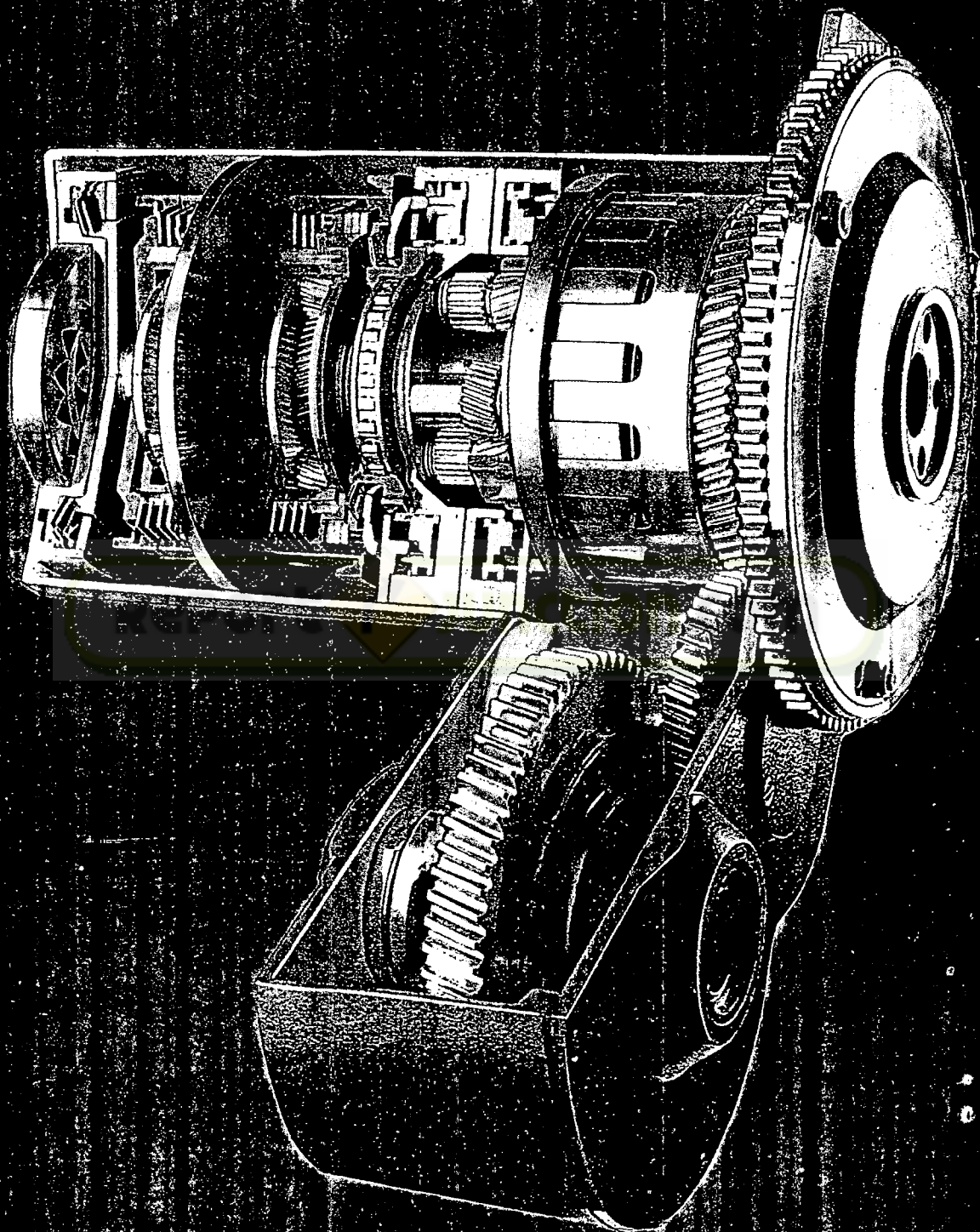


GAJRA BEVEL GEARS LIMITED



22nd ANNUAL REPORT 1996-97





Gajra Bevel Gears Limited

MD	✓		BKC	✓
CS	✓		DPY	ND
RC	✓		DIV	ND
TR	✓		AC	✓
AG	✓		SHJ	✓
YE	✓			

Board of Directors

D M Ghia
I S Gajra
J G Keswani
B S Samat
R B Kulkarni
L S Sarma
Surendra Singh

Chairman
Managing Director

Executive Director

Company Secretary

Nilesh Limaye

Auditors

A F Ferguson & Co.
Allahabad Bank Buildings
Bombay Samachar Marg
Mumbai - 400 001

Solicitors

Crawford Bayley & Co.
State Bank Buildings
N.G.N. Vaidya Marg
Mumbai - 400 023

Bankers

State Bank of India

Registered Office Factory

Industrial Area
Agra Bombay Road
Dewas - 455 001 (M.P.)





