



39<sup>th</sup> Annual Report  
2010-2011

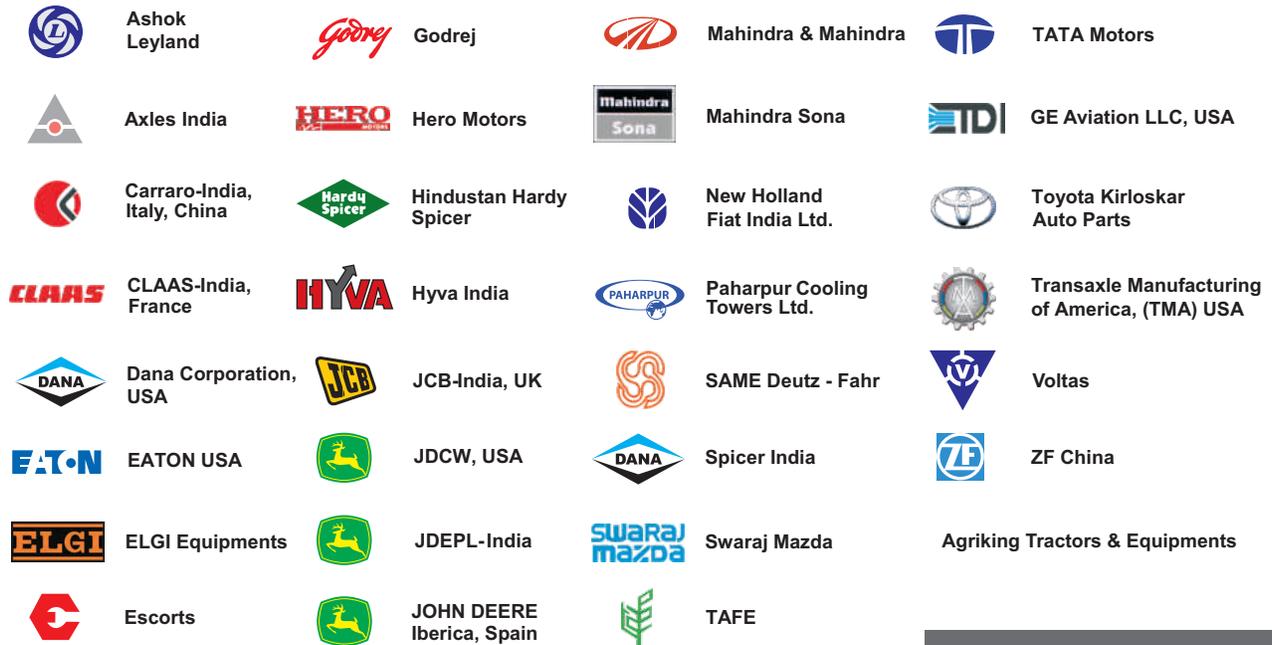


**BHARAT GEARS LIMITED**

*Geared for life*

# CUSTOMER

BGL products are trusted by reputed companies in India and around the world for years for quality and service.



## Key Milestones

1972	Foundation Stone laid at Mumbra Factory.
1974	Inauguration of the Hypoid Plant and Commencement of Production with 'Gleason Machines'.
1980	First 'Oerlikon Spiromatic Generator' installed. BGL becomes the First Company in INDIA to have both Cutting Systems under one Roof.
1981	Memorandum of Association signed with AFC-Holcroft , U.S.A. for construction of furnaces in India to AFC-Holcroft design.
1985-2007	Collaboration Agreement with ZF AG Germany
1987	Delivery for ZF S6-36 Gears & Shafts to Ashok Leyland Ltd. and ZFAG, Germany.
1987	Start of Assembly of ZF S5-24 Gear Boxes for Ashok Leyland.
1988	Start of business with DANA CORPORATION, USA
1994	BGL receives ISO 9002
1996	BGL crosses turnover of Rs. 1 Billion.
1998	Foundation Stone for Faridabad Plant Laid
2000	Start of Commercial Production in Faridabad
2000	BGL receives QS 9000 for Mumbra Plant
2001	BGL receives QS 9000 for Faridabad Plant
2004	BGL Faridabad starts supply to Toyota Kirloskar Auto Parts
2004	BGL Faridabad receives ISO 14001 certification
2005	BGL Faridabad & Mumbra receives TS 16949 certification
2008	Introduction of Dry Cut Hobbing process
2009	Introduction of Klinglenberg Close Loop CNC Gear Measuring system
2010	Introduction of Bevel Gear dry cutting process with close loop technology



### PRODUCT RANGE

- Bevel Ring Gears and Pinion
- Differential Gears and Spiders
- Transmission Gears and Shafts
- PTO assemblies
- Heat treatment Furnaces

### QUALITY CERTIFICATIONS

- ISO/TS 16949:2002 (Both Plants)
- ISO 14001(Faridabad plant)

# BGL AUTOMOTIVE COMPONENTS



## DEALER NETWORK

- ★ Sales Office
- Sales Office & Godowns
- ▲ 8 Dealers
- 38 Distributor Network

# BGL FURNACES

## CUSTOMER



Ashok Leyland



High Technology  
Transmission Systems



Raunaq Auto



Automotive Axles



Hindustan Motors



Sona Koyo Steering Systems



Bajaj Auto



Indian Railways



Sundaram Fasteners Ltd.



Bharat Earth Movers



Jagdamba Auto Components



TATA Motors Ltd.



Ceekay Daikin



Mahindra & Mahindra



Timken India



Fairfield



Preciforge and Gears



Tractor Engineers



Greaves



Precision Fasteners



Varroc

Heat Treatment & Metallurgical Lab





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**Mr. Surinder P. Kanwar**  
Chairman & Managing Director

## CHAIRMAN'S MESSAGE

Dear Shareholders,

Bharat Gears manufactures automotive gears primarily for commercial vehicles, farm machines and construction equipments. While India remains the primary market, the Company is steadily growing its exports, mainly to USA.

The global economic recovery is well on its way and the worst is firmly behind us. After reducing by 0.5% in 2009, global output grew by 5% in 2010. Our two primary markets – India and USA – registered good growth numbers. Real GDP growth in India was a strong 8.6% in 2010-11, and USA has recovered from de-growth of -2.6% in 2009 to record 3% growth in 2010.

The automotive industry has strong correlation with economic development. And, in line with the improved economic conditions, automobile sales increased significantly in both these countries. While in India, total automotive production increased by 27.9% in 2010-11, in USA it grew by 35.5% in calendar year 2010. It is important to note that within the automobiles space, your Company's focus areas – commercial vehicles (CV) and farm tractors – saw significant demand growth. CV sales

in India grew by 32.6% in 2010-11. While the farm tractors segment witnessed 24% growth in India during 2010-11 and 6.3% growth in USA during 2010.

Clearly, the market offered lot of opportunities. The challenge was to quickly switch manufacturing operations from the lower level of production schedules seen in the last few years to a much higher level of demand from our customers. And, this had to be done while maintaining our cost structures.

On the cost front, external conditions were difficult. Driven by an upward spiral in commodity prices, inflation was at a high in India. And, this trend is expected to exist. As I write this letter, oil is trading close to US\$100 a barrel. Our two key inputs steel and power and fuel saw increase in prices. While much of the steel price can be passed on to the customers, most of the higher energy prices across the supply chain have to be managed by improving efficiencies.

Through planning and efficient utilisation of our resources and capacities, we succeeded in this endeavour and increased our revenues. This top-line growth has contributed to improved profits in 2010-11. The financial performance says it all.

- Net Sales/ Income from operations increased by 34% to Rs.331 crore
- Profit before interest & other financing charges and depreciation /amortisation increased by 15.71% to Rs.32.11 crore
- Profit before tax increased by 51% to Rs.14.56 crore
- Profit after tax increased by 58% to Rs. 9.71 crore
- Earnings per Share (EPS) increased from Rs.7.54 in 2009-10 to Rs.12.11 in 2010-11

What is important to note is that much of the growth has come with low investments. We, at Bharat Gears, are very conscious of having optimal manufacturing capacities that can on the one hand service the market during periods of high demand, while on the other hand carry the Company through in difficult times. As a result, there is a lot of stress laid on improving planning of material right from vendors to the final product, better utilisation of equipment and outsourcing of non-core activities. All these require continuous monitoring and control. We have seen positives in these fronts during 2010-11, but still a lot needs to be done. Unfortunately, in a discrete manufacturing industry like gears, there is no one 'best fit' model that can be implemented across all Companies. Consequently, we are in the process of evolving the best practices and seeing to it that they are actually being implemented on the shop floor.

Going forward, challenges on this front are going to be even more complex as we grow in scale. And, we are gearing for it.

I have always believed in managing costs. We have utilised the period of low demand to look inwards and streamline our costs. I have talked about this in the last two Annual Reports. And, the ongoing process of focusing on costs continues to deliver efficiencies. As one scaled up operations, there will be greater benefits from lean and cost efficient operations. We have seen an initial example of this during 2010-11.

- Employee costs to net sales ratio reduced from 16.18% in 2009-10 to 15.07% in 2010-11
- Power and fuel costs to net sales ratio reduced from 7.96% in 2009-10 to 7.52% in 2010-11
- Other operating costs to net sales ratio increased from 17.61% in 2009-10 to 19.66% in 2010-11

In an effort to reduce costs, we have converted the energy source for power in Faridabad from Diesel to Piped Natural Gas (PNG). We are also in the process of converting our furnaces from being based on Propane to the lower cost PNG. While some of the benefits was evident in 2010-11, we believed the real savings will kick in during the next financial year.

Both our plants continued to participate in the TQM clusters set up by the Automotive Component Manufacturers' Association (ACMA). We remain committed to all such measures at improving work systems. Our

technology up-gradation plan is being pursued in a focused manner. The Company has adopted the top of the line 'dry cutting' technology for transmission gears and 'state of the art' measuring equipment and blade grinding machines for Bevel gears. In 2010-11, too, we have added machines to upgrade technology.

I believe that we are well positioned to leverage global opportunities. I have belief in the Indian economy. And, domestic demand will be good in India. We have built good relationship with our entire customer base and hope to grow our business as they grow. In 2010-11, we have strengthened our exports and there is potential for substantially growing these businesses. As a conscious step we are attempting to widen our customer base in terms of lesser concentration on a few marquee clients and also by addressing wide customer segments, with special emphasis on growing our presence in the construction machinery segment.

While we will take every step to sweat our assets, the growth opportunities will need investments in new capacity. We are drawing our plans for expansion. As a first step, we have bought land at Satara in Maharashtra.

We need to continue to focus on processes, technology, human skills and our spirit of teamwork to emerge as an internationally competitive Company. It gives me pleasure in stating that industrial relations were very cordial during the year and workers are integrated with our growth objectives. In 2010-11, we successfully completed a long term wage agreement for our plant in Faridabad.

While 2010-11 has been a step in the right direction, there are lot of challenges ahead. Bharat Gears is committed to profitable growth. While we will focus on leveraging every opportunity in the market, we have to continue to focus on excellence in the basics – micro managing costs; adhering to stringent quality standards across processes; have be micro managed, quality standards have to be adhered to across process chains, continuously reducing product development times and speed to market; and utilising existing assets to the maximum.

At this juncture, I would like to commend everyone at Bharat Gears for their contribution to the Company's performance. The members of the Executive Committee, who today operationally manage the day to day activities of the Company needs a special mention for all their efforts. While we remain optimistic, we are aware of the challenging road that lies ahead.

Let me take this opportunity to thank our partners and customers for their co-operation. And, I extend my heartiest gratitude to you, the shareholders, for your continued faith in the Company.



**Surinder P. Kanwar**  
Chairman & Managing Director



## BOARD OF DIRECTORS



### Names in Order from left to Right Standing

**Mr. Sameer Kanwar**

Joint Managing Director

**Mr. W. R. Schilha**

Non-Executive Director

**Mr. S. G. Awasthi**

Non-Executive Independent Director

**Mr. V. K. Pargal**

Non-Executive Independent Director

**Mr. Rakesh Chopra**

Non-Executive Independent Director

### Names in Order from left to Right Sitting

**Dr. Ram S. Tarneja**

Non-Executive Independent Director

**Mr. Surinder P. Kanwar**

Chairman & Managing Director

**Mr. N. J. Kamath**

Non-Executive Independent Director

## CORE MANAGEMENT TEAM



**Mr. Milind Pujari**  
Chief Financial Officer



**Mr. Sameer Kanwar**  
Joint Managing Director



**Mr. P. C. Kothari**  
Head-Finance & Accounts



**Mr. B. L. Pansare**  
Location Head (Faridabad)



**Mr. Naresh Verma**  
Corporate Head-HR



**Mr. B.P. Shah**  
Head-Operations (Mumbra)



**Mr. K.K. Deshpande**  
Head-OE (Marketing & Business Development)



**Mr. Jagdeep Singh**  
Business Head-After Market



**Mr. Sanjeev Kumar Mital**  
Head-Material & Central Purchase

# COMPANY INFORMATION

## AUDIT COMMITTEE

Dr. Ram S. Tarneja *Chairman*  
Mr. V. K. Pargal  
Mr. N. J. Kamath  
Mr. Rakesh Chopra

## SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Mr. N. J. Kamath *Chairman*  
Mr. Sameer Kanwar  
Mr. Rakesh Chopra

## REMUNERATION COMMITTEE

Mr. N. J. Kamath *Chairman*  
Dr. Ram S. Tarneja  
Mr. V. K. Pargal

## FINANCE COMMITTEE

Mr. Rakesh Chopra *Chairman*  
Mr. Surinder P. Kanwar  
Mr. Sameer Kanwar  
Mr. S.G. Awasthi

## REVIEW COMMITTEE

Mr. Surinder P. Kanwar  
Mr. V.K. Pargal  
Mr. Sameer Kanwar  
Mr. N. V. Srinivasan

## EXECUTIVE COMMITTEE

Mr. Sameer Kanwar  
Mr. B. L. Pansare  
Mr. B. P. Shah  
Mr. Jagdeep Singh  
Mr. K. K. Deshpande  
Mr. Milind Pujari  
Mr. Naresh Verma  
Mr. P. C. Kothari  
Mr. S. K. Mital

## AUDITORS

Deloitte Haskins & Sells  
12, Dr. Annie Besant Road,  
Opposite Shiv Sagar Estate,  
Worli, Mumbai - 400018

## CHIEF FINANCIAL OFFICER

Mr. Milind Pujari

## GROUP HEAD (LEGAL) & COMPANY SECRETARY

Mr. Prashant Khattry

## BANKERS

IDBI Bank Limited  
Export-Import Bank of India  
State Bank of India  
The Federal Bank Limited

## REGISTRAR & TRANSFER AGENT

M/s Link Intime India Pvt. Ltd.  
A-40, II<sup>nd</sup> Floor, Naraina Industrial Area, Phase-II,  
Near Batra Banquet Hall, New Delhi - 110 028.

## REGISTERED OFFICE

20 K.M. Mathura Road, P.O. Amar Nagar,  
Faridabad - 121003

## CORPORATE OFFICE

14<sup>th</sup> Floor, Hoechst House, Nariman Point,  
Mumbai – 400 021

## PLANT LOCATIONS

- 1) Kausa Shil, Mumbra,  
Distt. Thane-400612,  
Maharashtra
- 2) 20 K.M. Mathura Road,  
P. O. Amar Nagar,  
Faridabad - 121003,  
Haryana

## BRANCH OFFICE

1009, Surya Kiran Building,  
19, Kasturba Gandhi Marg,  
New Delhi - 110001

## NOTICE

### TO THE MEMBERS OF THE COMPANY

**NOTICE** is hereby given that the **39<sup>th</sup> Annual General Meeting (AGM)** of the Members of Bharat Gears Limited will be held as under:

Day : Tuesday  
 Date : 26<sup>th</sup> July, 2011  
 Time : 12.00 Noon  
 Venue : Faridabad Industries Association,  
 FIA House, Bata Chowk,  
 Faridabad - 121001 (Haryana)

to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the year ended March 31, 2011 together with Reports of the Directors and Auditors thereon.
2. To take note of interim dividend paid on Preference Shares for the year 2010-2011.
3. To declare dividend on Equity Shares.
4. To appoint a Director in place of Dr. Ram S. Tarneja, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. S.G. Awasthi, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s Deloitte Haskins & Sells (ICAI Registration No. 117365W), Chartered Accountants, Statutory Auditors for the financial year 2011-12, and fix their remuneration.

By Order of the Board



**Prashant Khattry**  
**Group Head (Legal)**  
**& Company Secretary**

**Place : Faridabad**  
**Dated : June 22, 2011**

### NOTES:

- i. **A Member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint one or more proxies to attend and vote on a poll instead of himself / herself and the proxy need not be a Member of the Company. The instrument appointing proxy (ies) must, however, be received at the Registered Office of the Company not less than forty-eight hours before commencement of the Meeting.**
- ii. **NO GIFTS OR COUPONS SHALL BE DISTRIBUTED AT THE MEETING.**
- iii. Members/Proxies are requested to submit the enclosed Attendance Slip duly filled in and signed at the entrance of the venue for attending the Meeting. Members who hold

shares in dematerialized form are requested to mention their Client ID and DP ID details and those who hold shares in physical form are requested to write Folio number in the attendance slip. **No Attendance Slip shall be issued at the Meeting.**

- iv. The Register of Members and the Share Transfer Books of the Company shall remain closed from July 21, 2011 to July 26, 2011 (both days inclusive) for determining the names of Members eligible for dividend on Equity Shares, if declared at the Meeting.
- v. Dividend on the Equity Shares, if declared at the Meeting, will be paid to the Members whose names appear in the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company or its Registrars on July 21, 2011.

In respect of shares held in electronic form, the dividend will be paid to those 'beneficiaries' whose name appear on the statement of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose, at the end of the business hours on July 21, 2011. Dividend shall be paid on or before August 24, 2011. No income tax shall be deducted at the source from the dividend amount.

- vi. The Non Resident Indian Shareholders are requested to inform the Company immediately about:
  - a. The change in residential status on return to India for permanent settlement.
  - b. The particulars of NRO Bank Account in India, if not furnished earlier.
- vii. Members are requested to intimate their dividend mandates like bank account number, type and bank addresses in which they intend to deposit the warrants by a duly signed letter. The bank's details can also be printed on the warrants to avoid any incidence of fraudulent encashment.

The change in address, nomination etc, if any, to be effective must reach to the Registrar & Transfer Agent or the Registered Office of the Company by July 13, 2011. (Relevant Forms for nomination and updating of Shareholders information are enclosed at the end of the Annual Report).

- viii. Electronic Clearance System (ECS) is presently available at certain locations specified by Reserve Bank of India and/or State Bank of India. To avoid risk of loss and /or fraudulent encashment, Members are requested to avail ECS facility where dividends are directly and promptly credited in electronic form to their respective bank accounts. (ECS Mandate Form is enclosed at the end of the Annual Report)
- ix. The documents referred to in the accompanying Notice and the Annual Report are open for inspection at the Registered Office of the Company during the office hours between 11.00 A. M. and 1.00 P. M. on all working days except Sundays up to the date of the Meeting and shall also be available at the venue.
- x. Members seeking any further clarification/information relating to the Annual Accounts are requested to write at the

Registered Office of the Company at least ONE WEEK before the date of the Meeting i. e. on or before July 19, 2011 to enable the management to keep the information ready at the Meeting.

- xi. Pursuant to Section 205C of the Companies Act, 1956, the unclaimed dividend till the financial year 1999-2000 has been transferred to the Investor Education and Protection Fund. There is no unclaimed/unpaid dividend, which is required to be transferred to Investor Education & Protection Fund.
- xii. The shares of the Company are compulsorily traded in demat mode. Hence, the Members who are still holding physical share certificates are advised that it is in their own interest to **dematerialize their shareholding** to avail benefit of dematerialization viz. easy liquidity, electronic transfer, savings in stamp duty and prevention of forgery.
- xiii. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the Share Certificate to M/s Link Intime India Pvt. Ltd., Registrar & Transfer Agent for consolidation into a single folio.
- xiv. As a measure of economy, copies of the Annual Report shall not be distributed at the Meeting, therefore Members are requested to bring their own copies.
- xv. Members are requested to bring the Admission Slip duly filled in and hand over the same at the entrance of the Meeting Hall.
- xvi. Members are requested to register their e-mail address and changes in their particulars like change in Address from time to time with M/s Link Intime India Pvt. Ltd., Registrar & Transfer Agent for shares held in physical form and with their respective Depository Participants for shares held in dematerialized form.
- xvii. Members may please note that Securities and Exchange Board of India (SEBI) has made Permanent Account Number (PAN) as the sole identification number of all participants transacting in the securities market, irrespective of the amount of such transactions. SEBI has also mandated that for securities market transactions and off market/private transactions involving transfer of shares in physical form, it shall be necessary for the transferee(s) to furnish a copy of PAN card to Company/ Share Transfer Agent for registration of such transfer of shares.
- xviii. Corporate members are requested to send a duly certified copy of the Board Resolution/ Power of Attorney authorizing their representative to attend and vote at the Annual General Meeting.
- xix. For security reasons, no article/baggage will be allowed at the venue of the meeting. The members/ attendees are strictly requested not to bring any article/baggage etc. at the venue of the meeting.

