nil (Nil)	1415431 (876149)	Nil (Nil)	1415431 (876149)
	Closing Balance	Nil (Nil)	2073461 (2925650)	Nil (Nil)	2073461 (2925650)

SEVENTEENTH ANNUAL REPORT

Sr. No.	Nature of Transaction	Key Management Personnel	Relative of Key Management Personnel	Associates	Total Rs.
2.	<u>Advance Given</u>				
	Advance given during the year	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
	Advance Settled during the year	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
	Closing Balance	Nil (Nil)	Nil (Nil)	922454 (922454)	922454 (922454)
3.	<u>Expenses</u>				
	Directors Remuneration	454788 (313628)	Nil (Nil)	Nil (Nil)	454788 (312628)
	Rent	Nil (Nil)	Nil (Nil)	Nil (22750)	Nil (22750)
	Payment made to a Firm for Travelling	Nil (Nil)	Nil (Nil)	61500 (47076)	61500 (47076)
	Interest Paid	Nil (Nil)	282481 (400013)	Nil (Nil)	282481 (400013)

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

<u>Deferred Tax Assets :</u>	31/03/2007	31/03/2006
Assets arising due to disallowance of Expenses U/s 40(a)(ia)	331697	91531
Deferred Tax Assets	331697	91531
<u>Deferred Tax Liabilities :</u>		
Difference between Tax & Book Depreciation	4684492	4632856
Deferred Tax Liabilities	4684492	4632856
Net deferred Tax Liabilities	4352795	4541325

10. Earning per Shares	2006-2007	2005-2006
• Numerator for calculating basic & Diluted earning per share (Profit After Tax)	3082899	2304852
• 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	0.97	0.72

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)

GALAXY BEARINGS LIMITED

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)	21,00,000 (21,00,000)

Class of Good Manufactured	Opening Stock		Production	Closing Stock		Sales	
	Nos.	Rs.	Nos.	Nos.	Rs.	Nos	Rs.
Ball & Roller Bearings	92836 (108291)	17056454 (23957219)	*1782252 (1581653)	129388 (92836)	17376380 (17056454)	1745700 (1597108)	177788668 (193316176)
Total Previous Year Total		17056454 (23957219)			17376380 (17056454)		177788668 (193316176)

* Production includes inter series Transfer of 51279 Nos. (Previous Year 1483) & Finished Bearings Purchase of 1215208 Nos (Previous Year 879506) .

(b) Raw Materials and Components Consumed :

	Unit	Quantity	Value in Rs.
(1) Alloy Steel Bar	Mt.	1010.412 (1186.979)	31167915 (64434512)
(2) Rolled/Forged Rings	Nos.	* 1530588 *(1394242)	2135538 (41219)
(3) Cages	Nos.	602943 (666815)	6599834 (6414107)
(4) Roller	Nos.	11395291 (13791852)	15776077 (18565989)
(5) Semi Finished Bearings	Nos.	1215208 (879506)	58182322 (61748188)
(6) Other Components	Nos.	—	2379601
Total....			116241287
Previous Year Total.....			(124656763)

* Includes consumption of own production of 1530588 (Pr. Year 1357501 Pcs)

SEVENTEENTH ANNUAL REPORT

(c) Percentage of Consumption :

		Imported	Indigenous
(i) Raw Materials and Components :	Rs....	Nil (Nil)	116241287 (124656763)
	Percentage	Nil (Nil)	100% (100%)
(ii) Stores & Spares :	Rs.	Nil (Nil)	7797570 (9291732)
	Percentage	Nil (Nil)	100% (100%)
(d) CIF Value of Imports :			
1. Raw Materials		Nil	(Nil)
2. Stores and Spares		Nil	(Nil)
3. Capital goods	Rs.	17862959	(18688481)
(e) Expenditure in Foreign Exchange :			
1. Travelling	Rs.	582475	(319565)
2. Foreign Bank Charges	Rs.	20580	(93275)
(f) Earning in Foreign Exchange :			
F.O.B. Value to Export	Rs.	38336922	(72086811)

Signature to Schedules "1" to "16"
As per our report of even date

For **J. T. SHAH & Company**
Chartered Accountants

For **GALAXY BEARINGS LTD.**

J T Shah
(Partner)

V H Kansagara
(Chairman & Mg. Director)

B K Ghodasara
(Jt. Mg. Director)

Place : Ahmedabad
Date : 25.08.2007

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 Dep'oyment 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="8"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="7"/> <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="8"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="7"/> <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="1"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="3"/>
Secured Loans	Unsecured Loans
<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="1"/> <input type="text" value="1"/> <input type="text" value="0"/> <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="1"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="4"/>
Deferred Tax Liability	
<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="3"/> <input type="text" value="5"/> <input type="text" value="3"/>	

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="5"/> <input type="text" value="1"/> <input type="text" value="7"/> <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=""/> <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="6"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="9"/>	<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="2"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="6"/>	<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="0"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="8"/>
+ - Profit Before Tax	+ - Profit After Tax
<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="4"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="3"/>

(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=""/> <input type="text" value=""/> <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=""/> <input type="text" value=""/> <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

V. H. Kansagara

B.K. Ghodasara

Date : 25.08.2007

Chairman & Managing Director

Jt. Mg. Director

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 **SEVENTEENTH 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 Saturday, 29th September, 2007.

.....
(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/Smtof
as my/our proxy to vote for me/us on my/our behalf at the **SEVENTEENTH ANNUAL GENERAL MEETING** of the Company to be held on Saturday, 29th September, 2007 and at any adjournment thereof.

Signed this day of,2007 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