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GAJRA BEVEL GEARS LIMITED

34rd Annual Report 2008-2009



**Gajra Bevel
Gears Limited**

Board of Directors

Mr. Surendra Singh :	<i>Chairman & Managing Director</i>
Mr. Ranveer Singh :	<i>Director</i>
Mr. P.S.Raghuvanshi :	<i>Director</i>
Mr. D.P.Soni :	<i>Director</i>

Auditors

O.T.Gandhi & Co.
Chartered Accountants
Basket Ball Complex
Race Course Road
Indore (M.P.) 452003

Registrar and Transfer Agent

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S.Marg, Bhandup (W)
Mumbai 400078

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Bankers

State Bank of India

Registered Office and Plant

Industrial Area, A.B.Road
Dewas (M.P.) 455001
Phone : 07272 258493, 258494
Fax: 07272 258001

Corporate Office

3/1, Race Course Road,
Indore 452003
Phone: 0731 2434327, 2433011
Fax: 0731 2432909

**NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the Annual General Meeting of the Members of the **GAJRA BEVEL GEARS LTD.** will be held at the registered office of the Company at **Industrial Area, A.B. Road, Dewas, (M.P.) 455001**, on Thursday the 31st Day of December, 2009 at 11.30 A.M. to transact the following businesses:

I. ORDINARY BUSINESSES:

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September 2009 and the Audited Profit and Loss Account for the year ended 30th September 2009 and reports of the Directors and Auditors.
2. To appoint a director in place of Shri Dwarika Prasad Soni, who retires by rotation and being eligible, offers himself for re-appointment.

II. SPECIAL BUSINESSES BY SPECIAL RESOLUTION:

3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration by way of **Special Resolution**:

RESOLVED THAT M/S. O.T. Gandhi & Co. be and are hereby reappointed as the auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, on a remuneration and actual out of pocket expenses as may be decided by the Board of Directors of the Company.

4. To consider and if thought fit, to pass with or without modification(s) if any, the following Ordinary Resolution:

RESOLVED THAT Shri P.S.Raghuvanshi, who was appointed as additional directors by the Board to hold office up to the date of this Annual General Meeting, and in respect of whom a notice under section 257 of the Companies Act, 1956 have been received from some members signifying their intention to propose Shri P. S. Raghuvanshi as the candidate for the office of the director of the Company be and are hereby elected and appointed as the directors, liable to retire by rotation.

BY ORDERS OF THE BOARD**INDORE****Dated: 2nd Dec., 2009****SURENDRA SINGH GARHA****CHAIRMAN &****MANAGING DIRECTOR****NOTE:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Register of Members and Share Transfer Book was closed from 30th December, 2009 to 31st December, 2009 (both days inclusive) in order to comply with the requirement of listing agreement.
3. Members are requested to notify immediately any change of address;
 - a. to their Depository Participants (DPs) in respect of their electronic share accounts; and
 - b. to the Share Transfer Agents in respect of their physical share folios, if any.

In case the mailing address on this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.
4. Non-resident Indian Shareholders are requested to inform Share Transfer Agents immediately:
 - a) the change in the residential status on return to India for permanent settlement.
 - b) the particulars of NRE Account with a Bank in India, if not furnished earlier.
5. All documents referred to in the accompanying notice are open for inspection at the Registered office of the Company on all working days, except Saturdays between 11.00 A.M. to 1.00 P.M.
6. Members who are holding shares in identical order of names in more than one folio are requested to send to the Share Transfer Agent of the Company the details of such folios together with the share certificates for consolidating their holdings in one folio. The share certificates will be returned to the members after making requisite changes thereon.
7. Members desirous of obtaining any information concerning Accounts and



Operations of the Company are requested to address their questions in writing to the Company at least 7 days before the date of the Meeting so that the information required may be made available at the Meeting.

8. The equity shares of the Company may be held in the Electronic form with any Depository Participant (DP) with whom the members/investors having their Demat account. The ISIN No. for the Equity Shares of the Company is INE282D01010. In case of any query/difficulty in any matter relating thereto may be addressed to the Share Transfer Agents Link Intime India Pvt. Ltd. 3-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W) Mumbai 400078.
9. As per the provisions of the Companies Act, 1956, facility for making nominations is now available to INDIVIDUALS holding shares in the Company. The Nomination Form-2B as prescribed by the Central Government may be obtained from the Share Transfer Agent or may be down load from the website of the Ministry of Corporate Affairs.
10. Pursuant to the recommendation of SEBI Committee on Corporate Governance for re-appointment of the retiring directors, a statement containing details of the concerned directors is attached hereto.

