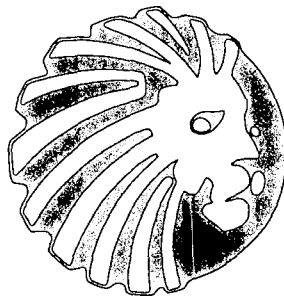


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| CS | <input checked="" type="checkbox"/> | | DPY | <input checked="" type="checkbox"/> |
| RO | <input checked="" type="checkbox"/> | | DIV | <input checked="" type="checkbox"/> |
| TRA | <input checked="" type="checkbox"/> | | AC | <input checked="" type="checkbox"/> |
| AGM | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | SHI | <input checked="" type="checkbox"/> |
| YE | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> |

1997-98 ANNUAL REPORT

**BHARAT
GEARS
LIMITED**

Report  junction.com



BHARAT GEARS

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BHARAT GEARS LIMITED

BOARD OF DIRECTORS



RAUNAQ SINGH
Chairman



SURINDER P. KANWAR
Vice Chairman & Managing Director



W.R. SCHILHA



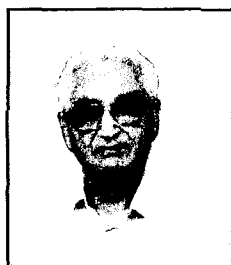
A.F. HARTMANN



R.M.S. TARNEJA



S.M. PATIL



R.D. THAPAR



J.B. DADACHANJI



N.J. KAMATH



Y.P. GUPTA

BHARAT GEARS LIMITED**MANAGEMENT EXECUTIVES**

N.V. Srinivasan
Sr. VP - Manufacturing

B. Shankar
Sr. VP - Marketing & Engineering

S.S. Gulati
Sr. VP & Secretary

A.S. Raghavan
Sr. VP - Furnace Division

Nagesh Nadig
Financial Controller

FINANCIAL INSTITUTIONS

The Sakura Bank Ltd.
Industrial Development Bank of India
LIC Mutual Fund
Unit Trust of India
GIC Mutual Fund

**DEBENTURE TRUSTEES/
SECURITY AGENTS**

The Industrial Credit & Investment
Corporation of India Ltd.

BANKERS

State Bank of India
Bank of Baroda
Indian Overseas Bank
Bank of Bahrain and Kuwait BSC

AUDITORS

A.F. Ferguson & Co.



| | |
|--------------------------|---|
| CORPORATE OFFICE | Hoechst House, Nariman Point, Mumbai-400 021 |
| REGISTERED OFFICE | Chiranjiv Tower, 43, Nehru Place, New Delhi-110 019 |
| WORKS | Kausa Shil, Mumbra, Distt. Thane-400 612 Maharashtra |
| BRANCHES | <p>17, Biplabi Trailakya, Maharaja Saranee, Calcutta-700 001</p> <p>Plot 30-31, 100 Feet Road, Jawahar Auto Nagar, Vijayawada-520 002</p> <p>Lokesh Towers, SF-2, 2nd Floor, No.18, Kodambakkam High Rd., Chennai-600 034</p> <p>Commercial House, Kankarbagh Road, Patna-800 020</p> <p>North Market Road, Upper Bazar, Ranchi-834 001</p> <p>Opp. M/s. Choudhary Motors, Devendra Singhvi Marg, Jodhpur-342 003</p> <p>125, Mechanic Nagar, Indore-452 001</p> <p>89/01, 7th Cross, Wilson Garden, Hosur Road, Bangalore-560 027</p> <p>1/269, Yan Estate, Gandhinagar Bavla Road, Sarkhej-382 210 Distt. Ahmedabad</p> <p>A-6, 1st Floor, Transport Nagar, Jaipur-302 003</p> <p>123/650-A, Guru Nanak Auto Market, Pratap Ganj, Kanpur-208 012</p> <p>Katras Road, Dhanbad-826 001</p> <p>Jaz House, 1st Floor, Pulleppady Junction, Chittoor Road, Kochi-682 035</p> <p>Nehru Garden Road, Jalandhar City-144 001</p> <p>Kohli Building, A.T. Road, Guwahati-781 001</p> <p>1902-A, Baldev Nagar, Ambala City</p> <p>382, 1st Floor, Motor Market, Mani Majra, UT Chandigarh</p> |

BHARAT GEARS LIMITED

NOTICE

TO THE MEMBERS OF BHARAT GEARS LIMITED

NOTICE is hereby given that the 26th Annual General Meeting of the Members of Bharat Gears Limited will be held as under:

DAY : Thursday
DATE : 27th August, 1998
TIME : 11.00 A.M.
VENUE : YMCA Tourist Hostel,
1, Jai Singh Road, New Delhi - 110 001.

to transact the following business.

