

# BHARAT GEARS LIMITED

## CORPORATE OFFICE

14th Floor, 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

512 Surya Kiran Bldg.,  
19th Kasturba Gandhi Marg,  
New Delhi-110 001  
  
8, Sahdev Market, Jalandhar City -144 001.  
  
79-80, Yard No.6, Transport Nagar,  
Narwal Jammu -180 006.  
  
1902 - A, Baldev Nagar, Ambala City, Haryana  
  
19, Transport Nagar, Jaipur - 302 003.  
  
Durga Mills (Near Milk Dairy) Mangal Parao,  
Haldwani-263139, Uttranchal.  
  
SCF-506, 1st Floor,  
Motor Market, Mani Majra,  
UT Chandigarh.  
  
123/650 - A, GNA Market,  
Pratap Ganj, (Gadarian Purva),  
Kanpur - 208 012.  
  
Hamirpur Road,  
UNA (HP).  
  
Plot 30-31, 100 Feet Road, Jawahar Auto,  
Nagar, Vijaywada - 520 007.  
  
89/01, 7th Cross, Wilson Garden, Hosur,  
Road, Bangalore - 560 027.  
  
Poomkudy Centre, 2/2056-B, Vyanad Road,  
Near Civil Station, Calicut - 673 020 (Kerala).  
  
Poomkudy House, NH - 47, Edappally,  
Kochi-682 024.  
  
9/15, Dr. Munnuswamy Garden,  
Avinashi Road, Coimbatore - 641 018.  
  
104, Mahalinga Puram,  
Hight Road, Chennai.



17, Brabourne Road, Mukherjee House,  
2nd Floor, Kolkata - 700 072.

Commercial House, Kankarbagh Road,  
Patna - 800 020.

Kohli Building, A.T. Road, Guwahati -781 001 (Assam).

89, Motor Stand Road,  
Agartala - 799 001,  
Tripura.

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

Gurunanak Pura,  
Katras Road, Dhanbad - 826 001.

NH-5, Gandharpur,  
Cuttack - 753 003 (Orissa ).

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

W4/94, TPT Nagar,  
SDM Road, Gwalior - 47 4 009.

17-18, Auto Friends Estate,  
Nr. Changodar Bridge, Bawla Road,  
Sarkhej, Ahmedabad - 382 210.

41, Chhoti Gwaltoli, Opp. Madhumilan Cinema,  
Indore - 452 001 ( M.P.).

New Bombay Market,  
Complex, Nav Bharat Press Road,  
Raipur-492001 (Chattisgarh).

54, Bhasin House,  
Verma Layout,  
Khargoan Road, Wadi,  
Nagpur.

Duplex No.5,  
Anant Enclave,  
172, Nepier Town,  
Near Shastri Bridge,  
Jabalpur, M.P.

D.no. 53-1042/12,  
Shanker Baug Lane,  
Nizam Shah Road,  
Hyderabad - 500 095.

## CONTENTS

Offices & Branches .....	1
Board of Directors, Management Executives .....	3
Notice .....	4
Corporate Governance .....	5
Directors' Report .....	9
Auditors' Report .....	12
Balance Sheet .....	15
Profit & Loss Account .....	16
Schedules .....	17
Cash Flow Statements .....	35
Shareholders Information Updation Form .....	36
Nomination Form .....	37

# BHARAT GEARS LIMITED

## BOARD OF DIRECTORS

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

**Sameer Kanwar**, *Executive Director - Strategic Planning*

**Ram S Tarneja**

**N. J. Kamath**

**W.R. Schilha**

**A.F. Hartmann**

**Jai Singh Bhandari**

**V. K. Pargal**

## MANAGEMENT EXECUTIVES

**N.V. Srinivasan**

Sr. VP- Manufacturing

**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

Sumitomo Mitsui Banking Corporation

Industrial Development Bank of India

Export Import Bank of India

LIC Mutual Fund

## DEBENTURE TRUSTEES

The Western India Trustee

& Executor Co. 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 32nd Annual General Meeting of the Members of Bharat Gears Limited will be held as under:

**Day : FRIDAY**  
**Date : JULY 23, 2004**  
**Time : 11.00 A.M.**  
**Venue : Municipal Auditorium  
NIT, Faridabad**

to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the year ended March 31, 2004 together with Report of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Jai Singh Bhandari, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. V.K.Pargal, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors for the year 2004-2005 and to fix their remuneration.

