

38th Annual Report
2009-2010

































BHARAT GEARS LIMITED

Geared for life

Customer

BGL products are trusted by reputed companies in India and around the world for years for quality and service.

	Ashok Leyland		Godrej		Mahindra & Mahindra		TATA Motors
	Axles India		Hero Motors		Mahindra Sona		GE Aviation LLC, USA
	Carraro-India, Italy, China		Hindustan Hardy Spicer		New Holland Fiat India Ltd.		Toyota Kirloskar Auto Parts
	CLAAS-India, France		Hyva India		Paharpur Cooling Towers Ltd.		Transaxle Manufacturing of America, (TMA) USA
	Dana Corporation, USA		JCB-India, UK		SAME Deutz - Fahr		Voltas
	EATON USA		JDCW, USA		Spicer India		ZF China
	ELGI Equipments		JDEPL-India		Swaraj Mazda	Agriking Tractors & Equipments	
	Escorts		JOHN DEERE Iberica, Spain		TAFE		

BGL Automotive Components



Contents



PRODUCT RANGE

- Bevel Ring Gears and Pinion
- Differential Gears and Spiders
- Transmission Gears and Shafts
- PTO assemblies
- Heat treatment Furnaces

QUALITY CERTIFICATIONS

- ISO/TS 16949:2002 (Both Plants)
- ISO 14001(Faridabad plant)

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Dealer Network



Sales Office



Sales Office & Godowns



8 Dealers



38 Distributor Network



Mr. Surinder P. Kanwar
Chairman & Managing Director

Chairman's Message

June 28, 2010

Dear Shareholders,

In 2009-10, the global economy was in recovery mode. The financial crisis and liquidity crunch in the aftermath of the collapse of Lehman Brothers in September 2008 had resulted in a sharp slowdown in economic activities across the world. Most of the advanced countries continued to register negative or very low GDP growth in the first half of 2009-10. In fact, IMF estimates suggest that world output fell by 0.8% in 2009.

The second half of 2009-10 saw some early signs of revival. Financial markets have stabilised and there was an increase in capital flows especially to emerging economies like China and India., USA registered moderate growth in numbers in the first quarter of 2010. However, the condition of western European countries still remains a cause for concern.

Bharat Gears produces and sells automotive gears primarily for commercial vehicles, farm machines and construction equipments both in India and abroad. Given the macro-economic conditions, export markets continued to be sluggish for most of the year. There was however a silver lining towards the end of the year with exports picking up primarily to USA. The Indian automobile market revived much faster and we at Bharat Gears leveraged the opportunity well.

Agriculture, in India, continues to thrive. This was also helped by Government support in terms of credit. Consequently, the secular growth trend in sale of farm machinery like tractors picked up in the second half of 2009-10. During the same time there has been a significant revival in demand from commercial vehicles (CV). For some years now, CVs in India were witnessing single digit growth. In 2009-10, CV production increased by over 35%. Much of this is a result of the stress on infrastructure development. I strongly believe that if India has to maintain a growth rate of over 8%, it has to continue to invest in developing commensurate physical infrastructure. And, in many ways the next wave of growth in the country will be led by infrastructure. Such scale of infrastructure development throws up a large increase in need for transportation, and hence CV demand.

In this business environment, your Company's performance in 2009-10 has been satisfactory. Here are the numbers:

- Net Sales/ Income from operations increased by 3% to Rs.246 crore
- Profit before interest, other income and tax or operating profits increased by 44% to Rs.18.2 crore
- Net Profits increased by 51% to Rs.6.1 crore
- Earnings per Share (EPS) increased from Rs.4.86 in 2008-09 to Rs.7.54 in 2009-10

What is important to note is that for a considerable part of the year, demand was subdued. Consequently, there were no major gains in terms of top-line growth. However, profits have increased significantly. This is a reflection of the success achieved in implementing initiatives on internal improvements.

In my message to you in last year's Annual Report, I had highlighted on the special focus being put into cost reduction and efficiency improvements. At my level there is regular stress at making these a part of Bharat Gears culture. And, the results in 2009-10 do suggest we have made a good beginning on this front. Having said so, I believe these are ongoing processes and need to be continuously focused on to create a world-class organisation.