- xx. *The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" and issued two circulars nos.17/2011 and 18/2011 dated April 21, 2011 and dated April 29, 2011 respectively. Under first circular no. 17/2011 dated April 21, 2011, MCA has, inter alia, clarified that a Company would have complied with Section 53 of the Companies Act, if the service of documents has been made through electronic mode provided that the Company has obtained e-mail addresses of its Members for sending the notice/documents through e-mail by giving an advance opportunity to every shareholders to register their e-mail address and changes therein from time to time with the Company.*

*It also provides that where any Member has not registered his e-mail address with the Company, the service of documents etc. will be effected by other modes of service as provided under Section 53 of the Companies Act, 1956.*

*Vide second Circular No. 18/2011 dated April 29, 2011, MCA has clarified that the Company would be in compliance of Section 219(1) of Companies Act, 1956, in case, a copy of Balance Sheet etc., is sent by electronic mail to its Members subject to the fact that Company has obtained-*

- (a) *e-mail address of its Members for sending the Notice with Balance Sheet, Profit & Loss Account, Auditor's Report, Director's Report and Explanatory Statement etc. through e-mail, after giving an advance opportunity to the Members to register their e-mail address and changes therein from time to time with the Company or with the concerned depository.*
- (b) *Company's website displays full text of these documents well in advance prior to mandatory period and issues advertisement in prominent newspapers in both vernacular and english stating that the copies of aforesaid documents are available on the website and for inspection at the Registered Office of the Company during office hours. Website must be designed in a way so that documents can be opened easily and quickly.*
- (c) *In cases where any Member has not registered his e-mail address for receiving the Balance sheet etc., they will be sent by other modes of services as provided under Section - 53 of the Companies Act, 1956.*
- (d) *In case any Member insist for physical copies of above documents, the same should be sent to him physically, by post free of cost.*

**As a result, Members are requested to register their e-mail address(es) and changes therein from time to time, by directly sending the relevant e-mail address alongwith details of name, address, Folio No., shares held:**

- i) **To the Registrar and Share Transfer Agent, M/s Link Intime India Pvt. Ltd for shares held in physical form and;**

- ii) In respect of shares held in demat mode, also provide DP ID/ Client ID with the above details and register the same with their respective Depository Participants.

Upon registration of the email address(es), the Company proposes to send Notices, Annual Report and such other documents to those Members via electronic mode/e-mail.

By Order of the Board



**Prashant Khattry**  
Group Head (Legal)  
& Company Secretary

Place : Faridabad

Dated : June 22, 2011

**Brief Resume of the Directors to be re-appointed at the forthcoming Annual General Meeting in pursuance to Clause 49 IV(G) of the Listing Agreement**

**1. Dr. Ram S. Tarneja, Director**

Dr. Ram S. Tarneja, born on 07.12.1931 is a Non-Executive Director of the Company since 31.12.1981. He did B.A. (Hons) from Delhi. He is also an M.A. both from University of Delhi & University of Virginia and has also done Ph.D from Cornell University. Dr. Ram S. Tarneja has varied and rich experience across Companies. He has served on the Board and Committee of various Companies and has the requisite expertise in accounting and financial management.

**Dr. Ram S. Tarneja is a Director and Chairman/Member of Committees of Board of the following other Companies:**

S. No.	Name of the Company/Entity in which interested	Committee Chairmanship/Membership
1	Jolly Board Limited -Chairman	Member- Share Transfer Committee
2	Bennett Coleman & Co. Ltd	Member-Audit Committee
3	GATI Ltd.	Member-Audit Committee
4	GIVO Ltd.	-----
5	HDFC Ltd.	Chairman-Shareholders / Investors Grievances Committee
6	NESCO Ltd.	Member-Audit Committee
7	Otis Elevator Company (I) Ltd.	Member-Audit Committee Member-Shareholders/ Investors Grievances Committee
8	Phillips Carbon Black Ltd.	-----
9	Phoenix Township Limited	-----
10	SOWIL Ltd.	-----
11	Transcorp. International Limited	Member-Audit Committee

He also holds directorship in following Private Limited Companies:

S.no.	Name of the Company/Entity in which interested
1	Arim Metal Industries Pvt. Ltd.- Vice Chairman
2	Nissin ABC Logistics Pvt. Ltd.- Chairman
3	RITCO Travels and Tours Private Ltd.

As on 31<sup>st</sup> March, 2011, he does not hold any share in the Company.

**2. Mr. S.G. Awasthi, Director**

Mr. S.G. Awasthi, born on 06.03.1943, graduated in Science from Allahabad University, and did Mechanical Engineering from Roorkee University. He possesses vast experience of representing the top hierarchy of Indian industry, Media, Bureaucracy, and the Government and Business Houses like TATA, TOYOTA etc. He has also served as member and Chairman of various state, national and international level Committees.

As on 31<sup>st</sup> March, 2011, he does not hold any share in the Company.

**Mr. S.G.Awasthi is a Director and Chairman/Member of Committees of Board of the following other Companies:**

S. No.	Name of the Company/Entity in which interested	Committee Chairmanship/Membership
1	-	-



CNC Controlled Vertical Hypoid Bevel Gear Cutting M/C Model Oerlikon C-29 (Dry Cutting)

## DIRECTORS' REPORT

### To The Members

The Directors have pleasure in submitting 39<sup>th</sup> Annual Report together with Audited Accounts of your Company for the year ended on 31<sup>st</sup> March 2011.

Financial Results	(Rupees/Crores)	
	Financial year ended	
	31.03.2011	31.03.2010
Sales and other income (gross)	359.67	268.50
Profit before interest & other financing charges and Depreciation/ Amortisation	32.11	27.75
Interest & other financing charges	8.46	8.57
Depreciation / Amortisation	9.09	9.55
Profit before tax	14.56	9.63
Less: Tax Expense	4.85	3.49
Profit after tax	9.71	6.14
Add: Balance brought forward from previous year	8.85	4.54
Profit available for appropriation	18.56	10.68
Appropriations:		
Proposed Dividend		
- Preference	0.21	0.21
(including interim dividend paid)		
- Equity	1.17	0.93
Tax on distributed profits	0.23	0.19
Transferred to General Reserve	1.00	0.50
Transferred to Capital Redemption Reserve	1.04	-
Balance carried to Balance Sheet	14.91	8.85

## DIVIDEND

The Directors are pleased to recommend final dividend of Rs. 10 per share on 2,08,500 10% Cumulative Redeemable Non-Convertible Preference Shares comprising of Series I,II and III, amounting to Rs. 0.21 crores for the year ended 31<sup>st</sup> March, 2011 already been paid as interim dividend on 31<sup>st</sup> March, 2011, since 50% of the Preference Shares in Series I,II and III as per the terms, had been redeemed on 31<sup>st</sup> March, 2011, which attracted Dividend Tax of Rs.0.03 crores.

The Directors also recommend dividend of Rs.1.50 per equity share on 7817833 Equity Shares of the Company, which will attract dividend tax of Rs. 0.20 crores. The total payout will be Rs. 1.17 crores and tax thereon Rs.0.20 crores.

## FINANCIAL AND OPERATIONAL PERFORMANCE

During the year under review, the Company has made scheduled repayments of Rs.13.61 Crores of term loans to Financial Institutions and Banks. Further disbursements from the banks of Rs.12.12 Crores have been received to part-finance acquisition of additional plant and machinery.

Turnover of the Company has grown by 34% as compared to previous year. However EBIDTA was lower at 8.93% vis-à-vis 10.34% of previous year, mainly on account of pressure on margins due to rising costs of raw materials and petroleum products. Profit before tax was higher at Rs. 14.56 Crores as against Rs. 9.63 Crores in the previous year. After provision for tax (net) of Rs. 4.85 Crores, net profit after tax is at Rs. 9.71 Crores as against Rs. 6.14 Crores for the previous year.

In view of higher demand from both Domestic and Overseas customers, the Company is planning necessary investments in expanding capacities by investing in additional machines and balancing equipments. Additional capex for FY2011-12 shall be financed by way of a mix of internal accruals and debt. Further,

the Company has also drawn up a plan for setting up a greenfield unit in the state of Maharashtra to take care of future expansion in business.

While the Company is well positioned to meet higher offtake from the market, it is also focused on improvement in margins by efficient utilization of working capital and achieving higher operating efficiencies.

#### REDEMPTION OF PREFERENCE SHARES

During the year under review, the Company has redeemed 50 % of Series VI, VII & VIII 10% Cumulative Redeemable Non-Convertible Preference Shares (104250 No's) of Rs. 1.04 crores at par, out of the profits for the year.

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### ECONOMY AND MARKET OVERVIEW

FY 2010-11 ended with a GDP growth of 8.6%, a clear indication that India has staged a phenomenal recovery from the financial crisis and attained a robust growth in all sectors. Growth in manufacturing sector has been largely driven by a few sectors such as the automotive sector which directly impacts on your Company.

India's strong macro fundamentals together with its domestic demand led model of economic growth looks very promising.

BGL has maintained its position as the leading suppliers of Gear components for the LCV/ Medium/Heavy Commercial Vehicles, Utility Vehicles, Construction and for the Agricultural Tractors in India.

#### (a) INDUSTRY STRUCTURE & DEVELOPMENTS IN THE INDUSTRY:

The Indian automotive industry comprises of the following product segments.

- Passenger Vehicles (UV & MPV)
- Commercial vehicles (HCV, MCV, and LCV)
- Cars
- Two wheelers and Three wheelers
- Tractors
- Off-highway vehicles and other mobile construction equipment

#### TRACTOR INDUSTRY:

The tractor industry continued to grow at 24% during FY 2010-11. With more thrust given to agricultural growth in the budget, this number is bound to increase. Also, monsoon is expected to be normal for the second consecutive year. Further, non-agricultural use of tractors (for haulage in construction and infrastructure projects) continued to rise, resulting in higher tractor demand. Your Company is having a major share of the market & focused on growth in both Domestic & Export market.

#### COMMERCIAL VEHICLE INDUSTRY:

During the year, Passenger Vehicles segment grew at 29%, Utility Vehicles grew by 18% and Multi-Purpose Vehicles grew by 42%.

The overall Commercial Vehicles segment registered growth of 27% during April-March 2011. While Medium & Heavy Commercial Vehicles (M & HCVs) registered growth of 32%, Light Commercial Vehicles grew at 23%. During April-March 2011, overall automobile exports also registered a growth rate of 29%.

For the current year, Medium & Heavy Commercial Vehicles (M & HCVs) is projected to grow by 10 -12% as against 32.6% of last year. Light Commercial Vehicles growth to continue at 28%.

#### OFF-HIGHWAY VEHICLES & CONSTRUCTION EQUIPMENT:

With the growth of economy & various efforts and initiatives taken by our Government, sectors such as Infrastructure and power have picked up. With this, off-highway & construction vehicles sales also grew up by about 10% last year and are expected to maintain the momentum in coming years.

Your Company has tied up with major off-highway vehicle manufacturers to supply transmission parts in India & overseas.

#### (b) SWOT ANALYSIS:

##### OPPORTUNITIES AND THREATS

The tractor manufacturing is expected to grow from 4.20 million units to 7.10 million units by 2015 and construction equipments are expected to grow from 4 million units to 10 million units, which would give great opportunity for the Company to increase the sales in terms of volumes.

However, increase in interest rates spurred by high inflation rates makes investment in new machinery costlier. To cope up with the market growth, your Company is enhancing its capacities in phased manner. As the OEM's are facing constraints of space & investments, it has opened up opportunities for supply of value added products like sub-assemblies, which are being explored aggressively by your Company.

Costs of raw materials, petroleum products & other inputs have continued to increase considerably, which is putting pressure on margins & presents a challenge to maintain growth rates while being competitive in the market.

##### STRENGTHS AND WEAKNESSES

Your Company has been into the manufacturing of Gears since 1971, and has gained lots of accreditations and experience during the period. Your Company has been placed well ahead of its competitors because of the following advantages:

- Expertise in Gear manufacturing.
- Technology leadership.
- Sound engineering capabilities.
- Locational Advantage: Presence in North & West zone, which are primary zones for CV/Tractor manufacturing in India.
- Sound track record of ensuring timely deliveries of quality product at competitive pricing.
- Brand recognition in the market.
- Strong clientele both domestic as well as international such as John Deere, Carraro India, Eaton, TMA, JCB, Escorts, Spicer India, Toyota, M&M and Tata to name a few.

While your Company is all set to have a strong financial growth, still there are few of our concerns:

- Margins are susceptible to volatility in the raw material prices.
- Hike in cost of petroleum products, however alternate measures have been worked out to bring the cost down.
- Endure labour costs till excess staff is absorbed via planned expansion.
- Possible Loss of any large revenue customer which could dampen the topline; care is being taken to avoid this.
- Replacement market needs to be strengthened more.

**(c) OUTLOOK:**

The competition in the Country's auto sector is likely to increase due to increasing penetration of global original equipment manufacturers. There has been an overall growth in the domestic sales of vehicles of all segments in the beginning of the financial year 2011-12.

Since your Company is largely serving to Tractor & Off highway vehicle industry, we have managed to grow by more than 30% year on year in sales turnover & continue to target the same growth in our annual budget plan for coming year.

Outlook for Furnace business is positive.

**(d) RISKS & CONCERNS:**

The Company is exposed to the following risks. However, the Company has braced itself to take adequate precautions to mitigate these risks.

- a. Foreign currency risks
- b. Raw material prices
- c. Availability and cost of capital for capital expenditure

**(e) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

The Company maintains adequate internal control systems, which ensures proper recording of all transactions of its operations.

Independent firms of Chartered Accountants carry out internal audit of the Company. Internal audit is carried out at periodic intervals to ensure that the Company's internal control systems are adequate and complied with.

Both plants of the Company continue to be certified under ISO/TS16949. Faridabad plant is also certified under ISO/14001.

**(f) DEVELOPMENTS IN HUMAN RESOURCES AND INDUSTRIAL RELATIONS:**

Industrial relations at both plants continued to be cordial.

22 Employees under the Voluntary Retirement Scheme separated from the Company at the cost of Rs. 0.95 crores.

Employees' headcount at the end of the year was 1275.

A Statement required under Section 217(2A) of the Companies Act, 1956 is annexed.

**FIXED DEPOSITS**

During the year under review, the Company did not accept any fixed deposits. In terms of Section 205C of the Companies Act 1956, the deposit and interest thereon, which remains unclaimed for a period of seven years from the date when it became due is required to be deposited with the Investor Education and Protection Fund established under the Companies Act, 1956. During the year, there was no amount required to be transferred to Investor Education and Protection Fund.

**CORPORATE GOVERNANCE**

The Company is committed to maintain the highest standards of Corporate Governance. The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of this Report.

The requisite Certificate of Compliance from Statutory Auditors, Deloitte Haskins & Sells, confirming compliance with the conditions of Corporate Governance, is attached to this Report.

**DIRECTORS**

In accordance with Section 256 of the Companies Act, 1956 and the Articles of Association of your Company, Dr. Ram S. Tarneja and Mr. S.G. Awasthi, Directors retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting.

The brief resume of the Directors proposed to be re-appointed is given in the Corporate Governance Report.

The tenure of Mr. Surinder P. Kanwar, Chairman & Managing Director expired on 30<sup>th</sup> September, 2010. He has been re-appointed as Chairman & Managing Director of the Company for a further period of 5(five) years w.e.f 1<sup>st</sup> October, 2010 and the requisite approvals for such re-appointment have been obtained by the Company except for the additional remuneration pending with the Ministry of Corporate Affairs, Govt. of India approval.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that,-

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied consistently, and have 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 as at 31<sup>st</sup> March, 2011 and of the profits of the Company for the period ended on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts have been prepared on a going concern basis.

## DISCLOSURES UNDER SECTION 217 OF THE COMPANIES ACT, 1956

Except as disclosed elsewhere in the Annual Report, there have been no material changes and commitments, which can affect the financial position of the Company between the end of financial year and the date of this report.

### PARTICULARS OF EMPLOYEES

Information regarding employees in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is given in Annexure 'A' to the Directors' Report.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

The information in accordance with the provisions of 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 is given in Annexure 'B' to the Directors' Report.

### AUDITORS

The Statutory Auditors, M/s Deloitte Haskins & Sells (ICAI Registration No. 117365W), Chartered Accountants (DHS), hold office until the conclusion of the forthcoming Annual General Meeting. The Board recommends for their re-appointment as Statutory Auditors of the Company for the year 2011-2012. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

### AUDITORS' REPORT

The observations of the Auditors in their report are self-explanatory and/or explained suitably in the Notes to the Accounts.

### COST AUDIT

M/s. M.K. Kulshrestha & Associates, Cost Accountants, conducted the audit of the cost records of both the plants of the Company for the year ended 31<sup>st</sup> March, 2010. Further, the Company has proposed their appointment subject to the Central Government approval, as Cost Auditors for auditing the Cost records of both the plants of the Company for the year ended 31<sup>st</sup> March 2011.

### RECONCILIATION OF SHARE CAPITAL AUDIT

As per the directive of the Securities and Exchange Board of India (SEBI), M/s AGB & Associates, Company Secretaries, Faridabad undertakes a Reconciliation of Share Capital Audit on quarterly basis. The audit is aimed at reconciliation of total shares held in CSDL, NSDL and in physical form with the admitted, issued and listed capital of the Company.

The Reconciliation of Share Capital Audit Reports as submitted by the Auditor on quarterly basis was forwarded to the Bombay Stock Exchange, Mumbai and the National Stock Exchange of India Limited, Mumbai, where the original shares of the Company are listed.

### LISTING OF SHARES

The equity shares of the Company are listed on the Bombay Stock Exchange, Mumbai and National Stock Exchange of India Limited, Mumbai.

### PROMOTERS

List of Promoters of Bharat Gears Limited belonging to the Group of Company, pursuant to Regulation 3(e) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 is as follows;

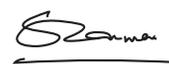
1. Raunaq International Limited
2. Clip Lok Simpak India Private Limited
3. Ultra Consultants Private Limited
4. Future Consultants Private Limited
5. Vibrant Finance & Investment Private Limited
6. Samreet Investment & Management Consultancy Private Limited
7. Raunaq ABM India Limited
8. Gulab Merchandise Private Limited
9. Surinder P. Kanwar & Family
10. Sameer Kanwar & Family
11. Sachit Kanwar & Family

**Family for the above purpose includes the spouse, dependent children and parents.**

### ACKNOWLEDGEMENTS

The Board of Directors admirably recognize the continued teamwork, reliance and support of our shareholders and would like to place on record its appreciation for the dedicated services rendered by the Employees at all levels. The Directors further articulate their gratitude to the Financial Institutions, Bankers, Customers, Suppliers and Collaborators as well for the assistance and confidence reposed by them in the Company.