By order of the Board

Place : Faridabad  
Dated : June 25, 2004

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

## NOTES:

- i. **NO GIFTS OR COUPONS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**
- ii. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on a poll, 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.
- iii. 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.
- iv. The Register of Members and the Share Transfer Books of the Company shall remain closed from Tuesday, the July 20, 2004 to Friday, the July 23, 2004 (both days inclusive).
- v. Members are requested to promptly intimate Change in their address, if any, at the Company's Registered Office.
- 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. Shareholders are informed that unclaimed dividend for the financial year 1996-97 shall be deposited with Investor Education and Protection Fund in September, 2004. The same shall not be available for withdrawal after September 18, 2004. Further, those who have not claimed dividend for the financial year 1996-97 to 1999-00 are requested to request the company for the revalidation of their dividend warrants as the same shall be transferred to Investor Education and Protection Fund in pursuance of Section 205C of the Companies Act, 1956.
- 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.

By order of the Board

Place : Faridabad  
Dated : June 25, 2004

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

# BHARAT GEARS LIMITED

## REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED MARCH 31, 2004

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is a combination of voluntary practices and compliances of laws and regulations leading to effective control and management of the Organisation through effective and transparent communication.

Your Company is following transparent and fair practices of good Corporate Governance. The Company recognizes communication as key element in the overall Corporate Governance framework and therefore, emphasises on keeping abreast its stakeholders including investors, lenders, vendors and customers on continuous basis by effective and relevant communication through Annual Reports, quarterly results and its website.

### BOARD OF DIRECTORS

Your Company has an optimum combination of executive and non-executive directors on the Board. The Chairman of the Board is an executive director and half of the strength of the Board of Directors consists of independent directors. The composition of the Board of Directors for the year ended March 31, 2004 is as under :

<b>Chairman &amp; Managing Director</b>	: Mr. Surinder P.Kanwar
<b>Executive Director (Strategic Planning)</b>	: Mr. Sameer Kanwar
<b>Nominees of Collaborators</b>	: Mr. W.R.Schilha Mr. A.F.Hartmann (Representative of ZF Friedrichshafen AG)
<b>Non-executive and Independent Directors</b>	: Dr. Ram S. Tarneja Mr. N.J.Kamath Mr. V. K. Pargal
<b>Representative of Life Insurance Corporation of India (Equity investor)</b>	: Mr. J.S.Bhandari

Attendance of the Directors at the Board Meetings and at the last Annual General Meeting, outside Directorships and Board Committees is as under:

SNo	Name of Director	No. of Board meeting attended <sup>A</sup>	Attendance at last AGM	No. of outside Directorships held <sup>B</sup>	No. of memberships/ Chairmanships in Board Committees <sup>C</sup>
1.	Mr. V.K.Pargal	5	Present	Nil	2
2.	Mr. N.J.Kamath	5	Present	Nil	32
3.	Mr. W.R.Schilha	3	Present	Nil	Nil
4.	Mr. J.S.Bhandari	5	Present	Nil	1
5.	Dr. Ram S.Tarneja	5	Present	14	10/4
6.	Mr. A.F.Hartmann	1	Not present	Nil	Nil
7.	Mr. Surinder P. Kanwar	5	Present	2	1
8.	Mr. Sameer Kanwar	3	Present	Nil	1

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

<sup>B</sup>Directorship in companies registered under the Companies Act, 1956, excluding directorships in private companies and alternate directorship.

<sup>C</sup>Only covers membership/chairmanship of Audit Committee, Remuneration Committee and Shareholders / Investors Grievance Committee.

