

2000-2001
ANNUAL
REPORT

**BHARAT
GEARS
LIMITED**

Report  junction.com



BHARAT GEARS

BHARAT GEARS LIMITED

CORPORATE OFFICE

Village Kausa Shil,
Mumbra - 400 612.
Dist. Thane, Maharashtra

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, Brabourne Road, Mukherjee House,
5th Floor, Calcutta - 700 072.

Plot 30-31, 100 Feet Road, Jawahar Auto
Nagar, Vijaywada - 520 007.

104 Mahalingapuram, Main Road,
Chennai

41 Chhoti Gwaltoli, Opp. Madhu Milan Cinema
Indore-452001

Commercial House, Kankarbagh Road,
Patna - 800 020.

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

Opp. Chaudhary Motors, Devendra
Singhvi Marg, Jodhpur - 342 003.

512 Surya Kiran Bldg.,
19th Kasturba Gandhi Marg,
New Delhi-110 001

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

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

A-6, Ist, Floor,
19, Transport Nagar, Jaipur - 302 003.

J-23/650 - A, Guru Nanak Auto Market
Pratap Ganj, (Gadarian Purva)
Kanpur - 208 012.

Gururanak Pura,
Katrass 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.

Kohli Building, A.T. Road, Guwahati-781001

1902 - A, Baldev Nagar, Ambala City, Haryana

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

Report

Junction



Jayendraganj, Ghoda Chowk,
Gwalior-474009

NH-5, Gandharpur
Cuttack-753003

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

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

Hamirpur Road,
UNA (HP)

Hoechst House 14th Floor,
Nariman Point, Mumbai-400 021

Durga Mills
Near Milk Dairy, Mangal Parao,
Halswani-2631339
Uttranchal

New Durable Springs (India)
New Bombay Market,
Opp. Shahid Smarak, Nav Bharat Press Road,
Raipur-492001, Chattisgarh

29, Cantonment, Shillong-791111
Arunachal Pradesh

358 Automobile Market,
Hissar-125001
Haryana

5-B/2 Bunglow Plots, NIT, Faridabad-121001
Haryana

89 Motor Stand Road
Agartala-799001
Tripura

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BHARAT GEARS LIMITED

BOARD OF DIRECTORS**Dr. Raunaq Singh, *Chairman*****Dr. S. M. Patil****Dr. Ram S Tarneja****Mr. R. D. Thapar****Mr. N. J. Kamath****Mr. W.R. Schilha****Mr. A.F. Hartmann****Mr. Jai Singh Bhandari****Mr. Surinder P Kanwar, *Vice-Chairman & Managing Director*****MANAGEMENT EXECUTIVES****N.V. Srinivasan**

Sr. VP- Manufacturing

B. Shankar

Sr. VP-Marketing & Engineering

A.S. Raghvan

Sr. VP- Furnace Division

S.M. Mathur

VP-Manufacturing

Milind Pujari

Financial Controller

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

**DEBENTURE TRUSTEES/
SECURITY AGENTS**The Industrial Credit & Investment
Corporation of India Ltd.**BANKERS**

State Bank of India

Bank of Baroda

Indian Overseas Bank

The Federal Bank Ltd.

AUDITORS

A.F. Ferguson & Co.

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

NOTICE is hereby given that the 29th Annual General Meeting of the Members of Bharat Gears Limited will be held as under:

Day	:	Monday
Date	:	17th September, 2001
Time	:	12.00 Noon
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 2001 together with Report of the Auditors and Directors thereon.
2. To declare dividend on Preference Shares.
3. To appoint a Director in place of Dr. Raunaq Singh, 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. Jai Singh Bhandari, who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors for the year 2001-2002 and to fix their remuneration.

