

1999-2000
ANNUAL
REPORT

**BHARAT
GEARS
LIMITED**

Report  junction.com



BHARAT GEARS

BHARAT GEARS LIMITED**CORPORATE OFFICE**

Hoechst House, Nariman Point,
Mumbai - 400 021.

REGISTERED OFFICE

20 K.M., Mathura Road, P.O. Amar Nagar
Faridabad - 121 003.

WORKS

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

BRANCHES

17, Biplabi Trailakya, Maharaja Saranee Road,
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 - 600034.

Commercial House, Kankarbagh Road,
Patna - 800 020.

North Market Road, Upper Bazar,
Ranchi - 834 001.

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

287, Transport Nagar, Indore - 451 001.

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

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

19, Transport Nagar, Jaipur - 302 003.

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

Katras Road, Dhanbad - 826 001.

Poomkudy House, NH-47, Edappally
Kochi - 682 024.

8, Sahdev Nagar, Jalandhar City - 144 001.

A.T. Road, Guwahati - 781 001.

1902-A, Baldev Nagar, Ambala City

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

79-80, Yard No.6, TPT Nagar, Narwal
Jammu - 180 006.

9/15, Dr. Munnuswamy Garden Street
Avinashi Road, Coimbatore - 641 018.

NH-5, Gandarpur, Cuttack - 753 003.

287, Transport Nagar, Indore - 451 001.

Jayendraganj, Ghoda Chowk, Gwalior.

2/2056 B, Wynad Road, Near Civil Station
Calicut - 673 020.

Dr. Ahuliwalia Building, Kankali Hospital
Chowk, Tatyapura, Raipur.

Report



Junction

BHARAT GEARS LIMITED



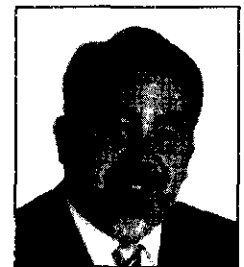
BOARD OF DIRECTORS



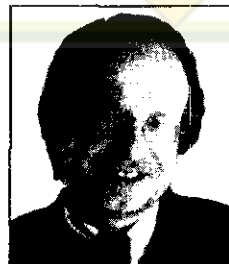
RAUNAQ SINGH
Chairman



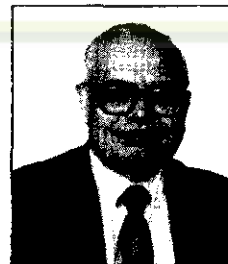
SURINDER P. KANWAR
Vice Chairman & Managing Director



W.R. SCHILJA



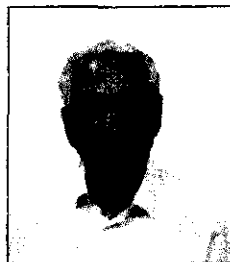
A.E. HARTMANN



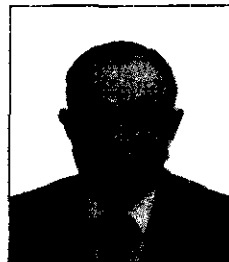
RAM S. TARNEJA



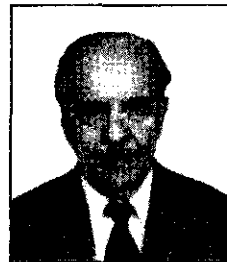
S.M. PATIL



R.D. THAPAR



J.B. DADACHANJI



N.J. KAMATH



V.P. GUPTA

BHARAT GEARS LIMITED**MANAGEMENT EXECUTIVES****N.V. Srinivasan**

Sr. VP - Manufacturing

B. Shanker

Sr. VP - Marketing & Engineering

A.S. Raghavan

Sr. VP - Furnace Division

S.M. Mathur

VP - Project

Nagesh Nadig

General Manager (Finance)

COMPLIANCE OFFICER**Sanjay K. Sachdev**Asstt. General Manager (Legal)
& Secretary**FINANCIAL INSTITUTIONS**

The Sakura Bank Ltd.

