

1998-99  
ANNUAL  
REPORT

---

**BHARAT  
GEARS  
LIMITED**

Report  junction.com



**BHARAT GEARS**

## BHARAT GEARS LIMITED

### 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

17, Biplabi Trailakya,  
Maharaja Saranee, Calcutta-700 001

Plot 30-31, 100 Feet Road,  
Jawahar Auto Nagar, Vijayawada-520 002

Lokesh Towers, SF-2, 2nd Floor, No.18,  
Kodambakkam High Rd., Chennai-600 034

Commercial House, Kankarbagh Road,  
Patna-800 020

North Market Road, Upper Bazar,  
Ranchi-834 001

Opp. M/s. Choudhary Motors, Devendra  
Singhyi Marg, Jodhpur-342 003

125, Mechanic Nagar, Indore-452 001

89/01, 7th Cross, Wilson Garden,  
Hosur Road, Bangalore-560 027

1/269, Yan Estate, Gandhinagar Bavla  
Road, Sarkhej-382 210 Distt. Ahmedabad

A-6, 1st Floor, Transport Nagar,  
Jaipur-302 003

123/650-A, Guru Nanak Auto Market,  
Pratap Ganj, Kanpur-208 012

Katras Road, Dhanbad-826 001

Jaz House, 1st Floor, Pulleppady  
Junction, Chittoor Road, Kochi-682 035

Nehru Garden Road,  
Jalandhar City-144 001

Kohli Building, A.T. Road,  
Guwahati-781 001

1902-A, Baldev Nagar, Ambala City

382, 1st Floor, Motor Market,  
Mani Majra, UT Chandigarh

Report



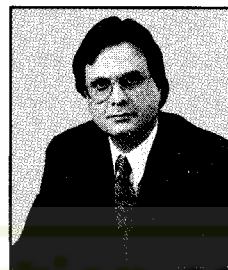


## BHARAT GEARS LIMITED

### BOARD OF DIRECTORS



**RAUNAQ SINGH**  
*Chairman*



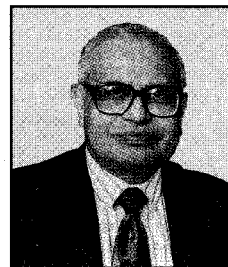
**SURINDER P. KANWAR**  
*Vice Chairman & Managing Director*



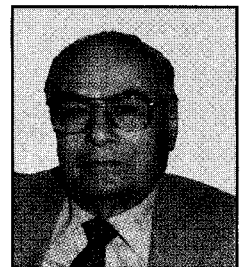
**W.R. SCHILHA**



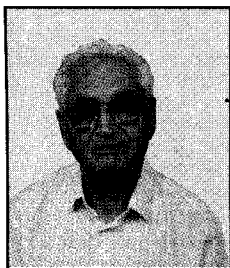
**A.F. HARTMANN**



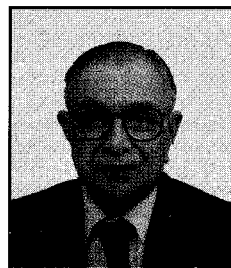
**RAMS. TARNEJA**



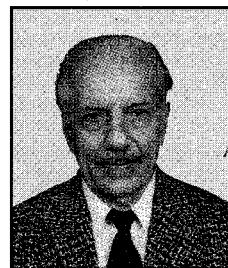
**S.M. PATIL**



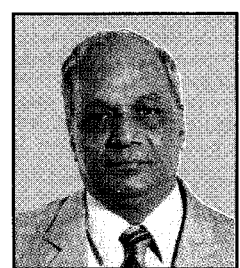
**R.D. THAPAR**



**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**  
General Manager (Finance)

**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  
The Federal Bank Ltd.

**AUDITORS**

A.F. Ferguson & Co.