1. To receive, consider and adopt the audited accounts of the Company for the year ended 31st March, 1998 together with Report of the Auditors' and Directors' thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. R.D. Thapar, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Dr. S.M. Patil, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. Raunaq Singh, who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors for the year 1998-99 by a Special Resolution and to fix their remuneration.

To consider and if thought fit to pass, with or without modification(s), the following resolutions :-

7. AS AN ORDINARY RESOLUTION.

*RESOLVED THAT Mr. Y.P. Gupta, who was appointed as Director against the casual vacancy of a Director and holds the said office pursuant to Section 262 of Companies Act, 1956 and Article No. 116 of the Articles of Association of the Company upto the date of this Annual General Meeting, be and is hereby appointed as Director of the Company, liable to retirement by rotation.

8. AS A SPECIAL RESOLUTION

RESOLVED THAT in accordance with the provision of Section 80, 81, 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof) and the enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed, and the prevailing statutory guidelines in that behalf and subject to all necessary consents, permissions and approvals and/or sanctions from all appropriate authorities, including the Securities and Exchange Board of India, Government of India, Reserve Bank of India, Financial Institutions, Agents and Trustees, Stock Exchanges and all other bodies and institutions as may be relevant (hereinafter singly or collectively referred to as "the Appropriate Authorities") and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting any such consents, permissions, approvals and/or sanctions (hereinafter referred to as "the requisite approvals") and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board") which term shall be deemed to include any committee(s) consisting of one or more members of the Board and/or one or more officials of the Company appointed by the Board in this behalf which the Board may constitute to exercise powers of the Board), the consent of the Company be and is hereby accorded to the Board to issue, offer and allot from time to time in one or more tranches, whether through public issue, rights issue, private placement, or otherwise, to the members, employees, Financial Institutions, Mutual Funds, Banks, Insurance Companies, Bodies corporate, Foreign Institutional Investors (FIIs), Foreign Bodies Corporate, Non-Resident Indians [including Overseas Corporate Bodies (OCBs) substantially owned by NRIs], Indian Residents, and/or to any other persons or entities (whether or not those persons/entities include members of the Company) or any combination thereof, as the Board may in its sole discretion decide, equity/preference shares, whether cumulative/convertible, Debentures and/or such other financial instruments, with or without warrants, whether convertible into equity shares compulsorily or at the option of the Company and/or the holders of the instrument and/or instruments linked to equity shares or not, as approved by the Appropriate Authorities (such equity shares, preference shares, Debentures or such other financial instruments, are hereinafter referred to as "Securities") in Indian Rupees and/or foreign currency in one or more tranches, from time to time, as may be determined by the Board, at such price or prices either at par or at a premium and on such terms as to rate of dividend, interest, terms and period of redemption, conversion and otherwise, terms for cumulation of dividends, fixing record date or book closure and related or incidental matters, and all such other terms as are provided in the offerings of a like nature, as may be permitted in accordance with the prevailing rules/guidelines in this behalf and as determined by the Board in conformity with the relevant provisions of the Law and the Articles of Association of the company, wherever applicable and as the Board may deem advisable in the prevailing market situation, and of the aggregate value not exceeding Rs.20 crores (Rupees Twenty crores) provided that the increase in the Equity/Preference capital as aforesaid, together with the existing paid up equity/preference capital, outstanding for the time being, shall at any point be within the limits of Authorised Equity/Preference Capital of the Company.

RESOLVED FURTHER THAT such of these securities to be issued as are not subscribed may be disposed of by the Board to such person(s) and in such manner and on such terms as the Board in its absolute discretion, thinks fit in the best interest of the Company.

RESOLVED FURTHER THAT for the purpose aforesaid, the Board be and is hereby specifically authorised to take all such steps and actions and to give such directions, as it may in its absolute discretion, deem necessary or desirable for such purposes and also to settle any question or difficulty that may arise with regard to the proposed issue/offer and allotment of securities as aforesaid, including but without limitation of the following, viz:

- (a) Creation of such mortgages/charges under Section 293(1)(a) of the said Act in respect of aforesaid securities either on pari passu or otherwise, of all or any of movable and/or immovable properties of the Company, both present and future and/or the whole or any part of the undertaking(s) of the Company.

