



39<sup>th</sup> Annual Report  
2010-2011



**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

## Key Milestones

1972	Foundation Stone laid at Mumbra Factory.
1974	Inauguration of the Hypoid Plant and Commencement of Production with 'Gleason Machines'.
1980	First 'Oerlikon Spiromatic Generator' installed. BGL becomes the First Company in INDIA to have both Cutting Systems under one Roof.
1981	Memorandum of Association signed with AFC-Holcroft, U.S.A. for construction of furnaces in India to AFC-Holcroft design.
1985-2007	Collaboration Agreement with ZF AG Germany
1987	Delivery for ZF S6-36 Gears & Shafts to Ashok Leyland Ltd. and ZFAG, Germany.
1987	Start of Assembly of ZF S5-24 Gear Boxes for Ashok Leyland.
1988	Start of business with DANA CORPORATION, USA
1994	BGL receives ISO 9002
1996	BGL crosses turnover of Rs. 1 Billion.
1998	Foundation Stone for Faridabad Plant Laid
2000	Start of Commercial Production in Faridabad
2000	BGL receives QS 9000 for Mumbra Plant
2001	BGL receives QS 9000 for Faridabad Plant
2004	BGL Faridabad starts supply to Toyota Kirloskar Auto Parts
2004	BGL Faridabad receives ISO 14001 certification
2005	BGL Faridabad & Mumbra receives TS 16949 certification
2008	Introduction of Dry Cut Hobbing process
2009	Introduction of Klinglenberg Close Loop CNC Gear Measuring system
2010	Introduction of Bevel Gear dry cutting process with close loop technology



### 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)

# BGL AUTOMOTIVE COMPONENTS



## DEALER NETWORK



Sales Office



Sales Office & Godowns



8 Dealers



38 Distributor Network

# BGL FURNACES

## CUSTOMER



Ashok Leyland



High Technology  
Transmission Systems



Raunaq Auto



Automotive Axles



Hindustan Motors



Sona Koyo Steering Systems



Bajaj Auto



Indian Railways



Sundaram Fasteners Ltd.



Bharat Earth Movers



Jagdamba Auto Components



TATA Motors Ltd.



Ceekay Daikin



Mahindra & Mahindra



Timken India



Fairfield



Preciforge and Gears



Tractor Engineers



Greaves



Precision Fasteners



Varroc

Heat Treatment & Metallurgical Lab







## CONTENTS

<b>Chairman's Message</b>	<b>1</b>
<b>Board of Directors</b>	<b>3</b>
<b>Core Management Team</b>	<b>4</b>
<b>Company Information</b>	<b>5</b>
<b>Notice</b>	<b>6</b>
<b>Directors' Report</b>	<b>9</b>
<b>Corporate Governance Report</b>	<b>18</b>
<b>Auditors' Report</b>	<b>30</b>
<b>Balance Sheet</b>	<b>33</b>
<b>Profit &amp; Loss Account</b>	<b>34</b>
<b>Cash Flow Statement</b>	<b>35</b>
<b>Schedules</b>	<b>36</b>





**Mr. Surinder P. Kanwar**  
Chairman & Managing Director

## CHAIRMAN'S MESSAGE

Dear Shareholders,

Bharat Gears manufactures automotive gears primarily for commercial vehicles, farm machines and construction equipments. While India remains the primary market, the Company is steadily growing its exports, mainly to USA.

The global economic recovery is well on its way and the worst is firmly behind us. After reducing by 0.5% in 2009, global output grew by 5% in 2010. Our two primary markets – India and USA – registered good growth numbers. Real GDP growth in India was a strong 8.6% in 2010-11, and USA has recovered from de-growth of -2.6% in 2009 to record 3% growth in 2010.

The automotive industry has strong correlation with economic development. And, in line with the improved economic conditions, automobile sales increased significantly in both these countries. While in India, total automotive production increased by 27.9% in 2010-11, in USA it grew by 35.5% in calendar year 2010. It is important to note that within the automobiles space, your Company's focus areas – commercial vehicles (CV) and farm tractors – saw significant demand growth. CV sales

in India grew by 32.6% in 2010-11. While the farm tractors segment witnessed 24% growth in India during 2010-11 and 6.3% growth in USA during 2010.

Clearly, the market offered lot of opportunities. The challenge was to quickly switch manufacturing operations from the lower level of production schedules seen in the last few years to a much higher level of demand from our customers. And, this had to be done while maintaining our cost structures.

On the cost front, external conditions were difficult. Driven by an upward spiral in commodity prices, inflation was at a high in India. And, this trend is expected to exist. As I write this letter, oil is trading close to US\$100 a barrel. Our two key inputs steel and power and fuel saw increase in prices. While much of the steel price can be passed on to the customers, most of the higher energy prices across the supply chain have to be managed by improving efficiencies.