Industrial Development Bank of India

Export Import 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

India 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	5
Auditors' Report	8
Financial Highlights	10
Summarised Balance Sheet	11
Summarised Profit & Loss Account	12
Financial Ratios	13
Balance Sheet	14
Profit & Loss Account	15
Schedules	16
Cash Flow Statement	29
Shareholders Information Updation Form	30
Nomination Form	31
Guide Map to AGM Venue	32

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

NOTICE is hereby given that the 28th Annual General Meeting of the Members of Bharat Gears Limited will be held as under:

Day	:	Tuesday
Date	:	12th September, 2000
Time	:	12.30 P.M.
Venue	:	City Palace Banquet SCO 104-105, Sector-16 Faridabad

to transact the following business :

1. To receive, consider and adopt the audited accounts of the Company for the year ended 31st March, 2000 together with Report of the Auditors and Directors thereon,
2. To declare dividend on Equity & Preference Shares.
3. To appoint a Director in place of Mr. A.F.Hartmann, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Dr. Ram S.Tarreja, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. R.D.Thapar, who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors for the year 2000-2001 by a Special Resolution and to fix their remuneration.

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

7. AS A SPECIAL RESOLUTION

RESOLVED THAT subject to such approval as may be required in terms of Guidelines issued by the Securities & Exchange Board of India (SEBI) and the concerned Stock Exchanges, the securities of the Company be delisted from Ludhiana and Pune Stock Exchanges.

RESOLVED FURTHER THAT for the purpose aforesaid, the Board be and is hereby specifically authorised to take all such steps and actions and to do all such other act(s), deed(s) and thing(s) as may be required in connection with delisting of securities of the Company as aforesaid.

8. AS A SPECIAL RESOLUTION

RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended by inserting the following articles in the manner as detailed below:

Articles 198 - Dematerialisation of shares, debentures and other securities

"Notwithstanding anything contained herein, the Company shall be entitled pursuant to the provisions of the Depositories Act, 1996 to dematerialise its shares, debentures and other securities for subscription in a dematerialised form in any media as permitted by law including any form of electronic media. The Company shall maintain a Register of Members with the details of Members holding shares both in material and dematerialised form. In the manner the Company shall be entitled to rematerialise any dematerialised shares, debentures and other securities".

Article 199 - Nomination of Securities

"Subject to the provisions of Section 109A of the Act and any regulations made in that behalf, the Company shall be entitled to accept nominations from its holders of Securities".

By Order of the Board

(Signature)

Place : Faridabad.
Dated : 16th June, 2000

SANJAY K. SACHDEV
Asstt. General Manager (Legal) &
Secretary

NOTES :

- i. 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 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 September 2000 to the 12th September 2000 (both days inclusive).
 - v. Dividend on Equity Shares 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 12th September 2000 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 September, 2000.
- 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, 3/1, Asaf Ali Road, New Delhi-110002; (4) The Pune Stock Exchange Limited, Shivleela Chambers, 752, Sadashiv Peth, R.B.Kumthekar Marg, Pune-411030 and (5) The Ludhiana Stock Exchange Association Limited, Feroze Gandhi Market, Ludhiana-141001. Annual listing fee upto date has been paid to each of these Stock Exchanges.
 - x. Those Shareholders who have not encashed their dividend warrants for the year 1994-95 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.

BHARAT GEARS LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF SPECIAL BUSINESS :

ITEM NO. 7 :

The shares of the company are listed on five stock exchanges including Ludhiana & Pune Stock Exchanges. The trading of company's scrip at the Ludhiana and Pune Stock Exchanges has been very rare and volume negligible. The company is bearing unnecessarily cost of Listing Fees being paid to these Stock Exchanges annually. Now your company is planning to get its scrips delisted from the Ludhiana and Pune Stock Exchanges by following the guidelines of Securities & Exchange Board of India (SEBI) and the guidelines issued by the respective Stock Exchanges. Further, your company intends to offer exit route to the shareholders in Ludhiana & Pune Stock Exchanges regions in compliance of the Guidelines issued by Securities & Exchange Board of India and respective Stock Exchanges.

