

# 41<sup>st</sup> ANNUAL REPORT 2012-2013



**BHARAT GEARS LIMITED**

Geared for Life

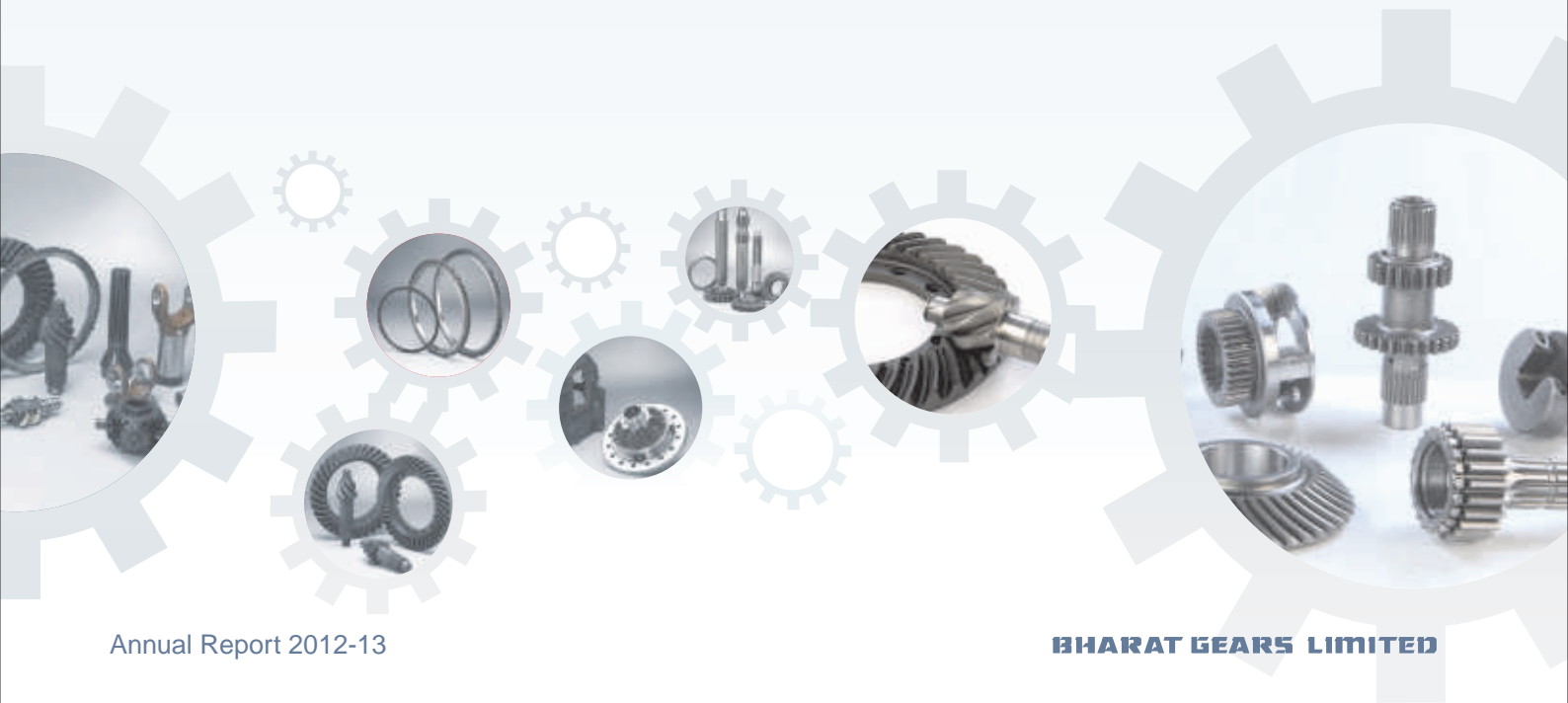


“ Between stimulus and response there is a space.  
In that space is our power to choose our response.  
In our response lies our growth and our sunshine.”



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A portrait of Mr. Surinder P. Kanwar, Chairman & Managing Director, smiling and wearing a dark suit, white shirt, and a red tie with diagonal stripes. He is standing outdoors with a blurred background.

# CHAIRMAN'S MESSAGE

Mr. Surinder P. Kanwar  
Chairman & Managing Director

Dear Shareholders,

The concerns that I had expressed in last year's Annual Report on the slowing down of the Indian economy became even more aggravated in 2012-13. India's GDP growth reduced to 5% in 2012-13 the lowest in the last decade. Agriculture, which drives the demand of one of our important customer segments tractors saw growth reducing from 3.6% in 2011-12 to 1.8% in 2012-13. The manufacturing sector as a whole has been hit particularly hard. In 2011-12, manufacturing growth in India had already reduced to 2.7%. This came down further to 1.9% in 2012-13.

Headline and especially the non-food manufactured product inflation pressures, softened during 2012-13, even as consumer price inflation firmed up. The average headline WPI inflation during 2012-13 at 7.4% was significantly lower than the 9.0% inflation witnessed in 2011-12. While this has been a respite, the overall economic uncertainties have created a major negative sentiment in investments and consumption in India. Monetary policy eased during 2012-13, in response to some softening of inflation and significant moderation in growth. However, monetary policy response to addressing growth concerns was constrained by persistence of inflation and the twin deficit (current account deficit and fiscal deficit) risks that prevailed for the most part of the year.



Consequently, while interest rates reduced a bit, the absolute levels are still fairly high.

While interest rates matter, revival of investments and boosting GDP growth is contingent upon resolution of supply bottlenecks, governance issues impeding investments and the government's efforts towards fiscal consolidation. Domestic energy price adjustments, inadequate supply response and sustained wage pressures on inflation are expected to drag down growth for some more time. The challenge is to counter the growth slowdown by reviving investment while managing the trade-off between objectives of reviving demand and restraining the current account deficit.

The global story continues to unfold with recovery in USA and turmoil in Europe. On one hand, while the growth figure for the United States for 2012-13 may not seem very high, and indeed it is insufficient to make a large dent in the still-high unemployment rate but it will be achieved in the face of a very strong, indeed overly strong, fiscal consolidation of about 1.8 % of GDP. Underlying private demand is actually strong, spurred in part by the anticipation of low policy rates under the Federal Reserve's "forward guidance" and by pent-up demand for housing and durables. A steady revival in the USA is imminent. On the other hand, the forecast for negative growth in the euro area reflects not only weakness in the periphery but also some weakness in the core. Germany's growth is strengthening but is still forecasted to be less than 1% in 2013. France's growth is forecasted to be negative in 2013, reflecting a combination of fiscal consolidation, poor export performance, and low confidence. Most European countries, notably Italy and Spain, are expected to have substantial contractions in 2013. These developments will have a significant role in determining our export opportunities.

As you are aware, Bharat Gears caters mainly to the commercial vehicles, farm and construction equipment sectors. While India remains the primary market, the Company is steadily growing its exports, mainly to USA.

The automotive industry in India was severely affected. Medium & Heavy Commercial vehicles witnessed de-growth

in sales of (-26%), while tractor sales reduced by (-9%). The positive was the 16% growth in LCV sales and the 52.2% growth in Utility vehicles and vans. For the first time in the last decade passenger car sales dropped in a year reduced by (-6.69%) in FY2013. The negatives outweighed the positives and auto-component demand was very badly affected.

It was very difficult for your Company to insulate itself from this adverse business environment and revenues reduced by 9.4% to ₹ 395.32 crores in FY2013. The top-line contraction affected margins and profits. However, even then, the Company managed to generate a Profit after tax (PAT) of ₹ 4.97 crore in FY2013.

Such market downturns are intrinsic to a going concern over the long term. What is important is to create a business model that can withstand the adverse conditions and bounce back to make best of demand conditions once it revives. In this sense, while the reduction in profits has been disconcerting in FY2013, there is some positive in the fact that we have managed to generate profits even when there was significant erosion of orders.

There are some key elements to our long term plans of creating a growth oriented resilient business.

First, we have been focusing on diversifying our market. In the Original Equipment Manufacturing (OEM) based auto-component space this process takes some time as it entails several rounds of interactions in developing new customer relationships, getting commercial and technical approvals, understanding technological requirements, developing samples and getting orders for commercial production. Over the last few years, we have been working on this. To begin with, there has been a concerted effort at increasing exports. And, it pleases me to report that even under difficult business conditions, export sales continued to gain traction in FY2013. Export sales (FOB) actually increased by 11% in FY2013 and its share in total revenues has been rising gradually from 14% in FY2011 to 17% in FY2012 to 21% in FY2013. In this market, we have just scratched the tip of the ice-berg and there is considerable scope of leveraging the business relationships already developed and the ones that are being promoted. In terms of product segments, we have



aggressively entered the utility vehicles segment, which is witnessing healthy growth in India.

Second, we continue to remain steadfast on our commitment to continuously upgrade our technology. For bevel gears, Bharat Gears continues to invest in the state-of-the-art dry cutting technology while for transmissions it is investing in the latest high speed hobber and shaver systems. In FY2013, your Company has ordered for the highly sophisticated Klingelnberg CNC gear cutting machine (C 50), with a Robot for Loading /Unloading which uses the dry cutting technology. It has also supported the production system of high speed hobbors for transmission gears with a shaving cutter sharpening machine (SRS-410).

Third, the Company had taken a conscious decision to grow capacities while maintaining an optimal size for each individual plant. In line with this thought, it had planned the development of a third plant and had bought land at Lonand (near Pune, Maharashtra). In May 2012, the Company commenced work on constructing its third plant at this site. Development work at this plant progressed at a fast pace

through FY2013 and in May 2013, the plant was inaugurated. The Company will now start testing/commissioning of machines followed by trial production. The commercial operations/production at the plant of the Company are expected to be commenced within 2-3 months with all clearances in place, utilities set up, and some initial machinery put in place. This plant, focused on transmission gears, will particularly enhance our servicing capabilities for customers in and around Pune and also provide flexibility in capacities to grow the entire transmission gears portfolio.

The diversification into related businesses auto components after-market business and the furnace business paid rich dividends in FY2013. In a structured and concerted manner the Company has built a pan India distribution network with strengths in the East, North and West of India to sell automotive parts in the After Market. The auto components designing, sourcing and distributing business in the after-market witnessed a 4% growth in sales and generated profits for the business.

FY2013 was particularly good year for the furnace business.







The Company executed a large complex order for a global client and revenues more than doubled, albeit on a small base. What is more important is our ability to meet the complex technical requirements within strict timelines of such global clients. This is a business that the Company operates with minimal capital outlay.

We are in challenging times and have managed to keep our head above water in FY2013. To proceed to the next round of growth we need to stay focused on implementing our plans. This will need continuous emphasis on cost management, process optimisation and excellence in engineering not only to develop more business but to take on competition and gain share of business with existing customers. While we are committed to growth and our investment programme remains in place, there is considerable stress on micro-managing day to day operations to create globally competitive cost structures. Also efforts are on to further improve the speed to market of new products to be able to better service clients for new order development.

I would like to acknowledge the contribution of the workers,

the officers and management at Bharat Gears for their contribution to the Company's performance in FY2013. The members of the Executive Committee, who today operationally manage the day to day activities of the Company needs a special mention for all their efforts. It is the people at Bharat Gears, who will nurture the Company's ambitious growth plans.

We, at Bharat Gears, have embarked on a well structured growth oriented journey. As we strive forward, there will be challenges that we will have to deal with. You, our investors, stakeholders and customers have always reposed faith in our business and it is this trust that drives our team forward. I take this opportunity to thank all our stakeholders for their valued support. I am confident that with your patronage, we will continue to deliver long term sustainable value.