Mr. V. K. Pargal is also Director on the Board of Pargal Consultants Pvt. Ltd (PCPL), which is providing consultancy service to the Company in its professional capacity. Professional fees paid to PCPL for the year 2003-2004 is Rs. 1,08,000/-.

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

### BOARD MEETINGS HELD DURING THE YEAR 2003-2004

During the financial year 2003-2004, five Board meetings were held on May 21, 2003, July 29, 2003, September 29, 2003, October 24, 2003 and January 31, 2004.

### AUDIT COMMITTEE

The Audit Committee comprises of following three non-executive and independent directors:

Name of Director	Designation	No. of meetings attended
Dr. Ram S.Tarneja	Chairman	4
Mr. N.J.Kamath	Member	4
Mr. V.K.Pargal	Member	4

Dr. Ram S.Tarneja who has financial and accounting knowledge, is the Chairman of the Audit Committee.

Mr. Sanjay K.Sachdev, Company Secretary, acts as the Secretary to the Committee.

During the financial year, the Audit Committee met four times on the following dates :

May 20, 2003  
July 29, 2003  
October 24, 2003  
January 31, 2004

The meetings were attended by Financial Controller, Internal Auditor and the Statutory Auditor as invitees. Members held discussions with Statutory Auditor during the meetings of the Committee and the half-yearly and annual audited financials of the Company were reviewed by the audit committee before consideration and approval by the Board of Directors. The Committee reviewed the internal control systems and conduct of the internal audit.

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

The broad terms of reference as delegated by the Board are as follows :

- Overview of the Company's financial reporting process and disclosure of its financial information.
- Recommend the appointment/removal of external auditors, nature and scope of audit, fixation of audit fee and payment for any other service to external auditors.
- Review with the management, the half yearly and annual financial statements before submission to the board.
- Review with the management, internal and external auditors, the internal audit reports and the reports of the external auditors.
- Review of the adequacy and effectiveness of internal audit function, the internal control system of the Company, compliance with the Company's policies and applicable laws and regulations.
- Reviewing the Company's financial and risk management policies.
- To look into the reasons for substantial defaults, if any, in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividend) and creditors.

### REMUNERATION COMMITTEE

In terms of the non-mandatory requirement of Clause 49 of the Listing Agreement, the 'Remuneration Committee' was constituted on April 22, 2002 by the Board of Directors. The said Committee has been empowered to consider, approve and recommend the remuneration of the Whole Time Director/Managing Director. The Remuneration Committee constitutes of



following three non-executive and independent directors :

- 1) Mr. N.J. Kamath - Chairman
- 2) Mr. J. S. Bhandari - Member
- 3) Mr. V.K.Pargal - Member

The Remuneration Committee meets as and when required. Since there was no appointment/re-appointment of any Managerial Personnel during the year under review , no meeting of the Remuneration Committee was held.

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

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

#### REMUNERATION OF DIRECTORS FOR 2003-2004

(Rs. lacs)

Name of the Director	Sitting fees	Salaries and perquisites		Total
Mr. N.J.Kamath	0.24	Nil		0.24
Mr. J.S.Bhandari	0.10	Nil		0.10
Mr. V.K.Pargal	0.18	Nil		0.18
Dr. Ram S.Tarreja	0.18	Nil		0.18
Mr. Surinder P. Kanwar @	-	Salary - Monetary Value of Perquisites - Contribution to Provident and other funds	27.25 8.75* 8.95	44.95
Mr. Sameer Kanwar #	-	Salary - Monetary Value of Perquisites - Contribution to Provident and other funds	7.63 7.35* 2.51	17.49

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

@ Approved in the Annual General Meeting held on August 23, 2002 for a period of three years w.e.f. October 1, 2002.

# Approved in the Annual General Meeting held on September 17, 2001 for a period of five years w.e.f February 1, 2002.

There is no notice period or severance fees in respect of appointment of any of the above Managerial Personnel. The Company does not have any stock option scheme.

#### SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The constitution of the Shareholders/Investors Grievance Committee is as under:

1. Mr. N.J.Kamath - Chairman
2. Mr. Surinder P. Kanwar - Member
3. Mr. Sameer Kanwar - Member

Mr. N.J.Kamath is a non-executive director whereas Mr. Surinder P. Kanwar and Mr. Sameer Kanwar are executive directors.

The said Shareholders/Investors Grievance Committee has been empowered to look into the grievances of shareholders/investors and redressal of the same. Mr. Sanjay K. Sachdev, Assistant General Manager (Legal) & Company Secretary, acts as the compliance officer of the Company. Further, the said Committee is also authorised to effect transfers/transmissions of

equity shares/debentures and other securities and also to issue Duplicate Shares and other securities and matters related or incidental thereto.

During the financial year 2003-2004, 101 letters/complaints were received from the shareholders; all of them have been replied/resolved to the satisfaction of the shareholders. All the requests for transfers and transmissions have been duly acted upon and no such request was pending as on March 31, 2004.

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

1. Mr. Surinder P. Kanwar, Chairman & Managing Director
2. Mr. Sameer Kanwar, Executive Director
3. Mr. P.C. Kothari, General Manager (Accounts)
4. Mr. Sanjay K. Sachdev, AGM (Legal) & Company Secretary

Any two of the above are authorised to consider and approve the share transfer/transmission/ split/consolidation of shares

#### DIRECTORS

During the year under report, the Company did not appoint any new Directors.

Mr. V.K.Pargal and Mr. J.S.Bhandari are the Directors who are liable to retire by rotation at the ensuing Annual General Meeting and are eligible to offer for re-appointment.

1. Mr. V.K.Pargal, aged 71, a qualified Chartered Engineer from England, was inducted on our Board on January 24, 2002. He is presently also managing a consultancy company specializing in Business Strategies & Structures and he holds the directorship in Pargal Consultants Pvt. Ltd. He is also the member of Audit Committee and Remuneration Committee of the Company.
2. Mr. J.S.Bhandari, aged 62, a retired Executive Director, Life Insurance Corporation of India, is acting on the Company's Board as a representative of Life Insurance Corporation of India. He does not have directorship in any other company. He is a member of Remuneration Committee of the Company.

#### GENERAL BODY MEETINGS

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

Financial Year	Venue	Date	Time	Whether any special resolution passed
2002-2003	Municipal Auditorium, NIT, Faridabad, Haryana	September 29, 2003	10:30 A.M.	Yes
2001-2002	Municipal Auditorium, NIT, Faridabad, Haryana	August 23, 2002	2:00 P.M.	Yes
2000-2001	City Palace Banquet, SCO 104-105, Sector 16, Faridabad, Haryana	September 17, 2001	12:00 Noon	Yes

There was no other General Body meeting in the last three years and no resolution was put through postal ballot.

#### DISCLOSURES

During the year 2003-2004, the Company had no materially significant related party transactions, which are considered to have potential conflict with the interests of the Company at large.



# BHARAT GEARS LIMITED

There were no instances of any non-compliance by the Company or penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any other statutory authority, on any matter related to the capital markets, during the last three years.

## MEANS OF COMMUNICATION

**Half-yearly report to shareholders, Quarterly Results, Newspaper in which published, website etc.**

The Quarterly, Half-yearly and Annual Results are published by the Company in Financial Express (English), Delhi and in Jansatta (Hindi), Delhi. The half-yearly reports were not sent to household of shareholders. The Company has its own website and the results are regularly being displayed on the website i.e. [www.bharatgears.com](http://www.bharatgears.com). Further, the Company is registered under EDIFAR (Electronic Data Information Filing and Retrieval) site of SEBI which is [www.sebi.gov.in](http://www.sebi.gov.in). The Company is filing online, the Quarterly results, Shareholding pattern w.e.f. quarter ended December 31, 2002, along with the full version of the Corporate Governance Report & Annual Report w.e.f. financial year ended March 31, 2003 which can be retrieved by any one. The Company has not displayed any official news releases. No presentations were made to any institutional investors or analysts.