- (b) To issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities or as may be necessary in accordance with the terms of offering, in all respects, excepting the right to dividend, as may be decided by the Board and/or in accordance with the terms of issue, the Articles of Association of the Company and/or the offer document, and to decide and determine and/or modify the detailed terms and conditions of the issue/re-issue, offer, utilisation of the issue proceeds, increase or decrease in the aggregate value of the Issue, the manner and mode of redemption/ conversion/listing of the securities on such recognised Indian/ International Stock Exchanges as they may deem fit, preparing and finalising the Offer Document(s) and/or other documents as may be required in accordance with the applicable rules/guidelines in this behalf and to do all further acts, deeds, matters and things as may be necessary, proper or expedient to give effect to this resolution including without limitation, the entering of underwriting, marketing, depository and custodian/trustees/agents and similar agreements/arrangements/ and to remunerate the Managers, underwriters and all other agencies by way of commission, brokerage, fees or like as may be involved or concerned in such offering of securities, without being required to seek any further consent or approval of the Company or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

9. AS A SPECIAL RESOLUTION

RESOLVED THAT in accordance with the provision of Section 80, 81, 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof) and the enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed, and the prevailing statutory guidelines in that behalf and subject to all necessary consents, permissions and approvals and/or sanctions from all appropriate authorities, including the Securities and Exchange Board of India, Government of India, Reserve Bank of India, Financial Institutions, Agents and Trustees, Stock Exchanges and all other bodies and institutions as may be relevant (hereinafter singly or collectively referred to as "the Appropriate Authorities") and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting any such consents, permissions, approvals and/or sanctions (hereinafter referred to as "the requisite approvals") and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board") which term shall be deemed to include any committee(s) consisting of one or more members of the Board and/or one or more officials of the Company appointed by the Board in this behalf which the Board may constitute to exercise powers of the Board), the consent of the Company be and is hereby accorded to the Board to issue, offer and allot from time to time in one or more tranches, whether through preferential allotment, private placement or otherwise, to the Company's Collaborators, ZF Friedrichshafen AG, Germany (ZF), and Mr. Raunaq Singh and Mr. Surinder P Kanwar & his family & his associates namely, Vibrant Finance and Investment Private Limited, Sachit Credit & Investment Private Limited, Oxford Mercantile Private Limited and Energise Business Private Limited etc. (SPK Associates) and Raunaq International Ltd., equity/ preference shares, whether cumulative/convertible, Global Depository Receipt (GDR), Debentures and/or such other financial instruments, with or without warrants, whether convertible into equity shares compulsorily or at the option of the Company and/or the holders of the instrument and/or instruments linked to equity shares or not, as approved by the Appropriate Authorities (such equity shares, preference shares, GDRs, Debentures or such other financial instruments, are hereinafter referred to as "Securities") in Indian Rupees and/or foreign currency in one or more tranches, from time to time, as may be determined by the Board, at such price or prices either at par or at a premium and on such terms as to rate of dividend, interest, terms and period of redemption, conversion and otherwise, terms for cumulation of dividends, fixing record date or book closure and related or incidental matters, and all such other terms as are provided in the offerings of a like nature, as may be permitted in accordance with the prevailing rules/guidelines in this behalf and as determined by the Board in conformity with the relevant provisions of the Law and the Articles of Association of the company, wherever applicable and as the Board may deem advisable in the prevailing market situation, and of the aggregate value not exceeding Rs.20 crores (Rupees Twenty crores) provided that the increase in the Equity/Preference capital as aforesaid, together with the existing paid up equity/ preference capital, outstanding for the time being, shall at any point be within the limits of Authorised Equity/Preference Capital of the Company.

RESOLVED FURTHER THAT such of these securities to be issued as are not subscribed may be disposed of by the Board to such person(s) and in such manner and on such terms as the Board in its absolute discretion, thinks fit in the best interest of the Company.