**Surinder P. Kanwar**  
**Chairman & Managing Director**



# COMPANY INFORMATION

## Board of Directors



Names in Order from Left to Right

Standing: Mr. W. R. Schilha (Independent Director), Mr. V. K. Pargal (Independent Director), Mr. Rakesh Chopra (Independent Director), Mr. S. G. Awasthi (Independent Director), Mr. Sameer Kanwar (Joint Managing Director);  
Sitting: Dr. Ram S. Tarneja (Independent Director), Mr. Surinder P. Kanwar (Chairman & Managing Director) & Mr. N. J. Kamath (Independent Director)

## Executive Committee



Names in Order from Left to Right

Mr. S. K. Mittal (Head: Material & Central Purchase), Mr. B. L. Pansare (Location Head: Faridabad), Mr. P. C. Kothari (Head: Finance & Accounts), Mr. B. P. Shah (Location Head: Mumbra), Mr. Jagdeep Singh (Business Head: After Market), Mr. Milind Pujari (Chief Financial Officer), Mr. Sameer Kanwar (Joint Managing Director), Mr. Naresh Verma (Corporate Head: HR) & Mr. K. K. Deshpande (Head: OE Marketing and Business Development)





#### **AUDIT COMMITTEE**

Dr. Ram S. Tarneja, Chairman  
Mr. V. K. Pargal  
Mr. N. J. Kamath  
Mr. Rakesh Chopra

#### **SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE**

Mr. N. J. Kamath, Chairman  
Mr. Sameer Kanwar  
Mr. Rakesh Chopra

#### **REMUNERATION COMMITTEE**

Mr. N. J. Kamath, Chairman  
Dr. Ram S. Tarneja  
Mr. V. K. Pargal

#### **FINANCE COMMITTEE**

Mr. Rakesh Chopra, Chairman  
Mr. Surinder P. Kanwar  
Mr. Sameer Kanwar  
Mr. S.G. Awasthi

#### **REVIEW COMMITTEE**

Mr. Surinder P. Kanwar  
Mr. V. K. Pargal  
Mr. Sameer Kanwar  
Mr. N. V. Srinivasan

#### **EXECUTIVE COMMITTEE**

Mr. Sameer Kanwar  
Mr. B. L. Pansare  
Mr. B. P. Shah  
Mr. Jagdeep Singh  
Mr. K. K. Deshpande  
Mr. Milind Pujari  
Mr. Naresh Verma  
Mr. P. C. Kothari  
Mr. S. K. Mital

#### **AUDITORS**

Deloitte Haskins & Sells  
Chartered Accountants  
"Heritage" 3rd Floor  
Near Gujarat Vidhyapith  
Off Ashram Road  
Ahmedabad - 380 014

#### **CHIEF FINANCIAL OFFICER**

Mr. Milind Pujari

#### **HEAD (LEGAL) & COMPANY SECRETARY**

Mr. Prashant Khattry

#### **BANKERS**

State Bank of India  
IDBI Bank Limited  
Export-Import Bank of India

#### **REGISTRAR & TRANSFER AGENT**

Link Intime India Pvt. Ltd.  
44 Community Centre  
2nd Floor, Naraina Industrial Area,  
Phase-I, Near PVR Naraina  
New Delhi - 110 028

### **OFFICE LOCATIONS**

#### **REGISTERED OFFICE**

20 K. M. Mathura Road,  
P. O. Amar Nagar,  
Faridabad - 121003

#### **CORPORATE OFFICE**

14th Floor, Hoechst House,  
Nariman Point,  
Mumbai - 400 021

#### **BRANCH OFFICE**

1009, Surya Kiran Building,  
19, Kasturba Gandhi Marg,  
New Delhi - 110001

### **PLANT LOCATIONS**

Kausa Shil, Mumbra,  
District Thane - 400 612  
Maharashtra

20 K.M. Mathura Road,  
P. O. Amar Nagar,  
Faridabad - 121003  
Haryana

Lonand, Taluka Khandala,  
District Satara,  
Maharashtra - 415521



# BUSINESS DIVISIONS

## Core Business

Manufactures ring gears and pinions, transmission gears and shafts, differential gears, and gear boxes for Original Equipment Manufacturers (OEMs) in the automotive space.



Kausa Shil, Mumbra, Maharashtra



## Client List

BGL products are trusted by reputed companies in India and around the world for years for quality and service.

|   |                               |   |   |   |  |
|---|-------------------------------|---|---|---|--|
|  | Ashok Leyland Limited         |  | Godrej & Boyce Mfg. Co. Ltd.                          |  | Spicer India Ltd.<br>DANA India Ltd.         |
|  | AVTEC Limited                 |  | Hyva India Pvt. Ltd.                                  |  | SML ISUZU Ltd.                               |
|  | Carraro India, Italy, China   |  | JCB-India, UK   |  | Transaxle Manufacturing of America (TMA) USA |
|  | CLAAS Tractor SAS France      |  | John Deere - India, USA, Spain, Mexico, Brazil, China |  | Tractors and Farm Equipment Ltd.             |
|  | EATON Corporation - USA       |  | Mahindra & Mahindra Ltd.                              |  | Toyota Kirloskar Auto Parts Ltd.             |
|  | Escorts Ltd.                  |  | Man Trucks Pvt. Ltd.                                  |  | VST Tillers & Tractors                       |
|  | Force Motors Ltd.             |  | New Holland Fiat India Pvt. Ltd.                      |  | Voltas Ltd.                                  |
|  | GE Aviation Systems LLC - USA |  | Paharpur Cooling Towers Ltd.                          |  | ZF China, India, USA                         |
|   |                               |  | Rico Auto Industries Ltd                              |   |  |



## BGL Auto-Components

Designs, sources, tests and distributes a range of auto-components in the after-market in India and abroad through an extensive distribution network



### DEALER NETWORK

|                      |                         |
|----------------------|-------------------------|
| Jammu & Kashmir      | - 1                     |
| Himachal             | - 1                     |
| Punjab               | - 4                     |
| Chandigarh           | - 1                     |
| Delhi                | - Sales Office & Godown |
| Haryana              | - 3                     |
| Rajasthan            | - 3                     |
| U.P.                 | - 1                     |
| Uttarakhand          | - 1                     |
| Gujarat              | - 4                     |
| M.P.                 | - 3                     |
| Chattisgarh          | - 2                     |
| Maharashtra          | - 5                     |
| Mumbai               | - Sales Office          |
| Goa                  | - 1                     |
| Bihar                | - 2                     |
| Jharkhand            | - 2                     |
| Orissa               | - 3                     |
| West Bengal          | - 5                     |
| Kolkata              | - Sales Office          |
| North Eastern States | - 3                     |
| Andhra Pradesh       | - 4                     |
| Karnataka            | - 4                     |
| Tamil Nadu           | - 3                     |
| Kerala               | - 1                     |

|                     |             |
|---------------------|-------------|
| <b>Distributors</b> | - <b>66</b> |
| <b>Sales Office</b> | - <b>3</b>  |
| <b>Godown</b>       | - <b>1</b>  |

## BGL Furnance

Engineers and undertakes onsite construction of batch and continuous heat-treating furnace systems in technical association with AFC-Holcroft, Michigan, USA.



AAM India Manufacturing  
(American Axles)



Ashok Leyland Limited



AVTEC Limited



Bajaj Auto



Bharat Earth Movers



Drillbits International Pvt. Ltd.



Exedy India Limited



High Technology  
Transmission Systems



Indian Railways



Jagdamba  
Auto Components



Mukand Limited



Mahindra & Mahindra



Oerlikon Drive Systems



Preciforge and Gears



Precision Fasteners



Sona Koyo Steering Systems



Sundaram Fasteners Ltd.



TATA Motors Ltd.



Timken India



Tractor Engineers



Varroc



# PERFORMANCE SNAPSHOT

**Geared for life** is our company motto and the confidence to promise this to our stakeholders comes from our ability to nurture and grow even in tough times. At Bharat Gears, we always face the sunshine and reflect the healthy organic growth we have delivered even in tough times.”

## Financial Trends

Rapid growth affected by massive market downturn in the automotive space during FY2013. Even then generated profits

Total Revenue (₹ Crores)



Operating EBIDTA (₹ Crores)



Profit after tax (₹ Crores)

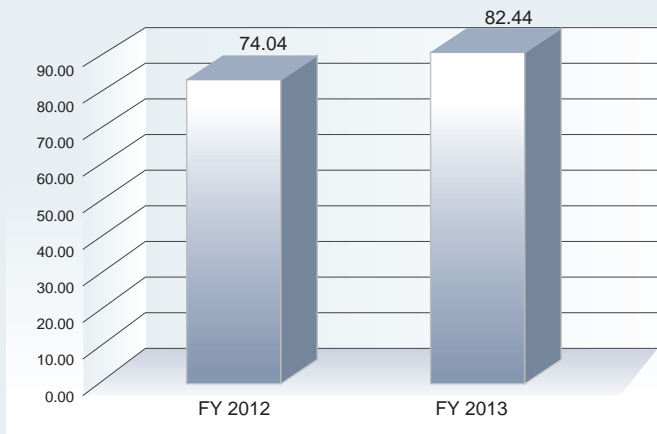






## Amidst the downturn, there were some positive takeaways

Export - FOB (` Crores)



Successful penetration of global clients continued and exports grew handsomely

Finance Cost (` Crores)



Finance costs reduced even as long term investments continued

Net Fixed Assets (` Crores)



Investment plan in up-gradation and capacity creation continues unabated

Net worth(` Crores)



Steady increment in shareholders' funds

# INVESTING IN THE FUTURE

## Continue to invest in upgrading technology for both Bevel and Transmission gears

For Bevel gears, the focus is on augmenting capacity with 'state of the art' dry cut machines that use the 'two cut' method of gear manufacturing. BGL already has a Klingelnberg CNC gear cutting machine - C29 and has ordered for a more heavy duty Klingelnberg CNC gear cutting machine - C50 in FY 2013.



New Bevel Machines



For Transmission Gears, the Company is investing in high speed hobbers and shavers. It already has 5 high speed Mitsubishi hobbers and 3 high speed Mitsubishi shavers. In FY2013, this system was supported by purchasing a Gleason shaving cutter sharpening machine (SRS-410).

New Transmission Machines



## Inaugurated the third plant at Lonand, Satara district, Maharashtra on 13 May 2013

1st phase of construction completed with shed, utilities and associated facilities on half of the 20 acre land available. Initial set of machinery is being set up and the product development and commercial production will commence from FY2014. The plant will focus on production of transmission gears.





# MANAGEMENT DISCUSSION AND ANALYSIS



Faridabad, Haryana

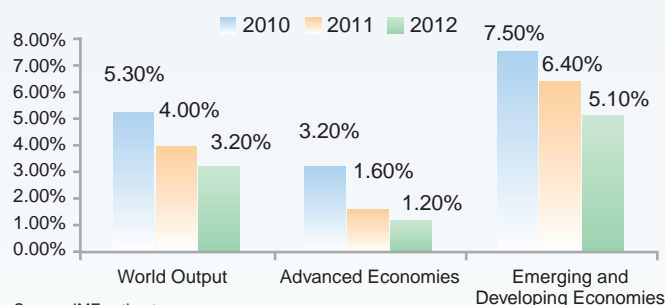
## Introduction

Bharat Gears Limited (referred to as 'BGL' or 'the Company') is primarily in the business of manufacturing automotive gears that today caters to Original Equipment Manufacturers (OEMs) and the replacement market for agricultural machinery, commercial vehicles, construction and mining equipments. It has two related businesses that are also part of the overall gears revenue but are organisationally separated to service target markets better. First, there is a growing business that develops vendors, undertakes final assembly operations and focuses on distribution of several auto-components in the replacement market. Second, there is a furnace division that manufactures heat treatment furnaces on site primarily for the auto-component industry.

## Macro Economic Environment

Financial Year (FY) 2013 has been a difficult year for the global as well as the domestic economy. From a global perspective, while calendar year (CY) 2011 had signalled a widespread slowdown, CY 2012 has witnessed an even more negative trend in. World output growth reduced further from 4% in CY2011 to 3.2% in CY2012. In line with the trend in the last few years, advanced economies witnessed output growth reduction from 1.6% in CY 2011 to 1.2% in CY 2012. What was of greater concern, was the reduction in output growth in the emerging and developing economies as well from 6.4% in CY2011 to 5.1% in CY2012 (see chart A).

Chart A: Output Growth



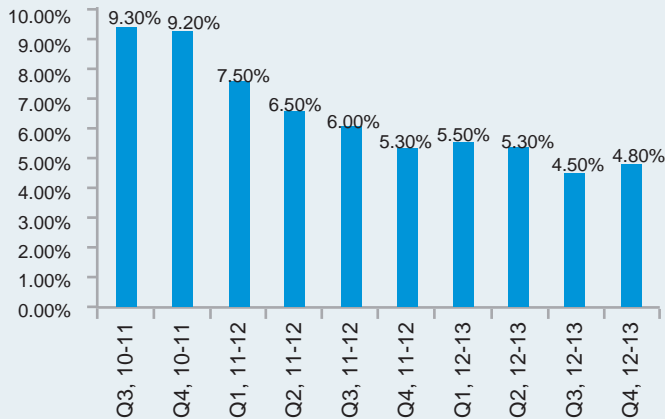
The large developed economies of USA and Europe has witnessed divergent trends. While in the US, growth was steady at 1.2% for CY 2012, Europe has been a cause for concern with GDP shrinking by -0.6% in CY 2012.

