

GAJRA BEVEL GEARS LIMITED







Gajra Bevel Gears Limited

Board of Directors

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

Chairman
Managing Director

Executive Director

Company Secretary

Nilesh Limaye

MD	✓	BKC	✓
CS	✓	DPY	✓
RO	✓	DIV	✓
TRA	NA	AC	✓
AGM	✓	SHI	✓
YE	✓		✓

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.)

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**Gajra Bevel
Gears Limited**

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that 23rd 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 - 455001 (M.P.) on Wednesday the 30th September, 1998 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, 1998 and the Audited Profit & Loss Account for the year ended on 31st March, 1998 and reports of the Directors and Auditors.
2. To appoint a Director in place of Mr. B.S. Samat who retires by rotation and being eligible, offers himself for re-appointment.
3. 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.

NOTES :

1. Members entitled to attend and vote at 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 28th September to 30th September, 1998 (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.

Registered Office :
Industrial Area,
Agra Bombay Road,
Dewas - 455 001 (M.P.)
Dated - 27th August, 1998.

By Order of the Board
Nilesh Limaye
Company Secretary


**Gajra Bevel
Gears Limited**

DIRECTOR'S REPORT

To the members of Gajra Bevel Gears Limited

The Directors have pleasure in presenting their 23rd Annual Report togetherwith the audited accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

			(Rupees in Lacs)	
	1997-98 Rupees	1996-97 Rupees	1997-98 Rupees	1996-97 Rupees
Sales (including Excise Duty) and Miscellaneous Income			4395.61	5161.53
Profit before Interest, Depreciation and tax			338.18	743.06
Less : Interest	329.28	321.93		
Depreciation	180.27	172.94	509.55	494.87
Profit/(Loss) before Tax			(171.37)	248.19
Less : Provision for Tax			—	24.91
Tax adjustment of previous years			1.12	—
Profit/(Loss) after Tax			(172.49)	223.28
Add : Balance brought forward from last year			331.85	117.07
Profit/(Loss) available for appropriation			159.36	340.35
Less : Transfer to Debenture Redemption Reserve			—	8.50
Balance carried to Balance Sheet			159.36	331.85

In view of loss incurred during the year, your directors regret their inability to recommend Dividend this year.

OPERATIONS :

During the year Sales turnover including miscellaneous income was Rs. 4395.61 lacs (Rs.5161.53 lacs) which was lower by 14.84% comparing to previous year. Profit before depreciation and interest was Rs. 338.18 lacs against Rs. 743.06 lacs for the previous financial year, a fall of 54.48%. During the year Automobile industry has passed through a severe recession which compelled Company for several Price reductions. In Addition to it Company was required to absorb increase in prices of steel and other Consumables which has badly affected profitability of the Company during the year. To overcome pertinent recession still existence in Automobile Market, your Company is in process of shifting its main focus in Export Market, which will improve the working of Company during the current year.

FINANCE :

During the year Industrial Development Bank of India (IDBI) has privately subscribed 200 Nos. of 18% Redeemable Non-convertible debentures of Rs. 1.00 lac each amounting to Rs. 200.00 lacs. Company has received Rs. 100.00 lacs towards advance subscription.

ISO 9001 CERTIFICATION :

Your Directors are pleased to mention that your Company is the first Gear Manufacturing Company in India to get ISO 9001 Certification from TUV of Germany. This will also give an edge to your Company over other competitors in Export Market.

AUTOMATIC TRANSMISSION :

Your Company has successfully developed Automatic Transmission for Car. During the current year Automatic Transmission will be



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supplied to several car manufacturers for trial run and commercial production will be undertaken in the next year.

DEPOSITS :

During the year Fixed Deposits of Rs. 4.00 lacs matured and were repaid. There was no matured but not claimed deposit at the end of the year.

MARKETING :

Overall economic recession was witnessed during the year which was reflected in sluggishness in demand in Domestic Market. Your Company is shifting its focus to Domestic Tractor Industries, OEM sectors and Export.

EXPORTS :

During the year direct and indirect Exports were of Rs. 799.84 lacs (Rs. 744.42 lacs) registering an increase of 7.46%. With ISO 9001 Certification and aggressive marketing strategy, during the current year your Company is poised for quantum jump in Export turnover.

FOREIGN EXCHANGE :

Expenditure on this head was Rs. 58.66 lacs (Rs. 87.50 lacs) on account of Import of Tools, spares, technical know-how fees, R&D expenses and traveling. Total Foreign Exchange earnings was Rs. 628.40 lacs (Rs. 573.12 lacs) during the year. Your Company earned net Foreign Exchange of Rs. 569.74 lacs (Rs. 485.62 lacs) during the current year.

CONSERVATION OF ENERGY :

Major consumption of energy is in Heat Treatment Furnaces. Continuous efforts are being made and various steps are underway to get saving in electric consumption.

