



GAJRA BEVEL GEARS LIMITED

26th Annual Report 2000-2001

**Board of Directors**

Mr DM Ghia
 Mr Surendra Singh
 Mr BS Samat
 Mr LS Sarma
 Mr RB Kulkarni
 (upto 15.02.2001)
 Mr BD Save
 (w.e.f. 15.02.2001)
 Mrs Rani Singh
 (w.e.f. 15.02.2001)

Chairman
Managing Director

IDBI Nominee

IDBI Nominee

Company Secretary

Nilesh Limaye

Auditors

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

**Registrar & Transfer
Agent for Demat Shares**

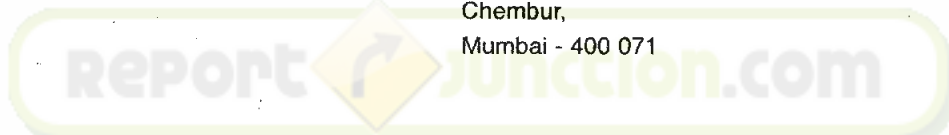
M/s. Intime Spectrum Registry Pvt. Ltd.
 Shree Ganesh Indl. House,
 1st Floor, W.T. Patil Marg,
 Chembur,
 Mumbai - 400 071

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 26th 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 29th September, 2001 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, 2001 and the Audited Profit & Loss Account for the year ended 31st March, 2001 and reports of the Directors and Auditors.
- 02 To appoint a Director in place of Mr. D. M. Ghia 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 an Ordinary Resolution:-

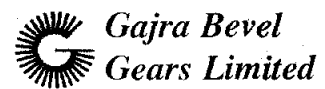
"RESOLVED THAT Mrs. Rani Singh, who was appointed as Additional Director by the Board of Directors of the Company pursuant to Article 98 of the Articles of Association of the Company and who holds office upto the date of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956, and in respect of whom the Company has pursuant to Section 257 of the Companies Act, 1956, received a notice in writing from a member proposing her candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, and the provisions of other statutes, as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and is hereby altered as follows:-

- (i) After the existing Article 38 the following Article as Article 38(A) shall be inserted:

- a) Notwithstanding anything contained in this Articles of Association, the Company shall be entitled to dematerialise its shares, debentures and other securities pursuant to the Depositories Act, 1996, including any statutory modification(s) or re-enactment(s) thereof and to offer for subscription in a dematerialised form. The Company shall further be entitled to maintain a Register of Members with details of members holding shares both in material and dematerialised form(s) in any media as permitted by law including any form of electronic media.
- b) A "beneficial owner" means any person or persons whose name(s) is recorded as such with a depository; and the Company shall be entitled to treat the person(s) whose name(s) appears as the beneficial owner of the shares in the records of the Depository defined in the Depositories Act, 1996, as the absolute owner thereof as regard receipt of dividend or bonus or rights and other entitlements or services of notices and all or any other matter connected with the shares and accordingly the Company shall not (except as ordered by a Competent Court of Jurisdiction or as by law required) be bound to recognise any benami trust or equity or equitable, contingent or whatsoever other claim to or interest in such share(s) on the part of any other person whether or not the Company shall have express or implied notice thereof.
- c) Notwithstanding anything contained in this Articles of Association and in any other law for time being in force, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of the shares, debentures or any other securities on behalf of a beneficial owner. Save as otherwise provided herein above, the depository as a registered owner shall not have any voting rights or any other rights in respect of shares, debentures or any other securities held by it; and the beneficial owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of his shares, debentures or any other securities held by a depository.