Gajra Bevel Gears Limited

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that 22nd Annual General Meeting of Gajra Bevel Gears Limited will be held at Registered Office of the Company situated at Industrial Area, Agra Bombay Road, Dewas - 455 001 (M.P.) on Saturday the 27th September, 1997 at 4.00 p.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997 and the Audited Profit & Loss Account for the year ended on 31st March, 1997 and reports of the Directors and Auditors.
2. To appoint a Director in place of Mr. D.M. Ghia who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. J.G. Keswani who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration.

Registered Office :
Industrial Area,
Agra Bombay Road,
Dewas - 455 001 (M.P.)
Dated - 12th August, 1997

NOTES

1. Members entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of him. The proxy need not be a member of the Company.
2. The Register of members and Share Transfer Book of the Company will remain closed from 22nd September, to 27th September, 1997 (both days inclusive).
3. Proxy forms duly completed and signed should reach the Company's Registered Office not less than 48 hours before the time of the meeting.
4. Shareholders are requested to :
 - i) Intimate changes in their address if any, immediately.
 - ii) Quote folio number in all their correspondence with the Company.
5. Shareholders / Proxies are requested to bring the attendance slip duly filled in for attending the meeting.

By Order of the Board
Nilesh Limaye
Company Secretary



Gajra Bevel Gears Limited

DIRECTORS' REPORT

To the members of Gajra Bevel Gears Limited.

The Directors have pleasure in presenting their 22nd Annual Report togetherwith the audited accounts for the year ended 31st March, 1997.

FINANCIAL RESULTS

	1996-97 Rupees	1995-96 Rupees	(Rupees in lacs)	
			1996-97 Rupees	1995-96 Rupees
Sales (including Excise Duty) and Miscellaneous Income			5159.24	4842.16
Profit before Interest, Depreciation and Tax			743.06	810.33
Less : Interest	321.93	271.93	494.87	412.20
Depreciation	172.94	140.27		
Profit/(Loss) before Tax			248.19	398.13
Less : Provision for Tax			24.91	—
Profit/(Loss) after Tax			223.28	398.13
Less: Arrears of depreciation			—	51.32
			223.28	346.81
Add : Balance brought forward from last year			117.06	(221.00)
Profit/(Loss) available for appropriation			340.34	125.81
Less : Transfer to Debenture Redemption Reserve			8.50	8.75
Balance carried to Balance Sheet			331.84	117.06

Due to lower margins and with a view to consolidate position of the Company your Directors regret their inability to recommend Dividend this year.

OPERATIONS :

During the year sales turnover including miscellaneous income was Rs.5159.24 lacs (Rs.4842.16 lacs) which was higher by 6.54% comparing to previous year. The profit before tax, after interest and depreciation charges was Rs. 248.19 lacs against Rs. 398.13 lacs for the previous financial year, a fall of 37.66%. In spite of marginal increase in sales turnover profit margin has declined during the year due to increase in manufacturing and other expenses. Your Company was not able to pass on this increase to market and was required to absorb the same. In the current year your Company is confident to achieve better results by better capacity utilisation and strict control on manufacturing and other expenses.

AUTOMATIC TRANSMISSION :

Your Company has entered into technical collaboration agreement with M/sAntonovAutomotive Technologies Europe B.V. and M/sAntonovAutomotive Europe B.V. for manufacture of Automatic Transmissions for cars, LCVs and HCVs. Company has received approval from Government of India and Reserve Bank of India for the said collaboration agreement. The proposed Automatic Transmission will give fuel saving and higher pick-up compared to conventional Automatic Transmission and the fact has been proved in the initial Test Results. All components required to build prototypes have been developed, manufactured and sent to collaborators for assembly in presence of Company's engineers. collaborator will provide all technical know how, training and assistance to start



Gajra Bevel Gears Limited

commercial production of Automatic Transmission and royalty will be paid to collaborator on sale of Automatic Transmission. Automatic Transmission was displayed at recently held Delhi International Motor Show and Company has received encouraging inquiries from various vehicle manufacturers in India. Your Company is also planning display of Automatic Transmission fitted in Maruti-800 CC Car at forthcoming Motor Show scheduled at Frankfurt in Germany in September, 1997. After development and successful tests of prototypes commercial production will be undertaken in the next year.