**CONTENTS**

Board of Directors .....	1
Management Executives .....	2
Notice .....	3
Directors' Report .....	6
Auditors' Report .....	9
Financial Highlights .....	11
Summarized Balance Sheet .....	12
Summarized Profit & Loss Account .....	13
Financial Ratios .....	14
Balance Sheet .....	15
Profit & Loss Account .....	16
Schedules .....	17
Cash Flow Statement .....	32

**NOTICE****TO THE MEMBERS OF BHARAT GEARS LIMITED**

NOTICE is hereby given that the 27th Annual General Meeting of the Members of Bharat Gears Limited will be held as under;

Day : Wednesday  
Date : 14th July, 1999  
Time : 5.00 P.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, 1999 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.W.R.Schilla, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr.N.J.Kamath, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr.J.B.Dadachanji who retires by rotation and is eligible for reappointment.
6. To appoint Auditors for the year 1999-2000 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 A SPECIAL RESOLUTION

RESOLVED THAT in accordance with the provisions 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 securities of the Company are listed, and the prevailing statutory guidelines in that behalf and subject to all necessary consents, permissions and approvals from all such authorities and institutions as may be relevant and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting any such consents, permissions and 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, not exceeding 5,00,000 non convertible redeemable cumulative preference shares (hereinafter referred to as "Securities") of face value of Rs.100/- each for cash at par aggregating to an amount not exceeding Rs. 5 crores through preferential allotment, private placement or otherwise to IDBI Bank Limited and/or any other Financial Institutions, Mutual Funds, Banks, Insurance Companies, or any combination thereof, as the Board may in its sole discretion decide, on such terms as to rate of dividend, terms and period of redemption, terms for cumulation of dividends, 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.

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.

8. AS AN ORDINARY RESOLUTION

RESOLVED THAT subject to such approvals as are required, consent of the company be and are hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging,

hypothecating and/or charging by the Board of Directors of the Company of all or any of the immovable and/or movable properties of the company, present and future, situate at Company's works at 20 K.M. Mathura Road, P.O.Amar Nagar, Faridabad (Haryana) or at any other place and/or wholly or substantially the whole of the undertaking(s) of the Company at Faridabad or any where in India together with powers to take over the management of the business or concern of the company in certain events to or in favour of following Bank(s)/ Financial Institution(s) and on such terms and conditions as may be decided by the Board of Directors to secure Rupee Term Loans sanctioned by :

(i) The Federal Bank Limited	Rs.10 crores
(ii) Export-Import Bank of India	Rs.10 Crores.
(iii) Industrial Development Bank of India	Rs.15 crores
	<hr/> Rs.35 Crores

or such other Rupee Term Loan as may be availed by the company from time to time for part financing the Faridabad plant along with interest/additional interest, commitment charges and such other costs, charges, expenses, monies payable by the company to the aforesaid Banks/Financial Institutions in terms of Loan Agreement(s)/Heads of Agreement(s)/Sanction Letter(s)/Articles of Agreement and/or Memorandum of Terms and Conditions, Mortgage/ Hypothecation deed(s) entered into/to be entered into by the company in respect of aforesaid borrowings.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with aforesaid Banks/Financial Institution(s), the documents for creation of aforesaid mortgage and/or charge and to do all such acts, deeds and things as may be necessary for giving effect to the above resolution.

9. AS AN ORDINARY RESOLUTION

RESOLVED THAT pursuant to the provisions of Section 309 and Schedule XIII of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956 and subject to such approval(s) as may be required, excess reimbursement of medical expenses of Rs.0.46 lac made to Mr. Surinder P Kanwar, Vice Chairman & Managing Director during the financial year 1998-99 though this excess payment is within the overall limit of the value of perquisites allowed to Mr.Kanwar as per the aforesaid provisions of the Company Law and approval granted by the Members of the Company at their Extraordinary General Meeting held on 24th June 1998, be and is hereby approved and ratified.

