



GAJRA BEVEL GEARS LIMITED

27th Annual Report 2001-2002

**Board of Directors**

Mr DM Ghia
 Mr Surendra Singh
 Mr BS Samiat
 Mr LS Sarma
 Mr BD Save
 (upto 17.09.2002)
 Mrs C Krishnan
 (w.e.f. 17.09.2002)
 Mrs Rani Singh

Chairman
Managing Director

IDBI Nominee

IDBI Nominee

Company Secretary

Mr Nilesh Limaye

Auditors

M/s. G. S. & Co.
 Baskin Complex,
 Race Course Road,
 Indore - 452 003

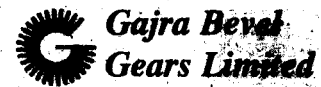
Registrar & Transfer**Agent for Demat Shares**

M/s. Intime Spectrum Registry Ltd.
 260, Shanti Industrial Estate,
 Sarojini Naidu Road,
 Mulund (W),
 Mumbai - 400 080

Bankers

State Bank of India

Registered Office & Factory



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that 27th 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 28th December, 2002 at 3.30 P.M. to transact the following business:-

ORDINARY BUSINESS:

- 01 To receive, consider and adopt the Audited Balance Sheet as at 30th September, 2002 and the Audited Profit & Loss Account for the period ended 30th September, 2002 and reports of the Directors and Auditors.
- 02 To appoint a Director in place of Mr. L.S. Sarma 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.

Registered Office:

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

Dated - 28th November, 2002

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 Register of members/ Register of beneficial owners and Share Transfer Book of the Company will remain closed from 24th December, 2002 to 28th December, 2002 (both days inclusive).
- 03 Proxy forms duly completed and signed should reach the Company's Registered Office not less than 48 hours before the time of the meeting.
- 04 Members can avail of the Nomination facility by filing Form 2B (in duplicate) with the Company. Blank forms will be supplied on request.

05 Shareholders, who have not dematerialised their shares yet, are advised to have their Shares dematerialised to avail of the benefit of paperless trading. Please take note of ISIN No. INE282D01010 allotted to the Equity Shares of the Company.

06 Members having more than one folio with identical order of names are requested to intimate to the company Ledger Folios of such shareholding together with Share Certificate(s) to enable the Company to consolidate all the holdings into one folio. The Share Certificate(s) will be returned to Members, after endorsement in due course.

07 Shareholders are requested to:

- i) Intimate changes in their address if any, immediately to the Company at its Registered Office in respect of Equity Shares held in physical form and to their depository Participant (DP) in respect of Equity Shares held on electronic form (Demat Account).
- ii) Quote folio number / Depository Participant (DP) ID No. and Client ID No. in all their Correspondence with the Company.

08 Shareholders/ Proxies are requested to bring the attendance slip duly filled in for attending the meeting.

09 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, has been transferred by the Company to the Fund 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.

Registered Office:

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

Dated : 28th November, 2002

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 27th Annual Report together with the audited accounts for the 18 months' period ended 30th September, 2002.

CHANGE IN FINANCIAL YEAR

The current financial year of the Company which was to end on 31st March, 2002 was extended to end on 30th September, 2002 pursuant to the resolution passed by the Board of Directors. Hence, Audited financial results for the current financial year is for a 18 months' period. Succeeding financial year shall, therefore, be from October to March. The previous period figures in the financial statements have been re-grouped and re-arranged wherever necessary and are not strictly comparable with the current period.

FINANCIAL RESULTS

	(Rupees in Lacs)			
	30-09-2002	31-03-2001	30-09-2002	31-03-2001
	Rupees	Rupees	Rupees	Rupees
Sales (including Excise Duty) and Miscellaneous Income			5007.71	4009.17
Profit before Interest, Depreciation and tax			387.14	331.70
Less: Interest (net)	498.63	285.89		
Depreciation	161.14	118.68	659.77	404.57
Profit/ (Loss) after Tax			(272.63)	(72.87)
Add: Prior year Income Tax adjustment	-	13.38		
Add: Transferred from Debenture Redemption Reserve	24.28	-		
Add: Transferred from Investment Allowance Reserve Account	72.00	-		
Add: Transferred from Foreign Exchange Fluctuation Reserve	0.46	-	96.74	13.38
Add: Balance brought forward from last year			(247.39)	(161.14)
Balance carried to Balance Sheet			(423.28)	(247.35)

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

OPERATIONS :

During the period Sales turnover including miscellaneous income was of Rs. 5007.71 lacs, Profit before depreciation, interest and tax was of Rs. 387.14 lacs, Company has incurred loss of Rs. 272.63 lacs after providing interest and depreciation. In current economic scenario where most industries are going through a period of recession, automobile industry in India is also passing through recession since last couple of years. Reduction in export incentives by change in Government policy, hike in prices of steel, power and consumables has adversely effected working of the Company. Your Company has undertaken various steps such as change in product mix, focus on export sale, strict control on overheads and expenses to be viable and competitive in present economic scenario.