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

7. AS A ORDINARY RESOLUTION

RESOLVED THAT pursuant to section 293 (1) (a) of the Companies Act 1956 & other applicable provisions, if any, of the said Act & subject to such approval as may be required, company do mortgage, hypothecate and/or create/modify the charge on all or any of the immovable and/or movable properties of the company, present and future, situated at Company's works at Village Kausa Shil, Mumbra (Maharashtra) and/or 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad (Haryana) and/or any other place and/or wholly or substantially the whole of the undertaking(s) of the Company present/future, together with powers to take over the management of the business or concern of the company in certain events to or in favour of IDBI or any other Bank(s)/Financial Institution(s) and on such terms and conditions as may be decided by the Board of Directors to secure the Corporate Loan of Rs.500 lacs sanctioned by IDBI or such other Rupee Term Loan (which along with the existing loans not to exceed Rs.100 crores) as may be availed by the company from time to time for financing long term working capital requirements and/or financing modernization and/or expansion programme of the Company along with interest/additional interest, commitment charges and such other costs, charges, expenses, monies payable by the company to the aforesaid Bank(s)/Financial Institution(s) 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 the concerned Bank(s)/financial Institution(s), the documents for creation/modification 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.

8. AS A SPECIAL RESOLUTION

RESOLVED THAT pursuant to Section 198, 269, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to Schedule XIII to the Companies Act, 1956 and subject to such other approvals as may be required, Mr.Sameer Kanwar be and is hereby appointed as Executive Director (Strategic Planning & Coordination) of the Company for a period of 5 (five) years with effect from 1st February 2002 or such later date as may be decided by the Board of Directors of the Company, on a monthly basic salary of Rs.70000/- in the grade of Rs.70000-5000-90000.

RESOLVED FURTHER THAT besides basic salary, Mr.Sameer Kanwar shall be eligible to all other perquisites, benefits and facilities applicable to Senior Executives in his grade in the company, however, the total value of perquisites shall not exceed his basic salary in any year with the authority to the Board of Directors to alter or vary the terms and conditions in accordance with the laws from time to time in force provided however, the contribution to provident fund, superannuation fund or annuity fund and other retirement benefits, encashment of Leave at the end of the tenure, shall not be included for calculation of ceiling of remuneration.

RESOLVED FURTHER THAT the total remuneration payable to Mr.Sameer Kanwar shall not exceed the limit prescribed under Section 198, 309 and other applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER THAT in the event of inadequacy of profits or no profit in any year, Mr.Sameer Kanwar will be paid minimum remuneration as provided in Schedule XIII to the Companies Act, 1956.

By Order of the Board

Place : Faridabad.
Dated : August 01, 2001

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

BHARAT GEARS LIMITED

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 forty-eight 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.
- ii. 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.
- iii. The Register of Members and the Share Transfer Books of the Company shall remain closed from Wednesday, the 12th September 2001 to Monday, the 17th September 2001 (both days inclusive).
- iv. Members are requested to promptly intimate Change in their address, if any, at the Company's Registered Office.
- v. 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.
- vi. 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; and (4) 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.
- vii. 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. In terms of new provision inserted by section 205C of the Companies Act, 1956, dividend remaining unclaimed for a period seven years shall be transferred to the Investor Protection Fund and once the unclaimed dividend transferred to Investor Protection Fund the same shall not be allowed to be withdrawn.
- viii. Members holding shares in the same name under different folios are requested to apply for consolidation of such folios and send relevant share certificates.
- ix. 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 has already availed Term Loan amounting to Rs. 3500 Lacs for Faridabad Plant. The said loan was secured by way of first charge on the immovable & movable assets of the company. The company is proposing to tie up with Industrial Development Bank of India (IDBI) and/or other Bank(s)/ Financial Institution(s) for financial assistance for meeting the long term working capital requirements and normal capital expenditure. For the purpose existing resolution regarding mortgaging, hypothecating and/or charging all or any of the immovable and/or movable properties of the company is required to be modified. Hence the proposed resolution.

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

ITEM NO. 8 :

Mr. Sameer Kanwar son of Mr. Surinder P. Kanwar, Vice-Chairman & Managing Director has completed his studies and obtained his Bachelor Degree in Business Economics from York University, Canada.

Further, he is presently with the Company's Collaborator's M/s ZF Friedrichshafen AG Germany for the last 1 year, where he is being exposed to the areas of Controlling, Purchasing and General management. He is likely to return to India after completion of his present assignment by the end of the current calendar year.

In view of his specialised knowledge and experience in the field of Business Management, it is proposed to induct him as Executive Director (Strategic Planning & Coordination) of the Company w.e.f. 1st February 2002 or such later date as may be decided by the Board of Directors of the Company on the terms and conditions stated in the resolution. The resolution is recommended to the members for their approval.

This may be treated as abstract in terms of section 302 of the Companies Act 1956.

