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GAJRA BEVEL GEARS LIMITED

28th Annual Report 2002-2003


Board of Directors

Mr DM Ghia
Mr Surendra Singh
Mr BS Samat
Mr LS Sarma
Mrs C Krishnan
Mrs Rani Singh

*Chairman
Managing Director*

IDBI Nominee

Company Secretary

Mr Nilesh Limaye

Auditors

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

**Registrar & Transfer
Agent for Physical and
Dematerialised Shares**

M/s. Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai - 400 078

307, City Center, 3rd Floor
570, M.G. Road,
Indore - 452 001

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 28th 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 Monday the 22nd December, 2003 at 3.00 P.M. to transact the following business :

ORDINARY BUSINESS

- 01 To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and the Audited Profit & Loss Account for the year ended 31st March, 2003 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.

Registered Office: Industrial Area,
Agra Bombay Road,
Dewas - 455 001 (M.P.)
Dated - 14th November, 2003

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 18th December, 2003 to 22nd December, 2003 (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 / Registrar and Transfer agent in respect of Equity Shares held in physical form and to their depository Participant (DP) in respect of Equity Shares held in electronic form (Demat Account).
 - ii) Quote folio number / Depository Account Number (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 Profile of Director being re-appointed :
As required under clause 49 of the Listing Agreement the particulars of Director who is proposed to be re-appointed are given below:

Name of the Director : Mr. B.S. Samat

Date of Birth : 13.11.1929

Date of Appointment on the Board : 24.02.1988

Qualification : B.E. (Mech. & Elec.) Hons.; Diploma in Work Study from REFA, Stuttgart, Germany; Advanced Management Programme (AMP) of Harvard University, USA.

Mr. B.S. Samat has a very rich management and industrial experience. He retired as a Chairman and Managing Director of Bharat Heavy Electricals Ltd. (BHEL).

Other Directorship held : M/s. Ranger Breweries Ltd.

Membership of the Committee on the other Board : -

Mr. B.S. Samat is Chairman of the Audit Committee and Shareholders' Committee of the Board of the Company.

Registered Office:
Industrial Area,
Agra Bombay Road,
Dewas - 455 001 (M.P.)
Dated : 14th 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 28th Annual Report together with the audited accounts for the six months' period ended 31st March, 2003.

FINANCIAL RESULTS

	(Rupees in Lacs)			
	31-03-2003 Rupees (6 Months)	30-09-2002 Rupees (18 Months)	31-03-2003 Rupees (6 Months)	30-09-2002 Rupees (18 Months)
Sales (including Excise Duty) and Miscellaneous Income			1673.18	5007.71
Profit before Interest, Depreciation and tax			89.69	387.14
Less : Interest (net)	194.63	498.63		
Depreciation	<u>54.14</u>	<u>161.14</u>	<u>248.77</u>	<u>659.77</u>
Profit/ (Loss) before Tax			(159.08)	(272.63)
Add : Provision for Tax			--	--
Profit/ (Loss) after Tax			(159.08)	(272.63)
Prior year Income Tax adjustment	(1.23)	--		
Transferred from Debenture Redemption Reserve	10.19	24.28		
Transferred from Investment Allowance Reserve Account	--	72.00		
Transferred from Foreign Exchange Fluctuation Reserve	--	0.46		
Transferred to Debenture Redemption Reserve	<u>(16.66)</u>	--	(7.70)	96.74
Add : Balance brought forward from last year			<u>(423.28)</u>	<u>(247.39)</u>
Balance carried to Balance Sheet			<u>(590.06)</u>	<u>(423.28)</u>

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. 1673.18 lacs, Profit before depreciation, interest and tax was of Rs. 89.69 lacs. Company has incurred loss of Rs. 159.08 lacs after providing interest and depreciation. Company was required to absorb increase in cost of raw material and consumables due to prevailing recession in Automobile Industry.

FINANCE:

Your Company is approaching Industrial Development Bank of India (IDBI), IFCI Ltd. (IFCI) and Madhya Pradesh State Industrial Development Corporation (MPSIDC) with a proposal for One Time Settlement (OTS) of their dues. Company has submitted request to Madhya Pradesh Financial Corporation (MPFC) for restructuring of loan availed by the Company.

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.

MARKETING:

Automobile Industry in India was passing through recession during the period. Intensifying competition has compelled your Company for price reduction. Your Company is making continuous efforts to increase sales to OEMs and STUs in domestic market.

EXPORTS:

During the period direct/ indirect exports were of Rs. 657.33 lacs. Due to prevailing recession since last couple of years in Domestic Automobile Market, your Company diverted its concentration in overseas market. Continuous interactions with overseas customers and faster development of products have proved beneficial in increasing Export sale of the Company. Products of the Company are well established in overseas market.