## GENERAL SHAREHOLDER INFORMATION

**Annual General Meeting details :** At 11.00 A.M. on Friday, the July 23, 2004 at Municipal Auditorium, NIT, Faridabad.

**Date of Book Closure :** July 20, 2004 to July 23, 2004 (both days inclusive).

**Financial Calender :**

Financial calendar of the Company commences from April 1 and ends on March 31. Four quarters of the Company end on June 30, September 30, December 31 and March 31.

**Dividend payment date :** Not applicable

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

## Listing on Stock Exchanges and Stock Code

The shares of the Company are listed on the following stock exchanges :

1. The Stock Exchange, Mumbai [BSE]  
[Stock Code : 505688]
2. National Stock Exchange of India Limited [NSE]  
[Symbol : BHARATGEAR]

The Annual Listing Fees for the year 2004-2005 have been paid to the aforesaid Stock Exchanges.

The shares of the Company were listed on the "The Delhi Stock Exchange Association" [DSE], (Regional Stock Exchange) (Stock Code : 02010) upto January 22, 2004.

In terms of SEBI (Delisting of Securities) Guidelines, 2003 issued by the Securities & Exchange Board of India (SEBI) and consequent upon approval from the Shareholders in their Annual General Meeting held on September 29, 2003 and due compliance with requisite statutory provisions, the securities of the Company have been voluntarily delisted from the Delhi Stock Exchange (DSE) w.e.f. January 23, 2004.

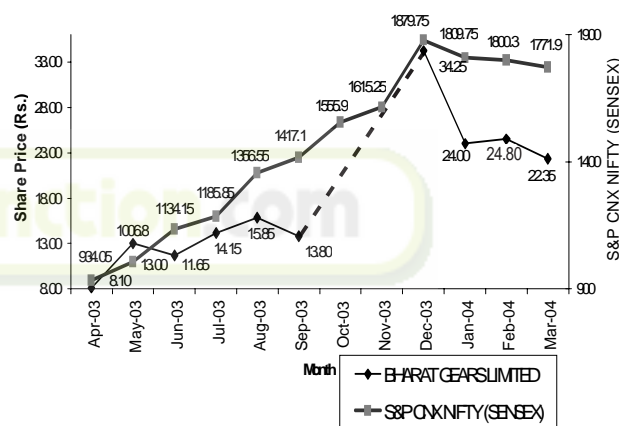
**Market Price Data : High, Low during each month of Financial year, 2003-2004 on National Stock Exchange of India Limited.**

As per official quotations of National Stock Exchange of India Limited, the High, Low market price of the equity share of the Company during the last financial year is given below:-

Month	High (Rs.)	Low (Rs.)	Closing (Rs.)
April	9.45	6.30	8.10
May	19.35	6.70	13.00
June	13.85	11.00	11.65
July	16.45	11.60	14.15
August	21.90	13.35	15.85
September*	16.80	13.50	13.80
December*	37.95	33.60	34.25
January	36.90	23.10	24.00
February	27.00	20.25	24.80
March	26.20	17.05	22.35

\* The trading of Company's equity shares was shifted from B2 group to TT (Trade to Trade) group and there was no trading of the shares of the Company from 9th September'03 till 30th November'03. However, on persistent representation from the Company, the trading of equity shares was shifted back from TT group to B2 group.

BHARAT GEARS SHARE PRICE VERSUS S&P CNX NIFTY (SENSEX)



..... Represents no trading during this period

## Registrar and Transfer Agents, Share transfer system

The Company appointed M/s Intime Spectrum Registry Ltd., as its Registrar and Transfer Agents (R&T Agent) w.e.f. April 1, 2003 for handling share registry work related to shares held in physical and electronic form. Press notification in this regard was duly published on February 22, 2003 in the Financial Express.

Share transfers were duly registered and returned in the normal course within stipulated period, if the documents were clear in all respects.