RESOLVED FURTHER THAT for the purpose aforesaid, the Board be and is hereby specifically authorised to take all such steps and actions and to give such directions, as it may in its absolute discretion, deem necessary or desirable for such purposes and also to settle any question or difficulty that may arise with regard to the proposed issue/offer and allotment of securities as aforesaid, including but without limitation of the following, viz:

- (a) Creation of such mortgages/charges under Section 293(1)(a) of the said Act in respect of aforesaid securities either on pari passu or otherwise, of all or any of movable and/or immovable properties of the Company, both present and future and/or the whole or any part of the undertaking(s) of the Company.

- (b) To issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities or as may be necessary in accordance with the terms of offering, in all respects, excepting the right to dividend, as may be decided by the Board and/or in accordance with the terms of issue, the Articles of Association of the Company and/or the offer document, and to decide and determine and/or modify the detailed terms and conditions of the issue/re-issue, offer, utilisation of the issue proceeds, increase or decrease in the aggregate value of the Issue, the manner and mode of redemption/ conversion/listing of the securities on such recognised Indian/ International Stock Exchanges as they may deem fit, preparing and finalising the Offer Document(s) and/or other documents as may be required in accordance with the applicable rules/guidelines in this behalf and to do all further acts, deeds, matters and things as may be necessary, proper or expedient to give effect to this resolution including without limitation, the entering of underwriting, marketing, depository and custodian/trustees/agents and similar agreements/arrangements/ and to remunerate the Managers, underwriters and all other agencies by way of commission, brokerage, fees or like as may be



involved or concerned in such offering of securities, without being required to seek any further consent or approval of the Company or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

10. AS AN ORDINARY RESOLUTION

RESOLVED THAT subject to such approvals as may be necessary 1,00,00,000 equity shares of Rs.10/- each in the Authorised Share Capital of the Company be and are hereby cancelled and 1,00,000 Cumulative Redeemable Convertible or Non-Convertible Preference Shares of Rs. 100/- each in the Authorised Share Capital be increased to 15,00,000 Cumulative Redeemable Convertible or Non-Convertible Preference Shares of Rs. 100/- each by creation of additional 14,00,000 Cumulative Redeemable Convertible or Non-Convertible Preference Shares of Rs. 100/- each thereby increasing the total Authorised Share Capital by Rs. 4 Crores (Rupees Four Crores) from Rs. 21 Crores (Rupees Twenty One Crores) to Rs. 25 crores (Rupees Twenty Five Crores).

RESOLVED FURTHER THAT the following amendments in the Memorandum of Association of the Company be and are hereby approved.

The existing Clause V of the Memorandum of Association of the Company be deleted and substituted by the following Clause.

The Authorised Share Capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty five crores) divided into: 1,00,00,000 - Equity Shares of Rs. 10/- each and 15,00,000/- Cumulative Redeemable Convertible or Non-Convertible Preference Shares of Rs. 100/- each.

11. AS A SPECIAL RESOLUTION

RESOLVED THAT the following amendments in the Articles of Association of the Company be and are hereby approved.

First three lines of Article 4 of the Articles of Association of the Company be deleted and substituted by the following :

"The Share Capital of the Company is Rs. 25,00,00,000 (Rupees Twenty five crores) divided into 1,00,00,000 (one crore) Equity Shares of Rs.10/- (Rupee Ten) each and 15,00,000 (Fifteen lacs) Cumulative Redeemable Convertible or Non-Convertible Preference Shares of Rs. 100/- (Rupee One hundred) each".

12. AS A SPECIAL RESOLUTION

RESOLVED THAT subject to the approvals as are necessary and subject to the confirmation of the Company Law Board, Clause II of the Memorandum of Association of the Company be substituted by the following clause:

"If Registered Office of the Company will be situated in the State of Haryana".

RESOLVED FURTHER THAT the aforesaid resolution becoming effective, the Registered Office of the Company be changed from "Chiranjiv Tower, 43 Nehru Place, New Delhi" to "20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad-121 003 (Haryana)" w.e.f. from the date as may be decided by the Board of Directors.