STATEMENT REGARDING THE DIRECTORS PROPOSED FOR RE-APPOINTMENT

SHRI DWARIKA PRASAD SONI

Shri Dwarika Prasad Soni, the Director of the Company aged about 35 years is having wide experience in the field of business and industry and he has contributed significantly towards the management of the company.

He is also the director of Garha Gears Ltd., Garha Utilbrocche Tools Ltd. and Garha Computers Pvt. Ltd. Looking into the immense contribution towards the management of the Company by Shri Dwarika Prasad Soni, is proposed for re-appointment.

Shri P.S. Raghuvanshi

Shri P.S.Raghuvanshi B.E. (Electronics) Aged about 59 years is having wide experience in the field of industrial management. He is also the director of Garha Gears Ltd. and Garha Utilbrocche Tools Ltd. He is not having any shareholding in the Company. Looking into his experience Shri P.S. Raghuvanshi is proposed for re-appointment.

STATEMENT IN PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT TO THE SPECIAL BUSINESS:

ITEM No.3:

Section 224A of the Companies Act, 1956 provides that in case of the Company in which not less than 25% of the Subscribed Capital is held, either singly or in any combination, by Public Financial Institutions, etc. the appointment or reappointment of and Auditor of the Company has to be made by a Special Resolution. In case of the Company the holdings of the aforesaid bodies collectively exceeds 25% of its Subscribed Capital. Hence a Special Resolution is required to reappoint M/S O.T. Gandhi & Co. as the Auditors of the Company.

The Company has obtained eligibility Letter from the auditors as per provisions of the Companies Act, 1956.

Your directors recommend to pass necessary resolution as set out in Item No.3 of the notice by way of special resolution.

None of the directors of the Company are concerned or interested in the aforesaid resolution.

ITEM NO. 4

Shri P.S. Raghuvanshi was appointed by the Board as additional directors of the Company to broad base the Board of directors and to utilise their expert knowledge and advises. The Company has received notice u/s 257 of the Companies Act, 1956 from members proposing their appointment for the office of the directors of the Company. Looking into their wide experience and qualifications, the Board recommends the appointment of Shri P. S. Raghuvanshi as the normal directors in the category of Independent Directors of the Company and proposes the respective resolution as set out in item No. 4 of the Notice for approval as Ordinary Resolutions. Except, Shri P. S. Raghuvanshi, none of the director of the Company is concerned or interested in the resolution.

BY ORDERS OF THE BOARD

INDORE

Dated: 2nd Dec., 2009

SURENDRA SINGH GARHA

CHAIRMAN
& MANAGING DIRECTOR



DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

To
The Members,

Your Directors presents their 34th Annual Report on the business and operation of the company together with the Audited Balance Sheet & Profit and Loss Accounts for the year ended 30th Sept 2009.

FINANCIAL RESULTS:

	As on 30.09.2009	(Rupees in Figures) As on 30.09.2008
Sales and income from operation	0	0
Other Income	49680	0
Total Income	49680	0
Total Expenses	2019215	2197014
Operating Profit/(loss)(PBITD)	(1969535)	(2197014)
Interest	3176681	2692102
Depreciation	958498	1220064
Profit/(Loss)before tax	(6104714)	(6109180)
Provisions for Taxes:	0	0
Net Profit/(Loss) after Interest, Depreciation & Tax	(6104714)	(6109180)
Accumulated Losses carried to Balance Sheet	(380927788)	(374823074)
Reserves	21684362	21684362
Earning per share- Basic	(0.64)	(0.64)
Diluted	(0.64)	(0.64)

DIVIDEND:

Looking into the huge losses incurred by the company during the year under review and accumulated losses of the previous financial years, it is not possible for the Board to recommend any dividend for the year under review.

spite of that there were sever workers and staff agitations, non availability of the working capital requirements, it was not possible for the management to restart the manufacturing and business activities.

OVERALL REVIEW AND FUTURE PROSPECTS

There were no manufacturing/business activity during the year ended on 30.09.2009. The management of the company were involved in facing the recovery proceedings of statutory bodies/authorities Banks and financial institutions and to protect the interest of the Company at the various courts, tribunal and forums in the matter of various cases registered against the company. In

The company has made efforts to reduce its all the administrative and other expenses to avoid further losses, even though it has to suffer losses of Rs.61.04 Lacs during the year 2008-09, resulting the accumulated losses has been increased to Rs.3809.28 Lacs as at 30th Sept., 2009. The members are aware that the Company's entire networth has already been eroded and is continuing having status of SICK Company.