Through planning and efficient utilisation of our resources and capacities, we succeeded in this endeavour and increased our revenues. This top-line growth has contributed to improved profits in 2010-11. The financial performance says it all.



- Net Sales/ Income from operations increased by 34% to Rs.331 crore
- Profit before interest & other financing charges and depreciation /amortisation increased by 15.71% to Rs.32.11 crore
- Profit before tax increased by 51% to Rs.14.56 crore
- Profit after tax increased by 58% to Rs. 9.71 crore
- Earnings per Share (EPS) increased from Rs.7.54 in 2009-10 to Rs.12.11 in 2010-11

What is important to note is that much of the growth has come with low investments. We, at Bharat Gears, are very conscious of having optimal manufacturing capacities that can on the one hand service the market during periods of high demand, while on the other hand carry the Company through in difficult times. As a result, there is a lot of stress laid on improving planning of material right from vendors to the final product, better utilisation of equipment and outsourcing of non-core activities. All these require continuous monitoring and control. We have seen positives in these fronts during 2010-11, but still a lot needs to be done. Unfortunately, in a discrete manufacturing industry like gears, there is no one 'best fit' model that can be implemented across all Companies. Consequently, we are in the process of evolving the best practices and seeing to it that they are actually being implemented on the shop floor.

Going forward, challenges on this front are going to be even more complex as we grow in scale. And, we are gearing for it.

I have always believed in managing costs. We have utilised the period of low demand to look inwards and streamline our costs. I have talked about this in the last two Annual Reports. And, the ongoing process of focusing on costs continues to deliver efficiencies. As one scaled up operations, there will be greater benefits from lean and cost efficient operations. We have seen an initial example of this during 2010-11.

- Employee costs to net sales ratio reduced from 16.18% in 2009-10 to 15.07% in 2010-11
- Power and fuel costs to net sales ratio reduced from 7.96% in 2009-10 to 7.52% in 2010-11
- Other operating costs to net sales ratio increased from 17.61% in 2009-10 to 19.66% in 2010-11

In an effort to reduce costs, we have converted the energy source for power in Faridabad from Diesel to Piped Natural Gas (PNG). We are also in the process of converting our furnaces from being based on Propane to the lower cost PNG. While some of the benefits was evident in 2010-11, we believed the real savings will kick in during the next financial year.

Both our plants continued to participate in the TQM clusters set up by the Automotive Component Manufacturers' Association (ACMA). We remain committed to all such measures at improving work systems. Our

technology up-gradation plan is being pursued in a focused manner. The Company has adopted the top of the line 'dry cutting' technology for transmission gears and 'state of the art' measuring equipment and blade grinding machines for Bevel gears. In 2010-11, too, we have added machines to upgrade technology.

I believe that we are well positioned to leverage global opportunities. I have belief in the Indian economy. And, domestic demand will be good in India. We have built good relationship with our entire customer base and hope to grow our business as they grow. In 2010-11, we have strengthened our exports and there is potential for substantially growing these businesses. As a conscious step we are attempting to widen our customer base in terms of lesser concentration on a few marquee clients and also by addressing wide customer segments, with special emphasis on growing our presence in the construction machinery segment.

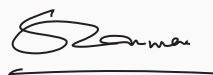
While we will take every step to sweat our assets, the growth opportunities will need investments in new capacity. We are drawing our plans for expansion. As a first step, we have bought land at Satara in Maharashtra.

We need to continue to focus on processes, technology, human skills and our spirit of teamwork to emerge as an internationally competitive Company. It gives me pleasure in stating that industrial relations were very cordial during the year and workers are integrated with our growth objectives. In 2010-11, we successfully completed a long term wage agreement for our plant in Faridabad.

While 2010-11 has been a step in the right direction, there are lot of challenges ahead. Bharat Gears is committed to profitable growth. While we will focus on leveraging every opportunity in the market, we have to continue to focus on excellence in the basics – micro managing costs; adhering to stringent quality standards across processes; have be micro managed, quality standards have to be adhered to across process chains, continuously reducing product development times and speed to market; and utilising existing assets to the maximum.

At this juncture, I would like to commend everyone at Bharat Gears for their contribution to the Company's performance. The members of the Executive Committee, who today operationally manage the day to day activities of the Company needs a special mention for all their efforts. 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 co-operation. 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

## FINANCE COMMITTEE

Mr. Rakesh Chopra *Chairman*  
Mr. Surinder P. Kanwar  
Mr. Sameer Kanwar  
Mr. S.G. Awasthi

## 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

## GROUP HEAD (LEGAL) & COMPANY SECRETARY

Mr. Prashant Khattry

## BANKERS

IDBI Bank Limited  
Export-Import Bank of India  
State Bank of India  
The Federal Bank Limited

## REGISTRAR & TRANSFER AGENT

M/s Link Intime India Pvt. Ltd.  
A-40, IIInd 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

14<sup>th</sup> 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