By order of the Board

S.S. GULATI

S.S. GULATI

Sr. Vice President & Secretary

Place: New Delhi

Date: 15th July 1998

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll, to vote instead of himself. Proxies in order to be valid and effective must be delivered duly completed in the enclosed format, at the registered office of the company not later than forty-eight hours before the scheduled time of commencement of the meeting. Proxy need not be a member of the company.
2. Members/Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed at the entrance of the meeting for attending the meeting. No Attendance Slip shall be issued at the meeting.
3. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto and forms part of this notice.
4. The Register of Members and the Share Transfer books of the company will remain closed from Tuesday the 18th August, 1998 to Saturday the 22nd August, 1998 (both days inclusive).
5. Dividend as recommended by the Board of Directors, if declared, at the Annual General Meeting will be paid to the members whose names are borne on the Company's Register of Members as on 22nd August, 1998 or to their mandates. No Income Tax shall be deducted at source from the dividend amount. Dividend mandates and change of address, if any, to be effective must reach Company's Registered Office by 22nd August, 1998.
6. 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.
7. Since Public Financial Institutions, Nationalised Banks together with Insurance Companies hold in aggregate more than 25% of the subscribed share capital of the company, the appointment of Auditors is to be made by a Special Resolution as required under Section 224A of the Companies Act, 1956.
8. Securities & Exchange Board of India (SEBI) vide their letter No. SMD/SED/94/2685 dated 5th May, 1994 have suggested Companies to institute a procedure of directing the Shareholders/ Debenture holders to indicate their Bank Account Number, Bank Branch etc. so that the cheques, drafts, warrants sent to them reach their destination. This measure has been adopted considering the recurrence of thefts of the dividend warrants, refund orders, interest warrants etc. Accordingly, Members are requested to intimate the Company, if not furnished earlier, the name of their Bank and Branch with its full address and their Bank Account Number so as to enable the Company to print the same on the Warrants that are sent to them in future.

9. Unpaid amounts of dividends declared by the company upto the year 1993-94 have been deposited by the Company, from time to time, to the General Revenue Account of the Central Government pursuant to Section 205A of the Companies Act, 1956. Shareholders who have not yet encashed their dividend warrants for any of the said year(s), can prefer their claims direct with the Registrar of Companies, Delhi and Haryana, Paryavaran Bhavan, C.G.O. Complex, Lodhi Road, New Delhi - 110 003 for payment of dividend due to them. Those shareholders who have not yet encashed their Dividend Warrants for the year 1994-95, may please return the same to the company before 22nd August, 1998 so that demand draft in lieu thereof is sent to them. Please note that the unclaimed dividend amount after the said date shall be deposited in the General Revenue Account of the Central Government pursuant to Section 205A of the Companies Act, 1956. Shareholders who have not encash their dividend warrants for the year 1995-96 and 1996-97 are also requested to send the same for issue of demand draft in lieu thereof.

10. Members holding shares in the same name under different folios are requested to apply for consolidation of such folios and send relevant share certificates.

11. Members are requested to bring their own copy of the Annual Report to the meeting.

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956.

ITEM NO.7

Mr. Y.P. Gupta, a representative of Life Insurance Corporation of India, was appointed as Director of the Company w.e.f. 19th September 1997 by the Board of Directors against the casual vacancy caused by the resignation of Mr. S.N. Sundaresan, Director. As per Section 262 of Companies Act, 1956 and Article 116 of the Articles of Association of the Company, he holds the office of Director upto the date of this Annual General Meeting. A notice in writing alongwith the prescribed deposit pursuant to Section 257 of the Companies Act, 1956 has been received from a member of the company proposing his candidature for the office of the Director.

Mr. Gupta is a Whole-time Director of LIC Housing Finance Limited. Your directors consider that his experience and guidance will be of great value to the Company and recommend his appointment as Director.

None of the Directors except Mr. Y.P. Gupta himself is concerned or interested in the resolution.

ITEM NOS. 8 & 9

The Company is planning to increase its production capacity for automotive gears by setting up a second plant at Faridabad in Haryana State. To meet the capital and other expenditures for the first phase of expansion it is proposed to raise funds by way of issue of securities, for an amount in aggregate not exceeding Rs.20 crores. The exact plan of finance shall be finalised in consultation with the Merchant Bankers and other advisors. The consent of the Shareholders is sought to authorise the Board of Directors for issuing securities as stated in the resolutions subject to rules, regulations and guidelines issued to be issued by Securities and Exchange Board of India (SEBI) and as permitted by law and creation of charge pursuant to Section 293(1)(a) of the Companies Act, 1956, wherever required, on the assets of the Company, present and future, as may be decided by the Board of Directors of the Company.

Your Directors recommend the resolution for your approval.

