



GAJRA BEVEL GEARS LIMITED

25th Annual Report 1999-2000



Board of Directors

DM Ghia
Surendra Singh
BS Samat
RB Kulkarni
LS Sarma

Chairman
Managing Director

Company Secretary

Nilesh Limaye

Auditors

O.T. Gandhi & Co.
Basketball Complex,
Race Course Road,
Indore - 452 003

Solicitors

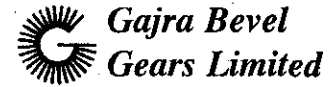
Crawford Bayley & Co.
State Bank Buildings
N.G.N. Vaidya Marg,
Mumbai - 400 023

Bankers

State Bank of India

**Registered Office &
Factory**

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



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that 25th 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 Friday, the 29th September, 2000 at 3.30 P.M. to transact the following business:

ORDINARY BUSINESS :

01. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2000 and the Audited Profit & Loss Account for the year ended 31st March, 2000 and reports of the Directors and Auditors.
02. To appoint a Director in place of Mr. B. S. Samat who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint Auditors to hold office from the conclusion of the meeting until the conclusion of next Annual General Meeting of the Company and fix their remuneration.

SPECIAL BUSINESS :

04. To consider, and, if thought fit, to pass the following resolution with or without modification(s) as Special Resolution:

"RESOLVED that pursuant to provisions of Section 16(1) and all other applicable provisions, if any, of the Companies Act, 1956, Clause V of the Memorandum of Association of the Company including the marginal notes thereof be amended by substituting thereof the following clause:

- V. The authorised Share Capital of the Company is Rs. 6,00,00,000/- (Rupees Six Crores only) Divided into:

60,00,000 (Sixty lacs) Equity Shares of Rs.10/- (Rupees Ten) each.

The Company shall have the power to increase, reduce, consolidate and divide, convert and reconvert, cancel, alter, sub-divide or otherwise reorganise, the capital in accordance with the Articles of Association of the Company and the provisions of the Companies Act, 1956 as may be modified from time to time.

RESOLVED FURTHER THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner :

- i) Substitute the following Article for Article 4(a) :

4(a) The authorised Share Capital of the Company be Rs. 6,00,00,000/- (Rupees Six Crores only) divided into 60,00,000 (sixty lacs) Equity Shares of Rs. 10/- (Rupees Ten) each.

- ii) Article 4(b) be deleted

- iii) Article 84(2) be deleted."

05. To consider, and, if thought fit, to pass the following resolution with or without modification(s) as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the Memorandum of Association and Articles of Association of the Company as also the provisions of Listing Agreements entered into by the Company with Stock Exchanges and subject to the approvals, if required, of the Central Government, Securities and Exchange Board of India (SEBI), Financial Institutions, State Bank of India and such other authorities prescribed under any other applicable laws, rules and regulations for the time being in force and further subject to such terms, conditions, stipulations and modifications as may be prescribed, imposed or suggested by any of them in granting such approvals which Board of Directors of the Company ("the Board", which term shall be deemed to include for the purposes of this resolution any committee of Directors) be and is hereby authorised to accept, consent of the Company be and is hereby accorded to the Board to issue/ offer and allot, at its sole discretion equity shares at such time and on such terms and conditions as the Board may determine in aggregate not exceeding amount of Rs. 1,62,54,000/- (Rupees One crore sixty two lacs fifty four thousand only) either to promoters of the Company, their friends, relatives, their associate companies and concerns; and/or any other persons, whether shareholders or not through or by Public Issue, Rights Issue, Private Placement or Preferential Allotment or by any one or more of the above methods and subject, inter alia, to the following terms and conditions:

- (a) The Equity Shares to be issued and allotted by the Company in the manner aforesaid shall be



subject to the Memorandum of Association and Articles of Association of the Company and shall rank pari passu in all respects with existing equity shares of the company, except that the dividend thereon shall be paid pro-rata from the date of allotment of such new equity shares;

- (b) The Equity Shares shall be issued at the value which will be determined on the basis of average of the weekly high and low of the closing prices of the Shares quoted on Mumbai Stock Exchange during the six months preceding 30th August, 2000, or the average of the weekly high and low of the closing prices of the shares quoted on Mumbai Stock Exchange during the two weeks preceding 30th August, 2000 as may be fixed by the Board and permitted by the rules or guidelines;
- (c) The issue of Equity Shares shall be governed by guidelines, if any, issued by the Securities and Exchange Board of India or any other authority as the case may be, or any modifications thereof.

RESOLVED FURTHER THAT the said Equity Shares may be issued/offered, allotted or disposed of by the Board in its absolute discretion in such manner and on such terms and conditions as it may be deem fit or otherwise as the Board may consider proper and most beneficial to the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary expedient and to settle any matter that may arise in connection therewith."

