BHARAT GEARS LIMITED

Geared for Life

MOMENTUM OF GROWTH

FROM EFFICIENCIES TO ACCELERATION

ANNUAL REPORT | 2017-18

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENT

This Report may contain certain forward-looking statements relating to the future business, development and economic performance. Such Statements may be subject to a number of risks, uncertainties and other important factors, such as but not limited to (1) competitive pressure; (2) legislative and regulatory developments; (3) global, macro-economic and political trends; (4) fluctuations in currency exchange rates and general market conditions; (5) delay or inability in obtaining approvals from authorities; (6) technical developments; (7) litigations; (8) adverse publicity and news coverage, which could cause actual developments and results to differ materially from the statements made in this report. Bharat Gears Limited assumes no obligation to update or alter forward-looking statements whether as a result of new information, future events or otherwise.

MOMENTUM OF GROWTH

FROM EFFICIENCIES TO ACCELERATION

Technological advancements and product innovation continued to be our key drivers of differentiation. Enhanced productivity, through retrofitting and refurbishing of machines, and tightening of efficiencies, at every level, gave us a considerable competitive edge during the year gone by.

Our LEAN manufacturing approach has resulted in cost optimisation and adherence to kaizen, TQM, quality circles, safety audits, machine health check-ups, visual management, machine risk assessment audits, etc. have contributed to better efficiencies at the plant level.

All these good practices have brought us this far and provide a strong foundation for our growth launch in the future. In addition, our customer-centric approach - in terms of its innovative customisation initiatives - enables us to secure repeat business and attract fresh clients.

These are a testimony to our systems and processes and management philosophy.

ABOUT THE COMPANY

WHAT DRIVES US

We are one of the world's leaders in gears technology and one of the India's largest gear manufacturer. We offer a wide range of gear products, including ring gears and pinions, transmission gears and shafts, differential gears and gear boxes to clients spread across the world.

We primarily cater to customer segments - commercial vehicle, agricultural machinery, construction equipment and utility vehicle manufacturers – in India and across the globe in European, American, Mexican and Asian markets.

Our modern manufacturing facilities are located at **Mumbra** near **Mumbai, Faridabad** near **Delhi** and **Lonand,** near **Pune.**

OUR MISSION STATEMENT

To retain and reinforce our position as a leading Indian manufacturer of automotive gears and aggregates and meet the aspirations of customers in domestic and export markets. This will be achieved through on-time zero defect supplies backed by responsive service, empowered employees, vendor partnership and satisfied investors.

OUR VISION STATEMENT

Shall strive vigorously to delight our customers and stakeholders who are our very purpose, by pursuing excellence and innovation through committed teamwork. To this end we shall promote continuous learning, achievement orientation and ethical business practices, which will make us shine as a global player.

MUMBRA PLANT

OUR STRENGTHS

We are dedicated to achieving excellence in our work by maintaining the highest ethical and professional standards. While our greatest strength is our ability to understand our client goals, our success can be attributed to strong teamwork, continuous R&D and the dedication and commitment of each and every member of the BGL family to deliver unsurpassed quality and reliable products & services to the total satisfaction of all our customers.

FARIDABAD PLANT

New Customers added are:

1. Tuff Torq – Turkey
2. ZF Germany
3. International Tractors Limited

Product range expansion from the following customers:

1. Eaton Corporation
2. Carraro India Limited
3. John Deere India
4. John Deere Iberica
5. Dana India
6. VST Tillers & Tractors
7. Escorts

LONAND PLANT

OUR BUSINESS SEGMENTS

GEARS

For over four decades, we have led the most important advances in gear manufacturing in India. Not only are we the preferred supplier of automotive gears for heavy, medium & light trucks, utility vehicles, tractors and off highway vehicles but we have emerged as one of the largest gear manufacturer for OEMs in India and a major exporter to USA, Europe and Asian countries, as well. Today we embody the leading edge in gear technology.

We manufacture a range of nearby half of a million hypoid/ spiral ring gears and pinion sets to service a variety of vehicles. With state-of-the-art machines we are equipped to satisfy the most discerning customers, not only by offering them a choice of system (Gleason and Oerlikon) but also through our ability to design and develop hypoid/spiral gears. Our gear sets see application in heavy, medium and light duty trucks, buses, tractors, utility vehicles, forklift trucks, cooling towers and so on. In addition, we manufacture differential crosses of various sizes as well as complete sub-assemblies of differentials.

Where gear boxes are concerned, we manufacture synchromesh gear boxes (light-weight with aluminium housing) for light commercial vehicle applications, under licence from ZF Friedrichshafen of Germany.