**For and on behalf of the Board of Directors**



Place: Mumbai

Date : 27<sup>th</sup> May, 2011

**Surinder P. Kanwar**  
**Chairman and Managing Director**

**BHARAT GEARS LIMITED**  
**Information Pursuant to Section 217 [ 2A ] of the Companies Act, 1956, read with Companies**  
**( Particulars of Employees ) Rules, 1975 as amended up to Date and Forming Part**  
**of the Directors' Report for the year ended 31<sup>st</sup> March, 2011**

Annexure- 'A'

Sl. No.	Name	Age (in Years)	Qualification	Designation	Date of Commencement of Employment	Years of Experience	Remuneration (Rs. in Lacs)	Particulars of Last Employment
<b>A. Employed throughout the year ended 31st March, 2011 &amp; were in receipt of Remuneration aggregating not less than Rs. 60,00,000/- per annum</b>								
1.	Surinder P. Kanwar	58	B. Com.	Chairman & Managing Director	01.10.1990	36	# 194.37	Managing Director BST Mfg. Ltd.
2.	Sameer Kanwar	34	B. A. (Eco.)	Joint Managing Director	01.02.2002	11	83.79	Management Trainee ZF (AG) Germany
<b>B. Employed for the part of the year ended 31st March, 2011 &amp; were in receipt of Remuneration aggregating not less than Rs. 5,00,000/- per month</b>								
NIL								
<b>NOTES:</b>								
01. Remuneration includes Salary, Allowances, Ex-gratia, Co's Contribution to Provident & Superannuation Funds, and Value of other perquisites on the basis of Income Tax Act, 1961.								
02. Except Mr. Sameer Kanwar, Joint Managing Director, who is a relative of Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company, none of the employee is related to any of the Director of the Company.								
03. All the appointments except that of Mr. Surinder P. Kanwar & Mr. Sameer Kanwar are Non-Contractual.								
# Additional remuneration of Rs. 21.72 lacs included above is subject to approval of the Central Government for which application has been filed before Ministry of Corporate Affairs, by the Company.								
								<b>For and on behalf of the Board of Directors</b>
								
								<b>Surinder P. Kanwar</b> Chairman & Managing Director
<b>Place: Mumbai</b>								
<b>Date : 27<sup>th</sup> May, 2011</b>								

Annexure- 'B'

**Report on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo and forming part of Directors' Report for the year ended 31<sup>st</sup> March, 2011.**

**A. Conservation of energy**

**a) Energy conservation measures taken:-**

- Replacement of existing DG Set With PNG Gas Fuel Generator Sets in Faridabad Plant in order to:
  - reduce the Fuel cost in Power generation by DG sets.
  - reduce the Pollution and make environment Clean.
  - increase the profitability by reduction in operation cost of plant.
- All HPMV & HPSV type streetlights & shop bay lights were replaced with energy efficient CFL type lamps.
- All the fluorescent type 60 Watt machine lamps were replaced with 18 watt CFL lamps.
- Roof top Turbo ventilators ( 50 nos) driven on natural wind energy were installed to improve shop ventilation & reduce the exhaust fan population.
- In order to reduce fuel consumption & increase output, a batch type furnace with high alumina bricks was converted into ceramic fibre lining.

**b) Additional investments & proposal, if any, being implemented for reduction of consumption of energy:-**

- Lighting in the heat treatment shop is being replaced with energy efficient dome type CHL fitting.
- UPS & battery aggregate which is being used to supply power to specific machines will be maintained at room temperature with use of three set point temperature controllers to minimize use of Air conditioners.
- Centrifugal pumps to be replaced by Submersible pumps to conserve energy.

**c) Impact of the measures (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:-**

- Energy Audit of Mumbra plant is completed by ABS Industrial Verification (INDIA) Private Ltd and the suggestions are under implementation.
- MSEDCCL, the power supply company gives the incentive of 7% of the energy charge to consumers who maintain Unity Power factor. We are continuing to avail this discount in monthly bill for last 12 months.

**d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries in the Schedule thereto :-**

-----Not Applicable-----

**B. Technology Absorption**

**e) Efforts made in technology absorption are as per Form B of the Annexure:-**

**(Form – B)**

**Form for disclosure of particulars with respect to absorption**

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

The Company is in the business of manufacturing and supplying automotive gears to OEMs and for aftermarket sales both for domestic and overseas markets. The nature of business activity carried on by the Company at present does not entail any Research and Development as such. However, the Company extends the design software facility for developing the new products to their customers.

Hence, clauses 1 to 4 relating to Research and Development are not applicable.

**Technology Absorption, adaptation and innovation.**

- |   |  |   |
|---|--|---|
| 1 | Efforts in brief, made towards technology absorption, adaptation and innovation.   | The Company has fully absorbed the technology of dry cutting system for producing bevel, spur / helical gear by installing all required CNC equipments along with design/manufacturing software in closed loop system.<br>Company has also invested in acquiring hard turning technology for final finishing operation of ring gear bore and external diameter of shafts.<br>Currently Company is actively working with few overseas Companies for acquiring technology for development and manufacturing of spiral bevel/differential/transmission gears through near net shaped tooth forged gear route and other auto parts to reduce input steel weight and to meet high volume demand. |
| 2 | Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.                 | Benefits accrue to the Company in terms of meeting high demand volumes from customers with cost reduction, enhancement of productivity, quality and axle noise reduction.   |
| 3 | In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished: |   |
|   | a) Technology imported   | Not Applicable  |
|   | b) Year of import  | Not Applicable  |
|   | c) Has technology been fully absorbed  | Not Applicable  |
|   | d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.  | Not Applicable  |

**C. Foreign Exchange Earnings and Outgo**

**(f) Activities relating to exports; initiatives taken to increase export; development of new export markets for products and services; and export plans.** Development of new products for export market is under way. Further, off take from existing customers has improved substantially.

**(g) Total foreign exchange used and earned:-**

The particulars with respect to foreign earnings and outgo are as follows:

	<b>(Rs. In Lacs)</b>	
	<b>2010-2011</b>	<b>2009-2010</b>
Foreign Exchange Earned	4882.97	2901.89
Foreign Exchange used	1919.05	631.91
Net Foreign Exchange earnings	2963.92	2269.98

**For and on behalf of the Board of Directors**



**Surinder P. Kanwar  
Chairman & Managing Director**

Place: Mumbai  
Date: May 27, 2011

## Corporate Social Responsibility



**Bharat Gears Limited (BGL)** is a pioneer in Gear Technology and India's largest gear manufacturer. Over the years of growth and existence, it has contributed to the lives of its associates, stakeholders in many different ways. We have also contributed to society especially the needy persons in our special ways and through various NGOs.

**Read ahead to follow how BGL has been making a difference to the lives of thousands of people through its social welfare endeavors.**

Autism is complex lifelong neurological disability affecting a person's communicative and imaginative skills and ability to relate to people. Symptoms range from a mild learning and social disability to a severe impairment. A number of autistic children do not ever develop speech while others do but rarely use language to communicate. There are nearly 2 million autistic persons in India and the diagnosis of autism is now growing at a steep rate.

**Action for Autism (AFA)** is the largest Non-Profit Non-Government Organization providing support and services to persons with autism and their families.

BGL has been an active corporate contributor to the cause supported by AFA.



**SHE Policy:** The Company has adopted safety, health, and environment (SHE) policy with a commitment to provide a safe and healthy working environment, preservation of the environment of the territory in which the organization operates, preventing the wasteful use of natural resources and minimize any hazardous impact of development, production, use and disposal of any of the organization products and services on ecological environment, maintained highest standard of environmental management and ensure for all its members, consultants, contractors and customers a safe and healthy environment, free from injury and disease. Both plants of the Company at Mumbra and Faridabad are certified under ISO/TS 16949. Faridabad plant is also certified under ISO/14001. By complying with the requirements of ISO/14001, we are confirming that we are following and fulfilling all statutory and other regulatory requirements pertaining to air, water, land and noise pollution. The Company is also in the process of implementation of a certification OHSAS-18001 (Occupational Health and Safety Assessment Series). By complying with the BS18001, we will be confirming that we follow and fulfill all statutory and other regulatory requirements pertaining to health and safety of our employees and others working in our premises. In the context of BS18001, health refers to health related risks arising out of the day to day operations in which the Company is engaged in.

**Employee Welfare:** As a part of employee welfare, Company provides med claim policy to its employees and also provides other assistance on any mis-happening with any employee, in deserving cases. Company does also provide valuable gifts to the employees on occasions of self marriage and on daughter's marriage and also celebrates their birthdays which create a feeling of self belonging to the Company in the minds of the employees for the Company. In order to build team spirit among employees, various cultural programmes and sports tournaments are also organized at short intervals and on festive occasions.



Further the Company has contributed towards upgrading the infrastructure in the local surroundings and thus making life easy for the general public in the neighbourhood. Moreover, it has developed and maintaining a park at the road crossing thereof contributing in making the environment green and clean.

The brief detail and pictures are hereunder mentioned:



Before

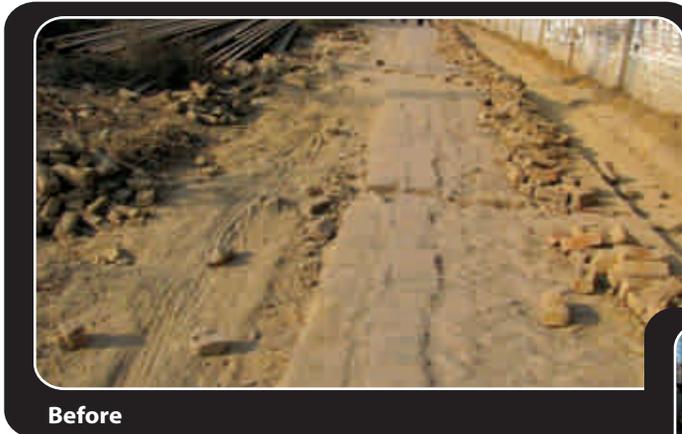
**Upgrading the Infrastructure in the Local Surroundings**

The Company has built a road alongside with the railway crossing which through a tunnel get to the otherside of the railway track. Earlier, general public used to wait for long at the railway crossing or used to take a long alternate route to come to the other side of the railway track. Also some of the persons have died of accidents while crossing the railway crossing

when the gates are closed. The Company understands its social responsibility towards the society at large and thus laid down the road surface alongside with the railway track. Now this road is being used by general public in large which reduces jam at the railway crossing and no casualty of any kind has been reported.



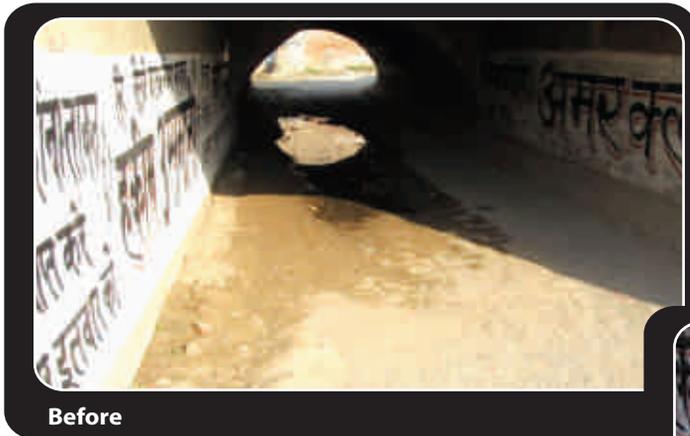
After



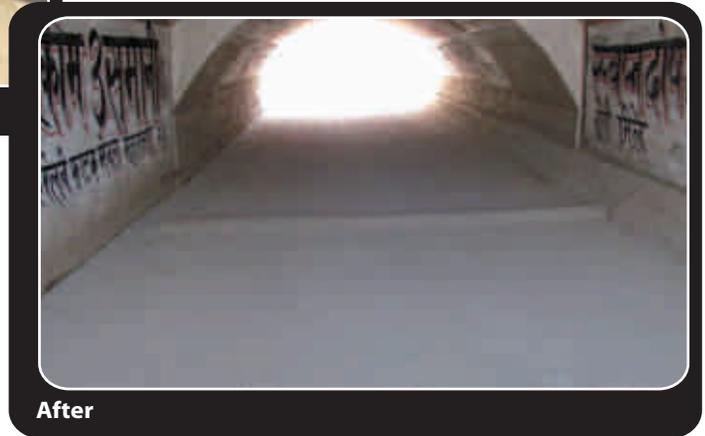
Before



After



Before



After

The Company had in the past taken an initiative for **repairing and carpeting the Anangpur Road to Delhi- Mathura Road for the betterment of the local community both residential and commercial**. In order to achieve that, the Company had approached the Haryana PWD Departments and had given several representations to them. Currently the road is being used by several thousand commuters on daily basis and now considered as a vital road link between Sarai Khwaja and Suraj Kund, Faridabad

**Green Initiative by BGL**



The Company has taken a green initiative by developing and maintaining greenery along the road crossing thus contributing towards making the environment Clean and Green.

## CORPORATE GOVERNANCE REPORT

For the Year ended March 31, 2011

(Pursuant to Clause 49 of the Listing Agreement)

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Corporate Governance at Bharat Gears Limited takes care of overall well-being and welfare of the system and takes into account the stakeholders' interest in every business decision. Corporate Governance is a combination of voluntary practices and compliances of laws and regulations leading to effective control and management of the Organization and its valuable resources through effective and transparent business conduct, integrating communication, integrity and accountability towards its stakeholders.

The Company is committed to pursue growth by adhering to the highest national and international standards of Corporate Governance. The Company's philosophy on Corporate Governance is based on the following principles:

- Lay solid foundations for management.
- Promote ethical and responsible decision-making.
- Structure the Board to add value.
- Encourage enhanced performance.
- Safeguard integrity in financial reporting.
- Respect the right of the shareholders.
- Recognise the legitimate interest of shareholders.
- Remunerate fairly and responsibly.
- Recognise and manage business risks.
- Make timely and balanced disclosures.
- Legal and statutory compliances in its true spirit.

Your Company is following transparent and fair practices of good Corporate Governance and its constant endeavor is to continually improve upon those Practices. The Company recognizes communication as key element in the overall Corporate Governance framework and therefore, emphasizes on keeping abreast its stakeholders including investors, lenders, vendors and customers on continuous basis by effective and relevant communication through Annual Reports, quarterly results, corporate announcements and reflecting the same on the Company's official website i.e. [www.bharatgears.com](http://www.bharatgears.com).

### 2. BOARD OF DIRECTORS

Your Company has an optimum combination of Executive and Non-Executive Independent Directors on the Board. As on March 31, 2011, the Board consists of 8 members, the Chairman of the Board is an Executive Director and more than half of the strength of the Board consists of Non-Executive Independent Directors. All Non-Executive Independent Directors bring a wide range of expertise and experience to the Board. The Board believes that the current size of the Board is appropriate based on the Company's present requirements.

#### A. Board's definition of independent director

Independent director shall mean Non-executive director of the Company who:



- i. apart from receiving the Directors remuneration, does not have any material pecuniary relationships or transactions with the Company, its promoters, its directors, its senior management or its holding Company, its subsidiaries and associates which may affect independence of the Director;
- ii. is not related to promoters, Chairman, Director, Managing Director, Whole Time Director, Secretary, CEO or CFO and to any person in the management at one level below the Board;
- iii. has not been an executive of the Company in the immediately preceding three financial years;
- iv. is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
  - a. the statutory audit firm or the internal audit firm that is associated with the Company, and
  - b. the legal firm(s) and consulting firm(s) that have a material association with the entity.
- v. is not a material supplier, service provider or customer of the Company which may affect independence of the directors. This includes lessor-lessee type relationships also; and
- vi. is not a substantial shareholder of the Company, i.e. owning two percent or more of the block of voting shares.
- vii. is not less than 21 years of age.

The Board of Directors of the Company has decided that the materiality/significance shall be ascertained on the following basis:

- The concept of 'materiality' is relevant from the total revenue inflow and/or outflow from and/or to a particular individual/body, directly or indirectly, during a particular financial year.
- The terms 'material' needs to be defined in percentage. One percent (1 per cent) or more of total turnover of the Company, as per latest audited annual financial statement.

The **Table-1** gives Composition of the Board, Attendance record of the directors at the Board Meetings and at the last Annual General Meeting (AGM); Number of their outside directorships and their memberships/chairmanships in Board Committees.

**Table-1**

Sl. No	Name of Director(s)	Category	No. of Board Meetings attended <sup>A</sup>	Attendance at last AGM	No. of outside Directorships held <sup>B</sup>	No. of Memberships/ Chairmanships in Board Committees <sup>C</sup>	
						Member	Chairman
1.	Mr. Surinder P. Kanwar	Executive Director (Chairman and Managing Director)	4	Present	2	1	—
2.	Mr. Sameer Kanwar	Executive Director (Joint Managing Director)	4	Present	—	1	—
3.	Mr. W.R. Schilha	Non-Executive Director	4	Present	—	—	—
4.	Dr. Ram S. Tarneja	Independent Director	4	Present	11	7	2
5.	Mr. N.J. Kamath	Independent Director	4	Present	—	1	1
6.	Mr. V.K. Pargal	Independent Director	3	Present	1	1	—
7.	Mr. S.G. Awasthi	Independent Director	4	Present	—	—	—
8.	Mr. Rakesh Chopra	Independent Director	2	Absent	2	3	1

<sup>A</sup> Attendance at the Board Meetings relevant to the period, when Director of the Company.

<sup>B</sup> Excluding directorship in Private Companies, alternate directorship, Companies registered under Section 25 of the Companies Act, 1956 and Foreign Companies.

<sup>C</sup> for the purpose of considering the limit of the Committees on which a director can serve, all Public Limited Companies, whether listed or not, are included and all other Companies including Private Companies, Foreign Companies and the Companies under Section 25 of the Companies Act, 1956 are excluded. Further, it includes Membership/Chairmanship of Audit Committee and Shareholder's /Investors Grievance' Committee only. None of the directors of your Company is a member of more than ten (10) Committees or is the Chairman of more than five (5) Committees across all Public Limited Companies in which they are Directors. The Membership/Chairmanship also includes Membership/Chairmanship in Bharat Gears Limited.

<sup>D</sup> Mr. Surinder P. Kanwar is father of Mr. Sameer Kanwar. Mr. Sameer Kanwar has been appointed as Joint Managing Director w.e.f. June 1, 2008.

<sup>E</sup> Mr. V. K. Pargal is also a Director on the Board of Pargal Consultants Pvt. Ltd (PCPL), which is providing consultancy service to the Company in its professional capacity. Professional fees paid to PCPL for the year 2010-2011 is Rs. 1,08,000/-. The Board is of the opinion that such payments in the context of overall expenditure by the Company, is not significant and does not affect his independence. Mr. V.K. Pargal is holding 100 shares of the Company.

Apart from this, no other Non-Executive Director has any pecuniary relationships/transactions vis-à-vis the Company (other than the sitting fees for attending the Board/Committee meetings).

## B. Board Meetings

During the financial year 2010-11, Four (4) Board Meetings were held on the following dates. The gap between any two meetings was not more than four (4) months as mandated in Clause 49 of the Listing Agreement:-

- 27<sup>th</sup> May, 2010;
- 29<sup>th</sup> July, 2010;
- 28<sup>th</sup> October, 2010 and
- 04<sup>th</sup> February, 2011

## C. Information supplied to the Board

The Board has complete access to all information with the Company. The information is provided to the Board on regular basis and the agenda papers for the meetings are circulated in advance of each meeting. The information supplied to the Board includes:

- Annual Operating Plans and Budgets.
- Quarterly, Half Yearly and Yearly results of the Company.
- Minutes of the Meetings of Audit Committee and other Committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.

The Board periodically reviews compliance reports of all laws applicable to the Company, prepared by the Company.

## 3. BOARD COMMITTEES

### A. Audit Committee

#### 1. Constitution and Composition

The "Audit Committee" comprises of the following four (4) non-executive and independent directors, who have financial/accounting acumen to specifically look into internal controls and audit procedures. All the members are financially literate and have accounting and financial management expertise. The **Table-2** gives the composition of the Audit Committee and the attendance record of members of the Committee:

**Table-2**

Sl.No.	Name of Member	Designation	No. of meetings Held/Attended
1.	Dr. Ram S. Tarneja	Chairman	4/4
2.	Mr. V. K. Pargal	Member	4/3
3.	Mr. N. J. Kamath	Member	4/4
4.	Mr. Rakesh Chopra	Member	4/3

In addition to the members of the Audit Committee, the Chief Financial Officer, Internal Auditors and the Statutory Auditors attended the meetings of the Committee as invitees. Members held discussions with Statutory Auditors during the meetings of the Committee. The Audit Committee reviewed the quarterly, half-yearly un-audited and annual audited financials of the Company before submission to the Board of Directors for their consideration and approval. The Committee also reviewed the internal control systems and internal audit reports.

The Chairman of the Committee was present at the last Annual General Meeting to answer the shareholders' queries.

Mr. Ashish Pandey, Group Head (Legal) and Company Secretary of the Company till 4<sup>th</sup> June, 2010 acted as secretary to the Audit Committee Meeting held on 26<sup>th</sup> May, 2010. Pursuant to his resignation, Mr. Prashant Khattry had been appointed as Group Head (Legal) and Company Secretary of the Company and he acted as secretary to the other Audit Committee Meetings as aforesaid.

#### II. Audit Committee Meetings

During the year, four (4) meetings of the Audit Committee were held on the following dates:

- 26<sup>th</sup> May, 2010;
- 29<sup>th</sup> July, 2010;
- 28<sup>th</sup> October, 2010 and
- 04<sup>th</sup> February, 2011.