Some creditable facts on these fronts were:

- Employee costs to net sales ratio reduced from 17.4% in 2008-09 to 16.2% in 2009-10
- Power and fuel costs to net sales ratio reduced from 8.6% in 2008-09 to 8% in 2009-10
- Other operating costs to net sales ratio reduced from 20.1% in 2008-09 to 17.6% in 2009-10

In another important development, it gives me pleasure in reporting that the wage settlement with workers in Mumbra was achieved in the last quarter of 2009-2010. More importantly, it was achieved very amicably and across the Company there is a single-track focus on improving efficiencies both of manpower and machines. And, this objective emanates right from us at the top of the management to the workers manning machines.

Both our plants participated in the TQM clusters set up by the Automotive Component Manufacturers' Association (ACMA). We remain committed to all measures at improving work systems. Our technology up-gradation plan is being pursued in a focused manner.

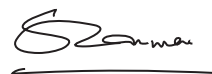
Another important aspect of our business that needs mention is the effective utilisation of capacity. While overall, there was not much growth in net sales in 2009-10, it has to be understood that sales in the second half of 2009-10 was much higher than in the first half. In an uncertain demand environment, a commendable feature of our operations in the second half was the ability to plan and optimally utilise capacity to service the increased demand without making any investments in machinery. Going forward, we are investing in capacity in a graded manner with a focus on enhancing our capabilities in core gear manufacturing processes.

I have great faith in the Indian economy. And, demand will be good in India in the near future. While exports to Europe will be low for some time, there are opportunities in other countries and US demand is slowly reviving. In the last two years, facing a downturn we have looked within the Company and made several internal improvements. These are the building blocks of our future.

We need to continue to focus on these blocks - our processes, on our technology, on our human skills and our spirit of teamwork to emerge as an internationally competitive company. Costs have to be micro managed, quality standards have to be adhered to across process chains, product development times and speed to market needs to be continuously improved. This internal strength will be the most important element of our competitiveness in the global market where we are focused on reaching out to new customers.

The performance in 2009-10 gives confidence in our ability to meet our longer term growth oriented vision. But, this is just the beginning. And, while we remain optimistic, we are aware of the challenging road that lies ahead.

Let me take this opportunity to thank our partners and customers for their cooperation, and to all our employees for their motivation and hard work. And, I extend my heartiest gratitude to you, the shareholders, for your continued faith in the Company.



Surinder P. Kanwar
Chairman & Managing Director



Board of Directors



Names in Order from left to Right Standing

- Mr. Sameer Kanwar**
Joint Managing Director
- Mr. W. R. Schilha**
Non-Executive Director
- Mr. S. G. Awasthi**
Non-Executive Independent Director
- Mr. V. K. Pargal**
Non-Executive Independent Director
- Mr. Rakesh Chopra**
Non-Executive Independent Director

Names in Order from left to Right Sitting

- Dr. Ram S. Tarneja**
Non-Executive Independent Director
- Mr. Surinder P. Kanwar**
Chairman & Managing Director
- Mr. N. J. Kamath**
Non-Executive Independent Director



Core Management Team



Mr. Milind Pujari
Chief Financial Officer



Mr. Sameer Kanwar
Joint Managing Director



Mr. P. C. Kothari
Head-Finance & Accounts



Mr. B. L. Pansare
Location Head (Faridabad)



Mr. Naresh Verma
Corporate Head-HR



Mr. B.P. Shah
Head-Operations (Mumbra)



Mr. K.K. Deshpande
Head-OE (Marketing & Business Development)



Mr. Jagdeep Singh
Business Head-After Market



Mr. Sanjeev Kumar Mital
Head-Material & Central Purchase

Company Information

AUDIT COMMITTEE

Dr. Ram S. Tarneja *Chairman*
Mr. V. K. Pargal
Mr. N. J. Kamath
Mr. Rakesh Chopra

