



BHARAT GEARS LIMITED

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**ANNUAL REPORT
2007-2008**



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REGISTERED OFFICE

20 K.M. Mathura Road,
P.O. Amar Nagar,
Faridabad-121003

CORPORATE OFFICE

14th Floor, Hoechst House,
Nariman Point,
Mumbai-400021

WORKS

Kausa Shil, Mumbra,
Distt. Thane-400612,
Maharashtra

20 K.M. Mathura Road,
P.O. Amar Nagar,
Faridabad-121003, Haryana

BRANCH

512, Surya Kiran Building,
19, Kasturba Gandhi Marg,
New Delhi-110001



BOARD OF DIRECTORS

Mr. Surinder P. Kanwar,
Chairman & Managing Director

Mr. Sameer Kanwar,
Joint Managing Director
(Appointed by Board w.e.f. June 1, 2008)

Mr. W. R. Schilha

Dr. Ram S. Tarneja

Mr. N. J. Kamath

Mr. S.G. Awasthi

Mr. V. K. Pargal

Mr. Rakesh Chopra

Mr. G.N. Agarwal
(upto April 22, 2008)

BANKERS/FINANCIAL INSTITUTION

Industrial Development Bank of India Ltd.

Export Import Bank of India

State Bank of India

Bank of Baroda

Indian Overseas Bank

The Federal Bank Limited

AUDITORS

A.F. Ferguson & Co.

AUDIT COMMITTEE

Dr. Ram S. Tarneja *Chairman*

Mr. V.K. Pargal

Mr. N. J. Kamath

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

Mr. N. J. Kamath *Chairman*

Mr. Surinder P. Kanwar (upto May 28, 2008)

Mr. Sameer Kanwar

Mr. Rakesh Chopra (w.e.f. May 28, 2008)

REMUNERATION COMMITTEE

Mr. N. J. Kamath *Chairman*

Dr. Ram S. Tarneja

Mr. V. K. Pargal

MANAGEMENT EXECUTIVES

Mr. N.V. Srinivasan
Corporate Business Head

Mr. Milind Pujari
Chief Financial Officer (w.e.f. April 1, 2008)

COMPLIANCE OFFICER

Mr. Ashish Pandey
Group Head (Legal) & Company Secretary

REGISTRAR & TRANSFER AGENT

M/s Intime Spectrum Registry Ltd.
A-40, IInd Floor,
Naraina Industrial Area,
Phase-II, Near Batra Banquets Hall,
New Delhi - 110 028.

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

NOTICE is hereby given that the 36th Annual General Meeting of the Members of Bharat Gears Limited will be held as under:

Day : Thursday

Date : July 31, 2008

Time : 11:00 A.M.

Venue : Municipal Auditorium, N.I.T, Faridabad-121 001 (Haryana)

to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the year ended March 31, 2008 together with Reports of the Auditors and Directors thereon.
2. To appoint Directors in place of Dr. Ram S. Tarneja and Mr. S.G. Awasthi who retire by rotation and are eligible for re-appointment.
3. To declare the dividend on Preference Shares as recommended by the Board of Directors in its meeting held on May 28, 2008.
4. To declare the dividend on Equity Shares as recommended by the Board of Directors in its meeting held on May 28, 2008.

SPECIAL BUSINESS

5. To consider appointment of Statutory Auditors and if, thought fit, pass the following resolution(s) as **Ordinary Resolution**, with or without modification(s).

“RESOLVED THAT subject to the provisions of Sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956 Messrs. Deloitte Haskins & Sells, Chartered Accountants, be appointed as Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting in place of retiring Auditors Messrs. A.F. Ferguson & Co., Chartered Accountants, to conduct the audit of the Accounts of the Company for the Financial Year 2008-2009, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors, plus service tax and out of pocket expenses.”

6. To consider increase in the remuneration of Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company and, if thought fit, pass the following resolution(s) as **Special Resolution**, with or without modification(s).