10. AS AN ORDINARY RESOLUTION

RESOLVED THAT in supersession of the resolution(s) passed earlier and subject to the approval of the Central Government, if required, and further subject to approval of the Institutions, as may be required and pursuant to the provisions under Section 198, 268, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 and/or any amendment thereof or any new enactment thereof, Mr.Surinder P.Kanwar be and is hereby re-appointed as Vice-Chairman & Managing Director of the Company for a period of five years with effect from 1st October, 1999 and that following remuneration be paid to him notwithstanding that it may exceed the limits prescribed under Section 198, 309, 310, 311 and other applicable provisions of the Companies Act, 1956 and Schedule XIII thereof.

SALARY: Rs.2,00,000/- per month with an annual increment of Rs.20,000 with powers to the Board of Directors to grant higher increment in any year.

PERQUISITES: Perquisites shall be allowed in addition to salary. However, total value of perquisites shall be restricted to an amount not exceeding 100% of the basic salary plus reimbursement of actual medical/hospitalisation expenses for self and family subject to a ceiling of two months' basic salary per year. The perquisites shall be valued as per Income Tax Rules, wherever applicable, and in the absence of any such Rule(s), the perquisites shall be valued at actual cost incurred. Club fees, personal accident insurance premium, keyman insurance premium, telephone expenses at residence and entertainment expenses actually incurred in course of the business of the company will not be included for computation of ceiling on the perquisites. Contribution to provident fund, superannuation fund annuity fund and Gratuity fund will not be included in the computation of ceiling on the perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961 or Rules made thereunder.

Encashment of leave at the end of the tenure of the appointee will not be included in the computation of the ceiling on perquisites.

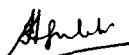


# BHARAT GEARS LIMITED

**COMMISSION:** Not exceeding 3% of the net profits of the Company computed in the manner laid down under Sections 198, 309 and 349 read with Section 350 and other applicable provisions of Companies Act, 1956.

RESOLVED FURTHER THAT notwithstanding anything contained in the Companies Act, 1956 or any amendment/re-enactment thereof and Schedule XIII of the Companies Act, 1956 or any other revised/new Schedule or guidelines thereof, in the event of absence of profits or inadequacy of profits in any financial year, the above salary, perquisites and retirement benefits (except commission) shall be paid as minimum remuneration to Mr. Surinder P Kanwar, subject to approval of Central Government, if required.

By Order of the Board



S.S. GULATI

Sr. Vice President & Secretary

Place: New Delhi  
Dated: 28th May 1999

## NOTES:

- i. A member entitled to attend and vote is entitled to appoint a proxy to attend 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 fortyeight hours before the scheduled time of commencement of the meeting. Proxy need not be a Member of the Company.
- ii. 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.
- iii. 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.
- iv. The Register of Members and the Share Transfer Books of the Company shall remain closed from 1st July 1999 to the 14th July 1999 (both days inclusive).
- v. Dividend as recommended by the Board of Directors, if declared, at the Annual General Meeting will be paid to the Members whose names are born on the Company's Register of Members as on 14th July 1999 or to their mandatees. No Income Tax shall be deducted at source from dividend amount. Dividend mandates and change of address, if any, to be effective must reach Company's Registered Office by 1st July 1999.
- vi. 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.
- vii. 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.
- viii. Securities & Exchange Board of India (SEBI) vide their letter No.SMD/SED/94/2685 dated 5th May, 1994 had suggested Companies to institute a procedure of directing the Shareholders/Debtentureholders 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 dividend warrants that are sent to them in future.
- ix. The securities of the Company are listed on the following Stock Exchanges namely, (1) The National Stock Exchange of India Limited, Trade World, Senapati Bapat Marg, Lower Parel, Mumbai-400013; (2) The Stock Exchange, Dalal Street, Mumbai-400023; (3) The Delhi Stock Exchange Association Limited, West Plaza, Indira Gandhi Stadium, Indraprastha Estate, New Delhi-110002; (4) The Pune Stock Exchange Limited, PMT Commercial Building, Deccan Gymkhana, Pune-411004 and (5) The Ludhiana Stock Exchange Association Limited, Feroze Gandhi Market, Ludhiana-141001. Annual listing fee up to date has been paid to each of these Stock Exchanges.
- x. Those Shareholders who have not encashed their dividend warrants for the year 1995-96 onwards are requested to encash the same after getting these revalidated from the company.
- xi. Members holding shares in the same name under different folios are requested to apply for consolidation of such folios and send relevant share certificates.
- xii. 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 IN RESPECT OF SPECIAL BUSINESS