Your Directors recommend the above resolution for your approval.

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

ITEM NO. 8 :

Consequent upon the enactment of the Depository Act, 1996 and the introduction of the Depository System, certain provisions of the Companies Act, 1956 related to issue, transfer and other dealings in shares and other securities and also Share/Securities Certificates have been amended. In consonance with the amendments incorporated in the Companies Act, 1956 as stated above, it has become necessary to amend the Articles of Association of the Company so as to enable the Company to participate in the Depository System.

Further, in view of the recent amendment in the Companies Act, 1956, the nomination facility has also been extended for Securities. As such the provision relating to nomination is being incorporated in the Articles.

The Members are requested to accord their approval to the alterations of Articles of Association of the Company.

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

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.

Place : Faridabad
Dated : 16th June, 2000

SANJAY K. SACHDEV
Asstt. General Manager (Legal)
& Secretary

SHAREHOLDERS INFORMATION

ANNUAL GENERAL MEETING

Day	:	Tuesday
Date	:	12th September, 2000.
Time	:	12.30 P.M.
Venue	:	City Palace Barquet SCO 104-105, Sector-16 Faridabad

BOOK CLOSURE DATES

1st September, 2000 (Friday) to 12th September, 2000 (Tuesday) (both days inclusive).

LISTING

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

1. National Stock Exchange of India Limited, Mumbai.
2. The Stock Exchange, Mumbai.
3. The Delhi Stock Exchange Association Limited, Delhi.
4. The Pune Stock Exchange Limited, Pune.
5. The Ludhiana Stock Exchange Association Limited, Ludhiana.

The Regional Stock Exchange of the Company is "The Delhi Stock Exchange Association Limited, Delhi". The Company has paid the Annual Listing Fees to all the Stock Exchanges.

INVESTORS SERVICE CELL

The company has its investors service cell at its registered office in Faridabad. All Correspondence relating to transfer/transmission, change of address, issue of duplicate/missing share certificates and other queries should be addressed to :

The Company Secretary
BHARAT GEARS LIMITED
20 K.M., Mathura Road,
P.O. Amar Nagar,
Faridabad - 121 003.

ON LINE SHARE TRANSFER

The company has "On Line" system of share transfer. Under this system, all valid applications for transfer/transmission of shares upto 5000 shares per transferee are affected by the authorised Officers of the company and share certificates are returned to the applicants within a period of 15 days from the date of receipt.

NOMINATION FACILITY :

In terms of provisions of Companies (Amendment) Act, 1999 an individual shareholders of the company has been provided with the facility to nominate in respect of his/her holding in the company. This nomination facility is mainly useful for all holders having their holding in single name. The nominee after producing the attested copy of the death certificate can become the shareholder of the company. In cases where the shares are held in joint names, the nomination will get effective only on the death of all the holders.

Please note that only single nominee can be appointed for his/her holding under single folio. Under no circumstances more than one nominee is allowed for a single folio. Only individual can be appointed nominee and only individual can appoint nominees.

In view of the above provisions the shareholders are requested to avail the above facility in order to avoid the lengthy and time consuming process of transmission of shares. For the convenience of the shareholders Nomination Form is enclosed at some other place in this Annual Report. The same may be sent duly filled to Investor Service Cell address mentioned above.

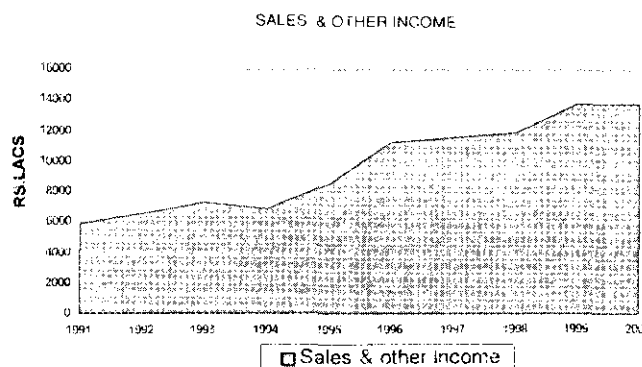
DETAILS OF SHAREHOLDING AND LATEST RESIDENTIAL ADDRESS :

The shareholders of the company are requested to intimate their latest residential address alongwith the details of the shareholding in the enclosed form. This information is required by the company to update its data. The enclosed form may either be sent to the company at the address mentioned above or be hand delivered at the Annual General Meeting of the company.