None of the Directors is concerned or interested in the resolutions except to the extent that they and/or their relatives/associates may be entitled to the securities that may be offered to them on Rights/Preferential Allotment basis or otherwise and subscribed by/allotted to them.

ITEM NOS. 10 & 11.

Consequent upon finalisation of the plan of issue of securities in consultation with the Merchant Bankers and other advisors, it may be necessary for the Company to issue/allot equity shares/preference shares or convert securities into equity shares. Therefore, it is proposed that the Authorised Share Capital of the Company be reclassified and increased from Rs.21 crores to Rs. 25 crores as proposed in the resolutions.

Consequent upon reclassification and increase in the Authorised Share Capital, Memorandum and Articles of Association of the Company shall have to be amended accordingly. Hence the proposed resolutions.

None of the Directors is concerned or interested in the resolutions.

ITEM NO. 12

As a part of its expansion programme, your Company is setting up a second plant for manufacture of gears at Faridabad to meet the increased demand of its products. The Registered Office of the Company is at present situated at "Chiranjiv Tower, 43 Nehru Place, New Delhi". It is proposed to shift the Registered Office from its present location to "20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad (Haryana)". The change has been proposed on account of expiry of lease of present aforesaid premises of Registered Office at New Delhi towards the end of the current financial year and for the reasons of cost reduction, better coordination and control of work. Your Directors recommend the amendment of Clause II of the Memorandum of Association of the Company and change of Registered Office to Faridabad at the aforesaid address. The proposal is subject to approval of concerned financial institutions and confirmation of the Company Law Board under Section 17 of the Companies Act, 1956. None of the Directors except Mr. Raunag Singh, Chairman and Mr. Surinder P. Kanwar, Vice Chairman & Managing Director is concerned or interested in the resolution.

Inspection of Documents

Documents relating to all the items referred hereinabove shall be open for inspection of Shareholders at the Registered Office of the Company between 10.00 A.M. to 1.00 P.M. on all working days (Monday to Friday) till the date of the meeting.

By order of the Board

S.S. GULATI

S.S. GULATI

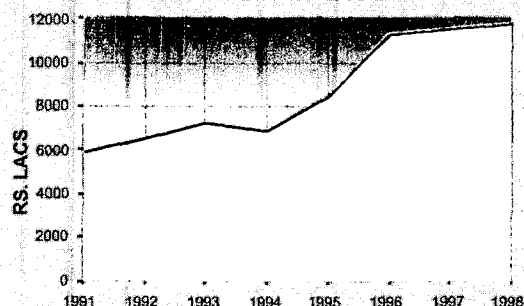
Sr. Vice President & Secretary

Place: New Delhi

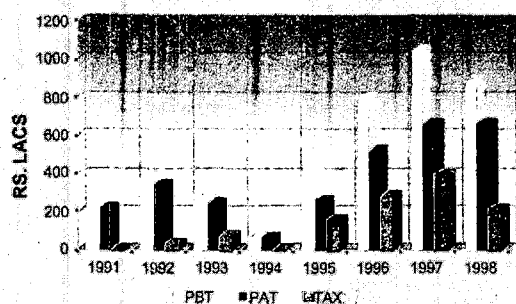
Date: 15th July 1998

BHARAT GEARS LIMITED

SALES & OTHER INCOME



PROFITS



DIRECTORS' REPORT

TO THE MEMBERS OF BHARAT GEARS LIMITED

The Directors have pleasure in presenting 26th Annual Report and Audited Statement of Accounts of the Company for the financial year ended on 31st March, 1998.

| | Rs./crores | |
|---|----------------------|---------|
| | Financial Year Ended | |
| FINANCIAL RESULTS | 31.3.98 | 31.3.97 |
| Gross turnover | 118.04 | 115.19 |
| Profit before finance charges and depreciation | 18.22 | 18.14 |
| Finance Charges | 5.71 | 4.56 |
| Depreciation | 3.77 | 3.10 |
| Profit before Tax | 8.74 | 10.48 |
| Tax on Income | 2.15 | 3.97 |
| Profit after Tax | 6.59 | 6.51 |
| ADD: Balance brought forward from previous year | 1.52 | 1.50 |
| Profit available for appropriation | 8.11 | 8.01 |
| APPROPRIATIONS | | |
| Proposed Dividend | 1.06 | 1.06 |
| Add. Income Tax on proposed dividend | 0.10 | 0.10 |
| Transferred to Debenture Redemption Reserve | 1.15 | 1.19 |
| Transferred to General Reserve | 4.25 | 4.14 |
| Balance carried to Balance Sheet | 1.55 | 1.52 |
| | 8.11 | 8.01 |

DIVIDEND

The Directors are pleased to recommend dividend of 22% on Equity Shares of the Company for the year ended 31st March, 1998. This would absorb Rs. 106 lacs of the profits.