#### III. Powers of Audit Committee

The Audit Committee has been empowered with the adequate powers as mandated in the Clause 49 of the Listing Agreement, which includes the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

#### IV. Role of Audit Committee

The role of the Audit Committee includes the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:



Transmission Unit

- a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
  - 5A. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
  6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
  7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  8. Discussion with internal auditors any significant findings and follow up there on.
  9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
  12. To review the functioning of the Whistle Blower mechanism existing in the Company.
  - 12A. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance

function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

13. Reviewing the Company's financial and risk management policies.
14. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee may also review such matters as may be referred to it by the Board or which may be specified as role of the Audit Committee under amendments, if any, from time to time, to the Listing Agreement, Companies Act and other statutes.

#### V. Review of Information by Audit Committee

The Audit Committee reviews the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

#### B. **Remuneration Committee**

##### I. Constitution and Composition

In terms of the non-mandatory requirement of Clause 49 of the Listing Agreement, and Schedule XIII of the Companies Act, 1956, the "Remuneration Committee" was constituted on 22<sup>nd</sup> April, 2002. The said Committee has been empowered to consider, approve and recommend the remuneration of the Whole Time Director/Managing Director.

Pursuant to Schedule XIII of the Companies Act, 1956 as amended upto date, in case of no profits or inadequate profits, the Remuneration Committee has been empowered to consider, approve and recommend the remuneration of Whole Time Director/Managing Director.

The Remuneration Committee constitutes of following three Directors. **Table-3** gives the details: -

**Table-3**

Sl.No.	Name of Member	Designation
1.	Mr.N.J.Kamath	Chairman
2.	Dr.Ram S.Tarreja	Member
3.	Mr.V.K.Pargal	Member

During the year, one meeting of the Committee was convened on May 26, 2010 and it was attended by all the members of the Committee. The Committee considered and recommended remuneration of Mr. Surinder P. Kanwar, Chairman and Managing Director on his re-appointment as Chairman & Managing Director of the Company.



The Chairman of the Remuneration Committee was present at the last Annual General Meeting, to answer the shareholders' queries.

The remuneration policy of the Company is based on the need to attract the best available talent and be in line with the industry levels.

### C. Shareholders'/Investors' Grievance Committee

The "Shareholders'/Investors' Grievance Committee" has been empowered to look into the shareholders'/investors' grievances and redressal of the same. The said Committee is also authorised to effect transfers/transmissions of equity shares/debentures and other securities and also to issue Duplicate Share Certificates and other securities and matters related or incidental thereto.

The **Table-4** gives the composition of the Shareholders'/Investors' Grievance Committee and the attendance record of members of the Committee:

**Table-4**

Sl.No.	Name of Member	Designation	No. of meetings Held/Attended
1.	Mr. N. J. Kamath	Chairman	3/3
2.	Mr. Rakesh Chopra	Member	3/0
3.	Mr. Sameer Kanwar	Member	3/3

Mr. N. J. Kamath and Mr. Rakesh Chopra are the Non-Executive Independent Directors and Mr. Sameer Kanwar is Joint Managing Director.

#### I. Shareholders'/Investors' Grievance Committee meetings

During the financial year 2010-11, the Committee met three (3) times on 29<sup>th</sup> July, 2010, 23<sup>rd</sup> September, 2010 and 23<sup>rd</sup> December, 2010 and 114 Letters/Requests/Complaints were received from the shareholders till 31<sup>st</sup> March, 2011; and were replied/resolved to the satisfaction of the shareholders. All the requests for transfers and transmissions have been duly acted upon and no such request was pending as on 31<sup>st</sup> March, 2011.

#### II. Sub-Committee

In order to have speedy disposal of the shareholders'/investors' requests for transfer and transmission, a sub-committee consisting of the following directors/officers of the Company is in place for effecting share transfer/transmission/split/consolidation of shares;

- Mr. Surinder P. Kanwar, Chairman and Managing Director
- Mr. Sameer Kanwar, Joint Managing Director
- Mr. P.C. Kothari, Process Head (Finance and Accounts)
- Mr. Prashant Khattry, Group Head (Legal) and Company Secretary

Any two of the above are authorised to consider and approve the transfer / transmission / split / consolidation of shares. The Sub-Committee is attending to Share Transfer formalities at least once in a fortnight.

### D. Finance Committee

During the Financial Year 2010-2011, the Finance Committee of the Board of Directors was duly constituted on 4<sup>th</sup> February, 2011. The "Finance Committee" has been empowered to take care of the financing and other day to day requirements of the Company. The said Committee is authorised to borrow monies, make loans, issue Shares etc. and matters related or incidental thereto.

The **Table-5** gives the composition of the Finance Committee:

**Table-5**

Sl. No.	Name of Member	Designation
1.	Mr. Rakesh Chopra	Chairman
2.	Mr. Surinder P. Kanwar	Member
3.	Mr. Sameer Kanwar	Member
4.	Mr. S.G. Awasthi	Member

Mr. Rakesh Chopra and Mr. S.G. Awasthi are the Non-Executive Independent Directors, Mr. Surinder P. Kanwar is Chairman & Managing Director and Mr. Sameer Kanwar is Joint Managing Director.

During the year, no meeting of the Finance Committee was convened.

### 4. COMPLIANCE OFFICER

Mr. Prashant Khattry, Group Head (Legal) & Company Secretary is the Compliance Officer of the Company w.e.f 7<sup>th</sup> June, 2010.

Previously, Mr. Ashish Pandey, Group Head (Legal) and Company Secretary of the Company was the Compliance Officer of the Company from 1<sup>st</sup> April, 2010 to 4<sup>th</sup> June, 2010.

## 5. DIRECTORS

### Re-appointment of existing non-executive rotational directors

As required under Clause 49 of the Listing Agreement, the information or details pertaining to the Directors seeking appointment/ re-appointment in the ensuing Annual General Meeting, are furnished below.

The **Table-6** gives the information pertaining to the directors who are to be re-appointed in the forthcoming Annual General Meeting:

**Table-6**

#### Sl. No. Particulars of Directors

##### i Dr. Ram S. Tarneja, Director

**Brief Resume:** Dr. Ram S. Tarneja, born on 07.12.1931 is a non-executive Director of the Company since 31.12.1981. He did B.A. (Hons) from Delhi. He is also an M.A. both from University of Delhi & University of Virginia and has also done Ph.D from Cornell University. Dr. Ram S. Tarneja has varied and rich experience across Companies. He has served on the Board and Committee of various Companies and has the requisite expertise in accounting and financial management.

Dr. Ram S. Tarneja is a Director and Chairman/Member of Committees of Board of the following other Companies:

S.No.	Name of the Company/ Entity in which interested	Committee Chairmanship/ Membership
1	Jolly Board Limited-Chairman	Member-Share Transfer Committee
2	Bennett Coleman & Co. Ltd	Member-Audit Committee
3	GATI Ltd.	Member-Audit Committee
4	GIVO Ltd.	-----
5	HDFC Ltd.	Chairman-Shareholders/Investors Grievances Committee
6	NESCO Ltd.	Member-Audit Committee
7	Otis Elevator Company (I) Ltd.	Member-Audit Committee Member-Shareholders/Investors Grievances Committee
8	Phillips Carbon Black Ltd.	-----
9	Phoenix Township Limited	-----
10	SOWIL Ltd.	-----
11	Transcorp. International Limited	Member-Audit Committee

He also holds directorship in following Private Limited Companies:

S.No.	Name of the Company/Entity in which interested
1	Arim Metal Industries Pvt. Ltd.-Vice Chairman
2	Nissin ABC Logistics Pvt. Ltd.-Chairman
3	RITCO Travels and Tours Private Ltd.

As on 31<sup>st</sup> March, 2011, he does not hold any share in the Company.

##### ii Mr. S.G. Awasthi, Director

**Brief Resume:** Mr. S.G. Awasthi, born on 06.03.1943, graduated in Science from Allahabad University, and did Mechanical Engineering from Roorkee University. He possesses vast experience of representing the top hierarchy of Indian industry, Media,

Bureaucracy, and the Government and Business Houses like TATA, TOYOTA etc. He has also served as member and Chairman of various state, national and international level committees.

Mr. S.G. Awasthi is a Director and Chairman/Member of Committees of Board of the following other Companies:

S. No.	Name of the Company/Entity in which interested	Committee Chairmanship/Membership
1	-	-

As on 31<sup>st</sup> March, 2011, he does not hold any share in the Company.

## 6. GENERAL BODY MEETINGS

The last three Annual General Meetings of the Company were held as detailed below:

### Annual General Meetings

Financial Year	Venue	Date & Time	Special Resolution(s) Passed
2009-2010	Faridabad Industries Association, FIA House, Bata Chowk, Faridabad-121001 (Haryana)	29.07.2010 4.30 P.M.	Yes  A. Re-appointment of Mr. Surinder P. Kanwar as Chairman & Managing Director for a further period of 5 Years with increased remuneration.
2008-2009	Faridabad Industries Association, FIA House, Bata Chowk, Faridabad-121001 (Haryana)	31.07.2009 11:00 A.M.	No
2007-2008	Municipal Auditorium, N.I.T., Faridabad-121001 (Haryana)	31.07.2008 11:00 A.M.	Yes  A. Increase in remuneration of Mr. Surinder P. Kanwar, Chairman & Managing Director, for period of 2 years.  B. Revision in terms of appointment of Mr. Sameer Kanwar, Executive Director.  C. Appointment of Mr. Sameer Kanwar as Joint Managing Director.  D. Early redemption of Preference Shares.

### Extra-ordinary General Meetings

No Extraordinary General Meeting of the Company was held during the Financial Year ended 31<sup>st</sup> March, 2011.

There are no special resolution passed during 2010-2011 through postal ballot and no special resolution is proposed to be conducted through postal ballot.

## 7. DISCLOSURES

### A. Basis of Related Party Transactions

During the year 2010 – 2011, there were no material individual transactions with related parties, which are not in normal course of business or are not on an arm's length basis. The statements in summary form of transactions with related parties in the ordinary course of business are placed periodically before the Audit Committee for its consideration and review. All disclosures related to financial and commercial transactions where directors are interested are provided to the Board, and the interested

directors do not participate in the discussion nor do they vote on such matters. The details of the related party transactions during the year are given in the Notes to Accounts.

## B. Disclosure of Accounting Treatment in preparation of Financial Statements

Bharat Gears Limited has followed the guidelines of accounting standards as mandated by the Central Government in preparation of its financial statements.

## C. Risk Management Framework

The Company has in place mechanisms to inform Board Members about the risk assessment and minimization procedures and periodical review to ensure that executive management controls risk by means of a properly defined framework.

A detailed note on risk management is given in the Management Discussion and Analysis section forming part of the Directors Report.

## D. Compliance by the Company

There were no instances of any non – compliance by the Company nor any penalties, strictures imposed on the Company by stock exchanges or SEBI or any other statutory authority, on any matter related to the capital markets, during the last three years.

## E. Management

Management Discussion and Analysis forms part of the Annual Report to the Shareholders for the Financial Year 2010-2011.

## F. Whistle Blower

The Company has laid down a complete whistle blower policy, which is available at the Company's website [www.bharatgears.com](http://www.bharatgears.com). During the year, no unethical behavior has been reported. Further, the Company has not denied any personnel access to the Audit Committee and it will provide protection to whistle blower, if any, from adverse personnel action.

## G. Remuneration of Directors for 2010-2011

(Rs. In lacs)			
Name of Members	Sitting Fees	Salaries and Perquisites	Total
Mr. N. J. Kamath	0.60	Nil	0.60
Mr. V. K. Pargal	0.35	Nil	0.35
Dr. Ram S. Tarneja	0.45	Nil	0.45
Mr. W.R. Schilha	0.20	Nil	0.20
Mr. S.G. Awasthi	0.20	Nil	0.20
Mr. Rakesh Chopra	0.25	Nil	0.25
		<b>Sub-Total (A)</b>	<b>2.05</b>
Mr. Surinder P Kanwar Chairman & Managing Director	Nil	● Salary	131.10
		● Contribution to provident and other funds (*)	35.40
		● Monetary value of perquisites (**)	27.87
Mr. Sameer Kanwar Joint Managing Director	Nil	● Salary and allowances	60.90
		● Contribution to provident and other funds (*)	14.18
		● Monetary value of perquisites (**)	8.71
		<b>Sub-Total (B)</b>	<b>278.16</b>
		<b>Grand Total</b>	<b>280.21</b>

\*Excludes provision for gratuity which is determined on the basis of actuarial valuation done on an overall basis for the Company.

\*\*Excludes provision for compensated absences which is made based on the actuarial valuation done on an overall basis for the Company.

@ Includes provision of Rs. 21.72 lacs ; (previous year : Rs. Nil) being provision for additional remuneration effective from 1<sup>st</sup> October, 2010, which is subject to approval of the Central Government, for which application has been filed before Ministry of Corporate Affairs by the Company.

There is no notice period or severance fee in respect of appointment of any of the above Managerial Personnel. Neither Mr. Surinder P. Kanwar nor Mr. Sameer Kanwar is entitled for any performance linked incentives and the Company does not have any Stock Option Scheme.

## H. CEO/CFO certification

Certificate from Mr. Surinder P. Kanwar, Chairman and Managing Director and Mr. Milind Pujari, Chief Financial Officer in terms of Clause 49 (V) of the Listing Agreement with the Stock Exchanges for the financial year ended 31<sup>st</sup> March, 2011 was placed before the Board of Directors of the Company in its meeting held on 27<sup>th</sup> May, 2011.

## I. Code of Conduct and Corporate Ethics

### • Code of Business Conduct and Ethics

Bharat Gears Limited believes that Good Corporate Governance is the key to the Conduct of Company's Business in a transparent, reliable and vibrant manner. It is of paramount importance for any Company to create an atmosphere of faith, integrity, accountability, responsibility and financial stability by adhering to commitment, ethical business conduct, a high degree of transparency thereby unlocking the individual intellectual capabilities and enabling its Board of Directors to conduct its duties under a moral authority, which ultimately leads to enhance legitimate needs and value of the stake holders. A copy of this code has been posted at Company's official website i.e. [www.bharatgears.com](http://www.bharatgears.com)

### • Code of Conduct for Prevention of Insider Trading

The Company has a comprehensive code of conduct for its management, staff and directors for prevention of insider trading in compliance with SEBI(Prohibition of Insider Trading) Regulations, 1992. The code lays down the guidelines and procedures to be followed and disclosures to be made while dealing with the shares of the Company and cautioning them on the consequences of non-compliances. The pieces of the price sensitive information are disseminated to the stock exchanges timely, adequately and promptly on continuous basis for prevention of insider trading. The Company Secretary has been appointed as Compliance Officer and is responsible for adherence to Code for prevention of insider trading. A copy of same has been posted at the official website of the Company i.e. [www.bharatgears.com](http://www.bharatgears.com).

## J. Mandatory Requirements

The Company has complied with all the mandatory requirements of Clause 49 of Listing Agreement entered into with stock exchanges. Details of compliances are given below:

	Particulars	Clause of Listing Agreement	Compliance status
<b>I.</b>	<b>Board of Directors</b>	49(I)	Yes
(A)	Composition of Board	49(IA)	Yes
(B)	Non-executive directors compensation and disclosure	49(IB)	Yes
(C)	Other provisions as to Board and committees	49(IC)	Yes
(D)	Code of Conduct	49(ID)	Yes
<b>II.</b>	<b>Audit Committee</b>	49(II)	Yes
(A)	Qualified and independent Audit Committee	49(IIA)	Yes
(B)	Meeting of Audit Committee	49(IIB)	Yes
(C)	Power of Audit Committee	49(IIC)	Yes
(D)	Role of Audit Committee	49(IID)	Yes
(E)	Review of information by Audit Committee	49(IIE)	Yes
<b>III.</b>	<b>Subsidiary Companies</b>	49(III)	N.A
<b>IV.</b>	<b>Disclosures</b>	49(IV)	Yes
(A)	Basis of related party transaction	49(IVA)	Yes
(B)	Disclosure of accounting treatment	49(IVB)	N.A.
(C)	Board disclosures	49(IVC)	Yes
(D)	Proceed from public issues, right issues, preferential issues etc.	49(IVD)	N.A.
(E)	Remuneration of directors	49(IVE)	Yes
(F)	Management	49(IVF)	Yes
(G)	Shareholders	49(IVG)	Yes
<b>V.</b>	<b>CEO/CFO Certification</b>	49(V)	Yes
<b>VI.</b>	<b>Report on Corporate Governance</b>	49(VI)	Yes
<b>VII.</b>	<b>Compliance</b>	49(VII)	Yes

## K. Non-Mandatory Requirements

The Company has set up a Remuneration Committee & Finance Committee, details whereof are given in the Board Committees section of this report. The Company has also adopted a whistle blower mechanism.

## L. Means of Communication

The quarterly, half yearly and annual financial results during the year were published by the Company as under:

Financial Results	Name(s) of Newspapers	Date(s) of Publication
Quarter/Year ended 31 <sup>st</sup> March, 2010	The Economic Times*, NavbharatTimes (Hindi)#.	28 <sup>th</sup> May, 2010
Quarter ended 30 <sup>th</sup> June, 2010	The Economic Times*, NavbharatTimes (Hindi)#.	30 <sup>th</sup> July, 2010
Quarter/Half Year ended 30 <sup>th</sup> September, 2010	The Economic Times*, NavbharatTimes (Hindi)#.	29 <sup>th</sup> October, 2010
Quarter ended 31 <sup>st</sup> December, 2010	The Economic Times*, NavbharatTimes (Hindi)#.	5 <sup>th</sup> February, 2011

\* Economic Times - Delhi/Mumbai/Pune/Lucknow/Chandigarh Editions

# NavbharatTimes (Hindi)- Delhi/Mumbai Editions

In addition to the above, the quarterly/ half yearly and the annual financial results and official releases, if any, are also displayed on the Company's official website i.e. [www.bharatgears.com](http://www.bharatgears.com) for the information of all the shareholders. The quarterly/half-yearly and annual financial results, shareholding pattern, along with full version of Corporate Governance Report, Annual Report and other requisite material information are also displayed on [www.corpfiling.co.in](http://www.corpfiling.co.in)

Further, any interviews given by Company Executives/ Management during the year are also displayed on the Company's official website i.e. [www.bharatgears.com](http://www.bharatgears.com).

Besides the above, no other presentations were made to any institutional investor or to the analysts.

## 8. GENERAL SHAREHOLDERS' INFORMATION

### A. Annual General Meeting Details:

The forthcoming AGM of the Company shall be held at 12.00 Noon on Tuesday, the 26<sup>th</sup> day of July, 2011 at Faridabad Industries Association, FIA House, Bata Chowk, Faridabad-121001(Haryana).

### B. Financial Year:

Financial year of the Company commences on 1<sup>st</sup> April and ends on 31<sup>st</sup> March. The Four Quarters of the Company end on 30<sup>th</sup> June; 30<sup>th</sup> September; 31<sup>st</sup> December and 31<sup>st</sup> March respectively.

### C. Date of Book Closure:

21<sup>st</sup> July, 2011 to 26<sup>th</sup> July, 2011 (both days inclusive)

### D. Dividend Payment Date:

The dividend will be paid on or before 24<sup>th</sup> August, 2011.

### E. Listing on Stock Exchanges and Stock Code:

The shares of the Company are listed on the following Stock Exchanges:

- Bombay Stock Exchange Limited [BSE]  
[Stock Code: 505688]
- National Stock Exchange of India Limited [NSE]  
[Symbol: BHARATGEAR]

The Annual Listing Fees for the year 2011-2012 have been paid in advance to the aforesaid Stock Exchanges.

## F. Market Price Data:

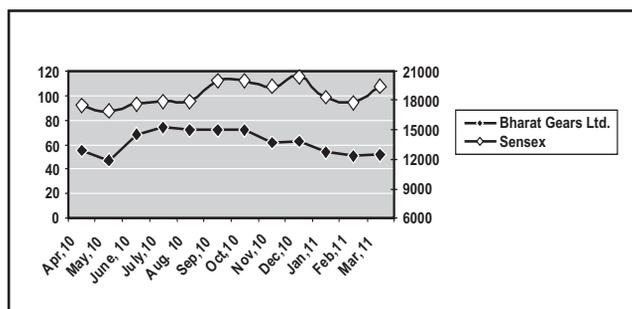
High and Low prices during each month of Financial Year 2010-2011 on National Stock Exchange of India Limited and Bombay Stock Exchange Limited are as under:

The Closing Price represents the price on the last trading day of each month of Financial Year 2010-2011.