- d) Every person holding equity shares of the Company and whose name is entered as beneficial owner in the records of the depository shall be deemed to be Member of the Company.
- e) The Company can hold investments in the name of a depository when such investments are in the form of securities held by the Company as a beneficial owner.
- f) Where the shares or debentures or any other securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or disks.
- g) The provisions contained in this Articles of Association with regard to transfer or transmission of shares, debentures or any other securities shall not apply to transfer or transmission of shares, debentures or any other securities effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a depository.
- h) With regard to the rectification of Register on Transfer, all the provisions of Section 111A of the Companies Act, 1956, as may be in force from time to time shall also apply.
- i) Notwithstanding anything contained in sub-section (1) of Section 113 of the Companies Act, 1956, or any modification(s) or re-enactment(s) thereof, where the shares, debentures or any other securities are dealt with in a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such shares, debentures or any other Securities as far as practicable.
- j) Provisions contained in this Articles of Association about recording distinctive numbers of shares or debentures held by each member or debenture holder respectively in the Register of Members or Register of Debenture holders of the Company shall not apply to the shares or debentures or any other securities which are held with a depository.
- k) The Register of index of Beneficial Owners maintained by a depository under Section 11 of the Depositories Act, 1996, shall also be deemed to be a Register and index of Members and Register and index of Debenture holders, as the case may be, for the purposes of this Articles of Association and the Companies Act, 1956.
- l) The shares, debentures or any other securities of the Company held by a depository shall be dematerialised and shall be in a fungible form. In case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form, the provisions of Depositories Act, 1996, as may be in force from time to time shall apply."

Registered Office:
Industrial Area,
Agra Bombay Road,
Dewas - 455 001 (M.P.)
Dated - 30th August, 2001

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, 2001 to 29th September, 2001 (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. Members can avail of the Nomination facility by filing Form 2B (in duplicate) with the Company. Blank forms will be supplied on request.
06. Company has received communication from Stock Exchange, Mumbai for making the shares of the Company available in dematerialised form. Company has executed Agreements with NSDL & CDSL and has appointed M/s Intime Spectrum Registry Pvt. Ltd., Mumbai as Registrar & Transfer Agent (RTA). Shareholders are, therefore, advised to Dematerialise their Shareholding to avoid inconvenience in future. Please take note of ISIN No. INE282D01010 allotted to the Equity Shares of the Company.



05. Shareholders are requested to :-

- i) Intimate changes in their address if any, immediately.
- ii) 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.

07 Members who are holding shares in identical order of names in more than one folio, are requested to write to the Company to enable the Company to consolidate their holding in one Folio.

08 In terms of Section 205(C) of the Companies Act, 1956, introduced with effect from 31st October, 1998, the application money received by the Company for allotment of equity shares and due for refund, which has remained unclaimed for a period of seven years from the date it became payable, shall be transferred by the Company to the Fund to be established by the Central Government pursuant to sub-section(1) of the Section 205(C) of the Companies Act, 1956. Members may please note that no claim of the unclaimed application money shall lie against the Fund or the Company upon transfer of the amounts to the Fund.

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

Item No. 4

Mrs. Rani Singh was appointed as Additional Director with effect from 15th February, 2001 by the Board of Directors of the Company.

In terms of Section 260 of the Companies Act, 1956, and Article 98 of the Articles of Association of the Company, Mrs. Rani Singh holds office as a Director upto the date of the ensuing Annual General Meeting of the Company and is eligible for re-appointment as a Director.

The Company has received notice under Section 257 of the Companies Act, 1956, alongwith the deposit of Rs. 500/- from a member proposing the candidature of Mrs. Rani Singh for the office of Director.

Mrs. Rani Singh is concerned or interested in the resolution as it relates to her own appointment. Except Mr. Surendra Singh who is a relative of Mrs. Rani Singh no other Director is concerned or interested in the resolution.

Your Directors consider her association as a Director will be beneficial and in the interest of the Company and therefore, commend the resolution for approval of the members.

Item No. 5

Certain provisions of the Companies Act, 1956, pertaining to issue, transfer and other dealing in shares and other securities as also certificates thereof have been amended after enactment of the Depositories Act, 1996, and introduction of the Depositories system. Your Company has received communication from Stock Exchange, Mumbai for making the shares of the Company available in dematerialised form.

Consequently, addition of some Articles in the Articles of Association of the Company pertaining to issue, holding and dealing in shares and securities which are to be brought in line with the aforesaid amendments is proposed.