“RESOLVED:-

- a. pursuant to the provisions of Sections 192(4), 198, 268, 269, 302, 309, 310, 311, 316, 317, 640B, Schedule XIII as applicable and the other applicable provisions, if any, of the Companies Act, 1956 including any statutory amendments, modifications, or re-enactments thereof, and
- b. subject to the approval of the Central Government, if required, and further subject to all other requisite approvals, as may be required, in this regard,

THAT:-

the consent of the Shareholders of the Company be and is hereby granted that Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company, who is also the Chairman & Managing Director of M/s. Raunaq International Limited, from where he is drawing a token remuneration of Rupee One (Re. 1/-) only per month, be paid remuneration for the remaining period of his tenure i.e. 2 (Two) years w. e. f. October 1, 2008 to September 30, 2010 on the revised terms and conditions, as recommended by the Remuneration Committee and the Board of Directors of the Company and as set out in the explanatory statement which forms part of this resolution.

RESOLVED FURTHER THAT the remuneration, as set out in the explanatory statement, which forms part of this resolution, payable to Mr. Surinder P. Kanwar, Chairman & Managing Director, is subject to the condition that:-

- a. the total remuneration payable in any financial year by way of salary, perquisites and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the Company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force **or**
- b. the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT where in any financial year, during the currency of the tenure of the Chairman & Managing Director, the Company has no profits or its profits are inadequate, the Chairman shall be entitled:-

- a. to remuneration by way of salary, perquisites and other allowances not exceeding the limits specified under Section II Part II of Schedule XIII of the Companies Act, 1956, as amended and for the time



being in force including such amendments, modifications, revisions, or re-enactments, as may be made thereto by the Central Government in the said limits from time to time **or**

- b. the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT Board of the Directors of the Company be and is hereby authorized to do all such acts, deeds and things, to enter into such agreement(s), deed(s) of amendment(s) or any such document(s), as the Board may, in its absolute discretion, consider necessary, expedient or desirable including power to sub-delegate, in order to give effect to this resolution or as otherwise considered by the Board to be in the best interest of the Company, as it may deem fit.”

- 7. To consider revision in terms of appointment of Mr. Sameer Kanwar as Executive Director-Strategic Planning and, if thought fit, pass the following resolution(s) as **Special Resolution**, with or without modification(s).

“RESOLVED:-

- a. pursuant to the provisions of the Companies Act, 1956 and all other applicable acts, rules, statutes and
- b. subject to all requisite approvals, as required, and within the overall remuneration as approved by the Shareholders vide passing Special Resolution and adopting the Explanatory Statement in their Annual General Meeting held on July 26, 2007,

THAT:-

- a. the Shareholders approve and ratify the payment of Rs. 45,000/- per month to Mr. Sameer Kanwar, Executive Director-Strategic Planning, as House Rent Allowance, from the date of his re-appointment i.e. February 1, 2007 till the end of his present tenure subject to condition that the total of the perquisites and allowances shall not exceed 1/3rd of his basic salary per month.
 - b. the Board of Directors of the Company be and is hereby authorized to do all such act(s), deed(s) and thing(s) as deemed necessary to give effect to aforesaid Resolution(s) and further to do such other act(s), deed(s) and thing(s) as deemed fit by them in the interest of the Company.”
- 8. To consider appointment of Mr. Sameer Kanwar as Joint Managing Director of the Company and, if thought fit, pass the following resolution(s) as **Special Resolution**, with or without modification(s).

“RESOLVED:-

- a. pursuant to the provisions of Sections 192(4), 198, 269, 302, 303(2), 309, 310, 311, 317, 640B, Schedule

XIII as applicable and other applicable provisions, if any, of the Companies Act, 1956 including any statutory amendments, modifications, or re-enactments thereof and;

- b. subject to the approval of the Central Government, if required, and further subject to all other requisite approvals, as may be required, in this regard,

THAT:-

the consent of the Shareholders be and is hereby granted to the appointment of Mr. Sameer Kanwar, who is the Executive Director of the Company, as Joint Managing Director for period of five (5) years w. e. f. June 1, 2008 on the terms and conditions including remuneration as recommended by the Remuneration Committee and approved by Board of Directors of the Company and as set out in the explanatory statement which forms part of this resolution.