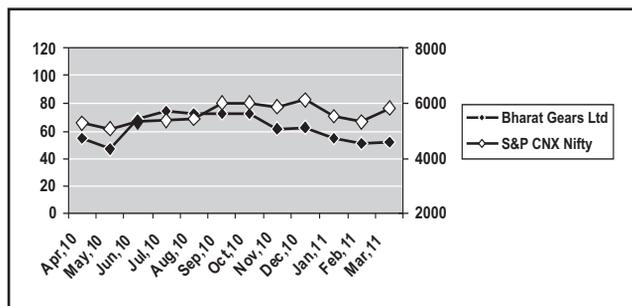
Month	High (Rs.)		Low (Rs.)		Closing (Rs.)	
	NSE	BSE	NSE	BSE	NSE	BSE
April	63.00	62.85	53.70	53.15	55.00	55.15
May	58.70	60.40	42.80	42.50	47.00	47.00
June	70.00	69.90	43.50	44.55	68.60	68.85
July	85.00	85.20	63.00	62.85	74.25	74.20
August	79.00	79.20	68.85	69.00	72.35	72.30
September	82.50	82.55	70.00	71.35	72.35	72.00
October	102.70	102.45	67.55	67.10	72.05	72.00
November	76.00	77.85	55.50	56.00	61.00	61.15
December	67.40	67.00	54.15	56.50	62.45	62.50
January	66.50	64.60	54.10	52.25	54.45	54.35
February	58.00	57.40	42.15	42.50	50.85	50.00
March	57.00	62.40	48.10	49.00	51.80	51.80

The graphical presentations of movement of closing share prices of the company on BSE and NSE during the year are as under:

### a. BHARAT GEARS' PRICES VERSUS SENSITIVITY AT BSE



### b. BHARAT GEARS' PRICES VERSUS S & P CNX NIFTY



## G. Registrar and Transfer Agent:

M/s. Link Intime India Pvt. Ltd. (Formerly known as Intime Spectrum Registry Limited) is the Registrar and Transfer agent for handling both the share registry work relating to shares held in physical and electronic form at single point. The Share Transfers were duly registered and returned in the normal course within stipulated period, if the documents were clear in all respects.

The Shareholders are therefore advised to send all their correspondences directly to the Registrar and Transfer Agent of the Company at the below mentioned address:

Linkintime India Private Limited  
A-40, Naraina Industrial Area  
Phase-II  
Near Batra Banquets  
New Delhi-110028  
Phone Nos: 011-41410592/93/94  
Fax No.: 011-41410591  
E-mail: [delhi@linkintime.co.in](mailto:delhi@linkintime.co.in)

However, for the convenience of Shareholders, correspondence relating to Shares received by the Company are forwarded to the Registrar and Transfer Agent for action thereon.

## H. Share Transfer System:

The Shares are accepted for registration of transfer at the Registered Office of the Company in addition to the office of Registrar and Transfer Agent (RTA), M/s Link Intime India Private Limited. Link Intime India Private Limited is fully equipped to undertake the activities of Share Transfers and redressal of Shareholders grievances.

In order to have speedy disposal of the shareholders'/investors' requests for transfer and transmission, a sub-committee consisting of the following directors/officers of the Company is in place for effecting transfer/transmission/split/ consolidation of shares;

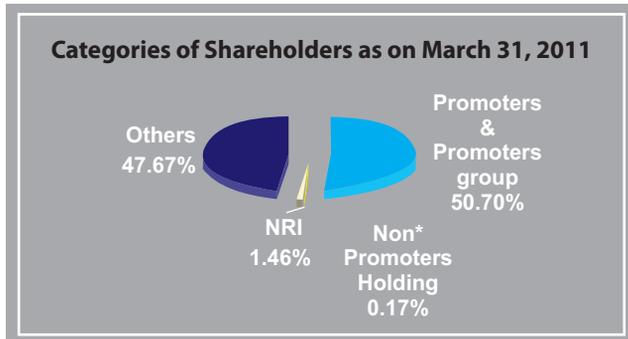
- Mr. Surinder P. Kanwar, Chairman and Managing Director
- Mr. Sameer Kanwar, Joint Managing Director
- Mr. P.C. Kothari, Process Head (Finance and Accounts)
- Mr. Prashant Khattry, Group Head (Legal) and Company Secretary

Any two of the above are authorised to consider and approve the transfer / transmission / split / consolidation of shares. The Sub-Committee is attending to Share Transfer formalities at least once in a fortnight.

After approved by the Sub-Committee, the Share Transfers are affected by the Registrar and Transfer Agent of the Company.

As per the requirements of Clause 47(c) of the Listing Agreement with the Stock Exchanges, the Company has obtained the half yearly certificates from a Company Secretary in Practice for due compliance of Share transfer formalities.

**I. Shareholding pattern of the Company as per category of shareholders as on March 31, 2011:**



**\* Non Promoters Holdings are Negligible**

Category	No. of Shares Held	%age of Shareholding
<b>A. Promoters' holding</b>		
1. Promoters		
- Indian Promoters	23,01,290	29.44
- Foreign Promoters	-	-
2. Persons acting in Concert	16,62,213	21.26
<b>B. Non-Promoters' Holding</b>		
3. Institutional Investors		
a. Mutual Funds and Unit Trust of India	3,300	0.04
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt. Institutions)	10,218	0.13
c. Foreign Institutional Investor	50	0.00
4. Others		
a. Private Corporate Bodies	9,06,911	11.60
b. Indian Public	26,91,523	34.43
c. Non Resident Indians/Overseas	1,13,858	1.46
d. Any Other	1,28,470	1.64
<b>Total</b>	<b>7817833</b>	<b>100.00</b>

**J. Distribution of Shareholding as on March 31, 2011:**

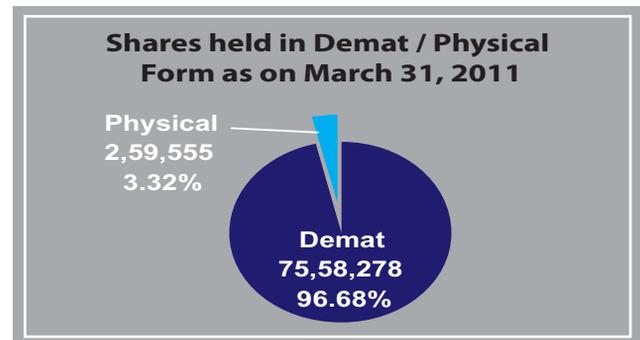
No. of Equity shares held	Number of Shareholders	Number of Shares	%age to total shares
Up to 250	8529	568669	7.28
251 to 500	902	352149	4.50
501 to 1000	418	335240	4.29
1001 to 2000	221	336562	4.30
2001 to 3000	55	142690	1.82
3001 to 4000	43	154011	1.97
4001 to 5000	37	175302	2.24
5001 to 10000	44	324268	4.15
10001 and above	48	5428942	69.45
<b>Total</b>	<b>10297</b>	<b>7817833</b>	<b>100.00</b>

**K. Share Dematerialisation System:**

The requests for dematerialisation of shares are processed by RTA expeditiously and the confirmation in respect of dematerialisation is entered by RTA in the depository system of the respective depositories, by way of electronic entries for dematerialisation of shares generally on weekly basis. In case of rejections the documents are returned under objection to the Depository Participant with a copy to the shareholder and electronic entry for rejection is made by RTA in the Depository System.

**L. Dematerialization of Shares and liquidity:**

The Company's equity shares are compulsorily traded in the Stock Exchanges in the dematerialized mode and are available for trading under both the Depository Systems in India i.e. National Securities Depository Limited and Central Depository Services (India) Limited.



As on 31<sup>st</sup> March, 2011 a total of 75,58,278 equity shares of the Company of Rs. 10/- each, which form 96.68 % of the paid up equity share capital, stand dematerialized.

Outstanding ADRs/GDRs/Warrants or any convertible instruments, conversion date and likely impact on equity: Not Applicable

**M. Unclaimed Shares in Physical Mode:**

As per Clause 5A of the Listing Agreement, there are no unclaimed shares in the Company.

**N. Corporate Benefits:**

**Dividend History:**

**Dividend on equity shares**

Financial Year	Rate (%)	Amount (Rs. in Crores)
2010-2011	15	1.17
2009-2010	12	0.94
2008-2009	10	0.78
2007-2008	10	0.78
2006-2007	Nil	Nil

### Dividend on preference shares

Financial Year	Rate (%)	Amount (Rs. In Crores)
2010-2011	10	0.21*
2009-2010	10	0.21
2008-2009	10	0.21
2007-2008	10	1.94
2006-2007	Nil	Nil

\* Already paid as Interim Dividend on 31<sup>st</sup> March, 2011

### O. Plant locations:

The Company's plants are located at the below mentioned addresses:

- 20 K.M., Mathura Road, P.O. Amar Nagar, Faridabad, Haryana, Pin-121 003
- Kausa Shil, Mumbra, Distt. Thane, Maharashtra, Pin-400 612

### P. Addresses for Correspondence:

For Share transfer/ demat/remat of shares or any other query relating to shares:-

- M/s Link Intime India Pvt. Limited, A-40, 2<sup>nd</sup> Floor, Naraina Industrial Area, Phase-II, Near Batra Banquet Hall, New Delhi – 110 028, Phone No. 011-41410592-94, Fax-011-41410591, Email: [delhi@linkintime.co.in](mailto:delhi@linkintime.co.in)

For Investor assistance:-

- Mr. Prashant Khattry, Group Head (Legal) and Company Secretary, M/s. Bharat Gears Limited, 20 K.M., Mathura Road, P. O. Amar Nagar, Faridabad – 121003, Phone: 0129-4288888, Fax No. 0129-4288822-23, Email: [prashant.khattry@bglindia.com](mailto:prashant.khattry@bglindia.com)

### Q. Email for investors:

The Company has designated [investor@bglindia.com](mailto:investor@bglindia.com) as e-mail address especially for investors' grievances. Alternatively, the investors can send their complaints/requests at [bglfbd@vsnl.net.in](mailto:bglfbd@vsnl.net.in)

### R. Nomination facility:

The Shareholders holding Shares in physical form may, if they so want, send their nominations in prescribed Form 2B of the Companies (Central Government's) General Rules and Forms, 1956, (which can be obtained from the Company's RTA or downloaded from the Company's Website <http://www.bharatgears.com/forms.html>) to the Company's RTA. Those holding shares in dematerialised form may contact their respective Depository Participant (DP) to avail the nomination facility.

### S. Updation of Shareholders information:

The shareholders of the Company are requested to intimate their latest residential address along with the details of their shareholding in "Updation of Shareholder's Information Form" (which can be obtained from the Registered Office of the Company or downloaded from the Company's Website <http://www.bharatgears.com/forms.html>). The duly filled form for Updation of information may either be sent to the Company at its Registered Office or be hand-delivered at the Annual General Meeting of the Company.

On Behalf of the Board of Directors



Surinder P. Kanwar  
Chairman and Managing Director

Dated: May 27, 2011

Place: Mumbai



## COMPLIANCE CERTIFICATE AS PER CLAUSE – 49(V) OF THE LISTING AGREEMENT

We have reviewed financial statements and the cash flow statement for the year 2010– 2011 and that to the best of our knowledge and belief:

- 1) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- 2) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- 3) No transaction entered into by the Company during the above said period, which is fraudulent, illegal or violative of the Company's code of conduct.

Further, we accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial statements and we have disclosed to the auditors and the Audit Committee, wherever applicable:

- 1) Deficiencies in the design or operation of internal controls, if any, which came to our notice and the steps we have taken or propose to take to rectify these deficiencies;
- 2) Significant changes in internal control over financial reporting during the year 2010– 2011;
- 3) Significant changes in accounting policies during the year 2010–2011 and that the same have been disclosed in the notes to the financial statements;
- 4) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For **Bharat Gears Limited**

Place: Mumbai  
Date: May 27, 2011

**Milind Pujari**  
Chief Financial Officer

**Surinder P. Kanwar**  
Chairman and Managing Director

## COMPLIANCE WITH CODE OF CONDUCT

The Company has adopted "Code of Business Conduct and Ethics". This code deals with the "Good Governance and ethical Practices, which the Company, the Board members and the Senior Management of the Company are expected to follow.

It is hereby affirmed that during the year 2010-2011, all the Directors and Senior Managerial personnel have complied with the Code of Conduct and have given a confirmation in this regard.

For **Bharat Gears Limited**

Place: Mumbai  
Date : May 27, 2011

**Prashant Khattry**  
Group Head (Legal)  
and Company Secretary

**Surinder P. Kanwar**  
Chairman and Managing Director

## CERTIFICATE

To

The Members of Bharat Gears Limited

We have examined compliance of conditions of Corporate Governance by Bharat Gears Limited, for the year ended on March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliances with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above-mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Deloitte Haskins and Sells**  
Chartered Accountants  
(Registration No. 117365W)

**A.S. Varma**  
Partner

Date: May 27, 2011  
Place: Mumbai

(Membership No.: 15458)



Phoenix 175HC Gear Cutting M/C Line

**AUDITORS' REPORT TO THE MEMBERS OF  
BHARAT GEARS LIMITED**

1. We have audited the attached Balance Sheet of BHARAT GEARS LIMITED ("the Company") as at 31<sup>st</sup> March, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. 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 the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the 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 (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion we draw attention to Note 2 of schedule 18. As stated in the Note, additional remuneration of Rs. 21.72 lacs to Chairman & Managing Director is subject to approval of the Central Government.
5. Further to our comments in the Annexure referred to in paragraph 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 purposes of our audit;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the 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;

- (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 31<sup>st</sup> March, 2011;
  - (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 the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
6. On the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2011 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No.117365W)



**A. S. VARMA**  
Partner  
(Membership No. 15458)

Place: Mumbai  
Date: 27<sup>th</sup> May, 2011

**ANNEXURE TO THE AUDITORS' REPORT**  
**(Referred to in paragraph 3 of our report of even date)**

- (i) Having regard to the nature of the Company's business/activities/result, clauses (iii), (vi), (x), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
  - (a) As explained to us, the inventories, except for stock lying with third parties where certificates confirming stocks have been received in respect of most of the stocks held, have been physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the Company and the nature of its business with regards to the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time except in respect of certain items of specialised nature for which comparable alternative quotations are not available and in respect of which we are unable to comment.
- (vi) In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (vii) We have broadly reviewed the books of account 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 in respect of Automotive Gears and Automotive Components and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
- (viii) According to the information and explanations given to us in respect of statutory dues:
  - (a) The Company is regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.

- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31<sup>st</sup> March, 2011 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in Lakhs)
The Income Tax Act, 1961	Tax/Interest	Income Tax Appellate Tribunal	2008-09	19.23
		Commissioner of Income Tax (Appeals)	2009-10	3.64

- (xi) In our opinion and according to the information and explanations given to us and on an overall examination of

- (ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions.
- (x) In our opinion and according to the information and explanations given to us, the term loans taken during the year have been applied for the purpose for which they were obtained.




B27 Blade Grinding Machine

**BHARAT GEARS LIMITED**  
**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011**

	Schedule	As at 31 <sup>st</sup> March, 2011 (Rs. lacs)	As at 31 <sup>st</sup> March, 2010 (Rs. lacs)
<b>I. Sources of funds :</b>			
<b>(1) SHAREHOLDERS' FUNDS</b>			
Share capital	1	886.03	990.28
Reserves and surplus	2	5022.83	4226.82
		<b>5908.86</b>	<b>5217.10</b>
<b>(2) LOAN FUNDS</b>			
Secured loans	3	4847.69	3634.46
Finance lease obligations		965.81	508.58
		<b>5813.50</b>	<b>4143.04</b>
<b>(3) DEFERRED TAX LIABILITIES (NET) (Note 19 of Schedule 18)</b>			
		<b>120.53</b>	<b>145.53</b>
	Total	<b>11842.89</b>	<b>9505.67</b>
<b>II. Application of funds :</b>			
<b>(1) FIXED ASSETS</b>			
Gross block	4	22228.16	19723.73
Less : Depreciation / Amortisation		14265.76	13472.83
Net block		7962.40	6250.90
Capital work in progress		523.28	190.18
Advances on capital account		195.21	12.47
		<b>8680.89</b>	<b>6453.55</b>
<b>(2) CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	5	5366.98	3758.51
Sundry debtors	6	5914.45	5003.03
Cash and bank balances	7	1107.11	693.54
Other current assets	8	182.83	138.44
Loans and advances	9	1453.56	1044.61
		<b>14024.93</b>	<b>10638.13</b>
<b>Less :CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	10	9615.13	6613.81
Provisions	11	1247.80	977.86
		<b>10862.93</b>	<b>7591.67</b>
Net current assets		<b>3162.00</b>	<b>3046.46</b>
<b>(3) MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off or adjusted) (Note 14 of Schedule 18)		-	5.66
	Total	<b>11842.89</b>	<b>9505.67</b>
NOTES TO THE ACCOUNTS	18		

In terms of our report attached

**For Deloitte Haskins & Sells**  
Chartered Accountants

**SURINDER P. KANWAR**  
Chairman and Managing Director

**SAMEER KANWAR**  
Joint Managing Director

**RAM S. TARNEJA**  
**W. R. SCHILHA**  
**N. J. KAMATH**  
**S. G. AWASTHI**  
Directors

**A. S. VARMA**  
Partner

**PRASHANT KHATTRY**  
Group Head (Legal) &  
Company Secretary

**MILIND PUJARI**  
Chief Financial Officer

Place : Mumbai  
Date : May 27, 2011



Geared for life

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011**

	Schedule	Year Ended		Year Ended	
		31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2010	(Rs. lacs)	(Rs. lacs)
Sales including processing charges (gross)		<b>35471.32</b>			26363.90
Less : Excise duty		<b>2420.75</b>			1739.93
Sales including processing charges (net)		<b>33050.57</b>			24623.97
Other income	12	<b>495.66</b>			486.26
<b>TOTAL INCOME</b>		<b>33546.23</b>			25110.23
<b>EXPENDITURE</b>					
Cost of materials	13	<b>16368.19</b>			12054.37
Payments to and provisions for employees	14	<b>4981.41</b>			3984.56
Other expenses	15	<b>8985.27</b>			6296.55
Interest and other financing charges	16	<b>846.44</b>			856.54
Depreciation / Amortisation	17	<b>909.17</b>			955.31
<b>PROFIT BEFORE TAX</b>		<b>1455.75</b>			962.90
Provision for tax					
- Current tax		<b>535.00</b>		425.00	
- Deferred tax (net)		<b>(25.00)</b>		(80.00)	
- Adjustment for (Excess)/Short provision for earlier years (net)		<b>(25.53)</b>		3.74	
		<b>484.47</b>			348.74
<b>PROFIT AFTER TAX</b>		<b>971.28</b>			614.16
Add:Balance brought forward from the previous year		<b>884.69</b>			454.23
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>1855.97</b>			1068.39
<b>APPROPRIATIONS</b>					
Interim dividends					
- Preference		<b>20.85</b>			-
Proposed dividends					
- Preference		-			20.85
- Equity		<b>117.27</b>			93.81
Tax on distributed profits		<b>22.94</b>			19.04
Transferred to capital redemption reserve		<b>104.25</b>			-
Transferred to general reserve		<b>100.00</b>			50.00
Balance carried to balance sheet		<b>1490.66</b>			884.69
		<b>1855.97</b>			1068.39
Basic and diluted earnings per share (in Rs.)		<b>12.11</b>			7.54
Face value of equity share (in Rs.)		<b>10.00</b>			10.00
(Note 18 of Schedule 18)					
NOTES TO THE ACCOUNTS	18				