RESEARCH AND DEVELOPMENT :

Various activities such as development of Crown Wheel and Pinions for domestic and Export market, Reduction in cycle and setting time to reduce cost are going on.

Company has made expenditure during the year on Research and Development to the tune of Rs. 50.31 lacs (Rs. 38.16 lacs).

AUDIT REPORT :

Auditors' qualification for decision to write off R&D expenses read with note 1 (viii) and 1(ix)(b) in Schedule 18, forming part of the account. Company has incurred R & D expenses for development of new products for domestic and export market and for development of Automatic Transmission. 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 19 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 debtors read with note 20(a) in Schedule 18, forming part of the account. Company is confident about recovery of these amounts.

Auditors' qualification regarding reconciliation of outstanding balances with Financial Institution and non-banking finance companies read with note 23 in Schedule 18, forming part of the account. Reconciliation is in process and during the year balances with Financial Institutions and non-banking finance companies will be reconciled.

DIRECTORS :

In accordance with the provisions of section 256 of the Companies Act, 1956 and Articles of Association of the Company Mr. B.S. Samat is liable to retire by rotation and being eligible offers himself for re-appointment.

AUDITORS :

M/s. A.F. Ferguson & Company, Chartered Accountants, retires at the forthcoming Annual General Meeting and are eligible for re-appointment.

FINANCIAL INSTITUTIONS AND BANKERS :

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

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 the report.

For and on behalf of the Board

D.M. GHIA

Mumbai : 27th August, 1998

CHAIRMAN


**Gajra Bevel
Gears Limited**
ANNEXURE TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(2A) (b)(ii) READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31ST MARCH, 1998.

Sr. No.	Name	Age	Designation /Nature of Duties	Gross Remuneration (Rs.)	Qualification	Total Exp. Yrs.	Date of Commencement of Employment	Last Employment held/Name of the Company/ Designation
1.	Mr. I.S. Gajra	69	Managing Director	7,43,842/-	I.Sc. & I. Arts	53	09.09.1974	Managing Director Gajra Gears Ltd.
2.	Mr. Surendra Singh	42	Executive Director	7,76,907/-	B.A.	20	17.11.1986	—

Notes :

1. The gross remuneration shown above includes salary, expenditure incurred on providing accommodation, 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.

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For and on behalf of the Board
D.M. GHIA
Chairman

Mumbai : 27th August, 1998.



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, 1998 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. Subject to our comments in paragraphs 9 & 10 of the Annexure referred to in 1 above and further to our comments in the remaining paragraphs of the annexure:
 - (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) (i) As stated in note 21(a) in schedule 18, the company has been legally advised that since the combined limit for rendering/availing of services together with sale/purchase of materials to/from the company referred to in that note is higher than the amount of the aggregate transactions with that company, the provisions of Section 297 (1) are complied with. Further, as stated in that note, in respect of the transactions with that company during the period 26th October, 1994 to 28 February, 1995 which are in excess of the approved limit, the company intends to make an application under Section 621A of the Companies Act, 1956 for compounding of offence.
 - (ii) As stated in note 21(b) in schedule 18, for the transactions with the firm referred to therein, the application of the company under section 297 (1) of the Companies Act, 1956 has not been approved by the Central Government and the company is in the process of making an application to the Central Government under section 621 A of the Companies Act, 1956 for compounding of offence.
 - (e) (i) As stated in note 1 (viii) and 1 (ix) (b) in schedule 18, expenditure of revenue nature



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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 19 in Schedule 18, the company in previous year capitalised alongwith the cost of the respective plant and machinery, interest on customs duty and demurrage charges aggregating Rs. 32,99,568/-. 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. 24,91,040/.

(iii) As stated in note 20(a) in Schedule 18, sundry debtors include old outstandings aggregating Rs. 37,45,819/- in respect of which no provision has been made in the accounts for the reasons stated therein. The Company is of the opinion that the amounts are fully recoverable. We are unable to express an opinion in the matter.

(iv) As stated in note 22 in schedule 18, in the absence of the confirmation of outstanding balance/statement of transactions during the year from some of the Financial Institutions and non-banking finance companies, outstanding balances per the books of account of the company aggregating Rs. 4,75,85,230/- could not be reconciled with the corresponding balances as per the books of account of the Financial Institutions/non-banking finance companies.

(f) subject to our comments in paragraph (e) above, 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, 1998 and
- (ii) In the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

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

PARTNER

Mumbai : 27th August, 1998



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, 1998.

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. We have been informed that major items of plant & 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. Having regard to certain outstandings relating to cash sales referred to in note 20(b) on Schedule 18, the internal controls in respect of cash sales, which are weak presently, are required to be strengthened. Except for this, 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