None of the directors are interested in the resolution. Your Directors commend the resolution for approval of the members.

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. from the date hereof upto the date of the meeting.

Registered Office: •
Industrial Area,
Agra Bombay Road,
Dewas - 455 001 (M.P.)
Dated - 30th August, 2001

By Order of the Board
Nilesh Limaye
Company Secretary



DIRECTORS' REPORT

To the members of Gajra Bevel Gears Limited.

The Directors have pleasure in presenting their 26th Annual Report togetherwith the audited accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS

	(Rupees in Lacs)			
	2000-01 Rupees	1999-2000 Rupees	2000-01 Rupees	1999-2000 Rupees
Sales (including Excise Duty) and Miscellaneous Income			4009.17	4005.26
Profit before Interest, Depreciation and tax			331.70	438.55
Less : Interest (net)	285.89	253.94		
Depreciation	118.68	151.22	404.57	405.16
Profit/ (Loss) before Tax			(72.87)	33.39
Add : Provision for Tax			--	1.70
Add : Prior year Income Tax adjustment			13.38	--
Profit/ (Loss) after Tax			(86.25)	31.69
Add : Balance brought forward from last year			(161.14)	(192.83)
Balance carried to Balance Sheet			(247.35)	(161.14)

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. 4009.17 lacs (Rs.4005.26 lacs) which was marginally higher comparing to previous year. Profit before depreciation, interest and tax was Rs.331.70 lacs against Rs. 438.55 lacs for the previous financial year, a fall of 24.36%. During the year your Company has incurred a loss of Rs. 72.87 lacs against profit of Rs. 33.39 lacs in previous financial year. Automobile industry is passing through severe recession since last couple of years and similar trend continued during the year. Mainly due to reduction in export incentives by change in Govt. policy, hike in prices of steel, power and several price reductions, company has incurred loss during the year inspite of operations at the same level like previous year. To come out of the present situation and to be viable your Company has undertaken various steps such as reduction in Cost, retrenchment of manpower, full fledged efforts to increase sale to STUs, OEMs, Export Sales, change in product mix etc. Hon'ble Labour Commissioner, Madhya Pradesh at Indore has given approval to your Company for retrenchment of 200 employees in phased manner which will provide

permanent reduction in cost. Your Company is confident to turn the corner in the current year.

FINANCE :

During the year your Company has approached All India Financial Institutions for re-schedulement of Term Loans and funding of interest and request of the company is under consideration of the Institutions.

DEPOSITS :

During the year Fixed Deposit of Rs.0.15 lac matured and was repaid. There was no matured but not claimed deposit at the end of the year.

During the year your Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956, and Rules made thereunder.

ALLOTMENT OF SHARES :

During the year 16,25,400 Equity Shares of Rs.10/- each were allotted at par on preferential basis. With this subscribed Equity Capital of your Company stood increased to Rs. 599.99 lacs at the close of financial year.



MARKETING :

Severe recession continue to prevail in Automobile Industry during the year resulting in sharp fall in production and sale of Medium and Heavy Commercial Vehicles. Intense competition was witnessed in domestic market coupled with several price reductions. Your Company was able to maintain its market share and looking forward for revival of Automobile Industry in current year. Your Company has successfully designed and developed Gear Box for REVA Electric Car and is sole supplier to REVA for its requirement of Gear Box for Electric Car.

EXPORTS :

During the year Exports were of Rs. 1127.28 lacs against Rs. 1128.72 lacs in last year. As a result of prevailing recession in domestic market since last couple of years, your Company has taken up export sale as a main thrust area. Products of your Company are in good demand in overseas market and with the orders on hand your Company is confident to achieve higher export sales during the current year.

FOREIGN EXCHANGE :

Expenditure on this head was Rs. 49.17 lacs (Rs.41.66 lacs) on account of Import of Tools, spares, Travelling and R&D expenses. Total Foreign Exchange earnings were Rs.279.34 lacs (Rs.945.99 lacs) during the year. Your Company earned net Foreign Exchange of Rs. 230.17 lacs (Rs. 903.33 lacs) during the 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.43.66 lacs (Rs.45.99 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 account is self explanatory.