FINANCE

During the year under review, the company has raised foreign currency loan of US\$ 3.00 Million from The Sakura Bank Limited to part finance modernisation of the Mumbra Plant. The Company has repaid foreign currency/rupee term loans/deferred credits aggregating to Rs 1.15 crores.

PERFORMANCE FOR THE YEAR

The Gross Turnover during the year registered a marginal increase of 2.47% over the previous year. This was basically due to continued sluggishness in the domestic HCV/LCV segment coupled with slowdown of production activities in July '97 at the Mumbra Plant due to labour unrest. However, the company has been able to compensate this loss of sales by substantially increasing exports of automotive gears by 47% as compared to the previous year together with high labour productivity and operational efficiency achieved after August '97 pursuant to an amicable settlement arrived at with the Workers' Union which is operative till June 2000.

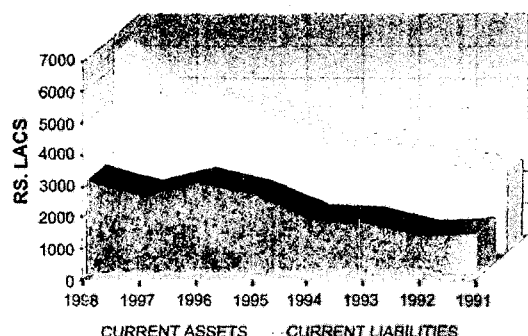
The Profit before finance charges and depreciation increased marginally by 0.44% by closely monitoring operations and controlling costs. The profit after tax could be maintained at Rs. 6.59 crores and the increased financing costs of Rs. 1.15 crores and depreciation of Rs. 0.67 crore have been adequately offset by lower taxes due to substantial capital investments and higher export sales during the year under review.

CURRENT AND FUTURE OUTLOOK

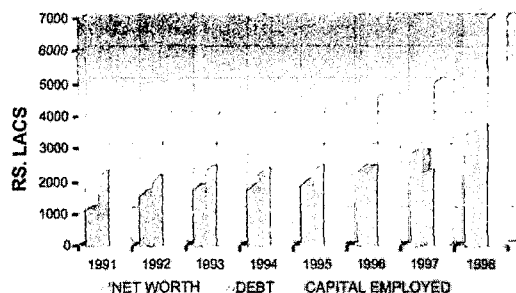
The current year has commenced with an optimistic note as higher off take is expected from the export customers and the domestic tractor



CURRENT ASSETS AND CURRENT LIABILITIES



CAPITAL EMPLOYED



industry. The company has also bagged long term contracts for export of transmission assemblies as well as supply of axle gears to an OEM domestic vehicle component manufacturer.

The company has also drawn up comprehensive plans to set up a new manufacturing facility for automotive gears. For this purpose amalgamation of Universal Steel & Alloys Limited with the Company has been approved by the Board of Directors for which your approval has already been taken. The amalgamation shall be effective from 1st April 1998 and is subject to approval of the BIFR & Financial Institutions.

FIXED DEPOSITS

At the close of the year, 116 depositors had not claimed or renewed their deposits aggregating to Rs 6.76 lacs, which have matured. After the close of the year, 19 deposits aggregating to Rs 1.57 lacs have been paid or renewed and the remaining are awaiting disposal instructions.

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

The information as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 is annexed.

PERSONNEL

Employee relations continued to remain cordial after the amicable settlement. A statement required under Section 217(2A) of the Companies Act, 1956 is annexed.

The company has successfully completed first phase of TQM awareness programme covering all sections of the employees. Implementation of second phase consisting of various modules/activities is in progress. This is expected to greatly benefit the company and its human resources in the future years.