None of the directors except Dr. Raunaq Singh and Mr. Surinder P. Kanwar being related to Mr. Sameer Kanwar shall be deemed to be interested or concerned 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.



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

Place: Faridabad
Dated: August 01, 2001



CORPORATE GOVERNANCE SECTION

Your company is already having optimum combination of executive and non-executive directors on the Board. Your Chairman is a non-executive director and more than 1/3rd of the strength of the Directors on the Board is of independent Directors. The full composition of your Board of Directors is given below :

Chairman	:	Dr. Raunaq Singh, Non-Executive
Executive Director	:	Mr. Surinder P. Kanwar, Vice-Chairman & Managing Director.
Representatives of Collaborators	:	Mr. W.R.Schilha & Mr. A.F.Hartmann
Independent Directors	:	Dr. S.M.Patil Dr. Ram S. Tarneja Mr. R.D.Thapar Mr. N.J.Kamath
Representative of LIC	:	Mr. J.S.Bhandari

Attendance chart for attending Board Meetings since the date of last AGM & attendance at last Annual General Meeting by the Board of Directors of the Company is given below :

S.No.	Name of Director	No. of BOD attended	Whether attended last AGM	No. of Board Committees of which member or chairperson
1.	Dr. Raunaq Singh	Nil	Yes	1
2.	Mr. R.D.Thapar	1	No	1
3.	Dr. S.M.Patil	Nil	No	Nil
4.	Mr. N.J.Kamath	2	Yes	1
5.	Mr. W.R.Schilha	2	No	Nil
6.	Mr. J.S.Bhandari	2	No	Nil
7.	Dr. Ram S.Tarneja	2	Yes	1
8.	Mr. A.F.Hartmann	Nil	No	Nil
9.	Mr. Surinder P. Kanwar	3	Yes	2

AUDIT COMMITTEE

In compliance with Section 292A of the Companies (Amendment) Act, 2000 the Board of Directors, at its meeting held on 25th January, 2001, has constituted the Audit Committee of the Company. The following members of the Board have been named as members of the said Audit Committee :

1. Dr. Ram S. Tarneja
2. Mr. N.J.Kamath
3. Mr. Surinder P. Kanwar

First meeting of the Audit Committee was held on 18th June, 2001 in which the members of the committee elected Dr. Ram S. Tarneja, who is an independent Director, as the Chairman.

The Audit Committee discussed in length the financial statements, accounting policies, notes to accounts and the draft Auditors Report. The Statutory Auditors & Internal Auditors also attended the said meeting and took part in the deliberations on financial statements, accounting policies, and notes to accounts. The Committee after removing the discrepancies in the financial statements approved the same for being presented before the Board of Directors at its meeting held on 19th June 2001.

The Company will re-constitute the Audit Committee as per the requirements of the Listing Agreement before the dead line.

INTERNAL CONTROL SYSTEM

The Company has adequate internal control system which commensurate with the size of the Company. Further, the company has appointed M/s Chakravarty & Associates, Chartered Accountants, as internal Auditors of the Company who are auditing the internal procedures of the Company periodically.

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

Your company already had Share Transfer Committee delegated with the powers of Transfer/Transmission of shares of the Company. In compliance to Corporate Governance Guidelines, the Board of Directors of your company has re-constituted the Share Transfer Committee under the name & style of "Shareholders/Investors Grievance Committee". The said Committee besides looking into grievance of investors, has power to ratify and approve transfer & transmission of equity shares. The said Committee has been constituted under the Chairmanship of Dr. Raunaq Singh with the following directors as members:

1. Mr. R.D.Thapar
2. Mr. N.J.Kamath
3. Mr. Surinder P. Kanwar

The said Shareholders/Investors Grievance Committee is empowered to redress the grievances of shareholders/investors and to effect transfers/transmissions of equity share/debentures and other securities and also to issue Duplicate Shares and other securities and matters related or incidental thereto.

