



40th
Annual Report
2011 - 2012



Geared for Life

BHARAT GEARS LIMITED

Milestones

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 technology to manufacture furnaces.

1985-2007

Technology & Financial 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

2011

BGL Faridabad Receives OHSAS 18001 Certification



2012 Factory Foundation laid by BGL at Satara, Maharashtra

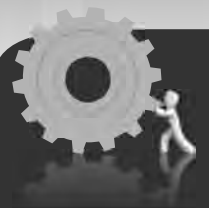


BHARAT GEARS LIMITED

BGL Automotive Components



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DEALER NETWORK

- ★ Sales Office
- Sales Office & Godowns
- ▲ 11 Dealers
- 55 Distributor Network



BHARAT GEARS LIMITED

Customers

Customers

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)
OHSAS 18001 (Faridabad Plant)



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



Force Motors Ltd



Ashok Leyland Limited



Transaxle Manufacturing
of America (TMA) USA



Toyota Kirloskar Auto Parts Ltd.



Spicer India Ltd.
Dana India Ltd.



Godrej & Boyce
MFG. Co. Ltd



GE Aviation Systems LLC - USA



ZF China, India, USA



Axles India



EATON Corporation - USA



Agriking Tractors
& Equipments (P) Ltd.



Voltas Ltd.



Hyva India Pvt. Ltd.



Paharpur Cooling Towers Ltd.



John Deere - India, USA, Spain,
Mexico, Brazil



CARRARO India, Italy, China



Escorts Ltd



John Deere Iberica, Spain



SML ISUZU Ltd.



Tractors and Farm Equipment Ltd.



VST Tillers & Tractors



Mahindra & Mahindra Ltd.



New Holland Fiat India Pvt. Ltd.



Mahindra Sona



JCB-India, UK



AVTEC Limited



CLAAS CLAAS Tractor SAS France

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BGL Furnaces

BGL Furnaces



Customers



Ashok Leyland



DRILBITS



Precision Fasteners



**AAM India Manufacturing
(American Axles)**



**High Technology
Transmission Systems**



**Sona Koyo Steering
Systems**



Bajaj Auto



AVTEC Limited



Sundaram Fasteners Ltd.



Bharat Earth Movers



Indian Railways



TATA Motors Ltd.



Exedy India Limited



**Jagdamba Auto
Components**



Timken India



Oerlikon Drive Systems



Mahindra & Mahindra



Tractor Engineers



Varroc



Preciforge and Gears



Mukand Limited



BHARAT GEARS LIMITED

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Mr. Surinder P. Kanwar
Chairman & Managing Director

Chairman's Message

Dear Shareholders,

The Year under review has been a period of contradictions. Our Government both at the National and State Level announced many new plans yet hardly any of those plans have been accomplished.

In the Year 2011- 2012, we as a nation, have faced many economic issues. I would like to share with you couple of them which have impacted the nation as a whole and industry in particular.

To begin with, my concern is with GDP growth which has been only around 6.5%. This is the lowest GDP growth in the last ten years. Among the many sectors of Industry which have been affected, I believe that the Manufacturing Sector has been affected the most.

Inflation was a matter of concern through out the year together with high borrowing costs. Inflation has eased a little in the last few weeks. But, there are still concerns with crude oil price, it continues to trade around \$100 Per Barrel. The weakening Rupee, in the last few months, has further increased the cost of import of petroleum and

petroleum products along with other imports of essential industrial materials.

The RBI has eased interest rate to some extent in the last quarter of 2011-12, 0.5% reduction though welcome, it does not reduce the cost of finance much. I do not expect interest rates to reduce significantly in the near future as the Government continues to run a Fiscal Deficit of over 5% and needs to continue to borrow from the Public. Consequently, Investors and Consumers Confidence is affected. The situation is further aggravated by anomalies in Public Policy and a severe slowdown in Government decision making processes.