DIRECTORS :

IDBI has withdrawn the nomination of Mr.R.B. Kulkarni and nominated Mr. B.D. Save in his place. The Directors welcomed the appointment of Mr. B.D. Save and placed on record the appreciation of the services rendered by Mr.R.B. Kulkarni during his tenure as Director of the Company.

Mrs. Rani Singh was appointed as Additional Director of the Company and hold office upto the date of ensuing Annual General Meeting. A notice has been received from a member pursuant to Section 257 of the Companies Act, 1956, proposing the name of Mrs. Rani Singh as Director at the ensuing Annual General Meeting.

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

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that :-

- (i) in the preparation of the annual accounts for the financial year ended 31st March, 2001, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;



- (ii) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) the directors have taken proper and sufficient care for the maintenance of the adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities to the best of their knowledge and ability;
- (iv) the directors have prepared the annual accounts for the financial year ended 31st March, 2001 on a 'going concern' basis.

AUDIT COMMITTEE :

Pursuant to the provisions of Section 292A of the Companies Act, 1956, the Board of Directors of the Company in its meeting held on 15th February, 2001 had constituted an Audit Committee consisting of following Directors :-

- 01. Mr. D.M. Ghia
- 02. Mr. L.S. Sarma
- 03. Mr. Surendra Singh

Further, the Audit Committee in its meeting held on 25th May, 2001 had appointed Mr.D.M. Ghia as Chairman of the Audit Committee.

CORPORATE GOVERNANCE :

As per the amended Listing Agreements with Stock Exchanges, your Company is required to comply with the requirements of Corporate Governance during the year 2002-2003. Your Board will continue to take

measures in fulfilling its responsibilities to stakeholders relating to financial statements and internal controls.

DEPOSITORY SYSTEM :

Your Company has received communication from Stock Exchange, Mumbai for making the shares of the Company available in dematerialised form. Your Company has executed Tri-partite Agreements with NSDL, CDSL and Intime Spectrum Registry Pvt. Ltd.

AUDITORS :

Members are requested to appoint Auditors for the current year at a remuneration to be decided by the Board of Directors of the Company. M/s.O.T.Gandhi & Co., the retiring Auditors, are eligible for re-appointment and have furnished a certificate to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224(B) of the Companies Act, 1956.

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.

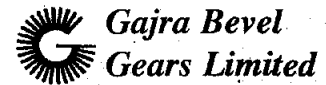
EMPLOYEES :

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.

Your Company do not have any employee requiring disclosure of particulars of employees under section 217(2A) of the Companies Act, 1956, read with the Companies (particulars of Employees) Rules, 1975.

Indore
30th August, 2001

For and on behalf of the Board
B.S. SAMAT
Chairman for the Meeting



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, 2001 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) 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. 13,87,512/-.***
4. (i) ***As stated in note 20 of Schedule 18, sundry debtors include old outstanding aggregating Rs.45,65,750/- 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 of Schedule 18, principal and interest amount of Rs.84,49,678/- requires reconciliation with Financial Institutions and Non-Banking Finance Companies.***
- (iii) ***Attention is invited to Note 3(b) in Schedule 18 regarding non-disclosure of the***

information relating to the Small Scale Industrial Undertakings.

5. Further to our comments in the Annexure referred to in paragraph 1 above and subject to our comments in paragraphs 2 to 4 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) (i) Having regard to the clarification issued by the Dept. of Company Affairs that Section 274(1) (g) has prospective effect (ii) Legal opinion obtained by the company and (iii) written representation given by the Directors which were taken on records by the Board of Directors, prima facie, as at 31st March, 2001, none of the Director of the company are disqualified from being appointed as Directors of the company under Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, subject to our comments in paragraphs 2 to 4 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, 2001 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 O.T. Gandhi & Co.
Chartered Accountants
A.B.DOSHI
Partner

Place : Indore
Dated : 30th August, 2001