GENERAL BODY MEETINGS

The last three Annual General Meetings of the Company were held as per the following schedule :

AGM Date	AGM Time	Venue of AGM	Whether any Special Resolution passed
27.08.98	11.00 A.M.	YMCA Tourist Hostel, New Delhi	Yes
14.07.99	5.00 P.M.	YMCA Tourist Hotel, New Delhi	Yes
12.09.00	12.30 P.M.	City Palace Banquet, Faridabad	Yes

GENERAL INFORMATION FOR SHAREHOLDERS

- 29th Annual General Meeting is scheduled to be held on Monday, the 17th September, 2001 at 12 Noon at City Palace Banquet, Faridabad.
- Financial year of the company commences from 1st of April of every year and ends on 31st of March.
- The Register of Members and Share Transfer Books of the company shall remain closed from Wednesday, the 12th September, 2001 to Monday, the 17th September, 2001 both days inclusive.
- The shares of the company presently are listed on the following stock exchanges :
 1. The Delhi Stock Exchange (Regional Stock Exchange)
 2. The Mumbai Stock Exchange
 3. The National Stock Exchange
 4. The Ludhiana Stock Exchange*

* The company has applied for delisting of Company's equity shares from Ludhiana Stock Exchange(LSE). However Formal Delisting advise from the LSE is awaited.

BHARAT GEARS LIMITED

As per official quotation of National Stock Exchange the High/Low market price of the equity share of the company during the last financial year is given below :

Sl.No.	Month & Year	High Price (Rs.)	Low Price (Rs.)
1.	April, 2000	18.90	16.50
2.	May, 2000	17.75	14.50
3.	June, 2000	18.00	15.00
4.	July, 2000	18.50	13.70
5.	August, 2000	15.80	13.00
6.	September, 2000	14.95	12.40
7.	October, 2000	13.75	12.00
8.	November, 2000	16.10	12.25
9.	December, 2000	17.50	13.80
10.	January, 2001	14.95	12.60
11.	February, 2001	14.75	12.10
12.	March, 2001	13.00	10.25

- Company has in house share transfer system operating from the registered office of the company. All correspondence relating to equity shares may be addressed to the Company Secretary at the below mentioned address :

M/s. Bharat Gears Limited
20 K.M., Mathura Road
P.O. Amar Nagar
Faridabad - 121 003
Ph. (0129) 5253133
Fax (0129) 5251685

Email - bglfbd@del3.vsnl.net.in

- The distribution of shareholding of the company as on 31.3.2001 is given below :

Category	No. of Held Shares	%age of Holding
A. Promoters holding		
1. Promoters		
- Indian Promoters	625995	10.41
- Foreign Promoters	Nil	Nil
2. Persons acting in concert	1171183	19.48
B. Non-Promoters holding Foreign		
Collaborator	1563567	26.00
C. Institutional Investors		
1. Mutual Funds and UTI	46330	0.77
2. Bank, Financial Institutions Insurance Companies (Central /State Govt. Institutions, Non-Govt. Institutions)	846342	14.07
3. FIIs	50	0.00
D. Others		
1. Private Corporate Bodies	295560	4.91
2. Indian Public	1464691	24.36
3. NRIs/OCBs	Nil	Nil
4. Any other (Please specify)	Nil	Nil
Total	6013718	100.00

- The shares of the company are compulsorily being traded in demat mode w.e.f. 28th May, 2001. The company has entered into agreement with NSDL & CDSL for electronic connectivity and the same was established in December, 2000. Till date, around 10% of the total equity has already been dematerialised

- The company's plants are located the below mentioned addresses:

- M/s. Bharat Gears Limited**
20 K.M. Mathura Road,
P.O. Amar Nagar
Faridabad - 121 003.
(Haryana)
- M/s. Bharat Gears Limited**
Kausa Shil, Mumbra
Distt. Thane - 400 612
(Maharashtra)

NOMINATION FACILITY

As per the provisions of Companies Act, 1956, the shareholders may avail nomination facility in respect of their shareholding. 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 at the registered office of the company addressing to the Company Secretary.

UPDATION OF SHAREHOLDERS INFORMATION

The shareholders of the company are requested to intimate their latest residential address alongwith the details of the shareholding in the enclosed form. The enclosed form may either be sent to the company at the registered office of the company 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 29th Annual Report and Audited Statement of Accounts of the Company for the financial year ended on 31st March, 2001.