In terms of our report attached

**For Deloitte Haskins & Sells**  
Chartered Accountants

**SURINDER P. KANWAR**  
Chairman and Managing Director

**SAMEER KANWAR**  
Joint Managing Director

**RAM S. TARNEJA**  
**W. R. SCHILHA**  
**N. J. KAMATH**  
**S. G. AWASTHI**  
Directors

**A. S. VARMA**  
Partner

**PRASHANT KHATTRY**  
Group Head (Legal) &  
Company Secretary

**MILIND PUJARI**  
Chief Financial Officer

Place : Mumbai  
Date : May 27, 2011

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011

	For the Year Ended 31 <sup>st</sup> March, 2011 (Rs. lacs)	For the Year Ended 31 <sup>st</sup> March, 2010 (Rs. lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit before tax	1455.75	962.90
Adjustments for :		
- Depreciation / Amortisation	909.17	955.31
- Unrealised exchange loss / (gain) (net)	30.31	(52.89)
- Loss / (Profit) on sale of fixed assets (net)	3.98	(34.27)
- Interest income	(38.57)	(30.26)
- Interest and bill discounting charges	714.69	602.60
- Tax deducted at source recoverable, written off	0.65	-
<b>Operating profit before working capital changes</b>	<b>3075.98</b>	<b>2403.39</b>
Adjustments for :		
- Inventories	(1608.47)	(515.46)
- Trade and other receivables	(1379.13)	(147.33)
- Trade and other payables/Provisions	3123.52	1435.26
- Miscellaneous expenditure	5.66	24.94
<b>Cash generated from operations</b>	<b>3217.56</b>	<b>3200.80</b>
- Income taxes including Fringe Benefit Tax paid (net of refunds)	(394.39)	(530.03)
<b>Net cash from operating activities</b>	<b>2823.17</b>	<b>2670.77</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of fixed assets	(2457.74)	(446.15)
Sale of fixed assets	16.75	71.95
Interest received {inclusive of tax deducted at source Rs. 3.67 lacs; (previous year : Rs 3.20 lacs)}	39.78	30.75
Fixed Deposits with bank not readily convertible in cash (Net)	68.14	(7.54)
<b>Net cash used in investing activities</b>	<b>(2333.07)</b>	<b>(350.99)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Proceeds from long term borrowings	1212.31	185.19
Redemption of preference shares	(104.25)	-
Repayment of long term borrowings	(1360.63)	(949.25)
Equity dividend paid {including tax on distributed profits (Rs.15.58 lacs; (previous year : Rs 13.29 lacs)}	(107.37)	(89.57)
Preference dividend paid {including tax on distributed profits (Rs.3.46 lacs; (previous year : Rs 3.54 lacs)}	(24.31)	(24.39)
Interim preference dividend paid	(20.85)	-
Increase / (Decrease) in cash credits and packing credits	1366.36	(559.60)
Payments to Investor Education and Protection Fund	(0.02)	-
Lease rent paid	(188.13)	(145.82)
Interest and bill discounting charges paid	(781.50)	(509.73)
<b>Net cash used in financing activities</b>	<b>(8.39)</b>	<b>(2093.17)</b>
<b>Net increase / (decrease) in cash &amp; cash equivalents (A+B+C)</b>	<b>481.71</b>	<b>226.61</b>
<b>Cash &amp; cash equivalents at the beginning of the year (see note 2)</b>	<b>569.81</b>	<b>343.20</b>
<b>Cash and cash equivalents at the end of the year(see note 2)</b>	<b>1051.52</b>	<b>569.81</b>
	<b>481.71</b>	<b>226.61</b>
Notes :		
1. The cash flow is based on and derived from the accounts of the company for the year ended 31st March, 2011 and 31st March, 2010.		
2. Cash and cash equivalents comprise of :		
Cash on hand	9.08	6.51
Cheques on hand	117.36	66.35
With scheduled banks :		
On current accounts	390.48	199.23
On margin accounts	534.60	297.72
On fixed deposit accounts	55.59	123.73
	<b>1107.11</b>	<b>693.54</b>
Less : Fixed deposits with bank not readily convertible in cash	55.59	123.73
Cash and cash equivalents at the end of the year	<b>1051.52</b>	<b>569.81</b>
3. The previous year's figures have been regrouped wherever necessary.		

In terms of our report attached

**For Deloitte Haskins & Sells**  
Chartered Accountants

**SURINDER P. KANWAR**  
Chairman and Managing Director

**SAMEER KANWAR**  
Joint Managing Director

**RAM S. TARNEJA**  
**W. R. SCHILHA**  
**N. J. KAMATH**  
**S. G. AWASTHI**  
Directors

**A. S. VARMA**  
Partner

**PRASHANT KHATTRY**  
Group Head (Legal) &  
Company Secretary

**MILIND PUJARI**  
Chief Financial Officer

Place : Mumbai  
Date : May 27, 2011



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

<b>(1) SHARE CAPITAL</b>	<b>As At 31<sup>st</sup> March, 2011 (Rs. lacs)</b>	<b>As At 31<sup>st</sup> March, 2010 (Rs. lacs)</b>
<b>Authorised</b>		
1,00,00,000 Equity shares of Rs.10 each	<b>1000.00</b>	1000.00
15,00,000 Cumulative redeemable convertible or non-convertible preference shares of Rs.100 each	<b>1500.00</b>	1500.00
	<b>2500.00</b>	2500.00
<b>Issued and Subscribed</b>		
78,17,833 Equity shares of Rs.10 each fully paid up [Of the above 28,750 equity shares have been issued pursuant to the scheme of amalgamation of the erstwhile Universal Steel & Alloys Limited (USAL) with the company, for consideration other than cash]	<b>781.78</b>	781.78
1,04,250 10% Cumulative redeemable non - convertible preference shares of Rs.100 each, fully paid up ( Previous year : 2,08,500) [Issued pursuant to a Corporate Debt Restructuring scheme for consideration other than cash] (Refer note below)	<b>104.25</b>	208.50
	<b>886.03</b>	990.28

Note :

Series VI, VII & VIII aggregating Rs.208.50 lacs were allotted on 29<sup>th</sup> September, 2003 in respect of the present value of 50% of the differential interest on account of reduction in interest rate on the term loans as per the Corporate Debt Restructuring scheme. 50% of series VI, VII & VIII amounting to Rs. 104.25 lacs were redeemed at par on 31<sup>st</sup> March, 2011 and balance of Rs. 104.25 lacs are redeemable at par on 31<sup>st</sup> March, 2012.

**(2) RESERVES AND SURPLUS**

Capital redemption reserve		
Per last balance sheet	<b>380.00</b>	380.00
Add : Transferred from profit & loss account	<b>104.25</b>	-
	<b>484.25</b>	380.00
Securities premium account		
Per last balance sheet	<b>924.60</b>	924.60
	<b>924.60</b>	924.60
Revaluation reserve		
Per last balance sheet	<b>666.73</b>	680.93
Less : Transferred to profit and loss account, being depreciation on amount added on revaluation of fixed assets (Schedule 17)	<b>14.21</b>	14.20
	<b>652.52</b>	666.73
General reserve		
Per last balance sheet	<b>1370.80</b>	1320.80
Add : Transferred from profit & loss account	<b>100.00</b>	50.00
	<b>1470.80</b>	1370.80
Balance in the profit and loss account	<b>1490.66</b>	884.69
	<b>5022.83</b>	4226.82

## SCHEDULES FORMING PART OF THE BALANCE SHEET

(3) SECURED LOANS	As At 31 <sup>st</sup> March, 2011 (Rs. lacs)	As At 31 <sup>st</sup> March, 2010 (Rs. lacs)
<b>From Banks :</b>		
Cash credits and packing credits ( note 1 below)	2436.24	1069.88
Rupee loan from The Federal Bank Limited (notes 2, 9 & 10 below)	57.83	116.83
Rupee loan from The Federal Bank Limited (notes 2 & 10 below)	11.60	23.39
Rupee loan from State Bank of India (notes 2 & 10 below)	-	41.08
Rupee loan from State Bank of India (note 6 below)	40.00	100.97
Rupee loan from Indian Overseas Bank (notes 2 & 10 below)	-	24.53
Rupee loan from The Federal Bank Limited ( note 3 below)	148.80	300.59
Rupee loan from Bank of Baroda (notes 2 & 10 below)	-	36.00
Rupee loan from IDBI Bank Limited ( note 3 below)	203.25	474.25
Rupee loan from IDBI Bank Limited ( note 7 below)	925.22	709.32
Rupee loan from IDBI Bank Limited ( note 5 below)	72.00	168.00
Rupee loan from IDBI Bank Limited (notes 2 & 10 below)	58.65	136.85
Vehicle loans from ICICI Bank Limited ( note 4 below)	-	3.43
	<b>3953.59</b>	<b>3205.12</b>
<b>From Others :</b>		
Foreign Currency loan from Export-Import Bank of India ( note 3 below)	175.55	354.01
Foreign Currency loan from Export-Import Bank of India (notes 2 & 10 below)	37.35	75.33
Rupee loan from Export-Import Bank of India ( note 8 below)	681.20	-
	<b>894.10</b>	<b>429.34</b>
	<b>4847.69</b>	<b>3634.46</b>

### Notes:

- Cash credits and packing credits from banks are secured by hypothecation of stocks of raw materials, stock in process, semi finished and finished goods, loose tools, general stores and book debts and all other movables both present and future and by joint mortgage created for all immovable properties of the Company located at Mumbra plant and Faridabad plant together with all buildings, plant and machinery thereon which rank second subject and subservient to charges created in favour of loans referred to in notes 2, 3, 5, 6, 7 and 8.
- Rupee loans from The Federal Bank Limited, State Bank of India, Indian Overseas Bank, Bank of Baroda, IDBI Bank Limited and Foreign currency loan from Export Import Bank of India are secured by first mortgage and charge created on the immovable and movable assets at Mumbra plant, on pari passu basis with loans referred to in note 5, 7 and 8.
- Rupee loans from The Federal Bank Limited, IDBI Bank Limited and Foreign currency loan from Export Import Bank of India are secured by way of joint mortgage of land at Faridabad plant together with all buildings and structures thereon and all plant and machinery attached to the earth and by way of hypothecation of all movable fixed assets at Faridabad plant ranking pari passu with each other and with loan referred to in note 7 and 8.
- These were secured against the hypothecation of respective vehicles.
- Rupee loan from IDBI Bank Limited is secured by mortgage of immovable properties and hypothecation of movable fixed assets located at Mumbra plant, both present and future, which ranks pari passu with charges created in respect of loans referred to in note 2, 7 and 8.
- Rupee loan from State Bank of India is secured by a first charge by way of hypothecation of specific plant and machinery purchased out of the loan.
- Rupee loan from IDBI Bank Limited is secured by an exclusive first charge by way of Hypothecation of specific plant and machinery, spares, tools and accessories and all other specific movables, both present and future, purchased and/or to be purchased out of the loan and hypothecation of movable (save & except book debts) including movable plant and machinery, spares, tools and accessories, both present and future subject to prior charges created in respect of loans referred to in note 1 and 6 above. Also by mortgage of Company's immovable properties located at Mumbra plant and Faridabad plant together with all buildings and structures and plant and machinery thereon on pari passu basis with loans referred to in note 2, 3, 5 and 8.
- Rupee loan from Export-Import Bank of India is secured by first pari passu charge by way of hypothecation over the Company's entire movable fixed assets and mortgage over immovable properties located at Mumbra plant and Faridabad plant, both present and future with loans referred to in note 2, 3, 5 & 7.
- Rupee loan from The Federal Bank Limited is also secured by mortgage of Company's office premises at Nariman Point, Mumbai.
- Rupee loans referred to in note 2 are also guaranteed by a Director of the Company aggregating Rs.165.43 lacs (previous year: Rs.454.01 lacs) {from banks: Rs.128.08 lacs; (previous year: Rs.378.68 lacs) from others: Rs.37.35 lacs; (previous year: Rs.75.33 lacs)}.



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

**(4) FIXED ASSETS**

(Rs.in lacs)

Assets	Gross Block				Depreciation/Amortisation				Net Block	
	As at 31.03.2010	Additions	Deductions	As at 31.03.2011	Upto 31.03.2010	For the year	On Deductions	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
<b>1. Tangible Assets:</b>										
Land - Freehold	139.43	234.73	-	(*) 374.16	-	-	-	-	374.16	139.43
Land - Leasehold	581.40	-	-	(*) 581.40	93.84	7.82	-	101.66	479.74	487.56
Buildings and roads	1734.89	51.39	-	(*) 1786.28 (**)	809.29	50.07	-	859.36	926.92	925.60
Leasehold improvements	1.77	-	-	1.77	1.68	-	-	1.68	0.09	0.09
Plant and machinery	14882.88	1520.15	121.29	16281.74	11343.24	642.52	104.66	11881.10	4400.64	3539.64
Electrical installations	349.28	9.61	-	358.89	192.82	17.16	-	209.98	148.91	156.46
Water supply installations	75.06	1.34	-	76.40	41.30	3.06	-	44.36	32.04	33.76
Furniture and fixtures	202.47	86.88	8.54	280.81	142.41	18.47	6.45	154.43	126.38	60.06
Computers, office and miscellaneous equipment	640.18	65.63	15.90	689.91	534.38	29.34	13.89	549.83	140.08	105.80
Vehicles	21.71	-	-	21.71	15.61	1.58	-	17.19	4.52	6.10
<b>Assets acquired under finance lease</b>										
Plant and machinery	931.86	661.83	-	1593.69	198.04	126.37	-	324.41	1269.28	733.82
Vehicles	5.46	-	5.46	-	4.09	1.36	5.45	-	-	1.37
<b>2. Intangible Assets:</b>										
Computer Software - acquired	157.34	24.06	-	181.40	96.13	25.63	-	121.76	59.64	61.21
	19723.73	2655.62	151.19	22228.16	13472.83	923.38	130.45	14265.76	7962.40	
As at 31st March 2010	19753.24	429.62	459.14	19723.73	12924.78	969.51	421.46	13472.83		6250.90
Capital work-in-progress									523.28	190.18
Advances on capital account									195.21	12.47
									718.49	202.65
									8680.89	6453.55

(\*) Includes amounts added on revaluation carried out by an approved valuer.(see table below)

	on 31.7.84	(#) on 30.04.85	(#) on 25.11.97	Total
Land	117.48	92.99	488.41	698.88
Buildings & roads	147.25	93.20	51.13	291.58
	264.73	186.19	539.54	990.46
Basis of revaluation :	Current cost accounting	Not Available	Replacement cost/Current cost Accounting	

(#) Relating to the erstwhile USAL

\*\* Buildings' include 10 shares of Rs.50/- each in Venkatesh Premises Co-operative Society Ltd. - Total Rs.500/- (previous year: Rs.500/-)

(5) INVENTORIES	As At 31 <sup>st</sup> March, 2011 (Rs. lacs)	As At 31 <sup>st</sup> March, 2010 (Rs. lacs)
Stores and spare parts	502.11	375.37
Loose tools	842.23	703.25
Stock-in-trade		
Raw materials and components	1071.52	839.74
Finished goods	1013.02	770.96
Work in progress	1935.75	1067.25
Scrap	2.35	1.94
	<b>5366.98</b>	<b>3758.51</b>

## SCHEDULES FORMING PART OF THE BALANCE SHEET

	As At 31 <sup>st</sup> March, 2011 (Rs. lacs)	As At 31 <sup>st</sup> March, 2010 (Rs. lacs)
<b>(6) SUNDRY DEBTORS (UNSECURED &amp; CONSIDERED GOOD UNLESS OTHERWISE STATED)</b>		
Debts outstanding for a period exceeding six months		
Doubtful	-	8.18
others	<u>61.66</u>	<u>106.83</u>
Other debts	<u>5852.79</u>	4896.20
	<u>5914.45</u>	5011.21
Less : Provision for doubtful debts	-	8.18
	<u>5914.45</u>	<u>5003.03</u>
<b>(7) CASH AND BANK BALANCES</b>		
Cash on hand	9.08	6.51
Cheques on hand	117.36	66.35
With scheduled banks :		
On current accounts [ includes Rs.0.04 lac (previous year : Rs.0.06 lac) being unclaimed rights issue application money refundable to shareholders]	390.48	199.23
On margin accounts	534.60	297.72
On fixed deposit accounts [Deposits receipts are held by IDBI Bank Limited towards redemption of preference shares].	55.59	123.73
	<u>1107.11</u>	<u>693.54</u>
<b>(8) OTHER CURRENT ASSETS</b>		
Interest receivable on term deposits with banks etc.	3.54	4.75
Export incentive receivable	179.29	133.69
	<u>182.83</u>	<u>138.44</u>
<b>(9) LOANS AND ADVANCES</b>		
UNSECURED AND CONSIDERED GOOD :		
Advances recoverable in cash or in kind or for value to be received	872.34	551.03
Security deposits (Refer note 13 of Schedule 18)	227.85	123.39
Balances with excise authorities, etc.	147.54	155.15
Income-tax payments less provisions	203.10	200.83
Fringe benefit tax payments less provisions	2.73	14.21
	<u>1453.56</u>	<u>1044.61</u>
<b>(10) CURRENT LIABILITIES</b>		
Acceptances	2612.20	1920.49
Sundry Creditors		
(i) Total outstanding dues of micro enterprises and small enterprises (Refer note 12 of Schedule 18)	263.96	34.94
(ii) Total outstanding dues of sundry creditors other than (i) above	5531.04	3785.50
Customers advances and credit balances	957.11	746.58
Security deposits	33.29	13.54
Investor Education and Protection Fund *		
(a) Unpaid dividends	5.76	3.74
(b) Unpaid rights issue share application money	<u>0.04</u>	<u>0.06</u>
	5.80	3.80
Other current liabilities	205.67	104.11
Interest accrued but not due on loans	6.06	4.85
	<u>9615.13</u>	<u>6613.81</u>

\*The figures reflect the position as at the year end. The actual amount to be transferred to the Investor Education and Protection Fund in this respect shall be determined on the due date.

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

<b>(11) PROVISIONS</b>	<b>As At 31<sup>st</sup> March, 2011 (Rs. lacs)</b>	<b>As At 31<sup>st</sup> March, 2010 (Rs. lacs)</b>
For proposed dividends	117.27	114.66
Tax on distributed profits	22.94	19.04
Provision for income tax less payment	117.96	11.44
Provision for Compensated Absences	526.90	482.82
Provision for Gratuity	415.10	306.56
Provision for Other Employee Benefits	43.39	42.53
Provision for warranty	4.24	0.81
	<b>1247.80</b>	<b>977.86</b>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

<b>(12) OTHER INCOME</b>	<b>Year Ended 31<sup>st</sup> March, 2011 (Rs. lacs)</b>	<b>Year Ended 31<sup>st</sup> March, 2010 (Rs. lacs)</b>
Export incentives	156.30	134.49
Interest -on security deposits, deposits with banks, income tax refunds etc. (Tax deducted at source on interest received Rs.3.67 lacs; previous year : Rs. 3.20 lacs)	38.57	30.26
Income from scrap (net of excise duty Rs. 28.10 lacs previous year : Rs. 19.70 lacs)	275.87	233.14
Rent	1.80	1.80
Credit balances no longer payable written back	12.38	28.50
Profit on sale of fixed assets	3.28	44.40
Miscellaneous income	7.46	13.67
	<b>495.66</b>	<b>486.26</b>

**(13) COST OF MATERIALS**

Raw materials and components consumed	17478.75	12203.33
Increase in stock of Finished Goods and Work in progress		
Opening stock :		
Finished goods	770.96	886.10
Work in progress	1067.25	803.15
	<b>1838.21</b>	<b>1689.25</b>
Less: Closing Stock		
Finished goods	1013.02	770.96
Work in progress	1935.75	1067.25
	<b>2948.77</b>	<b>1838.21</b>
	<b>(1110.56)</b>	<b>(148.96)</b>
	<b>16368.19</b>	<b>12054.37</b>

**(14) PAYMENTS TO AND PROVISIONS FOR EMPLOYEES**

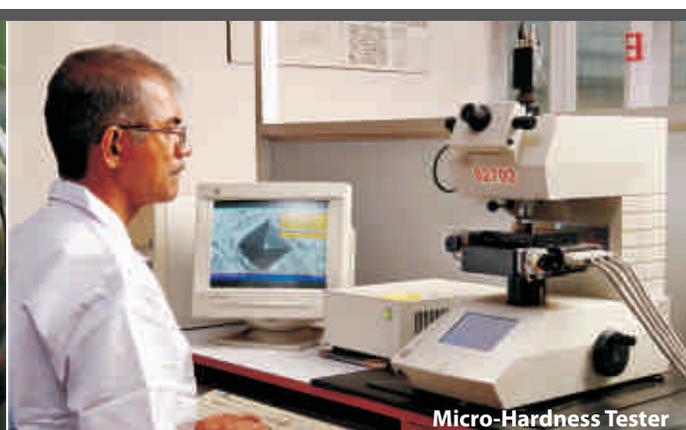
Salaries, wages and bonus (Refer Note 25 of Schedule 18)	3981.09	3190.16
Contribution to provident, superannuation, gratuity and other funds	505.17	380.66
Employees' welfare expenses	495.15	413.74
	<b>4981.41</b>	<b>3984.56</b>

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

<b>(15) OTHER EXPENSES</b>	<b>Year Ended 31<sup>st</sup> March, 2011 (Rs. lacs)</b>	<b>Year Ended 31<sup>st</sup> March, 2010 (Rs. lacs)</b>
Consumption of stores and spare parts	<b>1805.71</b>	1245.16
Loose tools consumed	<b>777.93</b>	658.54
Processing charges	<b>1194.46</b>	599.90
Power and fuel	<b>2486.71</b>	1960.27
Repairs and maintenance - machinery	<b>175.81</b>	130.13
- buildings	<b>115.34</b>	51.93
- others	<b>420.20</b>	287.39
Travelling, conveyance and car expenses	<b>366.19</b>	262.61
Insurance	<b>52.00</b>	46.11
Rent	<b>319.20</b>	130.37
Rates and taxes	<b>41.35</b>	37.69
Freight, forwarding and other charges	<b>438.37</b>	249.42
Commission to selling agents	<b>35.00</b>	21.93
Excise duty (Refer Note 23 of Schedule 18)	<b>19.13</b>	(5.76)
Exchange loss (net)	<b>6.58</b>	24.03
Miscellaneous expenses (Includes loss on sale / write off of fixed assets Rs. 7.26 lacs; previous year : Rs. 10.13 lacs)	<b>731.29</b>	596.83
	<b><u>8985.27</u></b>	<b><u>6296.55</u></b>
<b>(16) INTEREST AND OTHER FINANCING CHARGES</b>		
Interest on fixed period loans	<b>341.02</b>	390.08
Other interest and bill discounting charges	<b>373.67</b>	212.52
Bank and other financing charges	<b>131.75</b>	253.94
	<b><u>846.44</u></b>	<b><u>856.54</u></b>
<b>(17) DEPRECIATION / AMORTISATION</b>		
For the year	<b>923.38</b>	969.51
Less : Transferred from revaluation reserve, being depreciation on amount added on revaluation of fixed assets (Schedule 2)	<b>14.21</b>	14.20
	<b><u>909.17</u></b>	<b><u>955.31</u></b>



Bevel Tester



Micro-Hardness Tester

**SCHEDULES FORMING PART OF THE ACCOUNTS****(18) NOTES TO THE ACCOUNTS:****1. SIGNIFICANT ACCOUNTING POLICIES.**

## i) Basis of Accounting:

The financial statements are prepared on accrual basis under the historical cost convention, except for the revalued fixed assets as stated in Schedule 4 - 'Fixed Assets', and in accordance with the accounting standards specified in the Companies (Accounting Standards) Rules, 2006 notified by the Central Government in terms of Section 211(3C) of the Companies Act, 1956.