Geographically, the situation is not very encouraging either, while the USA is going through a gradual process of recovery, Europe is in complete disarray. The sovereign bail out packages have not worked for Greece, Ireland and Spain and there are several uncertainties for the very existence of the Euro as a single monetary and economic association. Even China is witnessing a slowdown in its economic growth.



BHARAT GEARS LIMITED

Clearly, globally the macro-economic scenario is disturbing and there is a lot of uncertainty.

Notwithstanding happenings elsewhere, I am happy to inform you dear share holders that I am very optimistic about the future of our business.

As you are aware, Bharat Gears provides the power train components for requirements of commercial vehicles, Farm Tractors and Off Road construction equipment. India remains as our primary market, however, we are steadily growing our exports.

At present, agriculture commodities are priced very remuneratively, this translates into improved demand for farm equipments. The Indian Tractor Industry recorded 11% growth in Year 2011- 2012 as estimates by ICRA (a leading rating agency). They further estimate growth of Tractors at 8-9% per year for the next 5 years. During the period under review, the Commercial Vehicles sales in India grew by 19.8%, LCVs recorded 27.3% growth and M&HCVs recorded 10.8% growth.

In the USA, M&HCV recorded growth of 57.4% during this period. It is estimated that when ageing truck fleet in USA is scraped, this segment will grow considerably more.

In the period under review, Bharat Gears performance both financially and in developing its market share has been very satisfactory.

The Financial Highlights are as follows:

- Total Income From Operations (Net of Excise) increased by 28.52% from Rs. 335.01 crores in 2010-11 to Rs. 430.55 crores in 2011-12.
- Profit after Tax (PAT) increased by 91.45% from Rs. 9.71 crores in 2010-11 to Rs. 18.59 crores in 2011-12.
- Earnings per Share (EPS) increased from Rs. 12.11 in 2010-11 to Rs. 23.63 in 2011-12.

While our positioning in terms of market segments have been good, market dynamics are continuously putting pressure on product prices. Given the intense competition that our customers are facing, it becomes imperative for us to continuously support them with better value propositions. You will appreciate that under current inflationary environment it is a difficult task to manage manufacturing costs and always meet the customer's goals.

In our business, there are two major inputs contributing to cost built up, namely, Steel and Energy. While Steel prices have remained at steady level, the energy costs continued to rise throughout 2011-2012. Crude oil prices were most of the time well above US\$ 85 a barrel and for good part of this period it was over US\$ 100 a barrel.

I believe, now in certain ways, we have evolved a business model that is well geared to seek opportunities

in these difficult times. The structured manner of approaching markets, strength of customer relationships and ability to service customers as partners holds us in good stead. While we continue to look at home markets, we are also reaching out to global opportunities. We have gradually and steadily built our exports business over the last few years. Today, around 20% of our top-line comes from exports. The equity that we have built with our marquee customers is being further strengthened to grow businesses with them and with other global clients.

Last Year, I had informed you that we had acquired land at Satara for establishing a new Plant. Today I wish to inform you that we have drawn up plans for manufacture of transmission parts at this new site. The construction work for the factory has also commenced.

As we scale up our operations and grow the business, we are conscious of the need to leverage our engineering skills to obtain the competitive advantage in the Industry.

As a first step to promote structured processes, we have implemented software for optimising design parameters of the products. In future we will also assist the OEMs in designing their power train assemblies by participating with their dedicated simultaneous engineering development teams. Going forward, product and process development will continue to be among our core activities. We are laying special emphasis on further strengthening our engineering cell for, It is our engineering prowess that has been instrumental in our being the leader in our Industry. We recognise the need to continue to focus on processes, technology, human skills and collective spirit to emerge as an internationally competitive Company.

It gives me pleasure in informing you that industrial relations at our plants were very cordial during the year and workers fully share our vision for the future.

Lastly, but not in the least I would like to express my appreciation to 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. The future of the Company will be determined by this Committee and the functional teams under them supported by our labour force.

I may take this opportunity to thank our partners and Customers for their cooperation. And, I extend my heartiest gratitude to you, the shareholders, for your continued support.



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 Independent 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



BHARAT GEARS LIMITED