DEPOSITS :

During the year Fixed Deposits of Rs.0.34 lacs matured and were repaid. There was no matured but not claimed deposit at the end of the year.

MARKETING :

During the year in automobile market growing demand trend witnessed in previous years was not prevailing. Products of the Company enjoyed strong demand. Looking to the satisfactory monsoon, bumper agricultural production coupled with rise in industrial production, incremental demand is expected in the current year.

EXPORTS :

During the year direct and indirect exports were of the order of Rs.744.42 lacs (Rs.533.74 lacs) registering an increase of 39.27%. During the current year further growth in exports will be achieved.

FOREIGN EXCHANGE :

Expenditure on this head was Rs. 87.50 lacs (Rs.452.17 lacs) on account of import of tools, spares, capital items, professional fees, travelling and commission. Total foreign exchange earnings was Rs.573.12 lacs (Rs.429.33 lacs) during the year.

CONSERVATION OF ENERGY:

Major consumption of energy is in Heat Treatment Furnaces. Process of modification of furnaces undertaken in previous year was completed for providing better insulation to make furnaces more energy efficient. During the year an outside agency was entrusted work to suggest possibilities of achieving further saving in power and fuel. Study has been completed by an agency and their detailed report is awaited. Implementation of their suggestions will give further saving in electrical consumption.

RESEARCH AND DEVELOPMENT :

Company has developed some new Crown Wheel and Pinions for domestic and export market. Company has

made expenditure during the year on Research and Development to the tune of Rs. 38.16 lacs (Rs. 26.55 lacs).

AUDIT REPORT :

Auditors' qualification for decision to write off R & D expenses for development of products read with Note No.1(viii) and 1 (ix) in Schedule 18, forming part of the account. Company has incurred R & D expenses for development of new products for domestic as well as export market. Actual sale of the said products will be effected over a period of five years. Hence it is decided to write off the said R & D Expenses over a period of five years.

Auditors' qualification regarding taking interest and demurrage of capital work-in-progress read with Note No.20 in Schedule 18, forming part of the account. Company has taken this decision as per the generally accepted accounting practice.

Auditors' qualification regarding recovery from some of the ex-distributors read with Note No.21 in Schedule 18, forming part of the account. Company is confident about recovery of these amounts.

Auditors' qualification regarding reconciliation of outstanding balance with Financial Institutions. Reconciliation is in process and during the current year, outstanding balance with Financial Institutions will be reconciled.

Auditors' qualification for incurring medical expenses on treatment of Managing Director read with Note No.6(b) in Schedule 18, forming part of the account is self explanatory.

DIRECTORS :

In accordance with the provisions of Section 256 of the Companies Act, 1956 and Articles of Association of the Company Mr. D.M. Ghia and Mr.J.G. Keswani are liable to retire by rotation and being eligible offer themselves for re-appointment.

AUDITORS :

M/s A.F. Ferguson & Company, Chartered Accountants, retires as Auditors of the Company at the conclusion of the forthcoming Annual General Meeting and have expressed their willingness to be re-appointed as Auditors. Members are required to consider re-appointment of Auditors.

FINANCIAL INSTITUTIONS AND BANKERS :

The Board expresses its gratitude for support, guidance and co-operation received from Financial



Gajra Bevel Gears Limited

Institutions and State Bank of India from time to time.

EMPLOYEES :

Relations with employees continue to be cordial and Board expressed its appreciation for co-operation and dedicated services rendered by the employees at all levels.

Particulars of employees under section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 and forming part of this report is also given as an Annexure to this report.

For and on behalf of the Board

I.S. GAJRA
CHAIRMAN

MUMBAI : 12TH AUGUST, 1997

ANNEXURE TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217 (2A) (b) (ii) READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULE 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31ST MARCH, 1997.

Sr. No.	Name	Age	Designation/ Nature of Duties	Gross Remune- ration (Rs.)	Qualifica- tion	Total Exp. Yrs.	Date of Commen- cement of Employment	Last Employment Held/ Name of the Co./Designation
1.	Mr.I.S. Gajra	68	Managing Director	7,45,700/-	I.Sc&I Arts	52	09.09.1974	Managing Director Gajra Gears Ltd
2.	Mr.Surendra Singh	41	Executive Director	7,93,700/-	B.A.	19	17.11.1986	—

Notes :

1. The gross remuneration shown above includes salary, H.R.A., company's contribution to provident fund, personal Accident Insurance Premium, Reimbursement of actual medical expenses, wherever applicable.
2. All appointments are non-contractual.
3. Mr. Surendra Singh, Executive Director is related to Mr. I.S. Gajra, Managing Director.