The Indian economy also slowed down considerably. Advance estimates from the Central Statistical Organisation (CSO), Government of India (GoI) suggest that the real GDP growth reduced further from 6.2% in 2011-12 to 5% in 2012-13. This is the worst growth in the last 10 years. What is even more worrisome is the fact that over the last 10 quarters the situation has gotten progressively worse (see Chart B). These levels of growth are far below the 8%-9% annual growth rates envisaged originally in the country's long term planning programmes.





**Chart B: GDP Growth: Quarterly (YoY)**



Source: MOSPI, Government of India

The structure of economic growth is also not very encouraging for the immediate future. Incremental Gross Fixed Capital Formation (GFCF), which gives an indication of the creation of growth promoting assets in an economy, has reduced from the high levels of 14% in 2010-11 to 4.4% in 2011-12 and further down to a mere 2.5% in 2012-13.

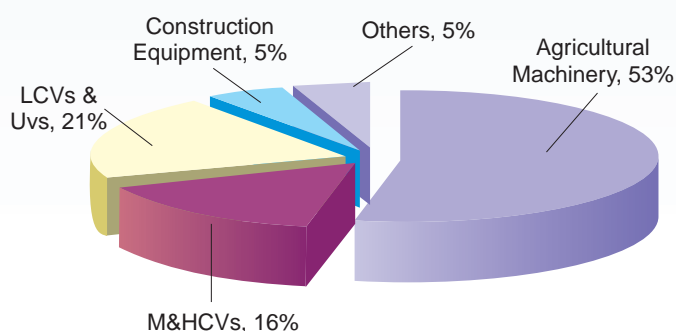
While the Reserve Bank of India (RBI) has eased monetary policy to some extent, interest rates continued to remain at fairly high levels. In a slowing economy with issues of liquidity constraints and high prevailing interest rates, investment and industrial growth has suffered. This is reflected in the demand conditions witnessed by Bharat Gears in its different market segments.

#### OEM Gears Business

Bharat Gear's core business is the supply of automotive gears to OEMs primarily in the Indian market. The Company has a range of products extending from bevel gears and pinions, transmission gears and shafts, differential gears and presence in gear boxes that cater to OEMs across different industries.

Chart C shows the user segment-wise distribution of the Company's sales in FY2013. The largest segment is agriculture machinery (53%), followed by LCVs and UVs (21%), then M&HCVs (16%), and finally construction equipments (5%).

**Chart C: BGL Sales - Customer Segment**



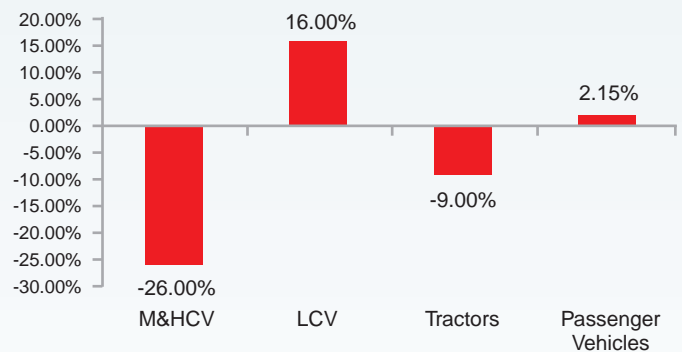
#### Market Scenario

The market signals across BGL's user segments agriculture machinery, medium and heavy commercial vehicles (M&HCV) and construction and mining equipment were negative during FY2013. Even the passenger vehicles segment saw a major slowdown with sales in passenger cars reducing in FY 2013. The respites were the growths in the Light Commercial Vehicles (LCV) and the Utility Vehicles (UV) segments.

Having grown at a moderate pace of 11.5% to 0.6 million units in FY2012, volumes in the Indian tractor industry continued to be in a phase of cyclical correction during FY2013, with the situation being exacerbated by a deficient and delayed monsoon season. While industry volumes grew at a modest rate of 2.8% in Q1, FY 2013, growth slipped into the negative territory during Q2, FY 2013 (-10.9% YoY) with lower than expected precipitation impacting sentiments in the farm community. Further, industry demand continues to be held back by high interest rates, extended bout of high inflation affecting investment sentiment of farmers and hike in tractor prices by domestic OEMs. Demand from the non-agricultural segment has also remained sluggish with no significant pick-up in construction and infrastructure related activity. For the full year, tractor sales reduced by 9% from 595,082 units in FY2012 to 542,055 units in FY2013.

Although the industry is beset with these near term challenges, long term prospects continue to derive strength from factors such as support from the Government of India (GOI) towards rural development and agri-mechanisation, increase in credit flow to agriculture, moderate penetration, shortening replacement cycle; besides healthy exports.

**Chart D: Annual Growth (FY2013)**



Source: Tractors Manufacturer's Association (TMA); Society of Indian Automobile Manufacturers (SIAM)

The M&HCV segment, which accounts for the bulk of the volumes and value for the CV manufacturers, has seen a major drop in volumes in FY 2013. Sales dropped from 299,334 units in FY 2012 to 221,710 units in FY 2013 a precipitous fall of 26%. Experts suggest that the fortunes of the commercial vehicle sector are directly linked to that of the Indian economy. With GDP growth slowing down significantly, as well as factors such as high interest rates and ban on iron ore mining in Karnataka and Goa have affected the demand for trucks. Freight rates have also taken a beating affecting business sentiment among fleet operators.



The situation would have been even worse if it were not for light commercial vehicles (LCV), which are still in demand. This segment saw a growth of 16% from 411,415 units in FY 2012 to 476,734 units in FY 2013. Continuing re-structuring of the road transport sector has fuelled large scale demand for light commercial vehicles which are used to ferry goods within the city.

Commercial vehicles sales have always been cyclical and the industry has learnt to cope up with it. The growing demand in the LCV segment has offered respite and breathing space. One expects the various measures taken by the Government of India and the RBI to boost the economy will start taking effect on the ground soon.

Passenger vehicles sales grew by 2.15% while passenger car sales reduced by 6.69% in FY 2013. However, within this segment, passenger utility vehicles including SUVs, MUVs and vans have grown impressively by 52.2% in FY 2013. Passenger cars in India are mostly front wheel drive and only have transmission gears a developmental segment for Bharat Gears. Consequently this development had no bearing on BGL's results. However, the Company has a presence in UVs and the positive developments in this market helped BGL in FY2013 and augers well for the future.

The construction industry has been affected by the virtual paralysis in decision making in the infrastructure sector. Issues related to land acquisition, environmental clearances and decision paralysis within the government agencies has resulted in severe delays in projects under execution and a drying up of new projects. In this milieu, the sector is also facing further pressures due to a liquidity crunch across the supply chain. Consequently, in real terms construction industry growth was a low 5.9% in FY2013. Further, the mining sector was severely affected by the new policies and closure of activities on environmental and social grounds. Thus, the entire construction and mining equipment segment in India remained subdued in FY2013.

In the last few years, with focused attention the Company has developed - export markets and started a steady shipment of products. Having a very small share in global exports at the moment, Global developments in the auto space does not have much of an impact on BGL's business. BGL's developments in the export market are more a reflection of the quality of its own initial foray rather than one of overall market dynamics.

#### Market Performance

Clearly, FY 2013 was a difficult year in terms of market demand for Bharat Gears. The Company witnessed a significant drop in sales in volume terms, which is reflected in the revenues. However, on a positive note, contribution as a percentage of revenues was maintained at levels of around 50% for the Company as a whole.

The Company continues to maintain a base of strong marquee customers and focused on strengthening relationships with the existing client base. The emphasis was on maintaining highest delivery standards in terms of 'on time' and 'in full' supplies even at times when there were major variations between actual product pick up and planned orders in a very dynamic market.

While the existing customers are very important, Bharat Gears has been working on reaching out to new customers across segments. This thrust at increasing the customer base is also an effort at de-risking the business model while pursuing growth. In a collaborative business like gears, this process takes time. While there are some indications of success with the share of top 5 customers reducing from 73% five years ago in FY2008 to 71% in FY2013, the material effect on numbers will be seen in a few years' time. It is important to note that while the Company focuses on greater diversity of its customers it will remain firmly committed to its existing clientele.

Importantly, the initiatives taken on creating the base for growing exports is starting to pay dividend. Export sales actually increased by 11% to ₹82 crore in FY2013 and its share in total revenues has been rising gradually from 14% in FY2011 to 17% in FY2012 to 21% in FY2013. The Company has taken several steps in new relationship building and product development plans to cement relationships to foster export growth. This includes efforts in USA, Europe, Asia and Latin America. Much of the development has happened through stabilising supplies with new clients and also by participating in global programmes for international clients whom the Company already services in India. In exports, BGL has only scratched the 'tip of the iceberg' and there is significant potential for accelerated growth.

#### Operations

Bharat Gears has two modern manufacturing facilities one at Mumbra (near Mumbai) and second at Faridabad (near Delhi). Both the plants produce bevel as well as transmission gears while at Mumbra, BGL also manufactures differential gears. Both Mumbra and Faridabad plant of the Company continue to be certified under ISO/TS 16949 (quality) and Faridabad plant is also certified under ISO/14001 and EHS - OSHAS 18001 certification by BVC. Today, BGL is internationally reputed for its cutting edge technology and supplier of reliable quality products. With customer satisfaction at the foundation of its entire operation, BGL is dedicated to maintaining the Company's commitment to providing the highest quality products, the best customer service, and the safest operating conditions in the industry.





The Company offers both world famous systems of hypoid gear generation - Gleason (Face milling) and Oerlikon (Face Hobbing). The transmission gear manufacturing lines are well equipped with state-of-the-art machines like gear shaping, hobbing, shaving and gear grinding machines as well as gear testers and induction hardening machines. In differential gears, BGL offers customers both Gleason Revacycle and Gleason Coniflex systems of straight bevel generation.

In both bevel and transmission gear manufacturing, Bharat Gears has constantly worked on upgrading its technology. For bevel gears, it continues to invest in the latest dry cutting technology while for transmissions it is investing in the latest high speed hobber and shaver systems.

Even in FY2013, a difficult business year, BGL continued with its modernisation programme. It ordered for the state-of-the-art Klingelberg CNC gear cutting machine (C 50), which is a top of the line machine using the dry cutting technology. It has also supported the production system of high speed hobbors for transmission gears with a Gleason shaving cutter sharpening machine (SRS-410).

In a significant development, in May 2012 the Company commenced work on constructing its third plant at Lonand in Satara district of Maharashtra (India). This is located close to Pune and will initially focus on producing transmission gears. Development work at this plant has progressed at a fast pace through FY2013. With all requisite clearances in place, utilities set up, and some initial machinery put in place, the plant was inaugurated in May 2013. The Company will start testing / commissioning of machines followed by trial production. The commercial Production at the plant will commence in FY2013-14. New added capacity will enhance company's ability to service all clients situated in western and southern India.

### Auto Components Business

In the replacement gear market, the Company maintains strict controls of distributing only products where it is not affected by any prevailing contracts with OEM clients. Today, the Company has a pan India distribution network with strengths in the East, North and West of India. Specific focus has been given on strengthening the business in South India.

The auto-components space includes a wide array of parts engineered to excellence where BGL maintains tight controls over design and quality. The range of products include automotive clutch and components, turbo chargers and components, driveline products, axle shafts, fly wheel assemblies and rings, propeller shaft components, U-J Cross, steering components, differential cages and steel wheel rims. Revenues from these products grew by around 4% in FY2013.

The clutch business has been growing rapidly and the Company felt that it was necessary to have a well-established manufacturing support for future growth in this business. Consequently, a related promoter group company Xlerate Driveline India Limited (XDIL) has invested in setting up a clutch focused manufacturing plant. Since FY 2013 BGL is only providing Marketing Services and Brand Equity to XDIL for clutch business against an agreed royalty.