## Categories of Shareholders as on March 31, 2004

Shareholding Pattern		
Category	No. of shares held	% age of share holding
<b>A. Promoters' holding</b>		
1. Promoters		
- Indian Promoters	8,74,263	14.54
- Foreign Promoters	---	---
2. Persons acting in concert	7,01,985	11.67
<b>B. Non-Promoters holding</b>		
Foreign Collaborator	15,63,567	26.00



<b>C. Institutional Investors</b>		
1. Mutual Funds and Unit Trust of India	8,150	0.14
2. Banks, Financial Institutions, Insurance Companies (Central /State Government Institutions / Non-Government Institutions)	6,45,501	10.73
3. Foreign Institutional Investor	50	---
<b>D. Others</b>		
1. Private Corporate Bodies	4,96,606	8.26
2. Indian Public	17,23,596	28.66
3. Non Resident Indians/Overseas Corporate Bodies	---	---
<b>Total</b>	<b>60,13,718</b>	<b>100.00</b>

#### Distribution of shareholding as on March 31, 2004

No. of Equity shares held	Number of shareholders	Number of shares	Percentage of total shares
1 to 250	6884	512445	8.52
251 to 500	757	308993	5.14
501 to 1000	313	266950	4.44
1001 to 2000	137	209630	3.49
2001 to 3000	50	129337	2.15
3001 to 4000	21	77081	1.28
4001 to 5000	17	82995	1.38
5001 to 10,000	21	158806	2.64
10,001 and above	23	4267481	70.96
<b>Total</b>	<b>8223</b>	<b>60,13,718</b>	<b>100</b>

#### Dematerialisation of shares and liquidity:

The shares of the Company are compulsorily traded in dematerialized form and are available for trading under both the Depository Systems in India - National Securities Depository Limited and Central Depository Services (India) Limited.

As on March 31, 2004 a total of 3816154 shares of the Company, which form 63.46% of the Share Capital, stand dematerialized.

#### Plant locations:

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

1. M/s. Bharat Gears Limited  
20 K.M. Mathura Road,  
P.O. Amar Nagar  
Faridabad - 121 003.  
(Haryana)

#### AUDITORS' CERTIFICATE ON THE COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To the Members of  
Bharat Gears Limited

We have examined compliance of conditions of Corporate Governance by Bharat Gears Limited, for the year ended on March 31, 2004, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in clause 49 of the abovementioned Listing Agreement. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and the management, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in clause 49 of the abovementioned Listing Agreement.

2. M/s. Bharat Gears Limited  
Kausa Shil, Mumbra  
Distt. Thane - 400 612  
(Maharashtra)

#### Addresses for correspondence:

- (1) For Share transfer/demat of shares or any other query relating to shares :-

**M/s Intime Spectrum Registry Ltd.**  
A-31, 3rd Floor  
Naraina Industrial Area, Phase-1  
Near PVR Naraina  
New Delhi - 110 028

- (2) For investor assistance in any other matter :-

**Mr. Sanjay K. Sachdev**  
Asstt. General Manager (Legal) & Company Secretary  
M/s Bharat Gears Limited  
20 K.M. Mathura Road  
P.O. Amar Nagar  
Faridabad - 121 003

#### E-Mail for investors :

The Company's e-mail address is [bglfbd@vsnl.com](mailto:bglfbd@vsnl.com) or [investor@bglindia.com](mailto:investor@bglindia.com)

#### Non-Mandatory Requirements

##### 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, the 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, addressed to the Company Secretary.

##### Updation of shareholders information

The shareholders of the Company are requested to intimate their latest residential address along with the details of their shareholding in the enclosed form. The enclosed form may either be sent to the Company at its registered office or be hand-delivered at the Annual General Meeting of the Company.

On behalf of the Board of Directors

Dated : May 27, 2004  
Place : Mumbai

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

As required by the Guidance Note on Certification on Corporate Governance issued by the Institute of Chartered Accountants of India, we state that no investor grievance is pending for a period exceeding one month as at March 31, 2004, against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee of the Company.