### ITEM NO.7

The Company is planning to increase production capacity for automotive gears by setting up a second plant at Faridabad in Haryana State. In order to part finance this expansion programme, it is proposed to issue in one or more tranches not exceeding 5,00,000 Non Convertible Redeemable Cumulative Preference Shares of Rs.100/- each for cash at par aggregating to an amount not exceeding Rs.5 crores to IDBI Bank Ltd. and/ or such other Financial Institutions, Mutual Funds, Banks, Insurance Companies, or any combination thereof, as the Board may decide. The Company at present does not have any preference share capital. With the proposed private placement of preference shares there will be no change in the equity shareholding pattern or voting rights and also there will be no change in the control of the company.

The issue of aforesaid preference shares shall be finalised in consultation with the Merchant Banker(s)/ Advisor(s). The consent of the Shareholders is sought to authorise the Board of Directors for issuing the said preference shares subject to rules, regulations and guidelines issued/to be issued under the Companies Act, 1956 as amended, Securities and Exchange Board of India and/or any other applicable law.

Your Board of Directors recommend the above resolution for your adoption.

None of the directors is concerned or interested in the resolution.

### ITEM NO.8

The Company is setting up a second plant at Faridabad in the State of Haryana for manufacture of automotive gears with a capacity of 4000 MT of gears per annum. To part finance this project, your company has been sanctioned and is availing of/ shall avail of the Rupee Term Loans aggregating Rs.35 crores from The Federal Bank Limited, The Import-Export Bank of India and The Industrial Development Bank of India.

In order to secure the aforesaid Rupee Term Loans which your company may be availing from time to time, the Company may have to mortgage/hypothecate/create charge on the immovable and/or movable assets of the company, present and future, situated at Company's plant at Faridabad or any other place in India.

For mortgaging/hypothecating/charging the immovable and/or movable assets, approval of the shareholders under Section 293(1)(a) of the Companies Act, 1956 is required. Hence the proposed resolution.

Your Directors recommend the above resolution for your approval.

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

### ITEM NO. 9

At the Extraordinary General Meeting of the Company held on 24th June, 1998, the members of the Company have approved the revised remuneration Mr. Surinder P Kanwar, Vice Chairman & Managing Director. The terms of remuneration inter-alia provided for reimbursement of medical expenses to the extent of one month basic salary every year or three months basic salary in a block of three years. Since the limit has been exceeded by Rs.46,042.25 during the financial year 1998-99, it is proposed to approve and ratify the said excess re-imbursement of medical expenses made to Mr.Kanwar. The above excess reimbursement of medical expenses is well within the overall ceiling of Mr.Kanwar remuneration as approved by the members of the Company at aforesaid Extraordinary General Meeting and as permitted under the Companies Act, 1956 and Schedule XIII thereof.

The resolution is recommended for approval of the members.

No other Director except Mr.Surinder P Kanwar himself and Dr.Raunaq Singh being related to Mr.Kanwar, is deemed to be interested or concerned in the resolution.

This may be treated as notice under Section 302 of the Companies Act, 1956 regarding variation in the terms and conditions of the appointment of Mr.Kanwar.

### ITEM NO. 10

Mr. Surinder P Kanwar was appointed as Managing Director of the Company with effect from on 1st October, 1990 for a period of five years on remuneration. Thereafter, he was re-appointed as Managing Director of the Company on a revised remuneration w.e.f 1st October, 1995. He was re-designated as Vice Chairman and Managing Director w.e.f 1st October, 1997 on a revised remuneration within the ceiling laid down under Section 309 and other provisions of the Companies



Act, 1956 read with Schedule XIII thereof.