### Furnace Business

BGL Furnaces division engineers and constructs batch and

continuous heat-treating furnace systems in technical association with AFC-Holcroft, Michigan, USA. AFC-Holcroft is recognized internationally as an industry leader for innovative technology, quality and reliability. More than 110 BGL-AFC-HOLCROFT heat treating furnace systems are in service at several customers' plants in India.

The division has successfully progressed in the implementation of a large order in FY2013, which has resulted in revenues increasing 2.05 times albeit on a relatively smaller base. This business is primarily project based and consequently the revenue and profit streams are lumpy and fluctuate over time. The company has created a strong reputation amongst customers.

### Support Systems

The entire operations at BGL are well supported by strong human resource (HR) management and information technology (IT) as it's backbone.

HR has given continuous emphasis on training both workers and managerial staff through structured training programmes. The emphasis over the last few years for the management and administrative staff has been to position and develop the workforce to be most efficient. On the shop-floor, HR management has been deployed to improve productivity and strike a fine balance between ensuring availability of manpower and managing cost of operations. In FY2013, labour relations at both the plants continued to be cordial and not a single day's work was lost. 12 Employees under the Voluntary Retirement Scheme separated from the Company at the cost of ` 0.57 crores. Employees' headcount as on 31 March, 2013 was 1306.

Bharat Gears has a well-functioning ERP system developed by RAMCO. The entire operations are streamlined through the ERP at both plants. IT tools are also effectively utilised for product development, quote management and compliance.

### Financial Highlights

In a difficult business environment that witnessed a drop in revenues, BGL focused on keeping operations tight, managing costs and generated some profits. Even on the costs side there were pressure from rising prices of fuel and electricity. BGL put all efforts in curtailing variable costs while return on fixed costs suffered as volumes reduced.

Salient points are given in table 1. Importantly, total contribution (Total Revenue-Direct Material costs) reduced by 9.42% from ` 216.62 crore in FY2012 to ` 196.22 crore in FY2013. However, contribution as a percentage of total revenue was maintained at 50%.

**Table 1: Abridged Profit and Loss Account (` Crores)**

|                    | FY 2013 | FY 2012 |
|--------------------|---------|---------|
| Total Revenue      | 395.32  | 436.44  |
| Contribution       | 196.22  | 216.62  |
| % of total revenue | 50%     | 50%     |
| EBIDTA             | 30.65   | 50.23   |
| % of total revenue | 8%      | 12%     |
| PBT                | 7.45    | 26.76   |
| % of total revenue | 2%      | 6%      |
| PAT                | 4.97    | 18.59   |
| % of total revenue | 1%      | 4%      |





## Risks and Concerns

While during the course of operations, the Company faces several risks that are managed by respective operational heads with effective use of ERP and compliance tools, however, there are some broader risks that affect BGL's business. As a Company, BGL is conscious of these risks and has devised its strategy suitably.

**Market Risks:** BGL has been a focused player in the agricultural and CV segments in India. Market downturns in these sectors, like the downturn witnessed in FY2013, has a direct impact on the Company's performance. However, it may be seen that the Company is concentrating on widening its customer base and its industry focus to de-risk its business. It is also stressing on exports as an effort to widen the geographic spread of its business. A well diversified aggressive growth plan is the core to BGL's efforts at hedging market downturns for specific sectors or customer groups.

**Input Cost Risks:** Being an integral unit of a long supply chain in the automotive industry, BGL is always exposed to the risks of having to absorb increased input costs that cannot be passed on to customers. While contractually steel cost increases can be passed on, there is always bargaining pressure from the large OEMs. Other price increases like energy and operational expenses have to be offset by operational efficiency and value engineering.

**Technology Risks:** The Auto manufacturers are the prime drivers of Component design development material changes etc. Thus, the component manufacturers need to continuously stay in synch with such progress. There is the risk of technological obsolescence that may drive away large markets. However, BGL has always invested in upgrading its technology to meet changing customer demand.

**Financial Risks:** The Company is exposed to various risks like any other business due to changes in foreign exchange rates, interest rates, credit availability and liquidity. There are risks associated with long term receivable as well. While there will be repayment obligations in the near future, the Company is well positioned to service that and further finance its growth objectives.

The Company has adequate policy, procedure, and systems in place to forecast, analyse, assess, evaluate and take proactive to deal with all types of financial risks.

**Project Risks:** During FY 2013, the Company started setting up the plant at Lonand. While the first phase of the plant is near completion, there are still several elements of the project left for it to stabilize production and generate return on investment. With this venture the Company is now exposed, at least over the next couple of years, to risks related to project management of a new plant. This includes issues of setting up utilities, getting adequate manpower, machine set up, product clearances from customers and final product stabilization. BGL has assigned a dedicated team to oversee the execution of this project and manage risks of any schedule delay.

**Regulatory and Safety Risk:** Changes in laws, regulations, policies and other Governmental actions could affect the Company's operation periodically. These laws, regulations and policies include those affecting environmental matters, employee welfare, safety, wastage emissions. The Company has ensured compliance of all laws applicable to the Company and monitors these effectively through a software system.

**Product Risks:** Many of the Company's products are critical components for the automotive customers. The Company maintains





strong controls on design and product quality and interacts with customers regularly on technical issues. Wherever possible, there is contractual protection against such claims but with some of this risk exposure exists. In the after-market, especially while the Company provides for specific warranty, it is also exploring the cost benefits of product liability insurance.

### Outlook

FY2014 is expected to be another difficult year for the Indian economy. However, one expects better monsoon and a pick-up in the agriculture segment. Also the utility vehicles segment is supposed to perform reasonably well with a slew of new variants. BGL will leverage its positioning in these sectors and also rely on building on its relationships and product development plans to grow exports. Overall, the focus will be on proper delivery and cost optimization. The labour union settlements are due in FY2014, which will impact costs to some extent. However, with tight operations and double digit growth in revenues, the Company is cautiously optimistic of increasing profits maintaining profitability in FY2014 but it is conscious of the fact that it will be a challenging year.

### Internal Control Systems and their Adequacy

Bharat Gears has a proper and adequate system of internal controls

to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition, and that transactions are authorised, recorded and reported quickly.

The Company's internal controls are supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. Internal auditors reports its findings to the Audit Committee of the Board of Directors. The internal controls are designed to ensure that financial and other records are reliable for preparing financial information and other data, and for maintaining accountability of assets.

### Cautionary Statement

*Statements in this Management Discussion and Analysis describing the company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the company's operations include a downtrend in the gears industry global or domestic or both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs.*



# CORPORATE SOCIAL RESPONSIBILITY



As a responsible corporate citizen, Bharat Gears Limited continues to contribute to society at large to promote well-being of people who need support. The interventions undertaken include supporting specific causes, promoting employee welfare, working on safety and the environment, and developing the community in the vicinity of its manufacturing Facilities. Some of the key initiatives are highlighted in this section.

## Supporting Autism

Autism is complex lifelong neurological disability affecting a person's communicative and imaginative skills and ability to relate to people. Symptoms range from a mild learning and social disability to a severe impairment. A number of autistic children do not ever develop speech while others do but rarely use language to communicate. There are nearly 2 million autistic persons in India and the diagnosis of autism is now growing at a steep rate.

Action for Autism (AFA) is the largest non-profit non-government organization providing support and services to persons with autism and their families. BGL has been an active corporate contributor to the cause supported by AFA.

As a part of employee welfare, company provides med claim policy to its employees and also provides other assistance on any mis-happening with any employee, in deserving cases. Company does also provide valuable gifts to the employees on occasions of self marriage and on daughter's marriage and also celebrates their birthdays which create a feeling of self belonging to the Company in the minds of the employees for the Company. In order to build team spirit among employees, various cultural programs and sports tournaments are also organized at short intervals and on festive occasions.

## Upgrading the Infrastructure in the Local Surroundings

The Company has built a road alongside with the railway underpass that connects to get to the other side of the railway track. Earlier general public used to wait for long at the railway crossing or used to take a long alternate route to come to the other side of the railway track. Also some of the persons have died of

accidents while crossing the railway crossing when the gates are closed. The Company understands its social responsibility towards the society at large and thus laid down the road surface alongside with the railway track. Now this road is being used by general public in large which reduces jam at the railway crossing and no casualty of any kind has been reported.

The Company had in the past taken an initiative for repairing and carpeting the Anangpur Road to Delhi-Mathura Road for the betterment of the local community both residential and commercial. In order to achieve that, the Company had approached the Haryana PWD Departments and had given several representations to them. Currently the road is being used by several thousand commuters on daily basis and now considers a vital road link between Sarai Khwaja and Suraj Kund, Faridabad.



Before





After



Before



#### **Safety and Environment Initiatives at BGL**

The Company has adopted safety, health, and environment (SHE) policy with a commitment to provide a safe and healthy working environment, preservation of the environment of the territory in which the organization operates, preventing the wasteful use of natural resources and minimize any hazardous impact of development, production, use and disposal of any of the organization products and services on ecological environment, maintained highest standard of environmental management and ensure for all its members, consultants, contractors and customers a safe and healthy environment, free from injury and disease.

The Company has taken a green initiative by developing and maintaining greenery along the road crossing near the Faridabad plant. This is a small but focuses step to contributing towards making the environment clean and green.

After





# NOTICE

## TO THE MEMBERS OF THE COMPANY

NOTICE is hereby given that the 41st Annual General Meeting (AGM) of the Members of Bharat Gears Limited will be held as under:

Day : Wednesday  
Date : 31st July, 2013  
Time : 11.30 A.M.  
Venue : HUDA Convention Centre,  
Sector-12  
Faridabad-121007, (Haryana)

to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the year ended March 31, 2013 together with Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Rakesh Chopra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. W.R. Schilha, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s Deloitte Haskins & Sells- Ahmedabad (ICAI Registration No. 117365W), Chartered Accountants, Statutory Auditors for the financial year 2013-14 and fix their remuneration.

### SPECIAL BUSINESS

6. To consider re-appointment of Mr. Sameer Kanwar, Joint Managing Director of the Company and if thought fit, pass the following resolution(s) as **Special resolution**, with or without modification(s).

**“RESOLVED THAT** pursuant to the provisions under Sections 192(4), 198, 268, 269, 302, 303(2), 309, 310, 311, 316, 317, Schedule XIII as applicable and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as “the Act”) including any statutory amendment, modifications, or re-enactment thereof and subject to the approval of the Central Government, if required and further subject to such other requisite approvals, as may be required, in this regard, the consent of the shareholders be and is hereby accorded for the re-appointment of Mr. Sameer Kanwar, Joint Managing Director of the Company for a further period of five (5) years with effect from 1st June, 2013 on the terms and conditions including remuneration payable to him for a period of 3 (three) years w.e.f 1st June, 2013 as recommended by the Remuneration Committee and approved by the Board of Directors of the Company and as set out in the explanatory statement which forms part of this resolution notwithstanding that the remuneration may exceed the limits prescribed in provisions of Sections 198, 309 and Schedule XIII of the Companies Act, 1956.

**RESOLVED FURTHER THAT** the remuneration as set out in the explanatory statement which forms a part of this resolution, payable to Mr. Sameer Kanwar, Joint Managing Director for a period of 3 (three) years w.e.f 1st June, 2013, is subject to the condition that :

- a. the total remuneration payable in any financial year by way of salary, perquisites, commission and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the Company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force or
- b. if the Remuneration exceeds the limits as prescribed in the provisions of Section 198, 309 and Schedule XIII of the Companies Act, 1956, the remuneration payable shall be specifically approved by the Central Government.

**RESOLVED FURTHER THAT** notwithstanding anything contained in Sections 198, 309 and the Schedule XIII of the Companies Act, 1956 or any amendment/re-enactment thereof or any other revised / new schedule or guidelines thereof, in the event of absence of profits or inadequacy of profits in any financial year, the salary, perquisites and statutory benefits (except commission), as set out in the explanatory statement which forms part of this resolution, be paid as minimum remuneration to Mr. Sameer Kanwar, Joint Managing Director subject to the approval of the Central Government, if required.

**RESOLVED FURTHER THAT** in absence of the approval of the Central Government for the payment of remuneration to Mr. Sameer Kanwar, Joint Managing Director exceeding the limits prescribed in Section 198, 309 and Schedule XIII of the Companies Act, 1956, as amended from time to time, he shall be entitled to draw remuneration within the limits as prescribed in Section 198, 309 and Schedule XIII of the Companies Act, 1956.