The Board of directors of the company is continuing making their best efforts to explore the possibilities for arrangement of working capital to commence manufacturing activities at the plant and revive the Company. The Company is also in the process to negotiate the terms and conditions for financial arrangements as well as settle the over dues of the Banks and financial institutions.

FINANCIAL REVIEW AND STATUS OF SICKNESS UNDER BIFR

We are pleased to inform that the Company's reference to the BIFR on the basis of the Financial Statements as at 30th Sept., 2008 u/s 15(1) of SIC (SP) Act, 1985 has been filed has been registered by the Hon'ble BIFR as case No. 27/2009 on 13th July, 2009. The Company is taking all the steps as may be directed and desirable to prepare the scheme of revival of the company.

Since there was no manufacturing/business activity, the management has taken a decision 'NO WORK NO PAY' and therefore no provision for employees remunerations were made in the books of accounts for the year ended 30.09.2009 as per previous year 2007-08.

In view of the settlement process/litigations pending before DRT, no provision has been made for the interest on institutional borrowings for the year under review as per previous year policy.

The company has become a Sick Industrial Company as per the provisions of the Sick Industrial Companies (Special provisions) Act.1985 (SICA).

DIRECTORS:

The Board consists of executive and non-executive directors including independent directors who have wide and varied experience in different disciplines of corporate functioning.

In terms of Articles of Association of the Company Shri Dwarika Prasad Soni, being eligible and offers himself for re-appointment. Shri P.S.Raghuvanshi, who was appointed as additional director in respect of whom the Company has received notice u/s 257 of the Companies Act, 1956 for his appointment as a director of the Company. Your

directors proposes to pass necessary resolutions as set out in the notice of the Annual General meeting.

AUDITORS AND THEIR REPORT:

M/s O.T. Gandhi & Co., Chartered Accountants, the Statutory Auditors retires at the close of this Annual General Meeting and is eligible for re-appointment. The Company has received in confirmation formation from the Auditors, that their re-appointment, if made, will be in accordance with the provisions of section 224(1B) of the Companies Act, 1956. The Audit Committee of the Board has recommended their re-appointment. The necessary resolution is being placed before the shareholders for approval.

Management clarification on the Comments of the Auditors in their report:

1. In the matter of Para No.6.a of the Auditors Report regarding Expenditure of revenue nature incurred on research and development and technical know how fees/expenses on exhibition of proto-type of products. We submit that as per policy of the company the R & D Expenditure of revenue nature incurred on research and development of products which are expected to be technically/ commercially viable is written off over a period of five years, starting with the year of commencement of commercial production. Expenditure of a capital nature is added to fixed assets and in the matter of Deferred Revenue Expenditure, technical know-how fees/expenditure on exhibition of proto-type of a product under development which is expected to be technically/commercially viable will be written off over a period of 5 years from the year of commencement of its commercial production. Para No. 6.b) Regarding non-disclosure of the information relating to the Small Scale Industrial Undertaking, we submit that the Company does not possess information as to which of its suppliers are ancillary industrial undertakings/small scale industrial undertakings holding permanent registration certificate issued by the Directorate of Industries of a State or Union territory. Consequently, the liability, if any, of interest which would be payable under 'The Interest



on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act-1992, cannot be ascertained. However, the Company has not received any claims in respect of interest. As stated above, the Company does not possess information as to which of suppliers are Small Scale Industrial Undertakings. Accordingly, the information regarding total outstanding dues to Small Scale Industrial Undertakings as at the year end and that regarding the names of Small Scale Industrial undertakings to whom the Company owes and outstanding for more than 30 days has not been compiled and hence not disclosed by the Company.