RESOLVED FURTHER THAT the remuneration as set out in the explanatory statement which forms a part of this resolution, payable to Mr. Sameer Kanwar as Joint Managing Director, is subject to the condition that :-

- a. the total remuneration payable in any financial year by way of salary, perquisites, commission and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the Company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/ Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force **or**
- b. the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the Joint Managing Director, the Company has no profits or its profits are inadequate, the Joint Managing Director shall be entitled:-

- a. to the remuneration by way of salary, perquisites, commission and other allowances not exceeding the limits specified under Section II Part II of Schedule XIII of the Companies Act, 1956 as amended and for the time being in force including such amendments, modifications, revisions, or re-enactments as may be made thereto by the Central Government in the said limits from time to time **or**
- b. to the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT Board of the Director of the Company be and is hereby authorized to do all such act(s), deed(s) and thing(s), as the Board may in its absolute discretion consider necessary, expedient or desirable including power to sub-delegate in order to give effect to this resolution or as otherwise considered by the Board to be in the best interest of the Company, as it may deem fit."

- 9 To consider early redemption of Preference Shares and, if thought fit, pass the following resolution as **Special Resolution**, with or without modification(s).

"RESOLVED:-

- a. in partial modification of the Special Resolution passed in the Annual General Meeting of the Company held on September 29, 2003 and in accordance with the provisions of Section 80 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof) and the enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and the prevailing statutory guidelines in that behalf and;
- b. subject to all necessary consents, permissions and approvals from all such authorities and institutions as may be relevant and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting any such consents, permissions and approvals and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee(s) consisting of one or more members of the Board and/or one or more officials of the Company appointed by the Board in this behalf which the Board may constitute to exercise powers of the Board),

THAT:-

- a. the consent of the Shareholders be and is hereby accorded to the Board of Directors of the Company to **make early redemptions** of 208500, 10% Cumulative Redeemable Non-Convertible Preference Shares (hereinafter referred to as "Securities") of face value of Rs. 100/- **at par** aggregating to Rs.208.50 lacs as per the details mentioned below, in one or more installments as thought fit by the Board of Directors, on or before 31.03.2011 and 31.03.2012 on such other terms as may be permitted in accordance with the prevailing rules/ guidelines in this behalf and as determined by the Board in conformity with the relevant provisions of the law and the Articles of Association of the Company, wherever applicable and as the Board may deem advisable in the prevailing market situation:

Sl.No	Name of Bank /Institution	No. of Preference Shares of Rs 100 each	Amount (Rs. In lacs)
1.	Industrial Development Bank of India (IDBI)	115000	115.00
2.	Exim Bank	43500	43.50
3.	Federal Bank Ltd.	50000	50.00
	Total		208.50

- b. such of these securities to be redeemed may be disposed of by the Board to such person(s) and in such manner and on such terms as the Board in its absolute discretion, thinks fit in the best interest of the Company.
- c. for the purpose aforesaid, the Board be and is hereby specifically authorised to take all such steps and actions and to give such directions, as it may in its absolute discretion, deem necessary or desirable for such purposes and also to settle any question or difficulty that may arise with regard to the proposed issue/offer and allotment of securities as aforesaid."

By Order of the Board



Ashish Pandey
Group Head (Legal)
& Company Secretary

Place: Faridabad
Dated: July 5, 2008

NOTES:

- i. **A member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint one or more proxies to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy (ies) should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before commencement of the Meeting.**
- ii. **NO GIFTS OR COUPONS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**
- 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. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write Folio Number in the attendance slip. **No Attendance Slip shall be issued at the Meeting.**
- iv. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the Special Business (es) to be transacted at the Meeting is annexed hereto.