**RESOLVED FURTHER THAT** the Board of the Directors of the Company be and is hereby authorized to do all such acts, deeds and things, to enter into such agreement(s), deed(s) of amendment(s) or any such document(s), as the Board may, in its absolute discretion, consider necessary, expedient or desirable including power to sub-delegate, in order to give effect to this resolution or as otherwise considered by the Board to be in the best interest of the Company, as it may deem fit.”

By order of the Board



Place: Faridabad  
Date: 26 June, 2013

Prashant Khattry  
Head (Legal) & Company Secretary

### NOTES:

- i. A Member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint one or more proxies to attend and vote on a poll instead of himself / herself and the proxy need not be a Member of the Company. The instrument appointing proxy (ies) must, however, be received at the Registered Office of the Company not less than forty-eight hours before commencement of the Meeting.



**ii. NO GIFTS OR COUPONS SHALL BE DISTRIBUTED AT THE MEETING.**

iii. Members/Proxies are requested to submit the enclosed Attendance Slip duly filled in and signed at the entrance of the venue for attending the Meeting. Members who hold shares in dematerialized form are requested to mention their Client ID and DP ID details and those who hold shares in physical form are requested to write Folio number in the attendance slip. No Attendance Slip shall be issued at the Meeting.

iv. The Register of Members and the Share transfer books of the Company shall remain closed from July 27, 2013 to July 31, 2013 (both days inclusive) for determining the names of members eligible for dividend on Equity Shares, if declared at the Meeting.

v. Dividend on the Equity Shares, if declared at the meeting, will be paid to the members whose names appear in the Register of members of the Company after giving effect to all valid share transfers in physical form lodged with the Company or its Registrars on July 26, 2013.

In respect of shares held in electronic form, the dividend will be paid to those 'beneficiaries' whose name appear on the statements of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose, at the end of the business hours on July 26, 2013. Dividend shall be paid on or before August 27, 2013. No income tax shall be deducted at the source from the dividend amount.

vi. The Non Resident Indian Shareholders are requested to inform the Company immediately about:

- a. The change in residential status on return to India for permanent settlement.
- b. The particulars of NRO Bank Account in India, if not furnished earlier.

vii. Members are requested to intimate their dividend mandates like Bank account number, type and Bank address(es) in which they intend to deposit the warrant(s) by a duly signed letter. The Bank details can also be printed on the warrants to avoid any incidence of fraudulent encashment.

The change in address, nomination etc, if any, to be effective must reach to the Registrar & Transfer Agent or the Registered Office of the Company by July 24, 2013. (Relevant Forms for nomination and updation of Shareholders information are enclosed at the end of the Annual Report).

viii. Electronic Clearance System (ECS) is presently available at certain locations specified by Reserve Bank of India and/or State Bank of India. To avoid risk of loss and /or fraudulent encashment, members are requested to avail ECS facility where dividends are directly and promptly credited in electronic form to their respective Bank accounts. (ECS Mandate Form is enclosed at the end of the Annual Report).

ix. The documents referred to in the accompanying Notice and the

Annual Report are open for inspection at the Registered Office of the Company during the office hours between 11.00 A. M. and 1.00 P. M. on all working days except Sundays up to the date of the meeting and shall also be available at the venue.

x. Members seeking any further clarification/information relating to the Annual Accounts are requested to write at the Registered Office of the Company at least ONE WEEK before the date of the Meeting i.e. on or before July 24, 2013 to enable the management to keep the information ready at the Meeting.

xi. Pursuant to Section 205C of the Companies Act, 1956, the unclaimed dividend till the financial year 1999-2000 has been transferred to the Investor Education and Protection Fund. There is no unclaimed/unpaid dividend, which is required to be transferred to Investor Education & Protection Fund. However, an amount of ₹ 4120/- (Rupees Four Thousand One Hundred Twenty only) standing in the "Bharat Gears Limited Rights Issue Refund Account" is due for deposit in the Investor Education & Protection Fund on 31st July, 2013.

In case of non receipt/non encashment of the dividend warrants, members are requested to correspond with the Company or with the Registrar and Transfer Agent.

xii. The shares of the Company are compulsorily traded in demat mode. Hence, the members who are still holding physical Share Certificates are advised that it is in their own interest to dematerialize their shareholding to avail benefit of dematerialization viz. easy liquidity, electronic transfer, savings in stamp duty and prevention of forgery.

xiii. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificate(s) to Link Intime India Private Limited, Registrar & Transfer Agent for consolidation into a single folio.

xiv. As a measure of economy, copies of the Annual Report shall not be distributed at the meeting, therefore members are requested to bring their own copies.

xv. Members are requested to bring the Admission Slip duly filled in and hand over the same at the entrance of the Meeting Hall.

xvi. Members are requested to register their email address(es) and changes in their particulars like change in address from time to time with Link Intime India Private Limited, Registrar & Transfer Agent for shares held in physical form and with the respective Depository Participants for the shares held in dematerialized form.

xvii. Members may please note that Securities and Exchange Board of India (SEBI) has made Permanent Account Number (PAN) as the sole identification number of all participants transacting in the securities market, irrespective of the amount of such transactions. SEBI has also mandated that for securities market transactions and off market/private transactions involving transfer of shares in physical form, it shall be necessary for the transferee(s) to furnish a copy of PAN card to the Company/ Share Transfer Agent for registration of such transfer of shares.

xviii. Corporate members are requested to send a duly certified copy of the Board Resolution/ Power of Attorney authorizing their representative to attend and vote at the Annual General Meeting.

xix. For security reasons, no article/baggage will be allowed at the venue of the meeting. The members/ attendees are strictly requested not to bring any article/baggage etc. at the venue of the meeting.

xx. The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" and issued two circulars nos.17/2011 and 18/2011 dated April 21, 2011 and dated April 29, 2011 respectively. Under first circular no. 17/2011 dated April 21, 2011, MCA has, inter alia, clarified that a Company would have complied with Section 53 of the Companies Act, if the service of documents has been made through electronic mode provided that the Company has obtained e-mail addresses of its members for sending the notice/documents through e-mail by giving an advance opportunity to every shareholders to register their e-mail address and changes therein from time to time with the Company.

It also provides that where any member has not registered his e-mail address with the Company, the service of documents etc. will be effected by other modes of service as provided under Section 53 of the Companies Act, 1956.

Vide second Circular No. 18/2011 dated April 29, 2011, MCA has clarified that the Company would be in compliance of Section 219(1) of Companies Act, 1956, in case, a copy of Balance Sheet etc., is sent by electronic mail to its Members subject to the fact that Company has obtained-

- (a) E-mail address of its members for sending the Notice with Balance Sheet, Statement of Profit & Loss, Auditor's Report, Director's Report and Explanatory Statement etc. through e-mail, after giving an advance opportunity to the Members to register their e-mail address and changes therein from time to time with the Company or with the concerned depository.
- (b) Company's website displays full text of these documents well in advance prior to mandatory period and issues advertisement in prominent newspapers in both vernacular and english language stating that the copies of aforesaid documents are available on the website and for inspection at the Registered Office of the Company during office hours. Website must be designed in a way so that documents can be opened easily and quickly.
- (c) In cases where any member has not registered his e-mail address for receiving the Balance sheet etc., they will be sent by other modes of services as provided under Section 53 of the Companies Act, 1956.
- (d) In case any member insist for physical copies of above documents, the same should be sent to him physically, by post free of cost.

Further Clause 32 of the Listing Agreement entered into by the Company with the Stock Exchange provides that the Company shall supply:

- (i) Soft copies of full annual reports containing its Balance Sheet, Statement of Profit & Loss and Directors' Report to all those shareholder(s) who have registered their e-mail address(es) for the purpose;
- (ii) Hard copy of statement containing the salient features of all the documents, as prescribed in sub-clause (iv) of clause (b) of proviso to Section 219 of the Companies Act, 1956 to those shareholder(s) who have not so registered;
- (iii) Hard copies of full annual reports to those shareholders, who request for the same.

**As a result, members are requested to register their e-mail address(es) and changes therein from time to time, by directly sending the relevant e-mail address along with the details of name, address, Folio No., shares held:**


- i) To the Registrar and Share Transfer Agent, Link Intime India Private Limited for shares held in physical form and;
- ii) In respect of shares held in demat mode, also provide DP ID/ Client ID with the above details and register the same with their respective Depository Participants.

Upon registration of the e-mail address(es), the Company proposes to send Notices, Annual Report and such other documents to those members via electronic mode/e-mail.

xxi In support of the "Green Initiative" undertaken by Ministry of Corporate Affairs, the Company had sent the Annual Report for the year 2011-12 by e-mail to those shareholders whose e-mail address(es) were made available to the depositories or to the Registrar and Transfer Agent. Physical copies were sent to only those shareholders whose e-mail address(es) were not available and for the bounced e-mail cases.

As a responsible citizen, your Company strongly urges you to support the Green Initiative by giving positive consent by registering/updating your e-mail addresses with the Depository Participants or to the Registrar and Transfer Agent for receiving soft copies of various communications including the Annual Reports.

**By order of the Board**



**Prashant Khattry**  
**Head (Legal) & Company Secretary**

Place: Faridabad  
Date: 26 June, 2013

#### **EXPLANATORY STATEMENT**

(Pursuant to Section 173(2) of the Companies Act, 1956)

#### **ITEM NO. 6**

Mr. Sameer Kanwar is presently designated as Joint Managing Director of the Company. He holds a Bachelor's Degree in Business Economics from York University, Canada. After completing his Graduation, he received two years training in the areas of Planning, Finance and Control at ZF Friedrichshafen AG, Germany, the world's largest maker of drivelines and chassis for Automobiles.

He has deep exposure in Marketing, Purchase, Production and in HR Management. He has in-depth knowledge of the core business of the





Company i.e. Automotive Gears. His belief lies in the fact that, creation of a successful organisation needs fostering of people and developing a climate that recognizes performance and leadership.

He has wholesome exposure on all aspects of business of the Company and is engaged in supervision & conduct of Faridabad Plant of the Company, along with a team of senior management personnel, who assist him in carrying out his activities, subject to the overall supervision & control of the Board.

He has been associated with the Company since 2002. He had been Executive Director-Strategic Planning upto 31st May, 2008 and has been appointed as the Joint Managing Director of the Company w.e.f 1st June, 2008 for a period of 5(five) years. The tenure of Mr. Sameer Kanwar as Joint Managing Director of the Company is expiring on 31st May, 2013.

Mr. Sameer Kanwar has been instrumental in pressing forward the art of gear manufacturing and keeping abreast with the latest technology for delivering the highest quality of products. He has inherited an enormous legacy and shouldered higher assignments during his tenure with the Company. His sincerity, commitment and ideas have resulted in opening up of new opportunities for the Company.

Recently, under his guidance, a new automotive gear plant has been set up at Lonand, District Satara, Maharashtra, of which commercial production will commence in FY2014. He will supervise the overall operations of the new automotive gear plant.

Pursuant to the provisions of Sections 192(4), 198, 269, 302(2), 303(2), 309, 310, 311, 316, 317, Schedule XIII as applicable and other applicable provisions, if any of the Companies Act, 1956, the re-appointment of Mr. Sameer Kanwar as Joint Managing Director has been recommended by the Remuneration Committee in its Meeting held on 28th May, 2013 and further approved by the Board of Directors in its meeting held on 29th May, 2013.

Therefore, the Board of Directors propose to re-appoint Mr. Sameer Kanwar as Joint Managing Director of the Company for a further period of 5(five) years with the remuneration as stated below for a period of 3(three) years w.e.f 1st June, 2013 at the terms and conditions as set out below:

A) Basic Salary:Rs. 8,06,000 per month in the grade of Rs. 8,06,000-80,600-8,86,600-88,660-9,75,260.

B) Allowances and perquisites:

- i. In addition to the aforesaid salary, he shall be entitled for leased accommodation or House Rent Allowance and
- ii. Perquisites the total value of which, wherever applicable, shall be computed as per the provisions of Income Tax Act, 1961 read with the applicable Income Tax Rules, as amended from time to time, and for the time being in force. In case of absence of any such Rule(s), the value of the said perquisite shall be computed at the actual cost incurred.

The total of above i.e. (i) & (ii) shall not exceed 1/3rd of his basic salary per month.