	(Rupees/Crores)	
	Financial Year ended	
FINANCIAL RESULTS	31.03.2001	31.03.2000
Gross Turnover	136.13	136.64
Profit before finance charges and Depreciation	16.71	15.77
Finance Charges	10.29	6.27
Depreciation	9.70	5.61
(Loss) / Profit after tax	(2.23)	3.15
Add : Balance brought forward from previous year	2.33	1.53
Add : Transferred from Debenture redemption reserve	1.42	-
Add : Transferred from Investment Allowance(utilized) reserve	3.08	-
Profit available for appropriation	4.60	4.68
APPROPRIATIONS		
Proposed Dividend	0.44	1.01
Additional income tax on proposed dividend	0.09	0.18
Transferred to Debenture Redemption Reserve	-	1.08
Transferred to Capital Redemption Reserve	1.75	-
Transferred to General Reserve	-	0.08
Balance Carried to Balance Sheet	2.32	2.33
	4.60	4.68

DIVIDEND

Your Directors are pleased to recommend final dividend @ 11.5% pro-rata on Series I of 11.5% Redeemable Cumulative Non-Convertible Preference Shares of Rs. 100/- each (already been paid as interim dividend) since redeemed on 18th July, 2000.

Your Directors are also pleased to recommend final dividend @ 11.5% (inclusive of interim dividend already paid) on 325000 11.5% Redeemable Cumulative Non-Convertible Preference Shares of Rs. 100/- each.

This would absorb Rs. 43.33 lacs of the profits available for appropriation.

In the long term interests of the Company and its shareholders and in order to conserve resources, the Board has not recommended any dividend on the equity shares for the year ended 31st March, 2001.

FINANCE

During the year under review, the company has received disbursement of the following Rupee Term Loans sanctioned to part finance the expansion for the plant at Faridabad (Haryana);

The Industrial Development Bank of India.	Rs. 3.00 crores
The Federal Bank Limited	Rs. 2.00 crores

The Company has re-paid foreign currency/rupee term loans/ debentures aggregating to Rs. 8.96 crores. Further, the company has redeemed Series I of 11.5 % cumulative Non-cumulative preference shares of Rs. 100 each aggregating Rs. 1.75 crores on due date.

PERFORMANCE REVIEW

The domestic automotive industry registered a negative growth of 7%. Medium & heavy commercial segment showed a decline of 21% during the year under review. Tractor segment registered a negative growth of 12%. Further, our customers in particular showed a negative growth, which was higher than the industry. Since your company's major off take is consumed by the domestic tractor industry, sales to domestic Original Equipment

Manufacturers (OEMs) customers were considerably lower. These were compensated by higher sales to replacement market and marginal increase in export sales.

The Gross turnover was maintained at almost the same as that of last year in spite of continued depressed market conditions. New plant at Faridabad, which commenced commercial production on 1st May 2000, contributed turnover of Rs.25.42 crores in the year under review. During the year under review, the margins continued to be under tremendous pressure, especially from the domestic OEMs and replacement customers. However, we have been able to achieve a marginal growth of 6% in profit before interest and depreciation, mainly due to stringent cost reduction measures adopted by the company. The operations for the year resulted in a loss of Rs.2.23 crores as compared to a profit of Rs.3.15 crores in the previous year. This was largely due to higher provision of Interest Rs.10.29 crores (previous year Rs.6.27 crores) and depreciation at Rs.9.70 crores(previous year Rs.5.61 crores). These were largely on account of the investment in the new unit at Faridabad.

Mumbra plant of the company continues to be accredited with QS 9000. New plant at Faridabad is working towards achieving QS -9000 accreditation by second half of the current year.

FUTURE OUTLOOK

Domestic automotive sector continues to register negative growth. This is expected to result in lower offtake from domestic OEMs. Further, due to recessionary trend in the Overseas Markets and rationalisation of product by the export customers, their has been substantial reduction in schedules for exports. To counter this, your company has tied up with most of the new entrants in India. Volumes from these customers are expected to increase in coming years. Further, offtake in the domestic replacement market is expected to be substantially higher by increasing the range of products and strengthening the distribution network. The Company is in the process of negotiating for new export business with the existing customers and exploring new markets.

FIXED DEPOSITS

At the close of the year, 105 depositors had not claimed their deposits aggregating to Rs.5.62 lacs, which have matured. After the close of the year, 3 deposits aggregating to Rs.0.30 lacs have been paid and the remaining are awaiting disposal instructions.