- v. The Register of Members and the Share Transfer Books of the Company shall remain closed from July 23, 2008 to July 31, 2008 (both days inclusive).
- vi. Dividend on the equity shares 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 July 31, 2008. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose. No income tax shall be deducted at source from the dividend amount.
- vii. The Non Resident Indian Shareholders are requested to inform the Company immediately about:
- a. The change in the residential status on return to India for permanent settlement.
- b. The particulars of NRO Bank Account in India, if not furnished earlier.
- viii. Members are requested to intimate under the signature of sole/first joint holder about the Bank A/c no., type of A/c, Saving (SB) or Current (CA), name & address of the bank, in which they intend to deposit the Dividend Warrants, so that the same can be printed in Dividend Warrants in future, to avoid the incidence of fraudulent encashment of the instrument.
- ix. ECS facility is presently available at certain specified locations by RBI. To avoid risk of loss/interception of dividend warrants in postal transit and/or fraudulent encashment, Shareholders are requested to avail of ECS facility where dividends are directly credited in electronic form to their respective bank accounts. This also ensures faster credit of dividend.
- x. Dividend mandates and changes of address, if any, to be effective must reach Company's registered office by July 21, 2008.
- xi. The documents referred to in the accompanying Notice and Explanatory Statement and the Annual Report are open for inspection at the Registered Office of the Company during the office hours between 11.00 A. M. and 1.00 P. M. on all working days except Sundays up to the date of the Annual General Meeting and shall also be available at the venue of the Meeting.
- xii. 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 i. e. on or before July 23, 2008 so as to enable the management to keep the information ready at the Annual General Meeting.
- xiii. Pursuant to Section 205C of the Companies Act, 1956 all unclaimed dividends which remain unclaimed/ unpaid for a period of 7 (Seven) years from the date they became due for payment will be transferred to Investor Education and Protection Fund. The Shareholders shall not be able to claim any unpaid dividend from the said Fund or from the Company thereafter. The unclaimed dividend till the financial year 1999-2000 has been deposited with the Investor Education and Protection Fund. There is no unclaimed/unpaid dividend, which is required to be transferred in Investor Education & Protection Fund.
- xiv. As a measure of economy, copies of the Annual Report shall not be distributed at the Meeting. Members are requested to bring along their own copies to the meeting.
- xv. The shares of the Company are compulsorily traded in demat mode. Hence, the Shareholders who are still holding physical share certificates are advised that it is in their own interest to dematerialize their shareholding to avail benefit of dematerialization viz. easy liquidity, electronic transfer, savings in stamp duty and prevention of forgery.
- xvi. Members are requested to notify change in their addresses and nomination, if any, quoting their respective Folio Numbers and other particulars to the Registrar and Share Transfer Agents of the Company. Alternatively, they may also be sent at the Registered Office of the Company. (Relevant Forms for nomination and updating of Shareholders information is enclosed at the end of the Annual Report).
- xvii. Members holding shares in the same name under different folios are requested to apply for consolidation of such folios and send relevant share certificates.

By Order of the Board

Ashish Pandey
Group Head (Legal)
& Company Secretary

Place: Faridabad
Dated: July 5, 2008

**EXPLANATORY STATEMENT
(PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956)**

ITEM NO.5

The Company's Auditors Messrs. A.F.Ferguson & Co., Chartered Accountants, retire at this Annual General Meeting of the Company. However, Messrs. A.F.Ferguson & Co., have not offered themselves for re-appointment at this AGM.

Further, the Company has received a Special Notice from a Shareholder of the Company under Sections 190 and 225 of the Companies Act, 1956, signifying the Shareholder's intention to propose the appointment of Messrs. Deloitte Haskins & Sells, Chartered Accountants as the Statutory Auditors of the Company, from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. Messrs. Deloitte Haskins & Sells, Chartered Accountants, have also expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment, if made, would be in conformity with the provisions of Section 224 (1B) of the Companies Act, 1956.

In view of the above and based on the recommendation of the Audit Committee, the Board of Directors has at its meeting held on May 28, 2008 proposed the appointment of Messrs. Deloitte Haskins & Sells, Chartered Accountants, as the Statutory Auditors in place of Messrs. A.F.Ferguson & Co., for the Financial Year 2008-2009.

The Shareholders' approval is being sought to the appointment of Messrs. Deloitte Haskins & Sells, Chartered Accountants, as the Statutory Auditors and to authorize the Board of Directors, on the recommendation of the Audit Committee to determine the remuneration payable to the Auditors.

Board of Directors recommend the Resolution for acceptance by the Shareholders.

NATURE OF INTEREST IN THE RESOLUTION

None of the Directors of the Company is concerned or interested in the passing of the above Resolutions as set out in Item No. 5 of the Notice.