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

**For A. F. FERGUSON & CO.**  
Chartered Accountants

Date : May 27, 2004  
Place : New Delhi

**MANJULA BANERJI**  
PARTNER



# BHARAT GEARS LIMITED

## DIRECTORS' REPORT TO THE MEMBERS OF BHARAT GEARS LIMITED

The Directors are pleased to present the 32nd Annual Report and Audited Statement of Accounts of the Company for the financial year ended on March 31, 2004.

	(Rupees/Crores)	
	Financial year ended	
Financial Results	31.03.2004	31.03.2003
Sales and other income (gross)	119.76	114.35
Profit before finance charges and Depreciation	18.56	11.35
Finance Charges	11.17	10.80
Depreciation	8.85	9.13
(Loss) before tax	(1.46)	(8.58)
Less : Taxation including deferred tax charge)/credit	-	(0.05)
(Loss) after tax	(1.46)	(8.63)
Add : Balance brought forward from previous year	(20.75)	(12.12)
Add : Transferred from Debenture redemption reserve	-	-
Less : Transferred to Capital Redemption Reserve	-	-
Balance carried to balance sheet	(22.21)	(20.75)

### DIVIDEND

In view of loss incurred during the year, your directors have not recommended any dividend on the equity as well as preference shares of the company for the year ended March 31, 2004.

### FINANCE

During the year under review, the financial restructuring package for the company was approved under Corporate Debt Restructuring (CDR) scheme. In terms of this, financial institutions and banks sanctioned additional term loans amounting to Rs. 12.05 crores and enhanced working capital facilities. Out of this, Rs.11.59 crores have been disbursed to date. Interest falling due on term loans/working capital facilities for the year was funded by banks/institutions. Further, 10% preference shares of Rs.2.08 crores have been issued to institutions and banks as part of their dues under the CDR package. Monies were also received from ZF and Domestic promoter aggregating to Rs 3 crores as stipulated in the CDR package.

A part of company's corporate office premises was sold during the year resulting in a profit of Rs.5.51 crores. Proceeds from this sale were utilized towards repayment of term loans. Total repayment of long term loans during the year amounted to Rs.6.46 Crores. Further, repayment of other term loans/debentures/10% preference shares, falling due for repayment during the year were rescheduled/rolled over in terms of CDR package.

In light of above, pressure on working capital position has eased considerably in second half of the year and hence has helped us to contain loss for the year. Further, this has put us in a better position to cater to increased demand from customers. This coupled with several cost reduction measures planned should help your company to turn around the corner, during the current year.

## MANAGEMENT DISCUSSION AND ANALYSIS

Your company is a leader in the field of automotive gear industry in India with a core competence in manufacture of a wide range of transmission and axle gears.

### (a) Industry Structure & Developments in the Industry:

The Indian automotive industry has polarized into:

- Commercial vehicles
- Utility vehicles (SUV)
- Cars from 800cc to 2000cc(+)
- Two wheelers - motorcycles and scooters
- Tractors from 18HP to 75HP(+)

Your company is a player in the heavy/medium commercial vehicle segment, tractor segment and utility vehicle segment.

### Tractor Industry:

The Indian tractor industry has been passing through a difficult phase since last three years. Tractor sales, which had declined by 40 percent have started showing signs of recovery. Since March 2004, the demand from your company's tractor customers is encouraging and the current year's outlook is positive.

### Commercial Vehicle Industry:

Commercial vehicle manufacturers demand is expected to grow by 12-15% in the current year. Your company is an active player to Original Equipment Manufacturer and in the aftermarket.

### Utility Vehicles:

Utility vehicle manufacturers demand is also expected to grow by 12-15% in the current year. Your company is an active player to Original Equipment Manufacturer.

### (b) Opportunities and Threats:

In line with WTO agreement, import duties are being lowered progressively and this has already resulted in pressures on prices. This can only be offset with improvements in productivity and lowering costs.

GDP growth rate is expected to be between 7-8% and inflation is expected to be about 5%. Interest rates are expected to remain stable. Monsoons are expected to be normal/good. In short, growth should be good in the current year.