Para No. 6.c) current year losses along with accumulated losses has eroded entire net worth of the Company and has made the company financially sick. A reference u/s.15(1) of SIC(SP) Act.1985 before the BIFR has already been filed by the company and the same has been registered as case No. 27/2009 on 13th July, 2009. We submit that due to the financial sickness, there is no production/ business activity in the company after 31st Oct.2006. In view of no manufacturing/ business activity in the company through out the year ended on 30.09.2009 the management of the company is of the opinion "NO WORK NO PAY" and accordingly no provision has been made in the accounts in respect of Salaries, Wages, Allowances and benefits to the employees of the Company, which otherwise works out to as follows:

	2007-08	2008-09
(1) Salaries and Wages	Rs.1,05,09,096	79,22,551
(2) Dearness Allowances	Rs. 1,63,68,140	1,34,14,928
(3) Other Allowances	Rs. 76,09,318	54,63,326
(4) Contribution to P.F.	Rs. 32,25,423	30,14,321
(5) Contribution to ESIC	Rs. 19,86,633	15,50,381
TOTAL	Rs. 3,96,98,610	3,13,65,507

Para No.6.d) Sundry debtors include old outstanding aggregating Rs.48,24,150/- in respect of which no provision has been made in the accounts. The management of the company is of the opinion that the amount is fully recoverable on completion of final settlement which is in progress. The company is confident of recovering the amounts.

DEPOSITS:

Your Company has not accepted any public deposit within the meaning of provisions of section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules, 1975 and there is no outstanding deposit due for repayment.

DIRECTORS RESPONSIBILITY STATEMENT:

In accordance with the provisions of section of 217(2AA) of the Companies Act, 1956, your directors state that:

- ◆ In the preparation of accounts, the applicable accounting standards have been followed.
- ◆ Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the company as at the end of September 30, 2009 and the Loss of the company for the year ended on that date.
- ◆ Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.
- ◆ The annual accounts of the company have been prepared on a going concern basis.

CORPORATE GOVERNANCE:

The corporate governance practices and the disclosures are need based, complied with the statutory and the regulatory requirements of the Companies Act, 1956, together with all the relevant Clauses of the Listing Agreement and all the others applicable laws. The Company's Corporate Governance policies and the practices are also in accordance with the amended Clause 49 of the listing agreement. A report on the Corporate Governance along with the Auditors Certificate



**Gajra Bevel
Gears Limited**

forming part of the Director's report, being annexed herewith.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, PARTICULAR OF EMPLOYEES AND FOREIGN EXCHANGE:

Information as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988 have been annexed herewith.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. Financial Arrangements:

The company is facing sever financial crunch, in view of the heavy financial losses suffered by the Company, it is facing liquidity crunch and the working of the company has been badly effected and the manufacturing operations were closed down due to non availability of the adequate working capital, moreover, seizure of the plant by the PF and other authorities. As the Company is a sick under the provisions of SICA, it has filed reference/application to declare the company is a sick company before the BIFR/ABIFR, which is under consideration. In view of the non-availability of working capital company's performance during 2008-09 was not satisfactory as it could not generate any revenue and has to incur heavy expenses on legal compliance, provisions of depreciation, which has further increased in losses. The management of the company is hopeful for its revival with the help of rehabilitation scheme as may be considered appropriate.

B. Industry structure and developments:

Your company was a major player in heavy/medium/light commercial vehicle segment, tractor segment and utility vehicle segment. Since, it has closed down the production activities, its most of the existing marketing network has been totally disturbed and it has to take effective steps to further establish its products in the market.

C. Internal control systems and their adequacy:

The Company has adequate internal control system commensurate with its size and business. The internal control systems are supplemented by internal audits. The company has an internal audit

system, covering on a continuous basis, the entire gamut of operations, business and functions. The reports of internal auditors are submitted to the audit committee, which further review the adequacy of the internal control system.

D. Risk and Concerns:

Since your company is catering the needs of almost all sector of Industry, if there is recession in one industry, the other sector industry will continue to generate the revenue for the company Apart from the normal risk, demand-supply conditions, raw material prices, changes in government regulations, tax regimes, economic developments within the country and globally. The Company's plants is closed down due to non availability of working capital, seizure of the same by the various authorities and presently the Company is having target to come out with the situation with the help of the BIFR and financial institutions. In the present scenario it is very difficult as well as risky to re-establish and compete with the existing players in the market.

E. Cautionary statement:

Statement made in the management discussion and analysis report as regards the expectations or predictions are forward looking statements within the meaning of applicable Laws and Regulations.

ACKNOWLEDGEMENTS:

Your directors would like to express their grateful appreciation for assistance and cooperation received from the Customers, Vendors and Members during the year under review.