## ii) Fixed assets and depreciation:

Fixed assets are stated at cost of acquisition or construction or at revalued amounts less accumulated depreciation. Cost comprises of purchase / acquisition price, import duties, taxes and any directly attributed cost of bringing the asset to its working condition for its intended use. Financing cost on borrowings for acquisition or construction of fixed assets, for the period up to the date of acquisition of fixed assets or when the assets are ready to be put to use / the date of commencement of commercial production, is included in the cost of fixed assets.

Assessment of indication of impairment of an asset is made at the year-end and impairment loss, if any, is recognized.

Depreciation is provided on the basis stated hereunder:

## (a) Tangible assets

The Company provides for depreciation on tangible fixed assets to write off 95% of the cost either on written down value (WDV) method or straight line method (SLM) as stated in table given below in the manner and at the rates prescribed in Schedule XIV to the Companies Act, 1956 except for Factory Buildings and roads acquired prior to 1.8.86 on which depreciation is provided on SLM method at the rate of 1.61% / 3.28%.

Category of assets	Depreciation methods used
Factory buildings and roads, buildings (other than factory buildings except corporate office), plant and machinery, electrical installations and water supply installations	SLM
Corporate office ( buildings ), furniture and fixtures, computers, office and miscellaneous equipment and Vehicles	WDV

Depreciation on revalued amounts is transferred from revaluation reserve to the profit and loss account.

Leasehold land is amortised over the remaining period of lease.

## (b) Intangible assets

Intangible assets (i.e. computer software) are amortised on written down value basis at the rate of 40%.

## iii) Inventories:

Inventories are valued at the lower of cost and net realisable value, except for scrap which is valued at net realisable value.

Cost comprises of material cost and expenditure incurred in normal course of business in bringing inventories to its location and includes, where applicable, appropriate overheads.

Material cost, other than those of automotive components which is on specific identification basis, is arrived at on weighted average basis.

## iv) Contracts for furnace construction:

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## v) Foreign Currency Transactions:

Foreign currency transactions during the year are recorded at the rate of exchange prevailing at the date of transaction. All foreign currency monetary items outstanding at the year end are translated at year end exchange rates. All foreign exchange gains or losses on settlement and translation are accounted for in the Profit and Loss account. In case of forward exchange contracts premium or discounts are amortised as expense or income over the life of the contract. Exchange difference on such forward exchange contracts are recognised in the profit and loss account in the year in which the exchange rate changes. Profit or loss arising on cancellation or renewal of such forward exchange contracts are recognised as income or as expenses for the year.

vi) Revenue recognition:

Sales/ Processing charges are accounted on the basis of actual dispatches when significant risks and rewards of ownership passed on to the customers. Sales are net of sales tax/ value added tax and trade discounts.

Revenue from contracts for construction of furnaces is recognised on the percentage of completion method based on the stage of completion determined with reference to the contract costs incurred up to the year end and the estimated total costs of the contracts.

Net income, if any, from development of tools is recognised as income as and when the tools are sold in terms of respective contracts/ supply under the contract is completed/ on the expiry of commercially useful life of tools/ on expiry of five years from completion of development, whichever is earliest.

Interest Income is recognised on time proportion basis.

vii) Amortisation of Miscellaneous Expenditure:

Payments made to employees who left under Voluntary Retirement Scheme / Early Retirement Scheme on or before March 31, 2006, are amortised over a period of 5 years from the year in which the liability accrued. Payments made to employees who left on or after April 01, 2006 under Voluntary Retirement Scheme are charged off in the year in which the liability accrues.

Share issues expenses are amortised over a period of 5 years from the year in which the shares are issued.

viii) Employee Benefits:

(a) Defined Contribution Plan:

The Company's contributions to the Provident Fund and Superannuation Fund are charged to the Profit and Loss Account.

(b) Defined Benefit Plan / Long Term Compensated Absences:

The Company's liability towards gratuity (Funded), terminal Ex-gratia (Unfunded) and compensated absences is determined on the basis of the year end actuarial valuation done by an independent actuary. The actuarial gains and losses determined by the actuary are recognised immediately in the Profit and Loss Account as an income or expense.

ix) Taxation:

Current tax is determined as the amount of tax payable in respect of estimated taxable income for the period.

Deferred tax is calculated at current statutory income tax rate and is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are recognised on unabsorbed depreciation and carry forward of losses only to the extent that there are timing differences, the reversal of which will result in sufficient income or there is virtual certainty that sufficient taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date.

Minimum Alternative Tax (MAT) credit asset is recognized only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. The carrying amount of MAT credit asset is reviewed at each Balance Sheet date.

x) Contingencies/Provisions:

Provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying the economic benefit is remote.

xi) Use of estimates:

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which results are known / materialised.



5. Quantitative information for each class of goods manufactured and for furnaces built and sold:

	Year Ended 31 <sup>st</sup> March, 2011		Year Ended 31 <sup>st</sup> March, 2010	
	Units	Installed	Unit (Nos.)	Value (Rs. in lacs)
(i) <u>Manufactured Goods @</u>				
Capacities:				
Automotive gears	Nos.	<b>5218000</b>		4466000
Industrial furnaces	Nos.	<b>20</b>		20
Gear box	Nos.	<b>2500</b>		2500
Production:				
Automotive gears	Nos.	<b>4414226</b>		3380696
Furnaces built	Nos.	<b>3</b>		1
Gear boxes	Nos.	<b>Nil</b>		Nil
	<b>Unit (Nos.)</b>	<b>(Rs. in lacs)</b>	<b>Unit (Nos.)</b>	<b>(Rs. in lacs)</b>
-Opening stock:				
Automotive gears	<b>109772</b>	<b>662.03</b>	123091	799.27
Automotive Components		<b>108.93</b>		86.83
Gear boxes	-	<b>Nil</b>	-	Nil
		<b>770.96</b>		<b>886.10</b>
- Sales				
Automotive gears #	<b>4390878</b>	<b>28854.57</b>	3392674	21373.09
Automotive components		<b>3547.81</b>		2945.12
Industrial furnaces (\$)	<b>3</b>	<b>103.00</b>	1	50.58
Gear boxes	-	<b>Nil</b>	-	Nil
Tooling Development		<b>171.98</b>		176.87
Others		<b>373.21</b>		78.31
		<b>33050.57</b>		<b>24623.97</b>
-Closing stock				
Automotive gears *	<b>133041</b>	<b>923.07</b>	109772	662.03
Automotive components		<b>89.95</b>		108.93
Gear boxes		<b>Nil</b>		Nil
		<b>1013.02</b>		<b>770.96</b>

# includes processing charges - Rs. 1073.66 lacs; 253487 nos. (Previous Year: Rs. 1412.24 lacs; 276283 nos.)

\$ Quantity represents furnaces built during the year. Revenue from contracts is recognised as stated in note 1 (vi) above.

\*Excludes 79 nos. (Previous Year: 1341 nos.) scrapped during the year.

@ As per notification no. 477(E) dated July 25, 1991 issued by the Ministry of Industry, the Company's industrial undertakings are exempt from the licensing provisions of the Industries (Development and Regulation) Act, 1951. Accordingly, the requirement concerning disclosure of licensed capacity is not applicable.

(ii) Consumption of raw materials and components:

	Year Ended 31 <sup>st</sup> March, 2011			Year Ended 31 <sup>st</sup> March, 2010	
	Unit	Qty	Value (Rs. in lacs)	Qty	Value (Rs. in lacs)
Forgings	<b>Nos.</b>	<b>4785832</b>	<b>14533.07</b>	3572725	9784.40
Automotive Components			<b>2659.14</b>		2362.49
Others			<b>286.54</b>		56.44
			<b>17478.75</b>		<b>12203.33</b>

Footnote to 5 (i) and 5 (ii) above:

- a) As the raw materials used in the manufacture of automotive gears either purchased by the company or supplied by the customers are identical and as the opening and closing stocks of finished goods and production cannot be accordingly identified, the respective quantitative details of consumption of raw materials, production, opening and closing stocks cannot be separately disclosed and have, therefore, been included in the respective figures above.
  - b) The quantities of actual production and sales include free replacements and insurance claims and are net of quantities received back at factory for re-work.
  - c) The figures of actual production, sales, consumption of forgings, opening and closing stocks of finished goods are given in numbers which include numbers of finished goods/ forgings of different sizes.
  - d) Automotive components consumed and produced are dissimilar in nature. Accordingly, quantitative information in respect of consumption, production, sales and stocks thereof has not been disclosed.
  - e) The installed capacity is as certified by the management but not verified by the auditors, as this is a technical matter.
6. Value of imported and indigenous materials consumed and the percentage of each to the total consumption thereof:

	Year Ended 31 <sup>st</sup> March, 2011		Year Ended 31 <sup>st</sup> March, 2010	
	%	Value (Rs. in lacs)	%	Value (Rs. in lacs)
Imported:				
- Raw materials and components	1.20	210.07	1.99	243.33
- Loose tools, stores & spare parts	6.41	165.69	6.05	115.18
Indigenous:				
- Raw materials and components	98.80	17268.68	98.01	11960.00
- Loose tools, stores & spare parts	93.59	2417.95	93.95	1788.52

7. CIF Value of imports:

	Year Ended 31 <sup>st</sup> March, 2011 (Rs. in lacs)	Year Ended 31 <sup>st</sup> March, 2010 (Rs. in lacs)
- Raw materials and components	193.01	221.91
- Loose tools, stores & spare parts	190.70	152.95
- Capital goods * (includes Rs. 400.02 lacs of fixed assets imported by lessor under finance lease)	*1431.48	174.71

8. Expenditure in foreign currency:  
(Gross) subject to deduction of tax wherever applicable

- Royalty [includes tax deductible at source Rs. 3.59 lacs; (Previous Year: Rs. Nil)]	23.96	Nil
- Professional Fees [includes tax deducted at source Rs. 0.45 lac; (Previous Year: Rs. Nil)]	4.42	3.05
- Interest on foreign currency loans	14.52	26.78
- Others (Travel, commission, warehousing charges, rejection claims, etc.)	54.38	28.48
- Exchange Loss (net)	6.58	24.03

9. Earnings in foreign exchange:

- Export of goods on F.O.B. basis	4559.12	2848.79
- Tooling development income	64.74	5.64
- Others (Freight, insurance, etc.)	259.11	47.46

10. Miscellaneous expenses include:

	<b>Year Ended 31<sup>st</sup> March, 2011 (Rs. in lacs)</b>	Year Ended 31 <sup>st</sup> March, 2010 (Rs. in lacs)
Auditor's Remuneration (Includes service tax, where applicable)		
i) Audit fees	<b>14.61</b>	14.61
ii) Fees for other services: -others	<b>8.11</b>	8.00
iii) Reimbursement of out of pocket expenses	<b>0.38</b>	Nil

11. Income from service rendered - Rs. 98.11 lacs; ( Previous Year: Rs. 44.12 lacs) is included in sales including processing charges.

12. The information disclosed below in respect of principal and/or interest due to Micro, Small and Medium Enterprises has been determined on the basis of information available with the Company and confirmations received from the suppliers for registration under the Micro, Small and Medium Enterprises Development Act, 2006 and for interest outstanding /due.

	<b>Year Ended 31<sup>st</sup> March, 2011 (Rs. in lacs)</b>	Year Ended 31 <sup>st</sup> March, 2010 (Rs. in lacs)
(a) (i) Principal amount remaining unpaid to any supplier as on 31 <sup>st</sup> March, 2011	117.87	9.51
(ii) Interest on (a)(i) above	-	-
(b) (i) The amount of principal paid beyond the appointed day	434.26	83.51
(ii) The amount of interest paid on (b) (i) above	-	-
(c) Amount of interest due and payable for the period of delay in making payments during the year	-	-
(d) Amount of interest accrued and due as at 31 <sup>st</sup> March, 2011	-	-
(e) Amount of interest due and payable for prior years	-	-

13. Security deposits in Schedule 9 – 'Loans and advances' includes - Rs. 10.00 lacs; (Previous Year : Rs. 10.00 lacs) due from a director {maximum amount due at any time during the year - Rs.10.00 lacs; (Previous Year: Rs. 10.00 lacs)} and Rs. 5.00 lacs; (Previous Year: Rs. 5.00 lacs) due from private limited companies, in which directors of the company are directors.

14. Miscellaneous expenditure to the extent not written off of Rs. Nil; (Previous Year: Rs. 5.66 lacs) shown in the balance sheet is arrived as under:

	<b>Year Ended 31<sup>st</sup> March, 2011 (Rs. in lacs)</b>	Year Ended 31 <sup>st</sup> March, 2010 (Rs. in lacs)
(a) <u>Payments under Voluntary Retirement Scheme :</u>		
Balance brought forward	<b>Nil</b>	19.26
Less: Amortised during the year (Included in Salaries, wages and bonus under Schedule - 14)	<b>Nil</b>	19.26
Balance at the end of the year	<b>Nil</b>	Nil
(b) <u>Share issue expenses :</u>		
Balance brought forward	<b>5.66</b>	11.34
Add : Share issue expenses incurred during the year	<b>Nil</b>	Nil
Less : Amortised during the year (Included in Miscellaneous expenses under Schedule - 15)	<b>5.66</b>	5.68
Balance at the end of the year	<b>Nil</b>	5.66
Total	<b>Nil</b>	5.66

15. The Company is primarily engaged in the Automotive Gears business. As such there is no other separate reportable segment as defined by Accounting Standard – 17 "Segment Reporting."



16. Related Party Disclosures

i) Related parties with whom the Company had transactions during the year:

(a) Enterprises over which key management personnel is able to exercise significant influence:

Bharat Gears Officers Provident Fund (BGOPF)  
 Cliplok Simpak (India) Pvt. Ltd. (CSIPL)  
 Raunaq International Ltd. (RIL)  
 Vibrant Finance & Investments Pvt. Ltd. (VFIPL)

(b) Key Management Personnel:

Mr. Surinder P. Kanwar (SPK) - Chairman and Managing Director (who also has ability to exercise 'significant influence' over the company)  
 Mr. Sameer Kanwar (SK) – Joint Managing Director (Son of Chairman and Managing Director of the company)

ii) Transactions with the related parties during the year ended 31<sup>st</sup> March, 2011.

Enterprises over which key management personnel is able to exercise significant influence	2010-2011 (Rs. in lacs)	2009-2010 (Rs. in lacs)
Rent & other expenses (VFIPL)	10.20	10.20
Rent income (RIL)	1.74	1.74
Rent income (CSIPL)	0.06	0.06
Repair & Maintenance - Plant and Machinery and Building (RIL)	73.84	37.36
Construction of Factory Building- Road/Car parking (RIL)	25.80	Nil
Purchases of packing material (CSIPL)	30.46	11.46
Contribution to Provident Fund (BGOPF)	11.40	28.91
Key Management Personnel	2010-2011 (Rs. in lacs)	2009-2010 (Rs. in lacs)
Rent paid for premises taken on lease (SPK)	60.00	60.00
Reimbursement of Maintenance charges paid for premises taken on lease (SPK)	1.65	Nil
Rent paid for premises taken on lease (SK)	31.77	5.29
Security Deposit paid for premises taken on lease (SK)	Nil	10.00
Remuneration	Refer note 2 (i) of Schedule 18 to the accounts	

iii) Balances outstanding as at the year end:

	(Rs. in lacs) Amount payable as at 31 <sup>st</sup> March, 2011	(Rs. in lacs) Amount payable as at 31 <sup>st</sup> March, 2010	(Rs. in lacs) Amount Receivable as at 31 <sup>st</sup> March, 2011	(Rs. in lacs) Amount Receivable as at 31 <sup>st</sup> March, 2010
Enterprises over which key management personnel is able to exercise significant influence	57.50	29.30	10.20	5.00
Key Management Personnel	83.45	23.66	10.00	10.00

iv) No amounts have been written off / provided for or written back during the year in respect of amounts receivable from or payable to the related parties.

17. Disclosures as per Accounting Standard – 19 on “Leases”, in respect of formal agreements entered into for assets taken on lease during accounting periods commencing on or after 1<sup>st</sup> April, 2001:

(A) Finance Lease:

- (i) The net carrying amount as at 31<sup>st</sup> March, 2011 for assets acquired under finance lease } Refer Schedule 4- Fixed Assets
- (ii) The maturity profile of finance lease obligations is as follows:

(Rs. in lacs)

	<b>Total minimum lease payments outstanding as at 31<sup>st</sup> March, 2011</b>	<b>Interest not due</b>	<b>Present value of minimum lease payments</b>
Not later than one year	<b>342.84</b> (208.94)	<b>93.47</b> (52.12)	<b>249.37</b> (156.82)
Later than one year but not later than five years	<b>854.53</b> (404.83)	<b>138.09</b> (53.07)	<b>716.44</b> (351.76)
<b>Total</b>	<b>1197.37</b> (613.77)	<b>231.56</b> (105.19)	<b>965.81</b> (508.58)

Figures in brackets are for the Previous Year.

(iii) General description of these agreements:

Some of these agreements contains renewal clause.

There are no restrictions such as those concerning dividends, additional debt and further leasing imposed by the lease agreements entered into by the Company.

(B) Operating Lease: (Not non-cancellable)

(i) Lease payments recognised in the Profit and Loss account for the year are as follows:

	<b>Year Ended 31<sup>st</sup> March, 2011 (Rs. in lacs)</b>	Year Ended 31 <sup>st</sup> March, 2010 (Rs. in lacs)
Residential flats / offices / godowns	<b>155.45</b>	91.03
Vehicle/Plant and Machinery/Air Conditioner	<b>156.32</b>	22.78

(ii) Some of the agreements contain renewal clause and provide for escalation of rent of about 5% on renewal. Some of the agreements provides for escalation in rent during the tenure of the agreement.