Our facilities also includes state-of-the-art machines which enable us to undertake gear shaping, hobbing, shaving and gear grinding as well as gear testers & induction hardening machines. We manufacture over a million transmission components annually.

AUTOMOTIVE COMPONENTS

Our Automotive Components Division supplies a wide array of automotive parts engineered to excellence. These include, Automotive Clutch and components, Turbo Chargers and components, Driveline Products, Axle Shafts, Fly Wheel Assemblies & Rings, Propeller Shaft components U-J Cross, Steering Components, Differential Cages, Steel Wheel Rims among many others.

These products carry the same lineage of reliability that Bharat Gears is trusted for by its Customers and Partners. Our Automotive Components Division is responsive, diligent and has a keen eye for the ever-growing demand of its products, and changing Customer requirements. In last couple of years, aftermarket segment faced major disruptions like de-monetisation and implementation of GST. Volumes are expected to improve in FY 2019 based on stable market conditions.

FURNACES

Taking advantage of our core competency in heat treatment technology, we started constructing furnaces in 1978, initially for captive use. Within 4 years, we added a commercial dimension to this activity.

Furnace Division has been building batch and continuous heat treating furnaces since 1982, to the designs of AFC - Holcroft, USA. The furnaces have features that are time-tested for reliability and have proved to be operator-friendly, easy and economical to maintain in service under Indian conditions.

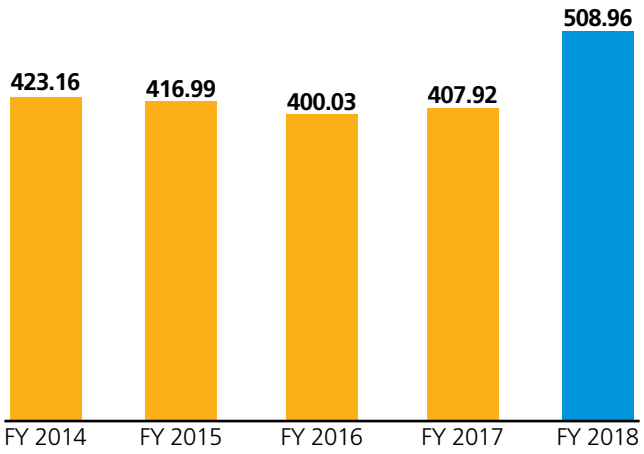
Our technology and experience in furnace building, coupled with our expertise in commissioning, operation and process control give us an edge in covering all aspects of heat-treating equipment to meet our customers requirements in full. On account of significant upturn in the auto component industry, capital investment proposals are being looked at by various customers. In view of this, the business plan for FY 2019 is significantly higher than FY 2018. Major customers being –

- Timken India Limited
- Avdhoot Heat Treat Pvt. Ltd.
- American Axle & Manufacturing Pvt. Ltd.

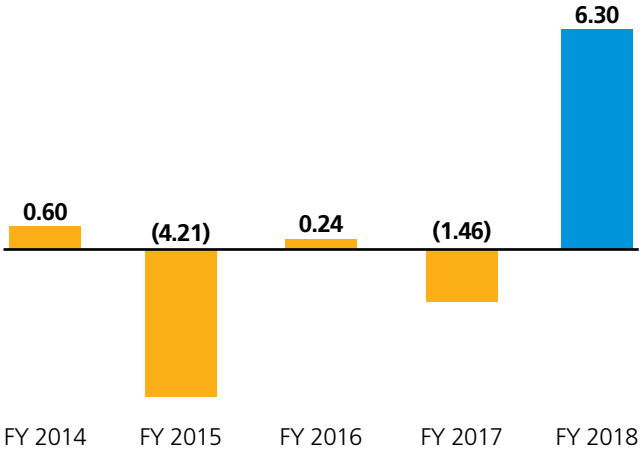
In addition to this, the furnace division shall construct heat treatment equipment at BGL's own plant.