DIRECTORS

Consequent on withdrawal of his representation by LIC, Mr. S.N. Sundaresan resigned from the Board of Directors of the Company w.e.f. 30th June 1997. Directors place on record their appreciation of the valuable guidance given by Mr. Sundaresan during his tenure as Director of the Company. Mr. Y.P. Gupta was appointed as a Director of the Company against the casual vacancy caused by the resignation of Mr. Sundaresan and holds office as Director upto the ensuing Annual General Meeting. A notice has been received from a Member proposing his appointment as Director at the ensuing Annual General Meeting.

Mr R.D. Thapar, Dr. S.M. Patil and Mr. Raunaq Singh, Directors, retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

AUDITORS

M/s AF Fergusson & Co., Chartered Accountants retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

ACKNOWLEDGEMENTS

Board of Directors record their appreciation of the continued co-operation and support provided by the Customers, Suppliers, Financial Institutions, Banks and Collaborators as well as of the dedicated services rendered by the Employees. Continued confidence reposed by Shareholders, Debentureholders and Depositors remains an immense source of strength to the Company.

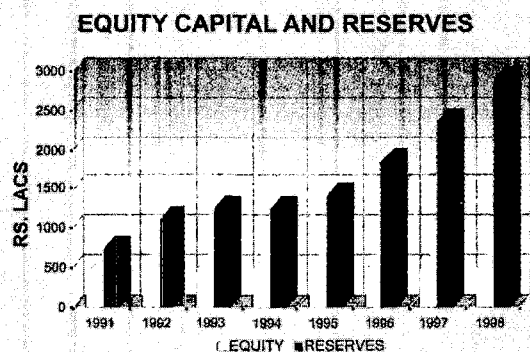
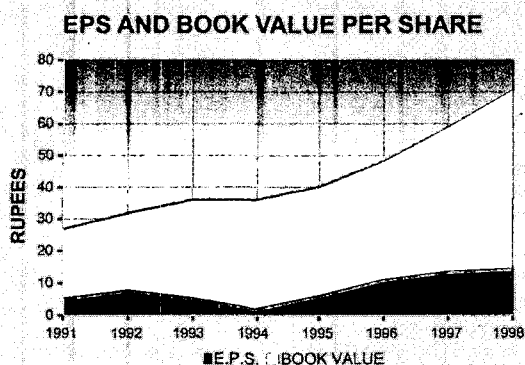
for and on behalf of the Board of Directors

Raunaq Singh

Place: New Delhi
Date: 1st July 1998

RAUNAQ SINGH
Chairman

BHARAT GEARS LIMITED



Report on conservation of energy, technology absorption, foreign exchange earnings & outgo forming part of the Directors' Report

A Conservation of energy

Power consumption per tonne was brought down by 6.4% whereas LPG consumption per tonne was reduced by 5.8%. These were achieved by installing an additional batch carburising energy efficient ceramic fibre lined furnace, and continuous monitoring of equipment utilisation and bench marking for improvements.

To further reduce energy consumption and enhance heat treatment capacity, the company is investing in a new continuous gas carburising furnace which shall be operational in the current year.

B Technology Absorption

Automotive Gears : The company has invested in CNC Gear Cutting Machines to upgrade the consistence of quality. The engineers deputed for training and acceptance of the machine have fully absorbed the operational and maintenance aspects of this technology.

The company has planned technology absorption of welded gear assemblies and has also planned investments in CNC Gear Grinding Machines. Technical personnel are being deputed for training in this area also and the effect will be visible in the year 1999/2000.

Industrial Furnaces : Integrated and programmed time-temperature-carbon potential of batch carburising process was developed and introduced in our heat treatment unit in the current year under review. This will enhance the accuracy consistency and re-produceability of results.

Software technology for computer supervision of continuous carburising plants, developed in the previous year, was extended and customised for two more plants, constructed by us this year for major manufacturers of utility vehicles and scooters.

The first three row state of the art continuous carburising furnace and semi-automated press quench in the country is under construction for our captive use. Dedicated to processing crown-wheels this plant will have PLC control and computerised supervision and semi-automated handling of the hot crown-wheels for press quenching.

C Foreign Exchange Earnings and Outgo

The company continued to be a net foreign exchange earner as the total earnings in foreign exchange aggregated to Rs 25.34 crores (previous year Rs 17.12 crores) and the total expenditure in foreign currency aggregated to Rs 14.82 crores (previous year Rs 8.10 crores) resulting in a net foreign exchange earnings aggregating to Rs 10.52 crores (previous year Rs 9.02 crores).