DIRECTORS' REPORT TO THE MEMBERS OF BHARAT GEARS LIMITED

The Directors have pleasure in presenting the 28th Annual Report and Audited Statement of Accounts of the Company for the financial year ended on 31st March 2000.



	(Rupees/Crores)	
	Financial Year ended 31.3.2000	31.3.1999
FINANCIAL RESULTS		
Gross Turnover	136.64	137.54
Profit before finance charges and Depreciation	15.77	17.96
Finance Charges	6.27	6.61
Depreciation	5.61	4.90
Profit before tax	3.89	6.45
Tax on income	0.74	0.74
Profit after tax	3.15	5.71
ADD: Balance brought forward from previous year	1.53	1.55
Profit available for appropriation	4.68	7.26

APPROPRIATIONS		
Proposed Dividend	1.01	1.15
Additional Income Tax on proposed dividend	0.18	0.13
Transferred to Debenture Redemption Reserve	1.08	1.08
Transferred to General Reserve	0.08	3.37
Balance Carried to Balance Sheet	2.33	1.53
	4.68	7.26

DIVIDEND

The Directors have already paid the interim dividend for 11.5% Redeemable Cumulative Non-Convertible Preference Shares as per the terms of the issue. The Directors, therefore, recommend final dividend of 11.5% on Preference Shares pro-rata from the date of allotment i.e., 19th July 1999 to 31st March 2000.

The Directors are pleased to recommend a dividend of 10% on Equity shares of the company for the year ended 31st March 2000. This would absorb Rs. 60.14 lacs of the profits. The dividend will be tax free in the hands of the shareholders.

FINANCE

During the year under review, the company has raised the following Rupee Term loans to part finance the expansion for the plant at Faridabad (Haryana) :

The Industrial Development Bank of India	Rs. 11.75 crores
The Export & Import Bank of India	Rs. 10.00 crores
The Federal Bank Limited	Rs. 8.22 crores

In view of the implementation of your company's expansion project at Faridabad, the company privately placed 11.5% Redeemable Cumulative Non-Convertible Preference Shares aggregating to Rs.5 crores, subscribed to by the IDBI Bank Ltd., to strengthen working capital requirements.

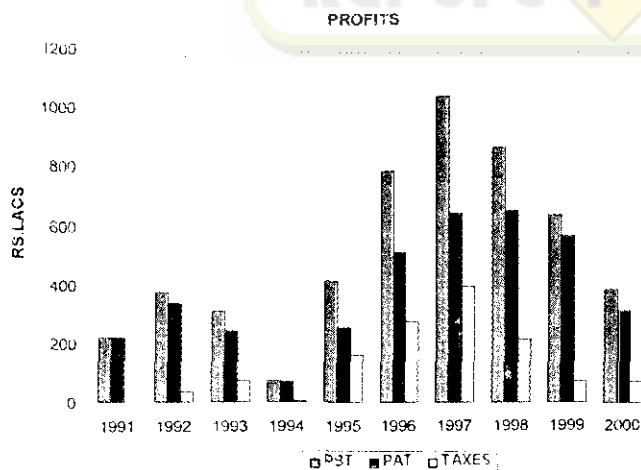
The Company has re-paid (net) foreign currency/rupee term loans aggregating to Rs.4.14 crores.

PERFORMANCE REVIEW

The domestic automotive industry registered a growth of 14% during the year under review. However, this growth was restricted mainly to the passenger cars.