Registered Office :
Industrial Area,
Agra Bombay Road,
Dewas - 455 001 (M.P.)
Dated : 19th July, 2000

By Order of the Board
Nilesh Limaye
Company Secretary

NOTES :

01. 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.

02. The relative explanatory statement under Section 173 of the Companies Act, 1956 in regard to businesses set out at Item Nos. 4 and 5 is annexed hereto.
03. The Register of members and Share Transfer Book of the Company will remain closed from 25th September, 2000 to 29th September, 2000 (both days inclusive).
04. Proxy forms duly completed and signed should reach the Company's Registered Office not less than 48 hours before the time of the meeting.
05. Shareholders are requested to:
- Intimate changes in their address if any, immediately.
 - Quote folio number in all their Correspondence with the Company.
06. Shareholders / Proxies are requested to bring the attendance slip duly filled in for attending the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Item No. 4

The Authorised Share Capital of the Company presently stands at Rs.6,00,00,000/- (Rupees Six Crores only) divided into 55,00,000 (fifty five lacs) Equity Shares of Rs. 10/- (Rupees Ten) each and 50,000 Cumulative Redeemable Preference Shares (CRPS) of Rs.100/- (Rupees One Hundred) each. The said 50,000 CRPS of Rs.100/- each have not been issued so far by the Company. For proposed issue of 16,25,400 Equity Shares either Authorised Capital of the Company is required to be increased or otherwise without increasing the Authorised Capital of the Company, by conversion of the said non-issued CRPS into Equity Shares, Equity Share Capital of the Company can be raised by further 16,25,400 Equity Shares. The conversion of the said non-issued CRPS into Equity Shares also requires amendment in capital clause in the Memorandum and Articles of Association of the Company and deletion of certain Articles in the Articles of Association of the Company. The proposed amendment in the Memorandum and Articles of Association of the Company requires approval of the members in the General Meeting by way of special resolution. Accordingly, this resolution is placed before the meeting for its approval. None of the directors are interested in



the proposed resolution. The existing Memorandum of Association and Articles of Association of the Company alongwith a copy of the proposed amendment is available for inspection by the members at the Registered Office of the Company on any working day between 10.30 A.M. to 12.30 P.M.

Item No. 5

In order to provide the Company with necessary funds to improve its liquidity and networth and to reduce the gape in working capital requirement, the Board of Directors of the Company has decided to issue 16,25,400 Equity Shares of Rs. 10/- each for cash at par. Bank and Financial Institutions were insisting since last couple of years for infusion of long term funds by way of a share capital to improve working of the Company. Company did not venture for any further issue of shares so far in view of prevalent primary market conditions. However, pressure from Bank and Financial Institutions is increasing day by day for infusion of long term funds by way of a share capital and Company is left with no other alternative but to fulfill their requirement for smooth operation.

Taking all above aspects into account, Board of Directors of the Company has decided to issue

16,25,400 Nos. of Equity Shares of Rs. 10/- each for cash at par to promoters of the Company, their friends, relatives, associate companies and concerns, and/or any other persons whether shareholders or not. Under section 81(1A) of the Companies Act, 1956, issue of shares to person or persons whether existing shareholders or not, requires the approval of the members in General Meeting by way of special resolution.

Accordingly, this resolution is placed before the meeting for its approval. None of the directors are interested in the resolution except to the extent of their subscription in the proposed issue. The Memorandum and Articles of Association of the Company is available for inspection by the members at Registered Office of the Company on any working day between 10.30 A.M. to 12.30 P.M.

Registered Office :
Industrial Area,
Agra Bombay Road,
Dewas - 455 001 (M.P.)
Dated : 19th July, 2000

By Order of the Board
Nilesh Limaye
Company Secretary

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DIRECTORS' REPORT

To the members of Gajra Bevel Gears Limited.

The Directors have pleasure in presenting their 25th Annual Report togetherwith the audited accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS

	(Rupees in Lacs)			
	1999-2000 Rupees	1998-99 Rupees	1999-2000 Rupees	1998-99 Rupees
Sales (including Excise Duty) and Miscellaneous Income			4005.26	3331.62
Profit before Interest, Depreciation and tax			438.55	119.75
Less : Interest (net)	253.94	297.92		
Depreciation	<u>151.22</u>	<u>174.02</u>	<u>405.16</u>	<u>471.94</u>
Profit / (Loss) before Tax			33.39	(352.19)
Less : Provision for Tax			<u>1.70</u>	<u>—</u>
Profit / (Loss) after Tax			31.69	(352.19)
Add : Balance brought forward from last year			<u>(192.83)</u>	<u>159.36</u>
Balance carried to Balance Sheet			<u>(161.14)</u>	<u>(192.83)</u>

In view of carry forward losses, your directors regret their inability to recommend Dividend this year.