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

Mr. N. J. Kamath *Chairman*
Mr. Sameer Kanwar
Mr. Rakesh Chopra

REMUNERATION COMMITTEE

Mr. N. J. Kamath *Chairman*
Dr. Ram S. Tarneja
Mr. V. K. Pargal

REVIEW COMMITTEE

Mr. Surinder P. Kanwar
Mr. V.K. Pargal
Mr. Sameer Kanwar
Mr. N. V. Srinivasan

EXECUTIVE COMMITTEE

Mr. Sameer Kanwar
Mr. B. L. Pansare
Mr. B. P. Shah
Mr. Jagdeep Singh
Mr. K. K. Deshpande
Mr. Milind Pujari
Mr. Naresh Verma
Mr. P. C. Kothari
Mr. S. K. Mital

AUDITORS

Deloitte Haskins & Sells
12, Dr. Annie Besant Road,
Opposite Shiv Sagar Estate,
Worli, Mumbai - 400018

CHIEF FINANCIAL OFFICER

Mr. Milind Pujari

COMPANY SECRETARY

Mr. Ashish Pandey (Till June 4, 2010)
Mr Prashant Khattry (W.e.f June 7, 2010)

BANKERS

IDBI Bank Limited
Export Import Bank of India
State Bank of India
Bank of Baroda
Indian Overseas Bank
The Federal Bank Limited

REGISTRAR & TRANSFER AGENT

M/s Link Intime India Pvt. Ltd.
A-40, IInd Floor, Naraina Industrial Area, Phase-II,
Near Batra Banquet Hall, New Delhi - 110 028.

REGISTERED OFFICE

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

CORPORATE OFFICE

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

PLANT LOCATIONS

- 1) Kausa Shil, Mumbra,
Distt.Thane-400612,
Maharashtra.
- 2) 20 K. M. Mathura Road,
P.O. Amar Nagar,
Faridabad - 121003,
Haryana

BRANCH OFFICE

1009, Surya Kiran Building,
19, Kasturba Gandhi Marg,
New Delhi - 110001.

NOTICE

TO THE MEMBERS OF BHARAT GEARS LIMITED

NOTICE is hereby given that the 38th Annual General Meeting (AGM) of the Members of Bharat Gears Limited will be held as under:

Day : Thursday
Date : 29th July, 2010
Time : 4:30 P.M.
Venue : Faridabad Industries Association,
FIA House, Bata Chowk,
Faridabad - 121001 (Haryana)

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, 2010 together with Reports of the Directors and Auditors thereon.
2. To declare dividend on Preference Shares.
3. To declare dividend on Equity Shares.
4. To appoint a Director in place of Mr. W. R. Schilha, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Rakesh Chopra, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Statutory Auditors for the financial year 2010-11, and fix their remuneration.

SPECIAL BUSINESS

7. To consider re-appointment of Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company and pass the following resolution as **Special Resolution**, with or without modification(s).

"RESOLVED THAT subject to approval of the Central Government, if required, and further subject to such other requisite approvals, as may be required, in this regard and pursuant to the provisions under Sections 198, 269, 309, 310, 311, 316, 317, Schedule XIII as applicable and other applicable provisions, if any, of the Companies Act, 1956 and /or any amendment thereof or any new enactment thereof, the Company hereby approves the re-appointment of Mr. Surinder P. Kanwar as Chairman & Managing Director of the Company for a further period of five (5) years with effect from 1st October, 2010 and that the remuneration, as set out in **the explanatory statement** which forms part of this Resolution, be paid to him notwithstanding that it may exceed the limits prescribed in

provisions of Sections 198, 309 and Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT notwithstanding anything contained in Sections 198, 309 and the Schedule XIII of the Act or any amendment/re-enactment thereof or any other revised / new schedule or guidelines thereof, in the event of absence of profits or inadequacy of profits in any financial year, the Company hereby approves the payment of the salary, perquisites and statutory benefits (except commission), as set out in **the explanatory statement** which forms part of this Resolution, as minimum remuneration to Mr. Surinder P. Kanwar, Chairman & Managing Director, subject to approval of the Central Government, if required.

RESOLVED FURTHER THAT in absence of the Central Government approval for payment of remuneration to Mr. Surinder P. Kanwar exceeding the limits prescribed in Section 198, 309 and Schedule XIII of the Companies Act, 1956, as amended from time to time, he shall be entitled to draw remuneration within the limits as prescribed in Section 198, 309 and Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Directors and the Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds and things and to sign all such documents, papers and writings as may be necessary to give effect to the above resolution."