FOREIGN EXCHANGE:

Expenditure on this head was Rs. 24.99 lacs on account of Import of Tools, spares and Travelling.



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. Company has started using Gas Fired Furnaces which will give saving in energy consumption. 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 is recognised by the Department of Science and Technology, Government of India. New Crown Wheel & Pinion, Differential Gears were developed for domestic and Export market. Your Company has incurred expenditure During the year on Research and Development to the tune of Rs. 33.94 lacs.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a) Industry structure and development

The over all condition of Automobile Industry was in bad shape since last couple of years. The declining trend of the previous years in capacity utilisation continued. Various new players entered in manufacturing of Automobile Gears which resulted in severe competition. Margins are reducing due to increase in prices of raw material and other consumables.

b) Opportunities and threats

In the current year satisfactory rainfall all over the country will bring improvement in the Tractor Industry which was going through sluggish trend in past. Various infrastructure projects undertaken during the current year will provide momentum to Transport Industry. Signs of improvement have been witnessed in all economic spheres including Automobile Industry. Demand in Domestic Market is going upward and vast opportunity exists in Overseas market.

During the year steel prices have gone up several times. Continuous increase in prices of steel and other consumables will affect adversely on profitability of the Company.

c) Segmentwise performance

The Company has only one segment viz. Automobile Gears. Hence segmentwise performance report is not applicable.

d) Outlook

Having survived three difficult years, the Company is reasonably optimistic about the future. Overall improvement in economy will help to revive demand in the domestic market. Possibility of finalisation of OTS dues with IDBI, IFICI and MPSIDC will bring down interest cost in the current year.

e) Risks and concerns

Continuous reduction in rate of DEPB by Government of India will reduce the margin in Export Sales. At the same time current down trend in exchange rate of US \$ will also have negative impact on export turnover.

During the year Steel prices rose significantly leading to a major impact on manufacturing cost. Further increase in steel prices and other consumables will bring pressure on liquidity of the Company.

f) Internal Control System and their adequacy

The Company has fully computerised accounting system of Purchase, Stores, Raw Materials, Plant and Machinery, Sale of Goods, Payment of Salary and Wages etc. and has put in place an adequate system of Internal Control.

The system of Internal Control of the Company is commensurate with the size and nature of the Company's business. In addition, the operations are subject to periodic Internal Audit by independent Auditor.

g) Financial performance with respect to Operational Performance is discussed in the main part of the report.

h) Material developments in Human Resources/ Industrial Relations

The Company values its Human Resources and strives to nurture them as part of the Company's philosophy. Relations with employees continue to be cordial. Close co-ordination and interactions at all level is constantly encouraged. It is noteworthy that the turnover of the employees continues to be lowest in the Industry as well as in the region.

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 capitalising 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 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 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 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' observations in point No. 16 and 17 in Annexure to their Report. Your Directors wish to state that Note No. 20, 21 and 22 of Schedule 18 are 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.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from Operating Management, confirm that :

- (i) in the preparation of the annual accounts for the 6 months' period ended 31st March, 2003, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- (ii) they have in selection of the accounting policies, consulted the Statutory Auditors and have 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) they 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) they have prepared the annual accounts for the 6 months' period ended 31st March, 2003 on a 'going concern' basis.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, Report on Corporate Governance has been included in this Annual Report as a separate section.

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(1B) 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:

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.

For and on behalf of the Board

Mumbai
14th November, 2003

D.M. GHIA
Chairman



ANNEXURE TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

(As required by Clause 49 of the listing agreement of the Stock Exchange)

01. COMPANY'S PHILOSOPHY

GAJRA BEVEL GEARS LIMITED believes that good Corporate Governance is essential to achieve long term corporate goals and to enhance stakeholders value. The Company's philosophy to Corporate Governance envisages attainment of high level transparency, accountability and integrity in the functioning of the Company, conduct of its business, its relationship with the employees, stakeholders, creditors, customers, institutions and other lenders. The Company places due emphasis on regulatory compliance.

The Company believes that its system and actions must be integrated for enhancement of corporate performance resulting in the maximisation of stakeholders' value in the long run.

02. BOARD OF DIRECTORS

Composition and Category of Directors:

SR. NO.	CATEGORY	NAME OF THE DIRECTOR
I	Non-Executive Chairman(Independent)	Mr. D.M. Ghia
II	Promoter and Managing Director	Mr. Surendra Singh
	Promoter and Non-Executive Director	Mrs. Rani Singh
III	Independent and Non-Executive Directors	Mr B.S. Samat Mr L.S. Sarma
IV	Nominee Director	Mrs. C. Krishnan - (Nominee of IDBI)

Attendance of Directors at the meeting of Board of Directors(BoD) held during the year 2002-03 (October, 2002 to March, 2003) and the Annual General Meeting (AGM) held on 28th December, 2002 are as follows:-

4 Board Meetings were held during the year (October, 2002 to March, 2003). They were held on 31.10.2002, 28.11.2002, 28.12.2002 and 31.01.2003.