FINANCE :

During the period Madhya Pradesh Financial Corporation (MPFC) has sanctioned Working Capital Medium Term Loan of Rs. 500.00 lacs to meet margin money requirement for Working Capital to your Company. Industrial Development Bank of India has sanctioned restructuring of outstanding term loans, deferment of interest, waiver of liquidated damages and reduction in rate of interest. Further it has also cancelled unavailed assistance of Rs. 100.00 lacs by way of subscription to Non-Convertible Debentures on private placement basis as per the request of your Company. SBI Mutual Fund has sanctioned re-scheduling for repayment of Non Convertible Debentures subscribed by it on private placement basis. Madhya Pradesh State Industrial Development



Corporation (MPSIDC) has sanctioned re-schedulement for repayment of Inter Corporate Deposit (ICD). Your Company has approached MPSIDC to get further relief.

DEPOSITS :

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

SHARE CAPITAL :

During the period Authorised Capital of the Company was increased to Rs. 10.00 Crores and 13,70,000 Nos. of 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. 738.99 lacs at the close of the financial year.

MARKETING :

During the period Automobile Industry in India has witnessed fall in production and sale of Medium and Heavy Commercial Vehicles. Competition has become more intensifying resulting in several price reductions. Your Company is making more efforts to increase sales to OEMs, STUs in domestic market.

EXPORTS :

During the period direct/ indirect exports were of Rs. 1742.80 lacs. Since last couple of years your Company has taken up Export sale as a main thrust area. Products of the Company are well established and in good demand in overseas market. Your Company is projecting to achieve higher export sales in coming year.

FOREIGN EXCHANGE :

Expenditure on this head was Rs. 86.62 lacs on account of Import of Tools, Spares, Travelling and R&D expenses.

CONSERVATION OF ENERGY :

Your Company is not covered under the list of Specified Industries requiring disclosure under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988. Major consumption of energy is in Heat Treatment Furnaces. Your Company is making continuous efforts to conserve and optimise the use of energy, to improve operational method and other methods.

RESEARCH AND DEVELOPMENT :

Your Company's Research and Development Centre recognised by the Department of Science and

Technology, Government of India, continues its efforts in developing new Crown Wheel & Pinion, Differential Gears for domestic and Export market. Your Company has incurred expenditure during the period on Research and Development to the tune of Rs. 86.14 lacs.

AUDIT REPORT :

Auditors' qualification for decision to write off R & D expenses read with note 1(viii) and 1 (ix) of 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 17 of 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 18 of Schedule 18, forming part of the account. Company is confident about recovery of these amounts.

Auditors' qualification regarding reconciliation of the outstanding balances with IFCI Ltd. and Non-Banking Finance Companies read with note 19 of Schedule 18, forming part of the account. Reconciliation is in process and during the year balances with IFCI Ltd. 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) of Schedule 18, forming part of the accounts is self explanatory.

Auditors' remark regarding non-provision of the deferred tax liability read with Note 31 of Schedule 18, forming part of the account is self explanatory.

Auditors' observations in point No. 16 and 17 in Annexure to their Report. Your Directors wish to state that Notes 20 and 21 of Schedule 18 are self explanatory.

DIRECTORS :

IDBI has withdrawn the nomination of Mr. B.D. Save and nominated Mrs. C. Krishnan in his place. The Directors welcomed the appointment of Mrs. C. Krishnan and



placed on record the appreciation of the services rendered by Mr. B.D. Save during his tenure as Director of the Company.

In accordance with the provisions of section 256 of the Companies Act, 1956 and Articles of Association of the Company Mr. L.S. Sarma 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 confirms that :

- (i) in the preparation of the annual accounts for the 18 months' period ended 30th September, 2002, 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 period and of the profit or loss of the Company for the period 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 18 months' period ended 30th September, 2002 on a 'going concern' basis.

AUDIT COMMITTEE :

Consequent to the resignation of Mr. D.M. Ghia, Mr. B.S. Samat was appointed in his place. On 30th April, 2002

Mr. B.S. Samat was elected 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 by the year 2002-03. Your Board will continue to take measures in fulfilling its responsibilities to stakeholders relating to financial statements and internal controls.

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.