Under the dynamic leadership of Mr. Kanwar, the company has built up its brand image and reputation in auto ancillary segment and maintained steady growth despite adverse economic and recessionary conditions. In order to cope up with the increasing demand for the Company's products in domestic as well as export markets, a new unit for manufacture of automotive gears is being set up at Faridabad in the State of Haryana. The unit is likely to go on stream in the last quarter of the current calendar year.

Keeping the above in view and the higher responsibilities that are presently being shouldered by Mr. Kanwar and further responsibilities that have devolved/shall devolve on him on account of setting up of the second gear manufacturing plant at Faridabad, the Board of Directors of the company propose to re-appoint Mr. Kanwar as Vice-Chairman & Managing Director of the Company for a period of five years effective from 1st October, 1999 on the remuneration as set out in the resolution.

Mr. Kanwar is also Managing Director of Raunaq International Limited from where he is drawing a token remuneration of Rupee one only per month.

The resolution is recommended to the members for their approval. No other Director except Mr. Surinder P. Kanwar himself and Dr. Raunaq Singh being related to Mr. Kanwar, is deemed to be interested or concerned in the resolution.

This may be treated as notice under Section 302 of the Companies Act, 1956 regarding variation in the terms and conditions of the appointment of Mr. Kanwar.

#### INSPECTION OF DOCUMENTS

Documents relating to items referred to above shall be open for inspection of members at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on all working days (Monday to Friday) till the date of the meeting.

S.S. GULATI

Sr. Vice President & Secretary

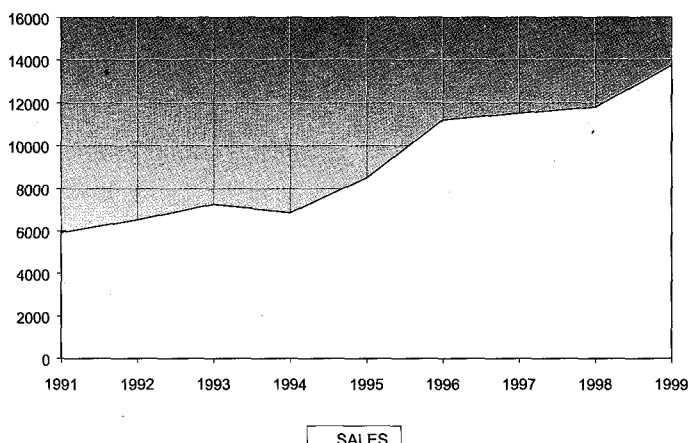
Place: New Delhi

Dated: 28th May 1999

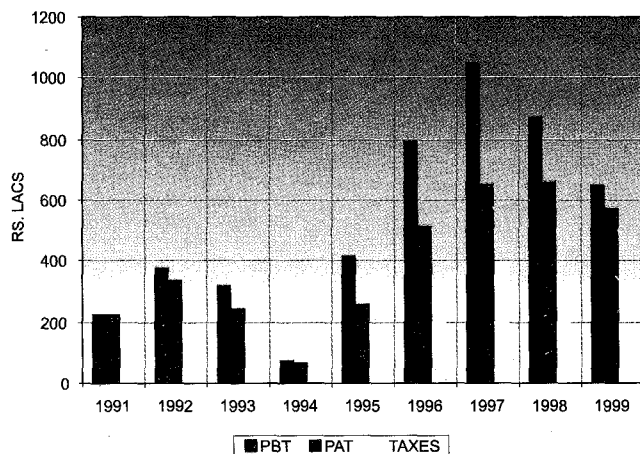
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# BHARAT GEARS LIMITED

## SALES & OTHER INCOME



## PROFITS



## DIRECTORS' REPORT

### TO THE MEMBERS OF BHARAT GEARS LIMITED

The Directors have pleasure in presenting 27th Annual Report and Audited Statement of Accounts of the Company for the financial year ended on 31st March, 1999.