OPERATIONS :

During the year Sales turnover including miscellaneous income was Rs. 4005.26 lacs (Rs.3331.62 lacs) which was higher by 20.22% comparing to previous year. Profit before depreciation, interest and tax was Rs.438.55 lacs against Rs. 119.75 lacs for the previous financial year, a rise of 266.22%. Profit after interest and depreciation was Rs. 33.39 lacs against loss of Rs. 352.19 lacs in previous year. During the year Production and Sales have increased. In the current year, your Company is confident to achieve better results with optimum capacity utilisation and strict control on overheads.

FINANCE :

During the current year Madhya Pradesh State Industrial Development Corporation Ltd. (MPSIDC) has disbursed further ICD of Rs.50.00 lacs.

DEPOSITS :

There was no matured but not claimed deposit at the end of the year.

MARKETING:

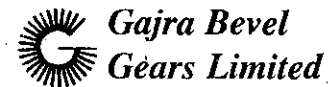
After witnessing recessionary trends in last couple of years signs of revival were felt during the year. Products of the Company enjoyed good demand. Demand for Tractors' Gears was good and your Company is trying to increase its share in Tractors' Gear segment.

EXPORTS :

During the year Exports were of Rs. 1128.72 lacs against Rs.461.64 lacs in last year registering a growth of 144.50%. 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. 41.66 lacs (Rs.51.02 lacs) on account of Import of Tools, spares, Travelling and R&D expenses. Total Foreign Exchange earnings were Rs. 945.99 lacs (Rs. 226.01 lacs) during the year. Your Company earned net Foreign Exchange of



Rs. 904.33 lacs (Rs.174.99 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 :

Company has developed several Crown Wheel & Pinion, Differential Gears for domestic and Export market. Company has incurred expenditure during the year on Research and Development to the tune of Rs.45.99 lacs (Rs. 53:56 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 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 in Schedule 18, forming part of the account. Company is confident about recovery of these amounts.

Auditors' qualification regarding reconciliation of the outstanding balances with Financial Institutions and non-banking finance Companies read with note 22 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.

Auditors' qualification regarding non-disclosure of information relating to Small Scale Industrial Undertakings read with note 3(b) in Schedule 18, forming part of the accounts 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. B.S. Samat is liable to retire by rotation and being eligible offers himself for re-appointment.

AUDITORS :

Messrs. O. T. Gandhi & Co., Chartered Accountants, Indore 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 expresses 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
CHAIRMAN

Indore : 19th July, 2000



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, 2000.

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.	Late Mr. I.S. Gajra*	71	Managing Director	4,38,522/-	I Sc. & I Arts	55	09.09.1974	Managing Director Gajra Gears Ltd.
2.	Mr. Surendra Singh	44	Managing Director	8,06,659/-	B.A.	22	17.11.1986	-

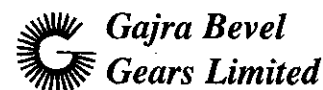
NOTES :

01. *for part of the year.
02. 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.
03. All appointments are non-contractual.
04. Mr. Surendra Singh is related to Late Mr. I.S. Gajra.

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

Indore : 19th July, 2000



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, 2000 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. As stated in note 1(viii) and 1 (ix)(b) 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.
3. As stated in note 19 in Schedule 18, the company in previous years 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 and Loss Accounts of the respective years, the debit balance of the Profit and Loss Account as at the year end would have been higher by Rs.17,28,688/-.
4. Further to our comments in the Annexure referred to in paragraph 1 above and subject to our comments in paragraphs 2 and 3 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) in our opinion the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in Sub-section (3C) of

Section 211 of the Companies Act, 1956;

- (e) As stated in note 21(a) and 21(b) of Schedule 18, for the transactions with the firms referred to therein, application of the Company under section 297(1) of the Companies Act, 1956 is pending for approval with the Central Government.
- (f) (i) As stated in note 20 on Schedule 18, sundry debtors include old outstanding aggregating Rs.46,77,500/- 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.
- (ii) As stated in note 22 on schedule 18, in the absence of the confirmation of outstanding balance/ statement of transactions from some of the Financial Institutions and non-banking finance companies, outstanding balances as per the books of accounts of the company aggregating Rs.3,24,96,139/- could not be reconciled with the corresponding balances as per the books of account of the Financial Institutions/non-banking finance companies.
- (g) Attention is invited to Note 3(b) in Schedule 18 regarding non-disclosure of the information relating to the Small Scale Industrial Undertakings.
- (h) in our opinion and to the best of our information and according to the explanations given to us, subject to our comments in paragraphs (f) and (g) above, 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, 2000 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 O.T. Gandhi & Co.
Chartered Accountants
A.B.DOSHI
Partner

Indore : 19th July, 2000