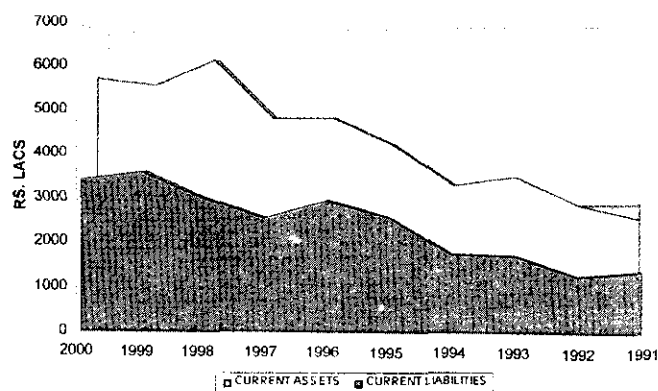
The growth of the Tractor segment was restricted to only 2.5% and the Light commercial vehicles showed a moderate growth of 6.9% which were well below the expectations of component manufacturing industries.

Since your company's major off take is consumed by the domestic tractor

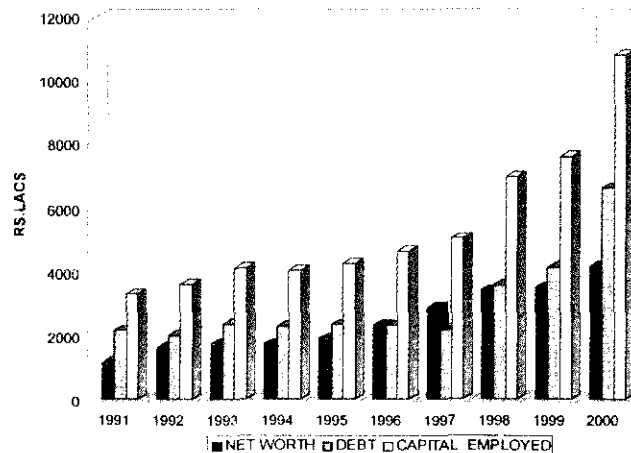


BHARAT GEARS LIMITED

CURRENT ASSETS & CURRENT LIABILITIES



NET WORTH & CAPITAL EMPLOYED



industry, sales to domestic Original Equipment Manufacturers (OEMs) customers could be maintained at the same level. The exports of the company were lower by 10%, however, this shortfall was compensated by the increased off take in the Domestic Replacement market.

The Gross Turnover was maintained at almost the same as that of last year. During the year under review, the margins were under tremendous pressure, especially from the domestic OEMs, resulting in a lower profit before interest and depreciation of Rs.15.77 crores as compared to Rs.17.96 crores in the previous year. Correspondingly, the profit after tax declined to Rs.3.15 crores as compared to Rs.5.71 crores in the previous year.

Your Company has achieved QS 9000 accreditation for Mumbra Plant during the year under review pursuant to the plans for implementing continuous improvement. This is expected to greatly benefit the company in the export markets and its human resources in the future years.

FUTURE OUTLOOK

The Domestic Tractor Industry continues to perform below expectations during the current year due to excess capacities and the onslaught of competition from new entrants. To counter this, your company has drawn up plans to increase exports and offtake in the domestic replacement markets. Exports are likely to increase due to new export customers/business being added during the year and offtake in the domestic replacement market is expected to be substantially higher by increasing the range of products and deeper geographical penetration of the domestic market.

EXPANSION AT FARIDABAD PLANT

Your Directors are glad to inform that your Company's proposal for rehabilitation of the erstwhile Universal Steel & Alloys Limited has been implemented. All the activities for installation of the plant and machinery at Faridabad have been completed and initial trial runs have been undertaken successfully. The plant has since commenced the Commercial Production w.e.f 1st May 2000.

FIXED DEPOSITS

At the close of the year, 148 depositors had not claimed or renewed their deposits aggregating to Rs.7 lacs, which have matured. After the close of the year, 16 deposits aggregating to Rs.0.91 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 continue to remain cordial after the amicable settlement. A statement required under Section 217(2A) of the Companies Act, 1956, is annexed.

DIRECTORS

Mr.A.F.Hartmann, Dr.Ram S. Tarneja and Mr.R.D.Thapar, Directors, retire by rotation at the forthcoming Annual General meeting and are eligible for re-appointment.