Mumbai
28th November, 2002

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



AUDITORS' REPORT

TO THE MEMBERS OF GAJRA BEVEL GEARS LIMITED

- 1) We have audited the attached Balance Sheet of Gajra Bevel Gears Limited, as at 30th September, 2002 and also the Profit and Loss Account of the Company for the period from 01-04-2001 to 30-09-2002, annexed thereto. These Financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) 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.
- 4) Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - (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, except for non provision of Deferred Tax Liability as required under Accounting Standard AS 22: 'Accounting for Taxes on Income' (refer Note No. 31 of Schedule 18), the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from the Directors which were taken on record by the Board of Directors, we report that, as at 30th September, 2002, none of the Directors of the company is disqualified from being appointed as Director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.

5) Attention is invited to the following :

- a) As stated in Note No. 1(viii) and 1(ix) of 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.
- b) As stated in Note No. 17 of Schedule 18, the Company in previous years capitalised along with the cost of the respective plant and machinery, interest on customs duty and demurrage charges aggregating Rs. 32,92,568/- instead of charging it to Profit and Loss Account. Had such interest/ demurrage been charged to the Profit and Loss Account of the respective years, the debit balance of the Profit and Loss Account as on Balance Sheet date would have been higher by Rs. 10,46,336/-.
- c) As stated in Note No. 19 of Schedule 18 principal and interest amount of Rs. 89,25,902/- requires reconciliation with IFCI Ltd., and Non-Banking Finance Companies.
- d) Note No. 3(b) of Schedule 18 regarding non-disclosure of the information relating to the Small Scale Industrial Undertakings.
- e) As stated in Note No. 18 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.
 Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Significant Accounting Policies and Notes on Accounts, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2002 and
 - (ii) in the case of the Profit and Loss Account, of the Loss of the Company for the period from 01-04-2001 to 30-09-2002.

For O.T. Gandhi & Co.
Chartered Accountants
A.B. DOSHI
Partner

Place : Mumbai
Dated : 28th November, 2002



Annexure referred to in paragraph 3 of the report of the Auditors to the members on the Accounts of GAJRA BEVEL GEARS LTD., for the period ended on 30th September, 2002.

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, except in certain instances which are under preparation. Fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable.
2. None of the fixed assets has been revalued during the period.
3. Except for stocks 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 spare parts have been physically verified by the management at reasonable intervals during the period.
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 are 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 accounts.
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 earlier 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 (1B) 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 few cases, adequate steps have been taken by the Company to recover the amounts due.
9. In our opinion and according to 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 procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw material 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 can not be compared with the quotations from other suppliers, or the prices at which transactions have been made with other parties; the transactions of purchase of goods and material and sale of goods, material 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 period to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices or 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. According to the information and explanations given to us the Company has not accepted/ renewed any deposits within the meaning of the section 58 (A) of the Companies Act, 1956 and rules framed there under from the public during the period.



13. In our opinion, reasonable records have been maintained for the sale and disposal of scrap. We have been informed that the Company's Operation do not generate any by-products.
14. The Company has appointed a firm of Chartered Accountants for carrying out the Internal Audit, who have submitted their report on the areas covered by them during the period. In our opinion, the said Internal Audit is commensurate with the size and nature of business.
15. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956 in regard to the products manufactured by the Company. We are of the opinion that prima facie the prescribed accounts and records have been maintained. We have, however, not made a detailed examination of the records.
16. According to the records of the Company, Provident Fund and Employees State Insurance dues have not been regularly deposited during the period with the appropriate authorities. At the end of the period arrears were of Rs. 84,66,063/- for Provident Fund and Rs. 51,29,250/- for Employees State Insurance dues, out of which Rs. 7,82,975/- towards the payment of Provident Fund and Rs. 2,86,416/- towards the payment of Employees State Insurance dues have been subsequently deposited with the appropriate authorities.
17. According to the information and explanations given to us, except for Sales Tax of Rs. 8,52,793/- and Wealth Tax of Rs. 2,19,784/-, which were outstanding as on the Balance Sheet date, there are no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Customs Duty and Excise Duty which have remained outstanding as at 30th September, 2002 for a period of more than six months from the date they became payable.
18. On the basis of examination of books of account carried out by us in accordance with generally accepted auditing practices and the information and explanations given to us, no personal expenses of employees or directors have been charged to the Profit and Loss account other than those payable under contractual obligations or in accordance with generally accepted business practice.
19. The Company is not a sick Industrial Company within the meaning of Clause (c) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
20. As explained to us in respect of trading activity there were no damaged goods during the period.

For O.T. Gandhi & Co.
Chartered Accountants
A. S. DODHI
Partner

Place : Mumbai
Dated : 28th November, 2002