FINANCIAL RESULTS	(Rs./Crores)	
	Financial Year Ended 31.3.99	31.3.98
Gross turnover	137.54	118.04
Profit before finance charges and depreciation	17.96	18.22
Finance Charges	6.61	5.71
Depreciation	4.90	3.77
Profit before Tax	6.45	8.74
Tax on Income	0.74	2.15
Profit after Tax	5.71	6.59
ADD: Balance brought forward from previous year	1.55	1.52
Profit available for appropriation	7.26	8.11
APPROPRIATIONS:		
Proposed Dividend	1.15	1.06
Additional Income Tax on proposed dividend	0.12	0.10
Transferred to Debenture Redemption Reserve	1.09	1.15
Transferred to General Reserve	3.37	4.25
Balance carried to Balance Sheet	1.53	1.55
	7.26	8.11

## DIVIDEND

The Directors are pleased to recommend a dividend of 22% on Equity shares of the Company for the year ended 31st March, 1999 on the enhanced share capital as under:

- A dividend of Rs. 2.20 per share on 4818301 equity shares for the full Financial Year 1998-99.
- A pro-rata dividend on 1166667 equity shares allotted on 24th November 1998 to promoters and foreign collaborators from 24th November 1998 to 31st March 1999.
- A pro-rata dividend on 28750 equity shares allotted on 16th March, 1999 to the members of the erstwhile Universal Steel and Alloys Ltd on amalgamation from 16th March, 1999 to 31st March, 1999.

The above dividends would absorb Rs. 1.15 crores of the profits.

## FINANCE

During the year under review, the company has raised rupee term loans of Rs.9.50 crores from Industrial Development Bank of India to part finance expansion of the Mumbra Plant. The Company has repaid foreign currency/rupee term loans aggregating to Rs.2.98 crores and redeemed debentures for Rs.5 crores.

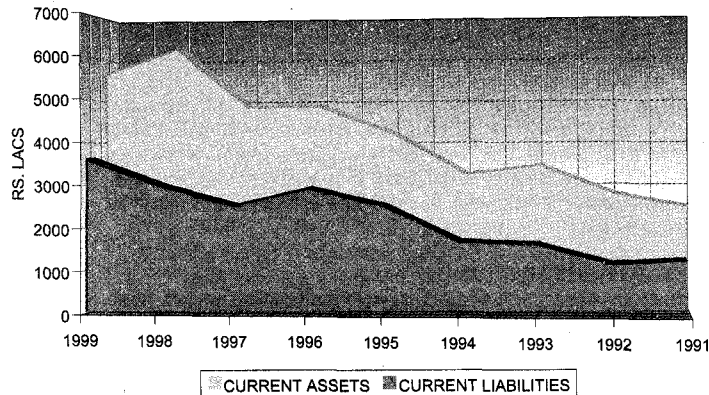
## PERFORMANCE FOR THE YEAR

The automotive sector continues to perform below expectation of the industry. The commercial vehicle segment has not shown any improvement in its working. In spite of these conditions, your company has improved the turnover by 16.52% in the year under review by concentrated efforts to penetrate deeply and widely in the replacement parts market. Your company's efforts in implementing Quality Systems, TQM and working towards QS9000 certification has inspired confidence of overseas buyers and that has contributed in maintaining the export sales inspite of the onslaught of competition from the south-east asian countries. Due to stagnant market conditions & poor liquidity in the market plan, the pressure on our margins, throughout the year, remained very high. This has resulted in a marginal decrease of 2.37% in the profit before finance charges and depreciation. Company's continuous effort to contain cost and improve productivity has helped in maximising the profits under adverse conditions. The outgo on tax has got reduced to Rs.0.74 crores only (Rs.2.15 crores) due to tax benefits availed on account of capital expenditure incurred for your Mumbra Plant and due to set off of unabsorbed losses of Universal Steel & Alloys Limited available to your company under the merger scheme. Financing costs and depreciation have been maintained at 4.81% and 3.56% respectively of the enhanced sales.