The record of attendance of Directors and Directorships of Public Limited Companies and Memberships of Board Committee are as under :

Name of the Director	No. of Board Meetings attended	Attendance at the last AGM	No. of other Directorships in Public Limited Companies	No. of Memberships of Board Committees	No. of Chairmanships of Board Committees
Mr. D.M. Ghia	4	Present	4	-	1
Mr. Surendra Singh	4	Present	3	-	-
Mrs. Rani Singh	-	-	-	-	-
Mr. B.S. Samat	4	Present	1	-	-
Mr. L.S. Sarma	4	Present	3	9	6
Mrs. C. Krishnan	4	Present	1	-	-

03. COMMITTEES OF BOARD OF DIRECTORS

A) AUDIT COMMITTEE

Brief description of Terms of Reference:

The Role and Terms of Reference of Audit Committee cover the matters specified for Audit Committee under Clause 49 of the listing agreement and Section 292A of the Companies Act, 1956.

Composition, name of members and record of attendance during the year (October, 2002 to March, 2003)



are as under :

Name of the Director	No. of Meetings held	No. of Meetings attended
Mr. B.S. Samat, Chairman	1	1
Mr. L.S. Sarma	1	1
Mr. Surendra Singh	1	1

B) REMUNERATION COMMITTEE

Remuneration Committee was constituted by the Board of Directors on 25.04.2003.

Brief description of Terms of Reference :

To decide and fix payment of remuneration and sitting fees to the Managing Director and Non-Executive Directors of the Company.

The Remuneration Committee consists of Mr. D.M. Ghia, Chairman, Mr. B.S. Samat and Mr. Surendra Singh. Details of remuneration paid to the Managing Director for the year (October, 2002 to March, 2003) are as under :

Name	Gross Remuneration and perquisites (Rs.)
Mr. Surendra Singh	388,800

Company pays sitting fees @ Rs. 2,000/- to all Non-Executive Directors for attending each meeting of Board of Directors or Committee thereof. Company do not pay any sitting fee to Managing Director for attending any meeting of Board of Directors or Committee thereof.

C) SHARE TRANSFER AND SHAREHOLDERS' COMMITTEE

Brief description of Terms of Reference :

To specifically look into Redressal of complaints like Transfer/ Transmission of Shares, non receipt of Share Certificates and Annual Reports etc. received from shareholders/ investors and to improve the efficiency in investors services wherever possible.

In accordance with Clause 49 of the listing agreement of the Stock Exchange, the Board has delegated the power of share transfers/ transmissions and other related matters to the share transfer committee in order to expedite the process of Share Transfer/ Transmission / Sub Division / Consolidation / issue of duplicate share certificates etc.

As per SEBI circular dated 27.12.2002 the Company has appointed M/s Intime Spectrum Registry Ltd., Mumbai a SEBI Registered Share Transfer Agent as Registrar and Share Transfer agent w.e.f. 01.02.2003.

The existing share transfer committee was reconstituted as a Shareholders' Committee.

Composition, names of members and record of attendance during the year (October, 2002 to March, 2003) are as under :

Name of the Director	No. of Meetings held	No. of Meetings attended
Mr. B.S. Samat, Chairman	6	3
Mrs. Rani Singh	6	3
Mr. Surendra Singh	6	6

Name and designation of Compliance Officers :

Mr. N.J. Limaye - General Manager & Company Secretary

Mr. Sanjay Shirolkar - Secretarial Officer

Details of complaints received etc. during the year (October, 2002 to March, 2003) are as under :

Nature of complaints/ queries	No. of complaints/ queries received	No. of complaints/ queries cleared
Non receipt of share certificates / correction in share certificates	3	3
Non receipt of Annual Reports	6	6
Dividend	3	3

There is no complaint pending which is not attended / replied by the Company as on 31.03.2003.



04. GENERAL BODY MEETING

Details of last 3 Annual General Meetings held are as under:-

Financial Year ended	Date	Time	Venue
30.09.2002	28.12.2002	3.30 P.M.	Industrial Area, Agra Bombay Road, Dewas - 455 001 (M.P.)
31.03.2001	29.09.2001	3.30 P.M.	Industrial Area, Agra Bombay Road, Dewas - 455 001 (M.P.)
31.03.2000	29.09.2000	3.30 P.M.	Industrial Area, Agra Bombay Road, Dewas - 455 001 (M.P.)