C) Commission:In addition to the above salary and perquisites, commission not exceeding @ 1.5% (One and half percent only) of the Net Profits of the Company, in any year computed in the

manner laid down under Sections 198, 309, 349 and 350 and other applicable provisions of the Companies Act, 1956, may also be paid, as may be determined by the Board of Directors, based on the Net Profits of the Company.

D) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act, Gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

E) Other terms:

1. He shall be entitled to re-imbursement of actual out-of-pocket expenses incurred in connection with the business of the Company.
2. He shall be entitled to reimbursement of entertainment expenses incurred by him for the best interest of the Company.
3. As long as he functions as Joint Managing Director, he shall not be paid any sitting fees to attend any meeting of the Board and/or Committee thereof.
4. He shall be entitled to earned/privileged leave as per the rules of the Company.
5. In the event of absence of profits or inadequacy of profits in any financial year, he will be entitled to the payment of salary and perquisites(except commission), as set out under points (A) and (B) above, as minimum remuneration, subject to the approval of the Central Government, if required notwithstanding the fact that it may exceed the limits prescribed under Schedule XIII of the Companies Act, 1956, along with the perquisites stated under point (D) above which are not included in the computation of limits for the remuneration or perquisites aforesaid.
6. Subject to the superintendence, control and direction of the Board of directors of the Company, he shall perform such duties and functions as would be commensurate with his position as the Joint Managing Director of the Company and as may be delegated to him from time to time.
7. He shall not be liable to retire by rotation.

The Company shall pay the above said remuneration to Mr. Sameer Kanwar, Joint Managing Director upon the receipt of the approval of the Central Government, if required effective from the date as specified in such approval.

Further, pursuant to the provisions of Sections 192(4), 198, 269, 302, 303(2), 309, 310, 311, 316, 317, 640B, Schedule XIII as applicable and other applicable provisions, if any, of the Companies Act, 1956, the said terms & conditions of remuneration are subject to the approval of the Central Government and all other requisite approvals, as may be required in this regard, are being placed for the approval of the Shareholders in the Annual General Meeting.

Therefore, the Board of Directors of your Company recommends the passing of Special Resolution as set out at Item No. 6 of the Notice.

## INSPECTION OF DOCUMENTS

All resolutions passed in this regard are available for inspection by the members of the Company, at its Registered Office, during the office hours between 11.00 A.M. to 1.00 P.M., on all working days except Sundays upto the date of the Annual General Meeting and shall also be available at the venue of the Meeting.

## NATURE OF INTEREST IN THE RESOLUTION

Except Mr. Sameer Kanwar, himself and his father, Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company, no other Director is concerned or interested in the passing of the above resolution(s) as set out in Item No.6 of the notice.

By order of the Board



Place: Faridabad  
Date: 26 June, 2013

**Prashant Khattry**  
Head (Legal) & Company Secretary

**Brief Resume of the Directors to be re-appointed at the forthcoming Annual General Meeting in pursuance to Clause 49 IV(G) of the Listing Agreement.**

### 1. Mr. Rakesh Chopra, Director

Mr. Rakesh Chopra aged 63 years is a Non-Executive Independent Director of the Company since 25th January, 2007. He is a qualified Chartered Accountant (England & Wales) and MBA from Cranfield University, U.K. He had been spearheading various industry groups at top levels including Escorts Limited. He has rich experience of around 36 years.

He is the Chairman of Finance Committee and also a member of the Audit Committee and Shareholders'/Investors' Grievance Committee of Bharat Gears Limited.

**Mr. Rakesh Chopra is a Director and Chairman/Member of Committees of Board of the following other Companies:**

| Sl.No. | Name of the Company/ Entity in which interested | Committee Chairmanship/Membership |
|--------|---|-----------------------------------|
| 1      | Fairfield Atlas Limited                         | Member- Audit Committee           |
| 2      | Fairfield Atlas Limited                         | Member- Remuneration Committee    |
| 3      | Minda Corp. Limited                             | Chairman- Audit Committee         |

**Mr. Rakesh Chopra holds Directorship in the following Private Limited Companies:**

| Sl.No. | Name of the Company/Entity in which interested |
|--------|--|
| 1      | GPR Enterprises Private Limited                |
| 2      | Kempty Cottages Private Limited                |
| 3      | Pragma Holdings Private Limited                |
| 4      | Cleantec Infra Private Limited                 |

As on 31st March, 2013, he does not hold any share in the Company.

### 2. Mr. W.R. Schilha, Director

Mr. W.R. Schilha aged 62 years is a Graduate of Business Administration. He is a Non-Executive Independent Director on the Board of the Company since 26th February, 1986 as a representative of ZF Friedrichshafen AG, Germany, the erstwhile foreign collaborator. However, after withdrawal of his nomination from the Board, Mr. W.R. Schilha was appointed as a regular Director of the Company on 16th May, 2007 in his personal capacity. He is Chairman of ZF Drivetech (Suzhou) Limited in Suzhou, PR, China, ZF Hungaria Kft, Eger, Hungary and ZF-Beiben Drivetech Company Limited, Chongqing PRC. He is immensely experienced and has international exposure on various facets of auto industry as a whole including gear technology. He is having expertise in the area of sales, marketing and service.

**Mr. W.R. Schilha is a Director and Chairman/Member of Committees of Board of the following other Companies:**

| Sl.No. | Name of the Company/ Entity in which interested | Committee Chairmanship/Membership |
|--------|---|-----------------------------------|
|        | ---   | --                                |

**Mr. W.R. Schilha holds Directorship in the following Private Limited Companies:**

| Sl.No. | Name of the Company/Entity in which interested |
|--------|--|
|        | ---  |

As on 31st March, 2013, he does not hold any share in the Company.





**STATEMENT OF PARTICULARS  
(PURSUANT TO SCHEDULE-XIII OF THE COMPANIES ACT, 1956)**

**MR. SAMEER KANWAR, JOINT MANAGING DIRECTOR**

**I. GENERAL INFORMATION**

| Sl. No. | Particulars/Subject  | Information   |
|---------|--|---|
| 1.      | Nature of industry   | Manufacture of Automobile Gears.  |
| 2.      | Date or expected date of commencement of commercial production.  | 15th January, 1972  |
| 3.      | In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. | N.A   |
| 4.      | Financial performance based on given indicators  | In the Financial Year 2012-2013, the Company made a turnover of ` 432.72 Crores (including other income) and Profit Before Tax (PBT) of ` 7.45 Crores as the continued effect of recession has adversely affected the Auto Sector which has an adverse impact on the turnover of the Company which ultimately hit the bottom line of the Company. In spite of the adverse environment, our Company's performance in 2012-2013 was credible as the Company has been able to sustain on its total turnover which is down by 9% and more importantly, the Company continued to generate profit-Profit After Tax (PAT) was ` 4.97 Crores in 2012-2013. And recently, the Company has inaugurated a new plant at Lonand, District Satara, Maharashtra on 13th May, 2013 for gearing up for future growth |
| 5.      | Export performance and net foreign exchange collections  | During the financial year ended 31st March 2013, Export of goods on FOB basis: ` 82.44 Crores (Previous Year ` 74.04 Crores). Other export earnings: ` 4.77 Crores (Previous Year ` 6.55 Crores)  |
| 6.      | Foreign Investments or collaborators, if any.  | No such investment or collaboration except minor shareholding of Non Resident Indians.  |

**II. INFORMATION ABOUT THE APPOINTEE**

| Sl. No. | Particulars/Subject | Information  |
|---------|---------------------|--|
| 1.      | Back ground Details | <p>Mr. Sameer Kanwar has been associated with the Company since 2002. He holds a Bachelor's Degree in Business Economics from York University, Canada. After completing his Graduation, he received two years training in the areas of Planning, Finance and Control at ZF Friedrichshafen AG, Germany, the world's largest maker of drivelines and chassis for Automobiles.</p> <p>He had been Executive Director-Strategic Planning up to 31st May, 2008 and has been appointed as the Joint Managing Director of the Company w.e.f 1st June, 2008.</p> <p>He has deep exposure in Marketing, Purchase, Production and in HR Management. He has in-depth knowledge of the core business of the Company i.e. Automotive Gears. His belief lies in the fact that, creation of a successful organisation needs fostering of people and developing a climate that recognizes performance and leadership.</p> <p>He has wholesome exposure on all aspects of business of the Company and is engaged in supervision &amp; conduct of Faridabad Plant of the Company, along with a team of senior management personnel, who assist him in carrying out his activities, subject to the overall supervision &amp; control of the Board.</p> |



## II. INFORMATION ABOUT THE APPOINTEE ....contd.

| Sl. No. | Particulars/Subject   | Information  |
|---------|---|--|
|         |   | Recently, under his guidance, a new automotive gear plant has been set up at Lonand, District Satara, Maharashtra, of which commercial production commence in FY2014. He will supervise the overall operations of the new automotive gear plant.   |
| 2.      | Past remuneration   | During his present tenure as Joint Managing Director of the Company, the remuneration as paid to Mr. Sameer Kanwar for the Financial Year 2012-2013 is ₹ 57.29 Lacs as a minimum remuneration paid in terms of Section II Part II of Schedule XIII of the Companies Act, 1956. A total provision of ₹ 50.80 Lacs has been made on account of application filed with the Central Government for revised remuneration w.e.f 1st June, 2012.  |
| 3.      | Recognition or awards   | During the tenure of Mr. Sameer Kanwar, he has received various recognition and awards, such as Business Sphere Award Most respected and India's largest Gears Manufacturing Company, Toyota Kirloskar Suppliers Association in category of quality, "Valued contribution to John Deere Global business" from John Deere Pune Works, "Outstanding Delivery performance" from Spicer, "Best Supplier" from New Holland towards contribution in new projects. Certification under ISO 14001:2004, ISO/TS 16949 awarded to Bharat Gears Ltd as management system audited has been found according to the standard required.   |
| 4.      | Job profile and his suitability   | Mr. Sameer Kanwar has been instrumental in pressing forward the art of gear manufacturing and keeping abreast with the latest technology for delivering the highest quality of products. He has inherited an enormous legacy and shouldered higher assignments during his tenure with the Company. His sincerity, commitment and ideas have resulted in opening up of new opportunities of the Company. In view of his enriched experience, appreciable contribution and enlarged leadership, the Board proposes the reappointment of Mr. Sameer Kanwar, Joint Managing Director, for further period of 5 years w.e.f. 1st June 2013 to 31st May 2018, as per the details stated in explanatory statement of Item No. 6 of the Notice.   |
| 5.      | Remuneration proposed   | Salary, other perquisites and other terms as fully set out in the explanatory statement of item no. 6 of the Notice.   |
| 6.      | Comparative remuneration profile with respect to industry, size of the company, profile of the position and person. | The proposed remuneration is comparative with the remuneration being paid to the Chairman & Managing Director/ Joint Managing Director of the Companies of the same size in the industry.  |
| 7.      | Pecuniary relationship directly or indirectly with the company personnel, if any                                    | <p>Mr. Sameer Kanwar, Joint Managing Director and Mr. Surinder P. Kanwar, Chairman &amp; Managing Director, are the two Whole time Directors (WTDs) in the Company and both are related as father and son. The WTDs do not have, direct and indirect, any pecuniary transactions with the Company which is prejudicial to the interest of the Company. Except the WTDs, no other director or relative is having any material pecuniary relationships with the Company. During the period ended on 31st March 2013, related party transaction amounted to ₹ 1.62 Crores (FY 2011-12: ₹ 5.22 Crores). The WTDs also drew their remunerations in the period amounting to ₹ 3.24 Crores* (FY 2011-12: ₹ 2.85 Crores.)</p> <p>(*Includes provision of ₹ 50.80 Lacs made on basis of Shareholders approval in excess of the limit specified under Section 198 read with Schedule XIII to the Companies Act, 1956 which is subject to approval of the Central Government for which applications have been made by the Company).</p> <p>The Company discloses the related party transactions annually in the books of accounts of the Company. The Audit Committee discusses</p> |



|  |  |  |
|--|--|--|
|  |  | and approves such transactions every quarter. The Board of Directors duly approves the related party transactions and in the opinion of Board of Directors of the Company, none of the transactions is prejudicial to the interest of the Company. |
|--|--|--|