For and behalf of the Board

I.S. Gajra
Chairman

Mumbai : 12th August, 1997



Gajra Bevel Gears Limited

AUDITORS' REPORT

TO THE MEMBERS OF GAJRA BEVEL GEARS LIMITED

We have audited the attached Balance Sheet of Gajra Bevel Gears Limited, as at 31st March, 1997 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and report that :

1. As required by the Manufacturing and other Companies (Auditor's Report) order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, our comments on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) As stated in Note 22 in Schedule 18, for the transactions with the Companies / firm referred to therein, applications of the Company under Section 297(1) of the Companies Act, 1956 are pending for approval with the Central Government.
 - (e) (i) As stated in note 1 (viii) and 1 (ix) in schedule 18, expenditure of revenue nature incurred on research and development and technical know-how fees/expenses on exhibition of proto-type of products which are, according to the Company, expected to be technically/ commercially viable, is written off over a period of five years. This is a generally accepted accounting method and necessarily involves technical / commercial estimates by the management pertaining to future periods, on which we have relied upon.
 - (ii) As stated in Note 20 in Schedule 18, consequent to the delay of over 12 months in removal of the items of plant and machinery from the customs bonded warehouse, in

earlier years, the company paid interest on customs duty and demurrage charges aggregating Rs.32,99,568/-, which have been capitalised alongwith the cost of the respective plant and machinery in previous years. Had such interest / demurrage been charged to the Profit & Loss Accounts of the respective years, the surplus on the Profit and Loss Account as at the year end would have been lower by Rs.27,52,216/-.

(iii) As stated in Note 21 on Schedule 18, sundry debtors include old outstanding amount of Rs.25,53,970/- due from some of the ex-distributors of the Company, in respect of which no provision has been made in the accounts pending final settlement. The Company is of the opinion that the amount is fully recoverable. We are unable to express an opinion in the matter.

(iv) In the absence of the confirmation of outstanding balance /statement of transactions during the year from some of the Financial Institutions, the outstanding balances per the books of account of the company aggregating Rs. 3,33,24,706/- could not be reconciled with the corresponding balances as per the books of account of the Financial Institutions.

(f) Subject to our comments in paragraph (e) above and exclusion, on the basis of legal opinion, of medical expenses of Rs.1,55,652/- from the managerial remuneration referred to in note 6(b) in schedule 18, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :-

- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1997 and
- (ii) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For A.F.Ferguson & Co.
Chartered Accountants
M.S. Dharmadhikari
PARTNER

Mumbai : 12th August, 1997



Gajra Bevel Gears Limited

Annexure referred to in paragraph 1 of the report of the Auditors to the members on the Accounts of GAJRA BEVEL GEARS LIMITED for the year ended 31st March, 1997.

1. The Company has maintained proper records showing full particulars including quantitative details of all items of fixed assets except that the information as to the location of fixed assets has not been updated. Major items of plant and machinery have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and physical records have been noticed on such verification.
2. None of the fixed assets has been revalued during the year.
3. Except for the stock lying with third parties where confirmations have been obtained in most of the cases, the stocks of finished goods, work in process, raw-materials, stores and spares have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, in our opinion the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken/granted any loans, secured or unsecured, from/to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956, where the rate of interest and other terms and conditions are prima-facie prejudicial to the interest of the Company. The Company has certified that there is no Company under the same management within the meaning of Section 370 (1-b) of the Companies Act, 1956.
8. In respect of loans and advances in the nature of loans given to employees which are interest free, parties have generally been regular in repaying the principal amount as stipulated. In case of loans due from ex-employees, except in a few cases, adequate steps have been taken by the company to recover the amounts due.
9. In our opinion and according to the information and explanations given to us and having regard to the explanation regarding items purchased of a special nature and in respect of which, therefore, comparable alternative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods.
10. In our opinion and according to the information and explanations given to us and having regard to the explanation that most of the items purchased and the services rendered are of a special nature and their prices cannot be compared with quotations from other suppliers, or the prices at which transactions have been made with other parties; the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000 or more in respect of each party, have been made at prices which are reasonable having regard to the prices at which transactions for similar goods or materials or services have been made with other parties.
11. As explained to us, unserviceable or damaged stores, raw materials and finished goods have been determined by the management on the basis of technical evaluation. In our opinion, adequate provision has been made in the accounts for the loss arising on the items so determined.
12. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58 A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, with regard to the deposits accepted from the public.