No Special Resolutions were put through postal ballot last year.

No Special Resolutions on matters requiring voting through postal ballot as recommended under clause 49 of the listing agreement of the Stock Exchanges are placed for shareholders' approval at this meeting.

05. DISCLOSURES

- i) During the year (October, 2002 to March, 2003) none of the transactions with any of the related parties were in conflict with the interest of the Company.
- ii) The Company has complied with the requirement of regulatory authority on matters related to capital market and no penalties / strictures have been imposed against the Company during the last 3 years.

06. MEANS OF COMMUNICATION

- i) Company do not send half yearly report to each shareholder's residence.
- ii) Quarterly results are published in "Free Press Journal" and local language news paper viz. "Choutha Sansar". The Annual Results (Annual Report) are posted to all the members of the Company.
- iii) The official news releases, if any, are given directly to the press.
- iv) During the year (October, 2002 to March, 2003) no presentation was made to institutional investors or to the analysts.
- v) Management Discussion and analysis forms part of this Annual Report, which is also being posted to all the members of the Company.

07. GENERAL SHAREHOLDERS INFORMATION

i) Annual General Meeting

Day, Date and Time	: Monday, 22nd December, 2003 : 3.00 P.M.
Venue	: Industrial Area, Agra Bombay Road, Dewas - 455 001 (M.P.)

ii) Financial year/ Calendar 2003-04

Results for quarter ending 30.06.2003	: 18.07.2003
Results for quarter ending 30.09.2003	: 31.10.2003
Results for quarter ending 31.12.2003	: By last week of January, 2004 (Tentative)
Results for quarter ending 31.03.2004	: By fourth week of April, 2004 (Tentative)
Annual General Meeting for year ending 31.03.2004	: Last week of September, 2004 (Tentative)

iii) Book Closure date

: 18th December, 2003 to 22nd December, 2003 (Both days inclusive)

iv) Dividend Payment date

: N.A.

v) Listing on Stock Exchange

The Company's Shares are listed on The M.P. Stock Exchange, Indore and The Stock Exchange, Mumbai

**vi) Stock Code**

Physical : 505711
Demat ISIN No.(For NSDL and CDSL) : INE282D01010

vii) Script Name

: GAJRA BEVE G (on the website of the
Stock Exchange, Mumbai -www.bseindia.com)

viii) Market price data during the year (October, 2002 to March, 2003)

Month	Share Price (Rs.)		BSE SENSEX		No. of Shares Traded*	No. of Trades*	Net Turnover* (Rs.)
	Month's High*	Month's Low*	Month's High*	Month's Low*			
October, 2002	3.35	2.35	3038.92	2828.48	8424	52	24586.00
November, 2002	3.35	2.65	3245.98	2928.63	7348	27	21581.00
December, 2002	3.95	3.00	3413.63	3186.62	1910	11	6212.00
January, 2003	4.25	2.40	3416.92	3199.18	6501	39	20923.00
February, 2003	3.05	1.75	3341.61	3218.37	10502	33	22869.00
March, 2003	2.30	1.40	3311.57	3039.83	5281	29	298742.00

*Data based on BSE site (www.bseindia.com/hisdata/stpclr2test.asp)

ix) Share Transfer System

Share transfer work was carried out in house at the Registered Office of the Company at Industrial Area, Agra Bombay Road, Dewas - 455 001. As per the SEBI Circular dated 27.12.2002, the entire share transfer work and dematerialisation / rematerialisation work were assigned to Registrar and Transfer Agent M/s. Intime Spectrum Registry Ltd., a SEBI registered Share Transfer Agent. Request for share transfer, dematerialisation and rematerialisation should be sent directly to M/s.Intime Spectrum Registry Ltd. at following addresses :

M/s. Intime Spectrum Registry Limited.
307, City Center, 3rd Floor,
570 MG Road,
Indore - 452 001

M/s. Intime Spectrum Registry Limited.
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
Mumbai - 400 078

Shareholders have option to open their accounts with either NSDL or CDSL as the Company has entered into an agreement with both the depositories.

Share transfers received in physical form are processed and the share certificates are returned within a period of 30 days from the date of receipt, subject to the documents being valid and complete in all respects.

Under the demat system, after the share transfer is effected, an option letter is sent to the transferee indicating the details of the transferred shares and requesting him, in case he wishes to demat the shares, to approach a Depository Participant (DP) with the option letter. The DP, based on the option letter, generates a Demat Request and sends the same to the Company alongwith the option letter issued by the Company. On receipt of the same, the Company dematerialise the shares. In case the transferee does not wish to dematerialise the shares, he need not to exercise the option and the Company will despatch the share certificate after 30 days from the date of such option letter.