### III. OTHER INFORMATION

| Sl. No. | Particulars/Subject  | Information  |
|---------|--|--|
| 1.      | Reason of loss or inadequate profits                                   | In the Financial Year ended 31st March 2013, the Company made Profit before Tax of ₹ 7.45 Crores. The proposed remuneration exceeds the limits of Schedule XIII of the Companies Act, 1956. There is no loss in the Company.   |
| 2.      | Steps taken or proposed to be taken for improvement                    | <p>Performance during the financial year ended 31st March, 2013 was affected due to the economic slowdown. The hike in cost of the petroleum products and volatility in the raw material prices squeezed the margins during the year 2012-13.</p> <p>The company has adopted the following measures to improve the profitability:</p> <ul style="list-style-type: none"> <li>- Set up of new plant at Lonand, District Satara, Maharashtra there by increasing the production capacity of the company.</li> <li>- Modernisation of existing facilities to improve all operating efficiency and gear up for catering to higher demand from OEMs.</li> <li>- Widening of customer base and better market penetration, especially in overseas market.</li> <li>- Conscious effort to develop products/customers base in alternate market segments.</li> <li>- Technology upgradation by way of investing in state of the art machinery to meet stringent quality requirements of customers.</li> <li>- Focus on significant improvements in operating costs.</li> <li>- Cost control in all areas</li> <li>- Deeper penetration in the replacement market in India &amp; abroad.</li> <li>- Improvement in OE &amp; Export Sales</li> <li>- Improving the quality to make products competitive in Indian &amp; Overseas markets.</li> </ul> |
| 3.      | Expected increase in the productivity and profits in measurable terms. | It is difficult to forecast the productivity and profitability in measurable terms. However, Company expects that productivity and profitability may improve and would be comparable with the industry average.  |



# DIRECTORS' REPORT

To The Members

The Directors have pleasure in submitting 41st Annual Report together with Audited Accounts of your Company for the year ended on 31st March, 2013.

|  | Financial year ended |            |
|--|----------------------|------------|
|  | (` Crore)            |            |
| Financial Results  | 31.03.2013           | 31.03.2012 |
| Revenue from operations and other income (gross)                     | 432.72               | 473.47     |
| Profit before finance cost and depreciation and amortisation expense | 30.65                | 50.23      |
| Finance Cost   | 11.65                | 12.69      |
| Depreciation and Amortisation expense                                | 11.55                | 10.78      |
| Profit before tax  | 7.45                 | 26.76      |
| Less: Tax Expense  | 2.48                 | 8.17       |
| Profit after tax   | 4.97                 | 18.59      |
| Surplus in Statement of Profit and Loss                              |                      |            |
| Opening balance  | 28.70                | 14.91      |
| Add: Profit for the year   | 4.97                 | 18.59      |
| Less: Interim dividend   |                      |            |
| Preference   | -                    | 0.10       |
| Less: Proposed Dividend  |                      |            |
| Equity   | 1.41                 | 1.41       |
| Tax on distributed profits   | 0.23                 | 0.25       |
| Transferred to General Reserve                                       | 0.75                 | 2.00       |
| Transferred to capital redemption reserve                            | -                    | 1.04       |
| Closing Balance  | 32.92                | 28.70      |

## DIVIDEND

Considering the Company's financial performance, the Directors have recommended a dividend of ` 1.80/- per equity share on 7817833 equity shares of the company, subject to the approval of the shareholders at the ensuing Annual General Meeting, for the year under review.

This will involve a cash outflow of ` 1.64 crore including dividend distribution tax of ` 0.23 crore.

## FINANCIAL PERFORMANCE

The Company's financial performance was affected by a drop in sales due to overall slowdown in the Indian economy and the related fall in demand from domestic customers in the automotive and construction and mining sectors in India.

### Key financial figures: FY 2012-2013

- In view of the fall in demand in the domestic markets, the Company's revenue from operations and other income (gross) declined by 8.61% to ` 432.72 crore in FY 2013.
- The drop in sales volumes resulted in lower absorption of fixed costs resulting in EBIDTA margin reducing to 7.08 % in FY 2012 - 2013 from 10.61% in FY 2011 - 2012.
- Consequently, PAT was lower at ` 4.97 crore in FY 2012 - 2013 compared to ` 18.59 crore in FY 2011 - 2012.
- It should be noted that the profits for FY 2012 included a net positive impact of ` 3 crore, on account of profit on sale /transfer of leasehold rights in respect of part of Company's leasehold land. This was a one-time gain that

should be removed from year on year financial comparisons.

During FY 2013, with a view to augment long-term funds to part-finance the Company's existing capital expenditure programme, BGL has raised ` 6.33 crore through cost-effective borrowings. The Company has also raised long term financial resources of ` 11.66 crore in FY 2013 to fund the resource requirement(s) for setting up a new gear manufacturing unit at Lonand, in the district of Satara, Maharashtra. The Company also repaid ` 5.15 Crore of existing borrowings to Financial Institutions and Banks.

The Company has made necessary arrangement for raising long term funds for investments in capacity expansion and technology up gradation in FY 2013-14.

## MANAGEMENT DISCUSSION AND ANALYSIS

A detailed analysis of the Company's operations in terms of performance in markets, manufacturing activities, business outlook, risks and concerns forms part of the Management Discussion and Analysis, a separate section of this report.

## FIXED DEPOSITS

During the year under review, the Company did not accept any fixed deposits. In terms of Section 205C of the Companies Act, 1956, the deposit and interest thereon, which remains unclaimed for a period of seven years from the date when it became due is required to be deposited with the Investor Education and Protection Fund established under the Companies Act, 1956. During the year, there was no amount required to be transferred to Investor Education and Protection Fund.





## CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of Corporate Governance. The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of this Report.

The requisite Certificate of Compliance from Statutory Auditors, Deloitte Haskins & Sells, confirming compliance with the conditions of Corporate Governance, is attached to this Report.

## DIRECTORS

In accordance with Section 256 of the Companies Act, 1956 and the Articles of Association of your Company, Mr. Rakesh Chopra and Mr. W.R. Schilha, Directors retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting.

The brief resume of the Directors proposed to be re-appointed is given in the Corporate Governance Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March, 2013 and of the profits of the Company for the period ended on that date;
- iii) proper and sufficient care has been taken for the maintenance of 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; and
- iv) the annual accounts have been prepared on a going concern basis.

## DISCLOSURES UNDER SECTION 217 OF THE COMPANIES ACT, 1956

Except as disclosed elsewhere in the Annual Report, there have been no material changes and commitments, which can affect the financial position of the Company between the end of financial year and the date of this report.

## PARTICULARS OF EMPLOYEES

Information regarding employees in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is given in Annexure 'A' to the Directors' Report.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

The information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure 'B' to the Directors' Report.

## AUDITORS

The Statutory Auditors, M/s Deloitte Haskins & Sells-Ahmedabad (ICAI Registration No. 117365W) Chartered Accountants (DHS), hold office until the conclusion of the forthcoming Annual General Meeting. The Board recommends for their re-appointment as Statutory Auditors of the Company for the year 2013-2014. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

## AUDITORS' REPORT

The observations of the Auditors in their report are self-Explanatory and/or explained suitably in the Notes forming part of the Financial Statements.

## COST AUDIT

M/s M.K. Kulshrestha & Associates, Cost Accountants, conducted the audit of the cost records of both the plants of the Company for the year ended 31st March, 2012. Further, the Company has proposed their appointment subject to the Central Government approval, as Cost Auditors for auditing the cost records of both the plants of the Company for the year ended 31st March, 2013.

## RECONCILIATION OF SHARE CAPITAL AUDIT

As per the directive of the Securities and Exchange Board of India (SEBI), M/s AGB & Associates, Company Secretaries, Faridabad undertakes a Reconciliation of Share Capital Audit on quarterly basis. The audit is aimed at reconciliation of total shares held in CDSL, NSDL and in physical form with the admitted, issued and listed capital of the Company.

The Reconciliation of Share Capital Audit Reports as submitted by the Auditor on quarterly basis was forwarded to the Bombay Stock Exchange, Mumbai and the National Stock Exchange of India Limited, where the original shares of the Company are listed.

## LISTING OF SHARES

The equity shares of the Company are listed on the Bombay Stock Exchange, Mumbai and National Stock Exchange of India Limited, Mumbai.

## INDUSTRIAL RELATIONS

During the year under review, industrial relations in the Company continued to be cordial and peaceful.

## ACKNOWLEDGEMENTS

The Board of Directors thanks the shareholders for their continued support and they would like to place on record their appreciation for the dedicated services rendered by the Employees at all levels.

The Directors wish to convey their gratitude to the Financial Institutions, Bankers, Customers, Suppliers and Collaborators for the assistance and confidence reposed by them in the Company.

For and on behalf of the Board of Directors

Place: Mumbai  
Dated: 29 May, 2013

**Surinder P. Kanwar**  
Chairman and Managing Director

## Annexure-"A"

Information Pursuant to Section 217 [ 2A ] of the Companies Act, 1956, read with Companies (Particulars of Employees ) Rules, 1975 as amended up to Date and Forming Part of the Directors' Report for the year ended 31st March, 2013

| Sl. No. | Name   | Age in Years | Qualification | Designation                  | Date of Commencement Of Employment | Yrs of Exp. | Remuneration ( ` in Lacs) | Particulars of Last Employment       |
|---------|--|--------------|---------------|------------------------------|------------------------------------|-------------|---------------------------|--------------------------------------|
| A.      | Employed throughout the year ended 31st March, 2013 & were in receipt of Remuneration aggregating not less than ` 60,00,000/- per annum. |              |               |                              |                                    |             |                           |                                      |
| 1.      | Surinder P. Kanwar   | 60           | B. Com.       | Chairman & Managing Director | 01.10.1990                         | 38          | 216.14                    | Managing Director BST Mfg. Ltd.      |
| 2.      | Sameer Kanwar  | 36           | B. A. (Eco.)  | Joint Managing Director      | 01.02.2002                         | 13          | @108.09                   | Management Trainee ZF ( AG ) Germany |

B. Employed for the part of the year ended 31st March, 2013 & were in receipt of Remuneration aggregating not less than ` 5,00,000/- per month- NIL.

### NOTES :

01. Remuneration includes Salary, Allowances, Ex-gratia, Co's Contribution to Provident & Superannuation Funds, and Value of other perquisites on the basis of Income Tax Act, 1961.
02. Except Mr. Sameer Kanwar, Joint Managing Director, who is a relative of Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company, none of the employee is related to any of the Director of the Company.
03. All the appointments except that of Mr. Surinder P. Kanwar & Mr. Sameer Kanwar are Non-Contractual.
- @ Includes total provision of ` 50.80 lacs made on the basis of shareholders approval in excess of the limit specified under Section 198 read with Section 309 and Schedule XIII to the Companies Act, 1956 which is subject to approval of the Central Government for which applications have been made by the Company.

For and on behalf of the Board of Directors



**Surinder P. Kanwar**  
Chairman & Managing Director

Place : Mumbai  
Date : 29 May, 2013

## Annexure - "B"

**Report on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo and forming part of Directors' Report for the year ended 31st March, 2013.**

### A. Conservation of energy:

- a) Energy conservation measures taken :-
  - Conversion of HSEB power from Gas generator power has been completed in Faridabad plant thereby reducing substantial cost of power.
  - Some Machines are retrofitted with CNC systems with which old high consumption motors got replaced.
  - Carburising furnaces has been converted to PNG fuel in Faridabad Plant in order to :
    - Reduce the fuel cost for processing the components in Heat Treatment.
    - Reduce the pollution and make environment clean.
    - Increase the profitability by reduction in operation cost of the plant.
  - Remaining HPMV & HPSV type street lights, shop bay lamps and shop emergency lights were replaced with energy efficient CFL type lamps.
  - Remaining filament type machine lamps were replaced by 9 watts CFL lamps.
  - Additional 100 nos. of roof ventilators driven on natural wind energy were installed to improve shop ventilation & reduced the electrical energy required for good ventilation.
  - Auto control light panels are installed for street lighting to reduce the energy.
- b) Additional investments & proposal, if any being implemented for consumption of energy :-

- Power purchase agreement will be entered at Faridabad thereby further reducing cost of power.
- Cooling tower, Centrifugal pumps & pipe lining for DG Sets & Compressors are to be modified by replacing submersible pumps and auto control system to reduce energy with better water cooling effect.
- Planned for another 100 nos. roof ventilators to improve the ventilation by natural wind energy.
- Tube lights on the shop floors are planned for replacement with dome type CFL lamps.
- Auto power factor control panel is planned to install for improving the power factor to reduce the energy cost.
- Open Access Electrical Power project is being estimated and will try to implement to reduce the electrical energy cost.