AUDITORS & THEIR REPORT

M/s A.F.Ferguson & Company, Chartered Accountants retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

Auditor's observations are Self-Explanatory and/or explained suitable in the Note on Accounts.

ACKNOWLEDGEMENTS

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

For & On behalf of Board of Directors

Place: Faridabad
Date : 22nd June, 2000

RAUNAQ SINGH
Chairman



REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO FORMING PART OF THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

The power consumption in the plant for lighting load was reduced by 25% by installation of "ECONOMISER" to control voltage input for tube lights without affecting illumination levels.

The LPG consumption per ton was maintained to the same level as last year. The twin row continuous gas carburising furnace installed at Mumbra Plant has been operational and has results in not only energy savings but also more consistent quality product with other benefits such as better monitoring of the process control through instrumentation and computerisation.

By better monitoring of mineral oils used in the machines a saving of 4% during the year has been possible for every ton of production.

Metering of Gas Consumption for heating and process was introduced in one of the batch carburising furnaces for close monitoring of energy efficiency. This will be extended in phases to all the gas fired equipment, as an important step towards continuous improvement of energy conservation in our operations.

Gas generators and Continuous & Batch furnaces for the Faridabad Plant have been designed for use of Propane gas in place of Butane gas that we have been using so far, to take advantage of the higher calorific value of the former on per ton basis. Our plans are to introduce Propane usage in Mumbra Plant in the current year.

B. TECHNOLOGY ABSORPTION

During the year under review Bevel Gear sets with lower levels of noise have been demanded by the customers and the company has installed noise measuring equipment with the testing machines and the same has been installed in special rooms to isolate environmental noise. With this further reduction in the noise of the gear sets to meet the customers requirement has been achieved. CNC gear cutting and gear grinding technology has been fully absorbed during the year under review.

During the year under review, our focus was on process control, consistent with the customers' need for continuous upgradation of quality.

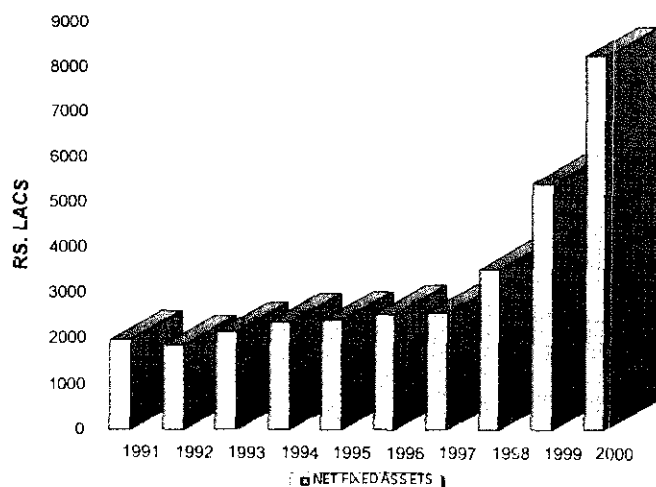
State-of-the-art combustion and temperature control techniques were introduced in batch furnaces to achieve temperature uniformity with +/- 5 deg.C.

Programmed variable speed quench agitation feature was introduced in batch and continuous furnaces to achieve optimum control of heat treat distortion and metallurgical characteristics.

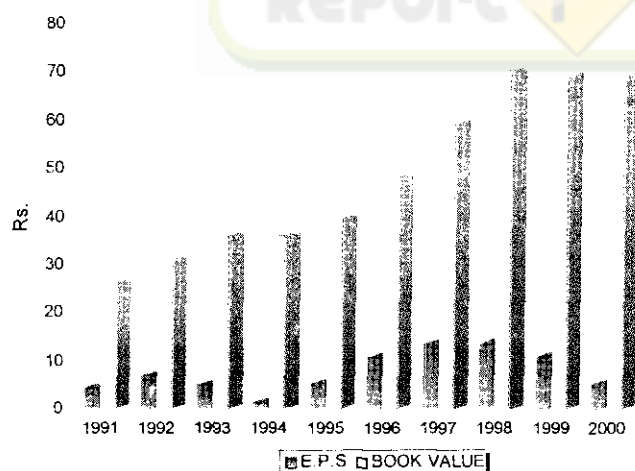
C. FOREIGN EXCHANGE EARNING & OUTGO

The Company continued to be a net foreign exchange earner as the total earnings in foreign exchange aggregated to Rs.25.50 crores (previous year Rs.26.70 crores) and the total expenditure in foreign currency aggregated to Rs.2.72 crores (previous year Rs.3.41 crores) resulting in a net foreign exchange earnings aggregating to Rs.22.78 crores (previous year Rs.23.29 crores).