For & On Behalf of the Board

Sd/
**SURENDRA SINGH
CHAIRMAN & MANAGING DIRECTOR**

Place: INDORE

Dated: 2nd Dec., 2009



Annexure to the Directors' Report:

[Information as per the Companies (Disclosure of particular in Report of Board of Directors) Rules, 1988]

A. CONSERVATION OF ENERGY:

The Company is not covered under the Companies (Disclosure of particular in Report of Board of Directors) Rules, 1988, therefore the requirement for providing disclosure in Part A is not applicable to the Company.

B. TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT:

R & D activities are an integral of operations and all the expenses relating to R & D debited to Profit and Loss Account.

C. FOREIGN EXCHANGE EARNING AND OUTGO:

Information in respect of Foreign Exchange Earning & Outgo is:

	Current Year	Previous Year
Earning :	NIL	NIL
Outgoing :	NIL	NIL

D. PARTICULARS OF THE EMPLOYEES:

The disclosure requirement under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of the Employees) Rules 1975, are not applicable since, none of the employee of the company is drawing more than Rs.24,00,000/- p.a. or Rs.2,00,000/- p.m. for the part of the year, during the year under review.

For & On Behalf of the Board

Sd/-

SURENDRA SINGH

CHAIRMAN & MANAGING DIRECTOR

Place : INDORE

Dated : 2nd Dec., 2009

REPORT ON CORPORATE GOVERNANCE

(Under Clause 49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Our corporate governance policies recognise the accountability of the Board and the importance of its decisions to all our constituents, including customers, investors and the regulatory authorities and to demonstrate that the shareholders are the cause of and ultimate beneficiaries of our economic activities. The functions of the Board and the Executive Management are well defined and are distinct from one another. We have taken a series of steps including the setting up of sub-committees of the Board to oversee the functions of Executive Management. These sub-committees of the Board, which mainly consists of Non-Executive Directors, meet regularly to discharge their objectives.

2. BOARD OF DIRECTORS AND THEIR MEETINGS:

The Board consists of executive and non-executive directors including independent directors who have wide and varied experience in different disciplines of corporate functioning. Shri Surendra Singh, Managing Director is overall incharge for the affairs of the Company who exercise his powers and discharge his duties under the superintendence and control of the Board of directors from time to time.

During the financial year 2008-09 the Board of directors met 8 times on 31st October 2008; 4th December 2008; 31st January 2009; 2nd April 2009; 4th April 2009; 27th April 2009; 29th April 2009 and 30th July 2009.



The composition of the Board of Directors and their attendance at the meetings during the year were as follows;

Name	Category	Designation	No. of meetings Held during the financial Year	No. of Meetings Attended	Attendance of director in the in last AGM	No. of Chairman/ member of committee in the Co.
Shri Surendra Singh Gahta	Promoter/ ED	Managing Director	8	8	Yes	-
Shri P. S. Raghuvanshi	IND/NED	Director	8	6	No	-
Shri Ranveer Singh	IND/NED	Director	8	7	Yes	-
Shri D P Soni	IND/NED	Director	8	6	No	-

3. AVAILABILITY OF INFORMATION TO THE MEMBERS OF THE BOARD

The Board has unfettered and complete access to any information within the Company and from any of our employees. At meetings of the Board, it welcomes the presence of concerned employees who can provide additional insights into the items being discussed.

The information regularly supplied to the Board includes:

- ◆ Annual operating plans and updates.
- ◆ Minutes of meetings of audit, committee of the Company along with board minutes of the subsidiary companies.
- ◆ General notices of interest.
- ◆ Materially important litigations, show cause, demand, prosecution and penalty notices, if any.
- ◆ Any materially relevant default in financial obligations to and by us.
- ◆ Non-compliance of any regulatory, statutory or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.

The Board also periodically reviews compliance reports of all laws applicable to the Company, prepared by the designated employees as well as steps taken to rectify instances of non-compliance.

4. CODE OF CONDUCT

The Board of directors of the Company has laid a code of conduct for directors and the senior management. All directors and designated personnel in the senior management have affirmed compliance with the code for the year under review.

5. AUDIT COMMITTEE:

As a measure of good Corporate Governance and to provide assistance to the Board of directors and to meet the requirement of section 292A of the Companies Act, 1956 and the Clause 49 of the Listing Agreement and in fulfilling the Board's overall responsibilities, an Audit Committee is functioning consisting of only independent directors. The Audit Committee inter-alia has the following mandate in terms of the Clause 49 of the Listing Agreement:

1. Oversight of company's financial reporting process and the disclosure of the financial information in the annual accounts.
2. to review and discuss with management, internal audit team and external auditors regarding any significant finding of material nature.