ITEM NO. 6

Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company, as approved by the Shareholders of the Company in their Annual General Meeting held on July 27, 2005 and also approved by the Central Government, was re-appointed for a period of 5 (Five) years i.e. from October 1, 2005 to September 30, 2010. However, the remuneration payable to him was approved by the said Government for a period of 3 (Three) years only which shall expire on September 30, 2008. The remuneration approved by the Central Government for the first three years are Rs. 88.20 lacs, Rs. 98.00 lacs and Rs. 107.80 lacs respectively.

Mr. Surinder P. Kanwar has been affiliated with the Company as a member of the Board of Directors since the year 1982 and from then the Company has been taking the advantage of his guidance and supervision. As a result of his sustained efforts, the Company has shown an upward growth pattern and has

also achieved success in creating a brand image in the Automotive Parts Industry.

Further, during the first three years of his present tenure, the Company has posted a growth of 11% in the year 2005-06, 22% in the year 2006-07 & 17% in the year 2007-08 in its Turnover. The Company's Profit after Tax (PAT) has also registered an acute growth of 121% in the year 2006-07 and 15% in the year 2007-08. During its recent past, the Company has been able to strengthen its customer base from Off Highway Industry.

Mr. Surinder P. Kanwar, is also the Chairman & Managing Director of M/s. Raunaq International Limited from where he is drawing a token remuneration of Rupee One (Re. 1/-) per month.

In appreciation of contributions and continuing commendable leadership of Mr. Surinder P. Kanwar, it is proposed that in the best interests of the Company and its Shareholders, Mr. Surinder P. Kanwar, Chairman & Managing Director, be paid remuneration for the remaining period of his tenure i.e. 2 (Two) years w.e.f. October 1, 2008 to September 30, 2010 on the revised terms and conditions, as set out below:

A) Basic Salary:

Rs. 8,50,000 per month in the grade of Rs. 8,50,000-1,00,000-9,50,000.

B) Perquisites:

In addition to the aforesaid salary, he shall be entitled to perquisites (including housing, medical and other benefits) 1/4th of his basic salary.

The total value of the aforesaid perquisites (including housing, medical and other benefits), wherever applicable, shall be computed as per the provisions of Income Tax Act, 1961 read with the applicable Income Tax Rules, as amended from time to time, and for the time being in force.

In case of absence of any such Rule(s), the value of the said perquisites shall be computed at the actual cost incurred.

C) Commission:

In addition to the above salary and perquisites (including housing, medical and other benefits), commission not exceeding @ 3% of the Net Profits of the Company, in any year computed in the manner laid down under Sections 198, 309, 349 and 350 and other applicable provisions of the Companies Act, 1956, may also be paid, as may be determined by the Board of Directors, based on the Net Profits of the Company.

D) Other terms:

- i. He shall be entitled to re-imbursement of actual out-of-pocket expenses incurred in connection with the business of the Company.
- ii. He shall be entitled to reimbursement of entertainment expenses incurred for the business of the Company.
- iii. As long as he functions as Chairman & Managing Director he shall not be paid any sitting fees to attend any meeting of the Board and/or Committee thereof.



- iv. He shall be entitled to earned/privileged leave as per the Rules of the Company.

The Chairman & Managing Director shall also be eligible to the following perquisites which shall not be included in the computation of ceiling remuneration specified in the said Section II Part II of Schedule XIII of the Companies Act, 1956:

- Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- Encashment of the leave at the end of the tenure.

The Shareholders are further informed that pursuant to provisions of Sections 192(4), 198, 268, 269, 302, 309, 310, 311, 316, 317, 640B, Schedule XIII as applicable and other applicable provisions, if any, of the Companies Act, 1956, the revised terms & conditions of remuneration which are subject to the approval of the Central Government, and further, subject to the approval of the institutions, as may be required, in this regard, are now being placed before the Shareholders in the Annual General Meeting for their approval. The increase in remuneration of Mr. Surinder P. Kanwar, Chairman & Managing Director, has also been recommended by the Remuneration Committee and approved by the Board of Directors in their meetings held on 27th & 28th May 2008, respectively.

Therefore, the Board of Directors of your Company, recommend the passing of the Special Resolution as set out in Item No. 6 of the Notice.