FINANCIAL HIGHLIGHTS

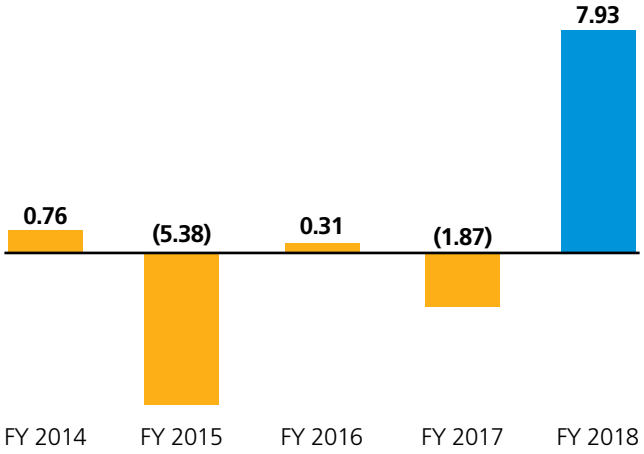
Net Sales (₹ in Crores)



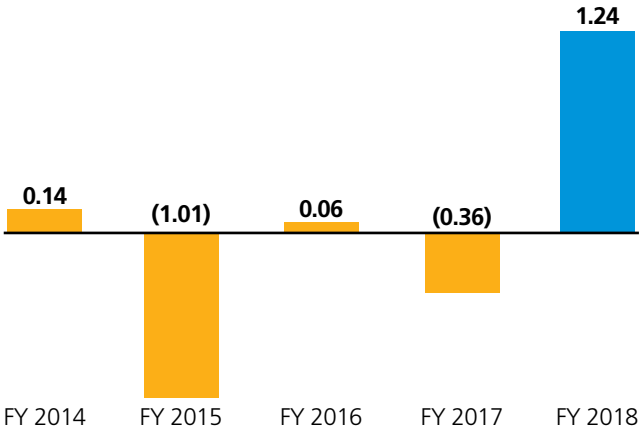
Profit After Tax (₹ in Crores)



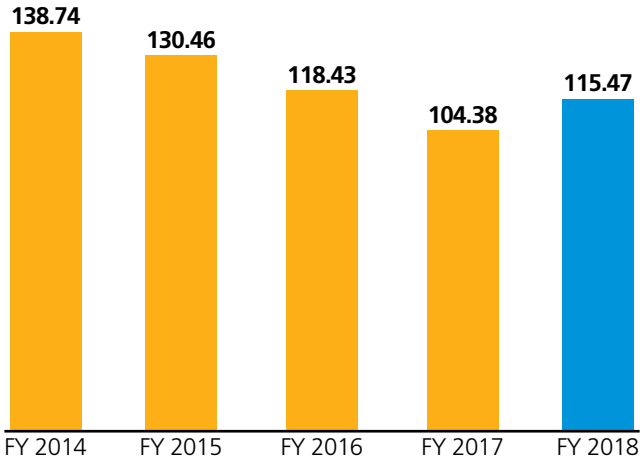
Earning Per Share (₹ Per Share)



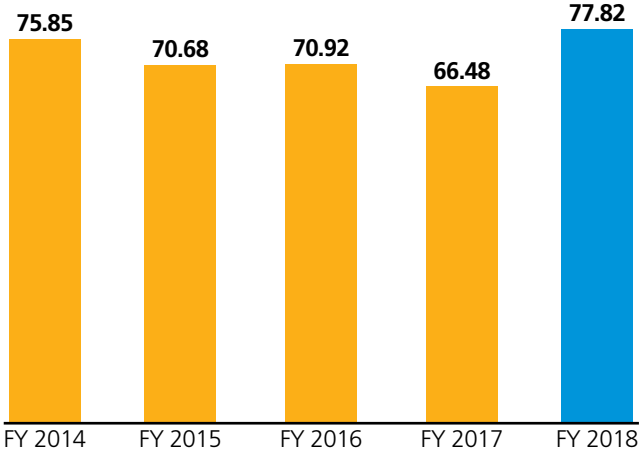
Net Profit Margin (%)



Fixed Assets (₹ in Crores)



Shareholders' Fund (₹ in Crores)



*Figures from FY 2014 to FY 2016 are as per Indian GAAP and figures for FY 2017 and FY 2018 are as per IND-AS

CLIENTELE AND DEALERS NETWORK

OUR CLIENTELE

In our constant endeavor to expand our customer base, we are continuously seeking ways to improve our customer servicing capabilities across the globe. With these persistent efforts, our products have been able to make our presence felt in India as well as Europe, USA, Mexico, Latin America and Asia.