DELISTING OF COMPANY'S EQUITY SHARES

The Company voluntarily applied for delisting of its equity shares from Ludhiana & Pune Stock Exchange in terms of guidelines issued by the Securities & Exchange Board of India. The company had offered exit route to the shareholders residing in the regions of these two exchanges in terms of said guidelines. All the formalities relating to delisting have been completed. The equity shares of the Company have been delisted from the Pune Stock Exchange. However, formal delisting advice from Ludhiana Stock Exchange is awaited.

DEMATATERIALISATION

Trading in equity shares of your Company has been made compulsory for all categories of shareholders in the dematerialised form, with effect from 28th May 2001 in terms of notification issued by the Securities and Exchange Board of India (SEBI). Accordingly the Company entered into agreement with both the depositories viz., National Securities Depository Ltd.(NSDL) and Central Depository Services (India) Ltd. (CDSL) and connectivity for trading of company's shares in demat form was established by December,2000.

CORPORATE GOVERNANCE

Your Company has always striven to incorporate appropriate standards for good corporate governance and has been practicing these principles since inception. Corporate Governance has evolved in the company over the years, not only on account of regulatory requirements but also on account of sound management values for enhancing and meeting stakeholders expectations.

The company is taking adequate steps to ensure that all legal and mandatory provisions of Corporate Governance as prescribed under the Companies Act, 1956 as amended up-to-date and Listing Agreement with the Stock Exchanges are complied with before the dead line for its implementation.

BHARAT GEARS LIMITED

CONSTITUTION OF COMMITTEES

An Audit Committee of the Directors has been constituted in terms of section 292A of the Companies Act, 1956. Further, the Investors Grievance Committee has also been constituted in terms of listing agreement. The relevant details in respect of these Committees are given elsewhere in the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm :

1. that in the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
2. that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. that they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. that they have prepared the annual accounts on a going concern basis.

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

The employee relations' situation in your company continued to be satisfactory. The tenure of the Memorandum of Settlement between the Company and the Union of workmen at Mumbra plant expired on 31st May 2000. On the expiry of the settlement a Charter of Demands has been received from the Union. A statement required under Section 217(2A) of the Companies Act, 1956 is annexed.

DIRECTORS

Mr. Y.P Gupta & Mr. J.B.Dadachanji resigned from the Board w.e.f 31st August, 2000 and 13th February, 2001 respectively. The Board records its appreciation for the contribution made by Mr. Gupta and Mr. Dadachanji during their association as Director of the Company.

Mr. J.S. Bhandari was appointed as Director on 18th October 2000 in the casual vacancy caused by resignation of Mr. Y.P.Gupta.

In terms of the provisions of Articles of Association of the Company Dr. Raunaq Singh, Dr. S.M.Patil and Mr. Jai Singh Bhandari, Directors retire by rotation at the forthcoming Annual General meeting and are eligible for reappointment.

AUDITORS & THEIR REPORT

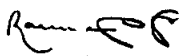
M/s. A. F. Ferguson & Company, Chartered Accountants retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

Auditor's observations are self-Explanatory and/or explained suitably in the Note to Accounts.

ACKNOWLEDGEMENTS

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

For & On behalf of Board of Directors



RAUNAQ SINGH
Chairman

Place: New Delhi

Date : June 22, 2001

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

A. CONSERVATION OF ENERGY

Mineral oil used in the plant was conserved by proper recovery measures, whereby the consumption was reduced by approx. 25% compared to previous year by minimizing leakages and continuously monitoring oil consumption. The company installed and operated the effluent treatment plant on a full year basis and the recovery from this plant was also substantial.

In the area of power consumption steps were taken to improve the power factor whereby a large reduction in the power fuel was obtained.

Water consumption in the plant was also reduced by approx. 18%.

The LPG installation in the company used for furnace heating process was changed to propane resulting in saving of fuel of approx. 10% per year.

B. TECHNOLOGY ABSORPTION

With new customers' requirements and interaction with them continuous learning of new requirements and process is taking place and the learning is being documented in the various QS-9000 related activities.

C. FOREIGN EXCHANGE EARNING & OUTGO

The company continued to be a net foreign exchange earner as the total earnings in foreign exchange aggregating to Rs.28.74 crores (previous year Rs.25.50 crores) and the total expenditure in foreign currency aggregating to Rs.1.77 crores (previous year Rs.2.72 crores) resulting in a net foreign exchange earnings aggregating to Rs.26.97 crores (previous year Rs.22.78 crores).