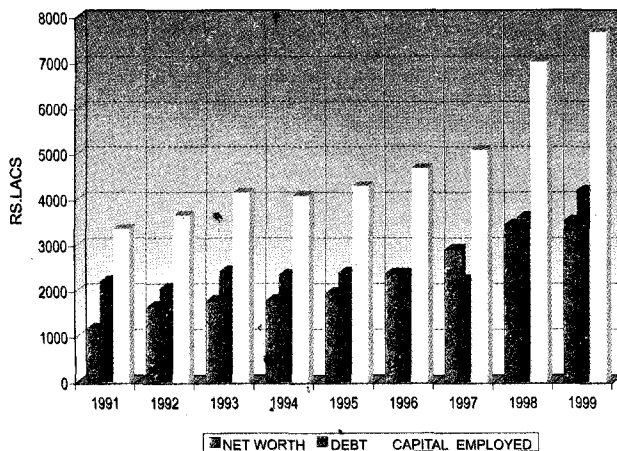




### CURRENT ASSETS & CURRENT LIABILITIES



### NET WORTH & CAPITAL EMPLOYED



### FUTURE OUTLOOK

The current year has commenced with an optimistic note with addition of new customers both in OEM and after market segment. The agricultural tractor segment is expected to maintain its growth which should bring increased volumes.

### MERGER OF UNIVERSAL STEEL AND ALLOYS LTD.

Pursuant to your company's plans for expansion in Northern India and consequently the rehabilitation of Universal Steel & Alloys Limited (USAL), a sick industrial company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 which was approved by the members in their Annual General Meeting held on 24th June, 1998 and subsequently approved by the Hon'ble Board for Industrial and Financial Reconstruction vide its order dated 6th October, 1998, the amalgamation proceedings of USAL has been completed in the current year.

Your company has commenced the activities for commissioning the existing plant at Faridabad which is expected to be completed by October, 1999. The output from this plant is earmarked initially for the northern markets.

### FIXED DEPOSITS

At the close of the year, 192 depositors including those of USAL had not claimed or renewed their deposits aggregating to Rs.0.10 Crores, which have matured. After the close of the year 15 deposits aggregating to Rs. 0.65 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.

### Y2K COMPLIANCE

- The Company has initiated appropriate and effective steps to be Y2K compliant by September, 1999.
- The Expenditure to ensure Y2K compliance is not expected to have any material financial impact.

### PERSONNEL

Employee relations continue to be cordial. A statement required under Section 217(2A) of the Companies Act, 1956 is annexed. The company has successfully completed TQM awareness programme covering all sections of the employees. Plans for implementation of QS9000 is well under way and this is expected to greatly benefit the company and its human resources in the future years.

### DIRECTORS

Mr.W.R.Schilha, Mr.N.J.Kamath and Mr.J.B.Dadachanji, Directors retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

### AUDITORS & THEIR REPORT

M/s. A.F.Ferguson & Co.Chartered Accountants retire at the forthcoming Annual General Meeting and are eligible for reappointment. The comments of the Auditors have been appropriately dealt with in the schedules and notes to the accounts.

### ACKNOWLEDGEMENTS

Board of Directors record their appreciation of the continued co-operation and support provided by the Customers, Suppliers, Financial Institutions, Banks and Foreign Collaborators, ZF Friedrichshafen AG, as also of the dedicated services rendered by the Employees. Continued confidence of the Shareholders, Debentureholders and Depositors remains an immense source of strength to the Company to embark its future plans.