By Order of the Board



Prashant Khattry
Group Head (Legal)
& Company Secretary

Place: Faridabad

Dated: June 28, 2010

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 / herself and the proxy need not be a Member of the Company. The instrument appointing proxy (ies) must, however, be received 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 MEETING.**
- iii. Members/Proxies are requested to submit the enclosed Attendance Slip duly filled in and signed at the entrance of the venue for attending the Meeting. Members who hold shares in dematerialized form are requested to mention their Client ID and DP ID details 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. The Register of Members and the Share Transfer Books of the Company shall remain closed from July 23, 2010 to July 29, 2010 (both days inclusive) for determining the names of Members eligible for dividend on Equity Shares, if declared at the Meeting.
- v. Dividend on the Equity Shares, if declared at the Meeting, will be paid to the Members whose names appear in the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company or its Registrars on July 23, 2010.
- In respect of shares held in electronic form, the dividend will be paid to those 'beneficiaries' whose names appear on the statements of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose, at the end of the business hours on July 23, 2010. No income tax shall be deducted at the source from the dividend amount.
- vi. The Non Resident Indian Shareholders are requested to inform the Company immediately about:
- The change in residential status on return to India for permanent settlement.
 - The particulars of NRO Bank Account in India, if not furnished earlier.
- vii. Members are requested to intimate their dividend mandates like bank account number, type and bank addresses in which they intend to deposit the warrants. The banks details can also be printed on the warrants to avoid any incidence of fraudulent encashment.
- The change in address, nomination etc, if any, to be effective must reach to the Registrar & Transfer Agent or the Registered Office of the Company by July 15, 2010.
- viii. Electronic Clearance System (ECS) is presently available at certain locations specified by Reserve Bank of India and/or State Bank of India. To avoid risk of loss and /or fraudulent encashment, members are requested to avail ECS facility where dividends are directly and promptly credited in electronic form to their respective bank accounts.
- ix. The documents referred to in the accompanying Notice 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 Meeting and shall also be available at the venue.
- x. 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, 2010 to enable the management to keep the information ready at the Meeting.
- xi. Pursuant to Section 205C of the Companies Act, 1956, the unclaimed dividend till the financial year 1999-2000 has been transferred to the Investor Education and Protection Fund. There is no unclaimed/unpaid dividend, which is required to be transferred to Investor Education & Protection Fund.
- xii. The shares of the Company are compulsorily traded in demat mode. Hence, the Members who are still holding physical share certificates are advised that it is in their own interest to dematerialize their shareholding to avail benefits of dematerialization viz. easy liquidity, electronic transfer, savings in stamp duty and prevention of forgery.
- xiii. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the Share Certificate to M/s Link Intime India Pvt. Ltd., Registrar & Transfer Agent for consolidation into a single folio.
- xiv. As a measure of economy, copies of the Annual Report shall not be distributed at the Meeting, therefore Members are requested to bring their own copies.
- xv. Members are requested to bring the Admission Slip duly filled in and hand over the same at the entrance of the Meeting Hall.
- xvi. (a) Members who hold shares in electronic form are requested to notify any change in their particulars like change in address, etc., to their respective Depository Participants immediately.
- (b) Members who hold shares in physical form are requested to notify any change in their particulars like change in address, etc. to the Registrar.
- xvii. Members may please note that Securities and Exchange Board of India (SEBI) has made Permanent Account Number (PAN) as the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transactions. SEBI has also mandated that for securities market transactions and off market/private transactions involving transfer of shares in physical form, it shall be necessary for the transferee(s) to furnish a copy of PAN card to Company/Share Transfer Agent for registration of such transfer of shares.
- xviii. Corporate members are requested to send a duly certified copy of the Board Resolution/Power of Attorney authorizing their representative to attend and vote at the Annual General Meeting.
- xix. For security reasons, no article/baggage will be allowed at the venue of the meeting. The members/attendees are strictly requested not to bring any article/baggage etc. at the venue of the meeting.

By Order of the Board



Prashant Khattry
Group Head (Legal)
& Company Secretary

Place : Faridabad
Dated : June 28, 2010