18. Earnings per share as disclosed in the Profit and Loss account is computed based on the following figures:

	Unit	<b>Year Ended 31<sup>st</sup> March, 2011</b>	Year Ended 31 <sup>st</sup> March, 2010
Profit after tax as per Profit and Loss Account	Rs. in lacs	<b>971.28</b>	614.16
Less: Dividend on Cumulative Preference shares (including tax on distributed profits) Rs 3.46 lacs; Previous Year: Rs. 3.46 lacs)	Rs. in lacs	<b>24.31</b>	24.31
Net profit after tax attributed to equity shareholders	Rs. in lacs	<b>946.97</b>	589.85
Weighted average number of equity shares of Rs. 10 each outstanding as at year end.	Nos.	<b>7817833</b>	7817833
Nominal value of share	Rs.	<b>10</b>	10
Earning per share (basic and diluted)	Rs.	<b>12.11</b>	7.54

19. Taxes on income:

Components of deferred tax balances:

	<b>Year Ended 31<sup>st</sup> March, 2011 (Rs. in lacs)</b>	Year Ended 31 <sup>st</sup> March, 2010 (Rs. in lacs)
<b>Deferred tax liabilities</b>		
Fiscal allowances on fixed assets	<b>520.67</b>	532.63
Other items	<b>44.69</b>	25.40
<b>(A)</b>	<b>565.36</b>	<b>558.03</b>
<b>Deferred tax assets</b>		
Voluntary retirement scheme	<b>96.47</b>	113.21
Bonus/ex-gratia	<b>41.02</b>	36.53
Provision for gratuity	<b>137.89</b>	104.20
Provision for compensated absences	<b>154.38</b>	142.98
Other items	<b>15.07</b>	15.58
<b>(B)</b>	<b>444.83</b>	<b>412.50</b>
<b>Deferred tax liability (net) (A-B)</b>	<b>120.53</b>	<b>145.53</b>

20. Disclosures for long term contracts:

	<b>Year Ended 31<sup>st</sup> March, 2011 (Rs. in lacs)</b>	Year Ended 31 <sup>st</sup> March, 2010 (Rs. in lacs)
Contract revenue recognised during the year	<b>362.56</b>	68.33
Method used to determine contract revenue and the stage of completion of contracts in progress	Refer note 1 (vi)	Refer note 1 (vi)
Disclosure in respect of contracts in progress as at the year end		
-aggregate amounts of costs incurred and recognized profits	<b>217.06</b>	58.80
-the gross amount due from customers for contract work (included under Sundry Debtors - Schedule 6)	<b>217.06</b>	58.80
-the gross amount due to customer for contract work	<b>Nil</b>	Nil
-the amount of advance received	<b>180.49</b>	22.90
-retention (included under Sundry Debtors – Schedule 6)	<b>Nil</b>	Nil

21. Disclosures in pursuance of the Accounting Standard -29“Provisions, Contingent Liabilities and Contingent Assets”:

<b>Provision for warranties</b>	<b>2010 – 2011 (Rs. in lacs)</b>	2009 – 2010 (Rs. in lacs)
Carrying amount at the beginning of the year	<b>0.81</b>	3.06
Additional provision made during the year	<b>3.43</b>	0.18
Amount used during the current year	<b>Nil</b>	(2.43)
Unused amount reversed during the year	<b>Nil</b>	Nil
Carrying amount at the end of the year	<b>4.24</b>	0.81

Provision for warranty is made for the estimated amount of expenditure, which may be incurred during the warranty period of twelve months after successful commissioning of the furnace.

22. Details of Employees Benefits as required by the Accounting Standard-15 'Employee Benefits' are as follows:-

1) Defined Contribution Plans

During the year ended 31<sup>st</sup> March, 2011, the Company has recognized the following amounts in the Profit & Loss Account:

(Rs. in lacs)

	<b>Year Ended 31<sup>st</sup> March, 2011</b>	Year Ended 31 <sup>st</sup> March, 2010
- Employers' contribution to Provident Fund and Family Pension Fund	<b>202.05</b>	174.28
- Employers' contribution to Superannuation Fund	<b>109.50</b>	88.79

The above amounts are included in 'Contribution to provident, superannuation, gratuity and other funds' under 'Payments to and provisions for employees' in Schedule 14.

2) Defined Benefit Plans

(a) A general description of the Employees Benefit Plans:

i) Gratuity (Funded)

The Company has an obligation towards gratuity, a funded defined benefits retirement plan covering eligible employees. The plan provides for lump sum payment to vested employees at retirement, death while in employment or on termination of the employment, of an amount calculated in accordance with the provisions of the Payment of Gratuity Act, 1972. Vesting occurs upon completion of 5 years of services.

ii) Terminal Ex-gratia (Unfunded)

The Company has an obligation towards terminal ex-gratia, an unfunded defined benefit retirement plan covering eligible employees. The plan provides for lump sum payment which varies depending upon the number of completed years of services to vested employees on completion of employment. Vesting occurs upon the completion of 15 years of service.

(b) Details of defined benefit plans - As per Actuarial Valuation

(Rs. in lacs)

<b>Particulars</b>		<b>Gratuity- Funded Year Ended 31<sup>st</sup> March, 2011</b>	Gratuity- Funded Year Ended 31 <sup>st</sup> March, 2010	<b>Terminal Ex-gratia Unfunded Year Ended 31<sup>st</sup> March, 2011</b>	Terminal Ex-gratia Unfunded Year Ended 31 <sup>st</sup> March, 2010
<b>I</b>	<b>Components of employers expenses</b>				
1	Current service cost	<b>43.06</b>	43.65	<b>1.77</b>	2.04
2	Interest Cost	<b>75.19</b>	62.11	<b>3.42</b>	3.31
3	Expected return on Plan Assets	<b>(46.73)</b>	(48.03)	-	-
4	Past Service Cost	<b>73.88</b>	-	-	-
5	Actuarial Losses/(Gains)	<b>7.26</b>	34.73	<b>0.27</b>	(2.61)
6	Total expenses recognised in the Profit & Loss Account	<b>*152.66</b>	*92.46	<b>**5.46</b>	**2.74

(\* Included in 'Contribution to provident, superannuation, gratuity and other funds' under 'Payments to and provision for employees' in schedule 14.)

(\*\* Included in 'Salaries wages and bonus' under 'Payments to and provisions for employees in Schedule 14')

<b>II Actual Contribution and Benefits Payments for the year</b>					
1	Actual Benefits Payments	<b>66.53</b>	(113.75)	<b>(4.60)</b>	(8.45)
2	Actual Contributions	<b>44.12</b>	39.05	<b>4.60</b>	8.45



(Rs. in lacs)

Particulars	Gratuity-Funded Year Ended 31 <sup>st</sup> March, 2011	Gratuity-Funded Year Ended 31 <sup>st</sup> March, 2010	Terminal Ex-gratia Unfunded Year Ended 31 <sup>st</sup> March, 2011	Terminal Ex-gratia Unfunded Year Ended 31 <sup>st</sup> March, 2010	
<b>III Net asset/(liability) recognised in the Balance Sheet</b>					
1	Present Value of Defined Benefits Obligation	1053.24	913.19	43.39	42.53
2	Fair value of Plan Assets	638.14	606.63	-	-
3	Funded Status [Surplus/(Deficit)]	(415.10)	(306.56)	(43.39)	(42.53)
4	Net asset/(liability) recognised in the Balance Sheet	(415.10)	(306.56)	(43.39)	(42.53)
<b>IV Change in Defined Benefit Obligation during the year</b>					
1	Present value of Defined Benefit Obligation as at 1 <sup>st</sup> April	913.19	881.30	42.53	48.24
2	Current Service Cost	43.06	43.65	1.77	2.04
3	Interest Cost	75.19	62.11	3.42	3.31
4	Past Service Cost	73.88	-	-	-
5	Actuarial Losses /(Gains)	14.45	39.88	0.27	(2.61)
6	Benefits paid	(66.53)	(113.75)	(4.60)	(8.45)
7	Present value of defined Benefits Obligation as at 31 <sup>st</sup> March	1053.24	913.19	43.39	42.53
<b>V Change in Fair Value of the Plan Assets during the year</b>					
1	Plan Asset as at 1 <sup>st</sup> April	606.63	628.15	-	-
2	Expected return on Plan Assets	46.73	48.03	-	-
3	Actuarial Gains /(Losses)	7.19	5.15	-	-
4	Actual Company Contributions	44.12	39.05	4.60	8.45
5	Benefits Paid	(66.53)	(113.75)	(4.60)	(8.45)
6	Plan Assets as at 31 <sup>st</sup> March	638.14	606.63	-	-
<b>VI Actuarial Assumptions</b>					
1	Discount Rate	8.15%	8.15%	8.15%	8.15%
2	Expected return on plan assets	7.50%	7.50%	-	-
3	Salary escalation Rate	6.00%	6.00%	6.00%	6.00%
VII	The expected rate of return on the plan asset (Gratuity Funded) is based on the average long term rate of return expected on investments of funds during estimated term of obligation. Actual return on Plan Assets (Gratuity Funded) is Rs. 53.92 lacs; (Previous Year: Rs.53.18 lacs).				
VIII	The assumption of the future salary increases, considered in actuarial valuation, takes into account the inflation, seniority, promotion and other relevant factors.				
<b>IX The major categories of plan assets as a percentage of the total plan assets</b>					
	Insurer Managed funds	100%	100%	-	-

Note: The details of investment made by the Insurer is not readily available with the Company.

(Rs. in lacs)

X	Particulars	Gratuity-Funded				Terminal Ex-Gratia-Unfunded			
		2010-11	2009-10	2008-09	2007-08	2010-11	2009-10	2008-09	2007-08
1	Present value of Defined Benefit Obligation as at 31 <sup>st</sup> March.	<b>1053.24</b>	913.19	881.30	845.80	<b>43.39</b>	42.53	48.25	50.43
2	Fair value of plan asset as at 31 <sup>st</sup> March	<b>638.14</b>	606.63	628.15	663.96	-	-	-	-
3	Funded Status [Surplus/ (Deficit)]	<b>(415.10)</b>	(306.56)	(253.15)	(181.84)	<b>(43.39)</b>	(42.53)	(48.25)	(50.43)
4	Experience adjustment on Plan Liabilities	<b>14.45</b>	130.23	16.55	21.09	<b>(0.27)</b>	(0.76)	(0.92)	48.86
5	Experience adjustment on Plan Asset	<b>7.19</b>	5.14	6.24	7.96	-	-	-	-

(Rs. in lacs)

<b>XI</b>	<b>Contribution expected to be paid to the plan during the subsequent year ending 31<sup>st</sup> March.</b>	<b>100.00</b>
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- 23 (a) Excise duty paid and collected from customers is shown separately and deducted from the Gross Sales including processing charges in the Profit and Loss Account.
- (b) Excise duty appearing under Other expenses (Schedule 15) represents (i) the difference between the excise duty included in the closing stock and that in the opening stock of manufactured finished goods - Rs. 10.55 lacs (debit) {Previous Year: Rs. 12.35 lacs (credit)} and (ii) the excise duty on free supplies under sales promotion schemes, free replacement, shortages, etc. - Rs. 8.58 lacs (Previous Year: Rs. 6.59 lacs)
24. The Company has not taken any derivative instrument during the year and there is no derivative instrument outstanding as at the year end. The foreign currency exposures that are not hedged by a derivative instrument or otherwise are as follows:

Particulars		Amount in Foreign currency	Equivalent Amount in Indian currency (Rs. in lacs)
Payables	USD	<b>86507.88</b> (1279809.59)	<b>38.55</b> (574.70)
	EURO	<b>61858.40</b> (Nil)	<b>39.20</b> (Nil)
	USD	<b>2676020.53</b> (1648881.54)	<b>1192.17</b> (740.68)
Receivables	EURO	<b>255683.74</b> (62322.49)	<b>161.98</b> (37.69)
	CHF	<b>11993.50</b> (5479.25)	<b>5.84</b> (2.32)
	GBP	<b>Nil</b> (735.00)	<b>Nil</b> (0.50)

Note: Figures in brackets represent Previous Year's figures.

25. Salaries, wages and bonus in Schedule 14 - 'Payments to and provision for Employees' includes Rs. 95.28 lacs; (Previous Year: Rs. 137.45 lacs) on account of payments made under the Voluntary Retirement Schemes.
26. The amount of interest capitalised during the year Rs. 17.33 lacs; (Previous Year: Rs. Nil) is included in Fixed assets/capital work in progress, for the pre-installation period.
27. Previous Year's figures have been regrouped wherever necessary.

**SURINDER P. KANWAR**  
Chairman and Managing Director

**SAMEER KANWAR**  
Joint Managing Director

**RAM S. TARNEJA**  
**W. R. SCHILHA**  
**N. J. KAMATH**  
**S. G. AWASTHI**  
Directors

**PRASHANT KHATTRY**  
Group Head (Legal) &  
Company Secretary

**MILIND PUJARI**  
Chief Financial Officer

Place : Mumbai  
Date : May 27, 2011



**“FORM 2B”**

**Nomination Form**

**(To be filled in by the individual applying singly or jointly)  
(if jointly only upto two persons)**

I/We.....and.....the holders of.....equity shares against Folio No..... bearing Certificate number(s) from.....to.....and distinctive number from.....to.....of M/s Bharat Gears Limited wish to make a nomination and do hereby nominate the following person in whom all rights of transfer and or amount payable in respect of the said shares shall vest in the event of my/our death.

**Name and Address of Nominee  
(Please write in block letters)**

<b>Name</b>																				
-------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

<b>Father's/Husband Name</b>																				
------------------------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

<b>Occupation</b>																				
-------------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

<b>Address</b>																				

<b>Date of Birth*</b>																				
-----------------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(\*to be furnished in case the nominee is a minor)

\*\*The Nominee is a minor whose guardian is :

<b>Name</b>																				
-------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

<b>Address</b>																				

(\*\*To be deleted if not applicable)

**Specimen Signature of Nominee/Guardian :** \_\_\_\_\_

<b>Signature :</b>		<b>Signature :</b>
<b>Name :</b>		<b>Name :</b>
<b>Address :</b>		<b>Address :</b>
<b>Date :</b>		<b>Date :</b>

**Signature of two witnesses**

<b>Name and Address</b>	<b>Signature with date</b>
-------------------------	----------------------------

- 1.
- 2.



## ELECTRONIC CLEARING SERVICES(ECS) MANDATE FORM

To  
**M/s Link Intime India Pvt. Ltd.**  
 (Unit : Bharat Gears Limited)  
 A-40, IIInd Floor, Naraina Industrial Area,  
 Phase-II, Near Batra Banquet Hall,  
 New Delhi - 110 028

Name of the First/Sole Share holder	
Folio No. / DP Id - Client Id	

PAN / Email information

Income Tax Permanent Account Number (PAN) (Please attach a photocopy of PAN Card)	
Email ID	

ECS Mandate Form (for shares held in physical mode)

Bank Name									
Branch Name & Address									
Bank Account Type (tick)	Savings		Current		Others				
Bank Account Number									
9 Digit Code Number of the Bank and Branch appearing on the MICR Cheque issued by the Bank (Please attach a photocopy of the cheque)									

I hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, Bharat Gears Limited, will not be held responsible.

I further undertake to inform the company any change in my Bank / Branch and account number, if any.

\_\_\_\_\_  
Signature of First / Sole Holder

Place:  
Date:



# BHARAT GEARS LIMITED

Registered Office : 20 K.M., Mathura Road, P.O. Amar Nagar, Faridabad - 121 003. (Haryana)

39<sup>TH</sup> ANNUAL GENERAL MEETING

## ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall.

Name of the Member .....  
(in Block Letters)

Name of Proxy, if any .....  
(in Block Letters)

Regd. Folio No./Demat A/c No. .... DP ID No. ....

No. of shares held .....

I hereby record my presence at the 39<sup>th</sup> Annual General Meeting of the Company on Tuesday, July 26, 2011 at 12.00 Noon at FARIDABAD INDUSTRIES ASSOCIATION, FIA HOUSE, BATA CHOWK, FARIDABAD-121001, (HARYANA).

Signature of the Proxy..... Signature of the Member.....

- Note:
1. Members/Proxy holders are requested to bring this Attendance Slip duly filed in and signed with them when they come to the meeting and hand it over at the entrance of the Meeting Hall.  
NO ATTENDANCE SLIP WILL BE ISSUED AT THE TIME OF MEETING.
  2. **No briefcase, bag etc. shall be allowed inside the Meeting Hall.**
  3. Please bring your copy of the Annual Report to the meeting.
  4. The meeting is of members only and you are requested not to bring with you any person who is not a member or a Proxy.

**NOTE : NO GIFTS / GIFT COUPONS SHALL BE DISTRIBUTED AT THE MEETING**



# BHARAT GEARS LIMITED

Registered Office : 20 K.M., Mathura Road, P.O. Amar Nagar, Faridabad - 121 003. (Haryana)

39<sup>TH</sup> ANNUAL GENERAL MEETING

## PROXY FORM

I/We .....  
of .....  
..... being member(s) of BHARAT GEARS

LIMITED

hereby appoint .....

of .....

or failing him/her .....

of .....

as my/our Proxy to vote for me/us and on my/our behalf at the 39<sup>th</sup> Annual General Meeting of the Company to be held on Tuesday, July 26, 2011 at 12.00 Noon at FARIDABAD INDUSTRIES ASSOCIATION, FIA HOUSE, BATA CHOWK, FARIDABAD-121001, (HARYANA) and at any adjournment thereof.

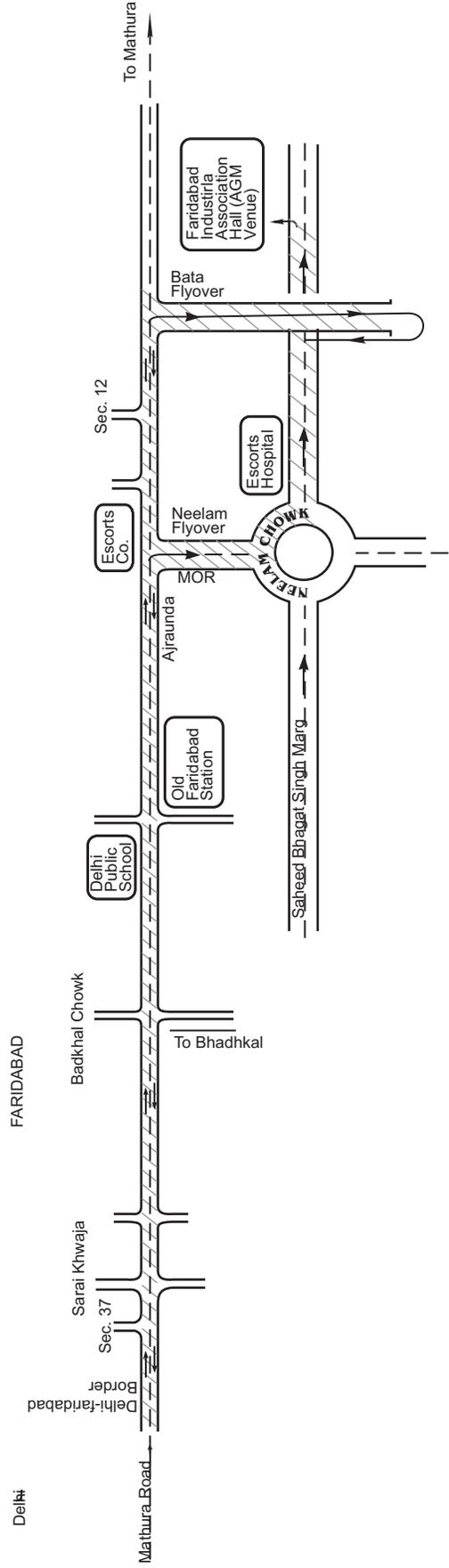
AS WITNESS my/our hand(s) this ..... day of ..... 2011.

Signature (s).....

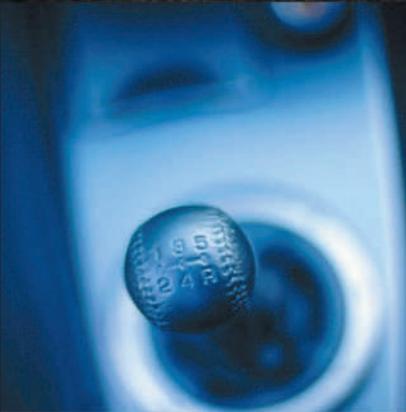
Regd. Folio No. /Demat A/c No. .... DP ID No. ....

- Note:
1. The Proxy need not be a member.
  2. The Proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time of holding the aforesaid meeting.

**NOTE : NO GIFTS / GIFT COUPONS SHALL BE DISTRIBUTED AT THE MEETING**



GUIDE MAP TO VENUE OF AGM FROM DELHI - FARIDABAD BORDER



## **BHARAT GEARS LIMITED**

20 K.M. Mathura Road, P.O. Box 328,  
P.O. Amar Nagar, Faridabad-121 003 (Haryana) INDIA  
Tel.: +91-129-4288888 Fax: +91-129-4288822-23  
[www.bharatgears.com](http://www.bharatgears.com)