### (c) Segment-wise Performance

Your company has two business segments i.e automotive gears and industrial furnaces.

Segment wise revenues for current year and previous year are as follows:

Segment	(Rs.lacs)	
	Year ended 31.03.2004	Year ended 31.03.2003
Automotive gears	9268.74	8808.08
Furnace	93.30	647.59
<b>Total</b>	<b>9362.04</b>	<b>9455.67</b>

Details of segment wise revenue, results, assets and liabilities are reported in note 16 of schedule 20 to the accounts.



#### **(d) Outlook**

In the OE domestic segment, demand is buoyant. All Original Equipment Manufacturers have indicated aggressive growth plans. Even the Tractor segment which was sluggish has started looking up. Your company is gearing up to meet OE demand from the month of April 2004 itself. We are looking at marginal balancing capital expenditure for achieving the desired product mix.

The response from Overseas market is encouraging. We have received firm OE orders from Europe, China and USA. Middle East aftermarket for bevel gears and differential gears is growing. However steel price increases are an area of concern as it may affect margins.

Outlook on furnace business continues to be optimistic.

#### **(e) Risks & Concerns:**

The year under review continued to be a difficult one and customers' requirements have not been met for want of adequate working capital resources and also due to shortages in steel availability. During the year there were numerous unilateral steel price increases. The US dollar exchange with rupee has also been adverse resulting in lower realizations. Since the year end there has been a change of government and possible change in policies can affect operations.

#### **(f) Internal Control Systems and their adequacy :**

The Company maintains adequate internal control systems, which assure proper recording of transactions of its operations and also ensure protection against misuse or loss of the company's assets.

Internal audit of the company is carried out by independent firm(s) of chartered accountants. Internal audit is carried out at periodic intervals to ensure that the company's internal control system are adequate and complied with.

Both plants of the company continue to be accredited by QS-9000.

#### **(g) Discussion on Financial Performance with respect to operational performance**

The year under review has been a year of consolidation for the company. Your company has improved its market share in domestic replacement market. Even though domestic tractor industry continued to register negative growth, we have retained our market share and marginally improved it due to export drive of some of our customers.

Production and sales for the year have been mainly affected due to availability of steel, which was in shortage resulting in large price increases. During the year, there were numerous unilateral steel price increases. These increases were partially offset through selling price increases from customers.

In the export market, although exchange rates were adverse, all fresh orders of developed items are accepted only after necessary price correction.

During first half of the year, cash flow constraints contributed to lower availability of forgings and we were unable to meet our budgeted production and sales targets in the period resulting in higher losses from operations.

#### **(h) Developments in human resources and industrial relations**

Industrial relations at both plants continued to be satisfactory.

The fresh wage agreement with the union at Mumbra plant is under negotiation.

Under the Voluntary Retirement Scheme, 7 employees left the company at a cost of Rs 16.16 lacs.

Employees' headcount of the Company at the end of the year was 1341.

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

#### **FIXED DEPOSITS**

At the close of the year, 52 Depositors had not claimed their deposits aggregating to Rs 2.54 lacs, which have matured including Rs 2.49 Lacs in respect of 51 depositors of erstwhile Universal Steel & alloys Ltd. (now merged with the Company). After the close of the year, no deposits have been paid and the remaining are awaiting disposal instructions.

In terms of section 205C of the Companies Act 1956, the deposit and interest thereon which remains unclaimed for a period of seven years from the date when it became due, is required to be deposited with the Investor Protection Fund established under the Companies Act. Accordingly, a sum of Rs. 4,128 was deposited with the said Fund.

#### **CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement, Report on Corporate Governance, together with certificate of Compliance from Statutory Auditors is enclosed.

#### **DIRECTORS' RESPONSIBILITY**

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm;

1. that in the preparation of the annual accounts, the applicable accounting standards have been followed.
2. Appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2004 and of the loss of the company for the period ended on that date.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
4. The annual accounts have been prepared 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.