For and behalf of Board of Directors

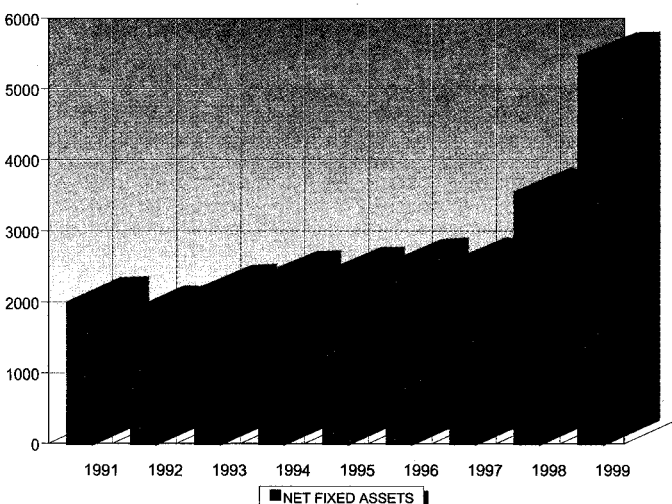
*Ram Singh*

Place: New Delhi  
Dated: May 28, 1999.

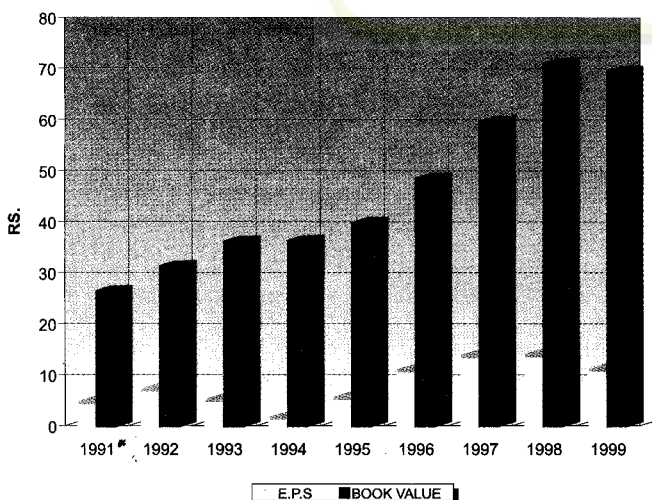
RAUNAQ SINGH  
CHAIRMAN

# BHARAT GEARS LIMITED

## NET FIXED ASSETS



## EPS & BOOK VALUE



Report on conservation of energy, technology absorption, foreign exchange earning and outgo forming part of the Directors' Report.

### A. CONSERVATION OF ENERGY

Power consumption per ton was lower by 4.8% compared to previous year. A special device to optimize running of Air Compressors was installed during the year; this along with other energy conservation steps resulted in energy savings during the year.

The consumption of LDO per ton was lower by 10.5% compared to previous year. This was achieved by improved scheduling of the furnaces as well as up-keep of burners.

During the year under review, the Company introduced instrumentation for monitoring air and gas flows to individual radiant tube burners, in all the gas fired furnaces under construction, to facilitate ongoing adjustment of drift from preset valves and maintain optimum combustion efficiency. This scheme is intended to result in 5 to 10% savings.

### B. TECHNOLOGY ABSORPTION

The technology absorption of CNC gear grinding and welded gear assemblies is complete. The samples of such parts have been approved by customers and pilot supplies have started.

During the year under review, Company's Furnace Division has absorbed following new technology from its Foreign Collaborators, Holcroft (USA); technology in terms of design, engineering and construction, has been absorbed and utilised for creating a new, special purpose carburising facility for processing truck and tractor crown wheels, in Company's Mumbra plant, at high production rates, with optimum utilisation of floor space and energy. This unit will be the first 3-Row Carburiser in India, if not in Asia.

Drawer-tray Electric Heating System design has been used by the Company in 1 TPH (Ton per hour) Continuous Isothermal Annealing Furnace, constructed for a leading truck manufacturer, for more uniform heating, longer element life and convenient maintenance.

### 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.26.70 crores (previous year Rs.25.29 crores) and the total expenditure in foreign currency aggregated to Rs.3.41 crores (previous year Rs.2.79 crores) resulting in a net foreign exchange earning aggregating to Rs.23.29 crores (previous year Rs.22.50 crores).