- Agriking Tractors & Equipments (P) Ltd.
- Ashok Leyland Limited
- Carraro India, Italy, China
- CLAAS Tractor SAS France, Hungary
- EATON Corporation - USA, India, China
- Godrej & Boyce Mfg. Co. Ltd.
- Hyva India Pvt. Ltd.
- JCB-India, UK
- John Deere - India, USA, Spain, Mexico, Brazil, China, Germany
- KION, India
- Mahindra & Mahindra Ltd.
- Man Trucks India Pvt. Ltd.
- CNH Industrial India Pvt Ltd
- Paharpur Cooling Towers Ltd.
- Spicer India Pvt. Ltd. DANA India Ltd.
- SML ISUZU Ltd.
- Transaxle Manufacturing of America (TMA) USA
- Tractors and Farm Equipment Ltd.
- Tuff Torq
- Toyota Kirloskar Auto Parts Ltd.
- VST Tillers & Tractors
- Escorts Ltd.
- ZF China, India, USA, Germany
- Schafer Driveline LLC, USA
- TATA Motors Ltd.

OUR DEALERSHIP NETWORK

Over the years, we have cultivated an extensive network of dealers that expand across the length and breadth of the country. As our representatives, they stock an array of our auto-components which are designed, sourced, tested and distributed by BGL.

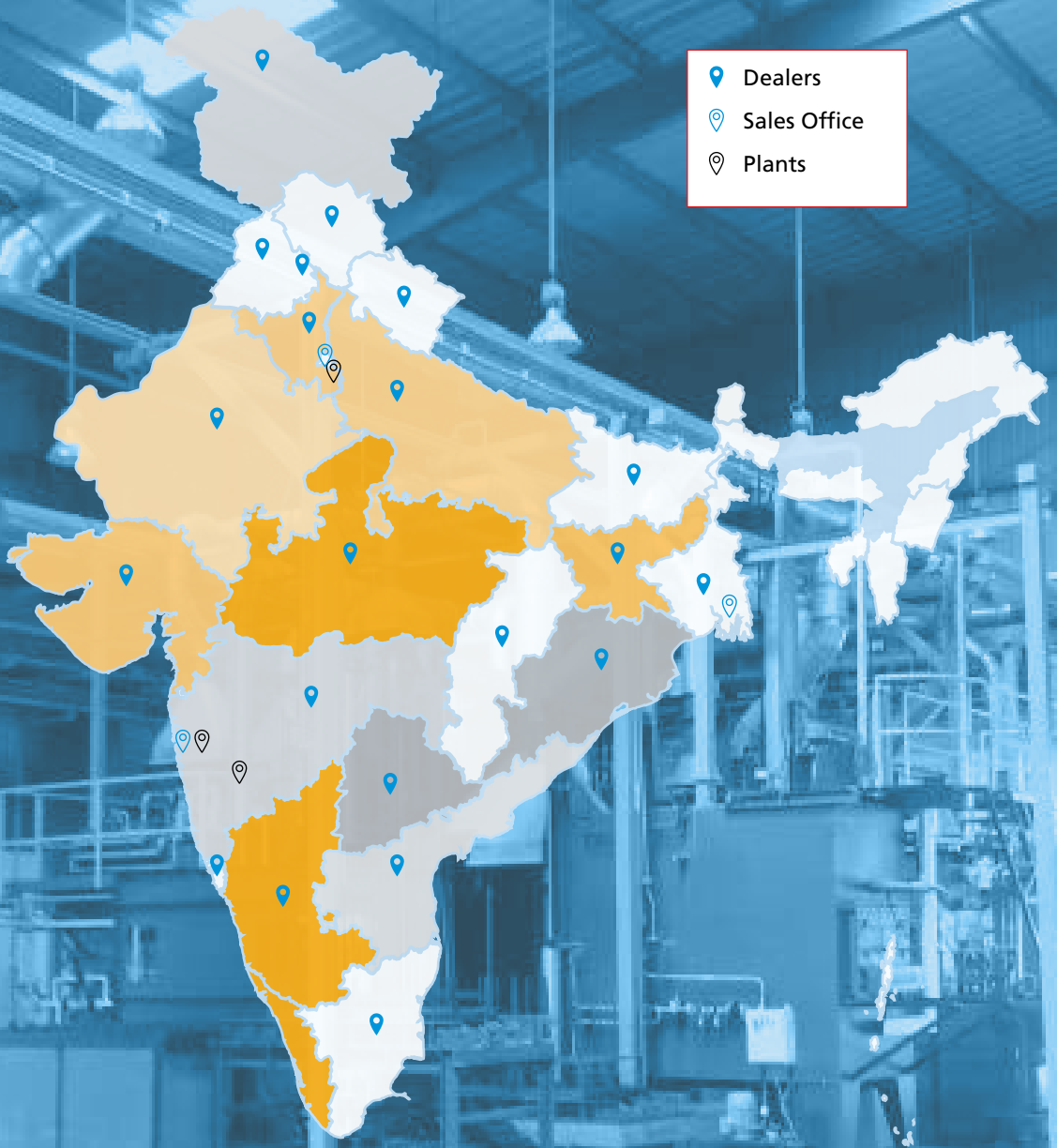
Himachal Pradesh	1	Jammu & Kashmir	2
Punjab	1	Goa	1
Chandigarh	1	Bihar	3
Delhi	6	Jharkhand	2
Delhi	Sales Office	Chhattisgarh	2
Haryana	2	Odisha	2
Rajasthan	3	West Bengal	4
Uttar Pradesh	2	Kolkata	Sales Office
Uttarakhand	1	North Eastern States	3
Gujarat	2	Andhra Pradesh	1
Madhya Pradesh	4	Karnataka	5
Maharashtra	9	Tamil Nadu	5
Mumbai	Sales Office	Kerala	5