NET FIXED ASSETS



EPS & BOOK VALUE



BHARAT GEARS LIMITED

AUDITORS' REPORT TO THE MEMBERS OF BHARAT GEARS LIMITED

We have audited the attached balance sheet of Bharat Gears Limited as at 31st March, 2000 and also the profit and loss account of the Company for the year ended 31st March, 2000 annexed thereto, and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. As stated in the Note in Schedule 7 'Investments' in respect of the Company's investment of Rs. 143.67 lacs in the share capital of a company, promoted by Bharat Gears Ltd. no provision has been made in the accounts for the diminution in the value of investment for the reason stated in that note. We are unable to express an opinion in the matter.
3. Consequent to the Revised Accounting Standard (AS-2) issued by the Institute of Chartered Accountants of India, which is effective from the accounting period commencing on or after 1st April, 1999 and is mandatory in nature, the Company has changed the basis of valuation of inventories to be in line with (AS-2) as indicated in note 18 of schedule 21, resulting in the profit for the year before tax being higher by Rs. 44.70 lacs and the reserves and surplus as at the year end being higher by Rs. 27.49 lacs.
4. As stated in Note II(iv) of Schedule 21, the Company provides for estimated foreseeable losses on the contracts for furnace construction. This necessarily involves technical evaluations by the Management in respect of costs to completion on the basis of which total costs on the contracts have been estimated and compared with the total revenue. Owing to their technical nature we relied on such estimates as certified by the Company

We further report that without considering the matters referred to in paragraphs 2 and 4 above in respect of which we are unable to express an opinion/ have relied on certain technical information provided by the Company; consequent to the change in the basis of valuation of inventories referred to in paragraph 3 above, the aggregate impact on the profit for the year before tax and the Reserves and Surplus as at the year end is the same as stated in that paragraph.

Further to our comments in the annexure referred to in paragraph 1 and subject to our comments in paragraphs 2 to 4 above:

- (a) 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;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
- (c) the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
- (d) in our opinion the profit and loss account and balance sheet comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- (e) in our opinion and to the best of our information and according to the explanations given to us, the accounts, give the information required by the Companies Act, 1956, in the manner as required, and give a true and fair view:
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2000, and

- (ii) in the case of the profit and loss account of the profit for the year ended on that date.

For A.F. FERGUSON & CO.
Chartered Accountants



M.S. Dharmadhikari
Partner

Date : 21st June, 2000

Annexure referred to in paragraph 1 of the Auditors' Report to the Members of Bharat Gears Limited on the Accounts for the year ended 31st March, 2000.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. During the year the management has physically verified certain fixed assets in accordance with the programme of verification which is reasonable having regard to the size of the Company and the nature of its business. No material discrepancies were noticed on such verification.
2. None of the fixed assets has been revalued during the year.
3. Except for the stocks of raw materials with third parties where certificate confirming stocks have been received in respect of most of the stocks held, the stock finished goods, raw material and most of the stock of stores and spare parts have been physically verified by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and book records were not significant.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with normally accepted accounting principles, and, except for the matters stated in note 18 of Schedule 21, is on the same basis as in the preceding year.
7. The Company has not taken loans from the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956 where the terms and conditions are prima facie prejudicial to the interest of the company.
8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, or to companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956 where the terms and conditions are prima facie prejudicial to the interest of the company.
9. In respect of loans and advances in the nature of loans given to employees, the principal amounts and interest where applicable, are being recovered as stipulated.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. According to the information and explanations given to us, there are