Certified true copy of the Resolution(s) passed by the Remuneration Committee of Board of Directors of the Company in its meeting held on May 27, 2008 and further approved by the Board of Directors of the Company in their meeting held on May 28, 2008 in this regard are available for inspection by the Shareholders of the Company at its Registered Office during the office hours between 11.00 a.m. to 1.00 p.m. on all working days except Sundays up to the date of the Annual General Meeting and shall also be available at the venue of the Meeting.

NATURE OF INTEREST IN THE RESOLUTION

Except Mr. Surinder P. Kanwar and his son, Mr. Sameer Kanwar, no other Director is concerned or interested in the passing of the above Resolutions as set out in Item No. 6 of the Notice.

ITEM NO. 7

The Shareholders are informed that subsequent to recommendation by the Remuneration Committee and the Board of Directors in their meetings held on January 25, 2007, Mr. Sameer Kanwar was re-appointed as Executive Director-Strategic Planning by the Shareholders of the Company in the Annual General Meeting held on July 26, 2007 for a period of three years with effect from February 1, 2007.

He is re-appointed on the basic salary in the scale of Rs. 2,25,000-18,000-2,61,000 and the perquisites & allowances equivalent to 1/3rd of his basic salary. The other terms and conditions of his re-appointment are mentioned in the above said Resolution(s) and the Explanatory Statement.

When, Mr. Sameer Kanwar was re-appointed, the intention was to pay him 1/3rd of his basic salary either as perquisites or as allowances or as both. However, the term "allowances" could not be added in the aforesaid Resolution(s) due to oversight. Mr. Sameer Kanwar, has been paid Rs. 45,000/- per month from the date of his re-appointment i.e. February 1, 2007, as House Rent Allowance, which is not the excess payment and is well within the remuneration as prescribed in Schedule XIII of the Companies Act, 1956 and as resolved by the Remuneration Committee, the Board of Directors and the Shareholders.

The above modification in remuneration, which is well within the overall limit, of Mr. Sameer Kanwar, Executive Director-Strategic Planning, has been approved and ratified by the Remuneration Committee in its meeting held on May 27, 2008 and by the Board of Directors in its meeting held on May 28, 2008.

The Board of Directors recommend to the Shareholders to approve and ratify the same by passing the Special Resolution as set out in Item No. 7 of the Notice.

Certified true copy of the Resolution(s) passed by the Remuneration Committee of Board of Directors of the Company in its meeting held on May 27, 2008 and further approved by the Board of Directors of the Company in their meeting held on May 28, 2008 in this regard are available for inspection by the Shareholders of the Company at its Registered Office during the office hours between 11.00 a.m. to 1.00 p.m. on all working days except Sundays up to the date of the Annual General Meeting and shall also be available at the venue of the Meeting.

NATURE OF INTEREST IN THE RESOLUTION

Except Mr. Sameer Kanwar and his father, Mr. Surinder P. Kanwar, the Chairman & Managing Director of the Company, no other Director is concerned or interested in the passing of the above Resolutions as set out in Item No. 7 of the Notice.

ITEM NO. 8

Mr. Sameer Kanwar holds a Bachelor's Degree in Business Economics from York University, Canada. After completing his graduation, he received two years training in the areas of Planning, Finance and Control at ZF Friedrichshafen AG, Germany, the world's largest maker of drivelines and chassis for automobiles. Mr. Sameer Kanwar has deep exposure in Marketing, Purchase, Production and in HR management. His belief lies in the fact that, creation of a successful organisation needs fostering of people and developing a climate that recognises performance and leadership.

With effect from February 1, 2001, Mr. Sameer Kanwar has been the Executive Director-Strategic Planning of the Company. Since his joining he has been leading the Business Operations of the Faridabad plant of the Company. His present tenure as Executive Director-Strategic Planning will expire on January 31, 2010.

Further, Mr. Sameer Kanwar has been instrumental in pressing forward the art of gear manufacturing and keeping abreast with the latest technology for delivering the highest quality of products. He has inherited an enormous legacy and shouldered higher assignments during his tenure with the Company. His sincerity, commitment and ideas have resulted in the opening up of new opportunities for the Company.