CLIENTELE FOR OUR FURNACES

With the capabilities that we have achieved in furnace building as well as expertise in commissioning, operating and process control in furnaces, we are able to meet our customers' furnace requirements completely and adequately.

- AAM India Manufacturing (American Axles)
- Ashok Leyland Limited
- AVTEC Limited
- Bajaj Auto
- Bharat Earth Movers
- Drilbits International Pvt. Ltd.
- Exedy India Limited
- High Technology Transmission Systems
- Indian Railways
- Jagdamba Auto Components
- Mukand Limited
- Mahindra & Mahindra Ltd.
- Oerlikon Drive Systems
- Preciforge and Gears
- Precision Fasteners
- Sanjeev Auto Parts Manufacturers
- Sona Koyo Steering Systems
- Sundaram Fasteners Ltd.
- TATA Motors Ltd.
- Tractor Engineers
- Timken India
- Varroc

DEALERS AND GEOGRAPHIC FOOTPRINT



67 Dealers

3 Plants

3 Sales Office

From plants located at Mumbra, near Mumbai and Lonand, near Pune (Maharashtra) and Faridabad, Haryana, near Delhi, we have developed a client presence across the country through our branches, dealership networks and direct industrial end-consumer clients.

GAINING GROWTH MOMENTUM

The year gone by marked a smart recovery for BGL, from the combination of adverse external and internal factors that impacted its business in FY 2017. To begin with, alongside the rest of the automotive components industry, BGL too was hit by the Government's demonetisation drive and the apprehension that surrounded the implementation of GST. With a robust turnaround in the demand scenario, it moved past these transient setbacks to put up a steady performance in FY 2018.

Looking ahead, both the external as well as internal landscapes for BGL have changed. As the clouds have rolled by, it has become clear that the Company is being favored by tailwinds in the form of external developments as well as internal strengths.

EXTERNAL FACTORS

The economy is gearing up for greater growth.

After a period of transition, which was necessary to launch the economy on to a higher growth trajectory, it is once again back on the path of high growth. Amendments to real estate sector regulations boost to agriculture through various debottlenecking efforts, liberalisation of FDI norms, fast tracking of infrastructure projects, digitalisation of transactions in the financial sector, etc. will go a long way towards making the fresh impulses of growth sustainable.

DEMAND DRIVERS FOR BGL PRODUCTS

Agriculture is still the backbone of the economy in terms of employment and as well as demand. While nature has been munificent, providing two good consecutive monsoons, the Government is also doing its bit to ensure that farmer incomes increase. Be it measures to ensure better prices for their produce, less post-harvest wastage due to agricultural logistical infrastructure or simply access to better funding. This, in turn, will lead to greater investments in farm equipment, including tractors, one of the main products of BGL clients.

Construction equipment manufacturers form a significant portion of BGL clients. The Government is relentlessly focused on building world-class infrastructure and has made significant allocations to this mission in the 12th Five-Year Plan as well as in the Union Budget 2018. Side by side international funding agencies have committed to this cause. This is expected to create a huge demand for construction equipment, the manufacture of which is expected to grow both in volume as well as in value terms. Once again, this translates into greater demand for BGL products.

On the back of better economic growth, the automobile sector is also seeing a robust pick-up, both domestically and in the international markets, too. With strong global economic growth expected to continue, by both the World Bank and the IMF, for at least the next 2-3 years and the Indian economic growth projected to hover above 7% in the near future, a pick-up in the auto and auto ancillary industry is imminent – both domestically as well as internationally. With clients spread across India as well as European, American, Mexican and Asian markets, BGL is well positioned to cater to this opportunity.

We are constantly looking for ways to advance the art of Gear Manufacturing and keeping abreast with the latest technology to ensure that we deliver only the highest quality product.