### c) Impact of the measures (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :-

Measures adopted in (a) and (b) has helped the company to mitigate the impact of rising costs of petroleum products on cost of purchase.

### d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries in the Schedule thereto :

----- Not Applicable -----



## B. Technology Absorption:

- e) Efforts made in technology absorption are as per Form B of the Annexure:-

### (Form B)

#### Form for disclosure of particulars with respect to absorption

#### Research and development (R & D)

The Company is in the business of manufacturing and supplying

automotive gears to OEMs and for aftermarket sales both for domestic and overseas markets. The nature of business activity carried on by the Company at present does not entail any Research and Development as such. However, the Company extends the design software facility for developing the new products to their customers.

Hence, clauses 1 to 4 relating to Research and Development are not applicable

#### Technology Absorption, adaptation and innovation.

|    |  |  |
|----|--|--|
| 1. | Efforts in brief, made towards technology absorption, adaptation and innovation  | <p>Focus is on technology up gradation.</p> <p>New productive dry cutting machine Klingelnberg CNC - C50 for bevel gears is accepted after proto type samples trails and the machine is under shipment.</p> <p>Gleason Hurth - SRS-410 shaving cutter sharpening machine is in operation . Both of these machines will enhance our capabilities in producing high accuracy gears and also development lead time of new product will get reduce substantially.</p> <p>Spectrometer equipment is under procurement for Metallurgical Laboratory in order to carry out verification of chemistry of incoming steel.</p> <p>Heavy duty and Sun shaft and Planet Gear was developed using new process of Improving Compressive Strength for Off Highway application; also for the same axle dry cut bigger size Spiral Bevel Gear set was developed successfully. Both these parts are under testing at customer's laboratory.</p> <p>Start of series production of MITER [41 x 41 ratio] Spiral Bevel Gear set for Off Highway application.</p> <p>Speed Gears for Passenger Car application are being developed which will involve absorption of Laser Welding technology.</p> <p>Development of two types of "Differential Lock" type Straight Bevel Gears for Off Highway axle is carried out successfully.</p> |
| 2. | Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.   | <p>1) Reduction in lead time of new product development.</p> <p>2) Improvement in the accuracy and consistency of Gears.</p> <p>3) Reduction in processing cost; in case of deletion of operation.</p>   |
| 3. | <p>In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:</p> <p>a) Technology imported</p> <p>b) Year of import</p> <p>c) Has technology been fully absorbed</p> <p>d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.</p> | Not Applicable   |

## C. Foreign Exchange Earnings and Outgo:

|  |   |   |           |           |
|--|---|---|-----------|-----------|
|  | f) Activities relating to exports; initiatives taken to increase export; development of new export markets for products and services; and export plans. | We have identified fresh opportunities in export market which can lead to substantial growth. |           |           |
|  | g) Total foreign exchange used and earned.  | The particulars with respect to foreign earnings and outgo are as follows:<br>( ` In Lacs)    |           |           |
|  |   |   | 2012-2013 | 2011-2012 |
|  | Foreign Exchange Earned   |   | 8721.68   | 8059.69   |
|  | Foreign Exchange used   |   | 1271.31   | 1791.55   |
|  | Net Foreign Exchange earnings   |   | 7450.37   | 6268.14   |

For and on behalf of the Board of Directors

Surinder P. Kanwar  
Chairman & Managing Director

Place : Mumbai  
Date : 29 May, 2013



# CORPORATE GOVERNANCE REPORT

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Corporate Governance at Bharat Gears Limited takes care of overall well-being, sustainability and transparency of the system and takes into account the stakeholders' interest in every business decision. Corporate Governance is a combination of voluntary practices and compliances of laws and regulations leading to effective control and management of the Organization and its valuable resources through effective and transparent business conduct, integrating communication, integrity and accountability towards its stakeholders.

The Company is committed to pursue growth by adhering to the highest national and international standards of Corporate Governance. The Company's philosophy on Corporate Governance is based on the following principles:

- Lay solid foundations for management.
- Promote ethical and responsible decision-making.
- Structure the Board to add value.
- Encourage enhanced performance.
- Safeguard integrity in financial reporting.
- Respect the right of the shareholders.
- Recognise the legitimate interest of shareholders.
- Remunerate fairly and responsibly.
- Recognise and manage business risks.
- Make timely and balanced disclosures.
- Legal and statutory compliances in its true spirit.

Your Company is following transparent and fair practices of good Corporate Governance and its constant endeavor is to continually improve upon those practices. The Company recognizes communication as key element in the overall Corporate Governance framework and therefore, emphasizes on keeping abreast its stakeholders including investors, lenders, vendors and customers on continuous basis by effective and relevant communication through Annual Reports, quarterly results, corporate announcements and reflecting the same on the Company's official website i.e. [www.bharatgears.com](http://www.bharatgears.com).

## 2. BOARD OF DIRECTORS

Your Company has an optimum combination of Executive and Non-Executive Independent Directors on the Board. As on March 31, 2013, the Board consists of 8 members, the Chairman of the Board is an Executive Director and more than half of the strength of the Board consists of Non-Executive Independent Directors. All Non-Executive Independent Directors bring a wide range of expertise and experience to the Board. The Board believes that the current size of the Board is appropriate based on the Company's present requirements.

A brief profile of the members of the Board is also available on the Company's website i.e. [www.bharatgears.com](http://www.bharatgears.com).

### A. Board's definition of Independent Director

Independent Director shall mean Non-Executive Director of the Company who:

- apart from receiving the Director's remuneration, does not have any material pecuniary relationships or transactions with the Company, its promoters, its Directors, its senior management or its holding Company, its subsidiaries and associates which may affect independence of the Director;
- is not related to Promoters, Chairman, Director, Managing Director, Whole Time Director, Secretary, CEO or CFO and to any person in the management at one level below the Board;
- has not been an executive of the Company in the immediately preceding three financial years;
- is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
  - the statutory audit firm or the internal audit firm that is associated with the Company, and
  - the legal firm(s) and consulting firm(s) that have a material association with the entity.
- is not a material supplier, service provider or customer of the Company which may affect independence of the directors. This includes lessor-lessee type relationships also; and
- is not a substantial shareholder of the Company, i.e. owning two percent or more of the block of voting shares.
- is not less than 21 years of age.

The Board of Directors of the Company has decided that the materiality/significance shall be ascertained on the following basis:

- The concept of 'materiality' is relevant from the total revenue inflow and/or outflow from and/or to a particular individual/body, directly or indirectly, during a particular financial year.
- The term 'material' needs to be defined in percentage. One percent (1 per cent) or more of total turnover of the Company, as per latest audited annual financial statement.

It has been confirmed by all the Independent Directors of the Company that as on March 31, 2013, they fulfill the criteria of being "Independent Director" as stipulated under the Clause 49 of the Listing Agreement.

The **Table-1** gives Composition of the Board, Attendance record of the Directors at the Board Meetings and at the last Annual General Meeting (AGM); Number of their outside Directorships and their Memberships/Chairmanships in Board Committees.



**Table-1**

| Sl.No. | Name of Director(s)                 | Category                            | No. of Board Meetings held/ attended | Attendance at last AGM | No. of outside Directorships held <sup>A</sup> | No. of Memberships/ Chairmanships in Board Committees <sup>B</sup> |          |
|--------|-------------------------------------|-------------------------------------|--------------------------------------|------------------------|--|--|----------|
|        |                                     |                                     |                                      |                        |  | Member   | Chairman |
| 1.     | <sup>C</sup> Mr. Surinder P. Kanwar | Chairman and Managing Director      | 5/5                                  | Present                | 2  | 2  | --       |
| 2.     | <sup>C</sup> Mr. Sameer Kanwar      | Joint Managing Director             | 5/5                                  | Present                | --   | 1  | --       |
| 3.     | Mr. W.R. Schilha                    | Non- Executive Independent Director | 5/4                                  | Present                | --   | --   | --       |
| 4.     | Dr. Ram S. Tarneja                  | Non- Executive Independent Director | 5/4                                  | Absent                 | 10   | 5  | 2        |
| 5.     | Mr. N.J. Kamath                     | Non- Executive Independent Director | 5/5                                  | Present                | --   | 1  | 1        |
| 6.     | <sup>D</sup> Mr. V.K. Pargal        | Non- Executive Independent Director | 5/5                                  | Present                | 2  | 3  | --       |
| 7.     | Mr. S.G. Awasthi                    | Non- Executive Independent Director | 5/5                                  | Present                | --   | --   | --       |
| 8.     | Mr. Rakesh Chopra                   | Non- Executive Independent Director | 5/5                                  | Present                | 2  | 3  | 1        |

<sup>A</sup>Excluding directorship in Private Companies, alternate directorship, Companies registered under Section 25 of the Companies Act, 1956 and Foreign Companies.

<sup>B</sup>for the purpose of considering the limit of the Committees on which a Director can serve, all Public Limited Companies, whether listed or not, are included and all other Companies including Private Companies, Foreign Companies and the Companies under Section 25 of the Companies Act, 1956 are excluded. Further, it includes Membership/Chairmanship of Audit Committee and Shareholder's /Investors Grievance' Committee only. None of the Directors of your Company is a Member of more than ten (10) Committees or is the Chairman of more than five (5) committees across all Public Limited Companies in which they are Directors. The Membership/ Chairmanship also includes Membership/ Chairmanship in Bharat Gears Limited.

<sup>C</sup>Mr. Surinder P. Kanwar is father of Mr. Sameer Kanwar. Mr. Sameer Kanwar has been appointed as Joint Managing Director of the Company w.e.f. June 1, 2008.

<sup>D</sup>Mr. V. K. Pargal is also a Director on the Board of Pargal Consultants Pvt. Ltd (PCPL), which is providing consultancy service to the Company in its professional capacity. Professional fees paid to PCPL for the year 2012-2013 is ` 1,21,356/- (including Service Tax @ 12.36%). The Board is of the opinion that such payments in the context of overall expenditure by the Company, is not significant and does not affect his independence. Mr. V.K. Pargal is holding 100 shares of the Company.

Apart from this, no other Non-Executive Director has any pecuniary relationships/transactions vis-à-vis the Company (other than the sitting fees for attending the Board/Committee meetings).

## B. Board Meetings

During the financial year 2012-13, Five (5) Board Meetings were held on the following dates. The gap between any two meetings was not more than four (4) months as mandated in Clause 49 of the Listing Agreement: -

- 30th May, 2012;
- 26th July, 2012;
- 31st October, 2012
- 24th January, 2013 and
- 22nd March, 2013

## C. Information supplied to the Board

The Board has complete access to all information with the Company. The information is provided to the Board on regular basis and the agenda papers for the meetings are circulated in advance of each meeting. The information supplied to the Board includes the following, extent to the applicability during the year as per Clause 49 of the Listing agreement.

- Annual Operating Plans and Budgets.
- Capital budgets and any updates
- Quarterly, Half Yearly and Yearly Results of the Company.
- Minutes of the Meetings of Audit Committee and other Committees of the Board.

The Board periodically reviews the compliance reports of all laws applicable to the Company, prepared by the Company along with the declaration made by all the respective departmental heads and by the Chairman & Managing Director regarding compliance with all applicable laws.

## 3. BOARD COMMITTEES

### A. Audit Committee

#### I. Constitution and Composition

The "Audit Committee" comprises of the following four (4) Non-Executive and Independent Directors, who have financial/ accounting acumen to specifically look into internal controls and audit procedures. All the members are financially literate and have accounting and financial management expertise. The **Table 2** gives the composition of the Audit Committee and the attendance record of members of the Committee:

**Table-2**

| Sl. No. | Name of Member     | Designation | No. of meetings Held/Attended |
|---------|--------------------|-------------|-------------------------------|
| 1.      | Dr. Ram S. Tarneja | Chairman    | 4/3                           |
| 2.      | Mr. V. K. Pargal   | Member      | 4/4                           |
| 3.      | Mr. N. J. Kamath   | Member      | 4/4                           |
| 4.      | Mr. Rakesh Chopra  | Member      | 4/4                           |

In addition to the Members of the Audit Committee, the Chief Financial Officer, Internal Auditors, Cost auditors and the Statutory Auditors attended the meetings of the Committee as invitees. Members held discussions with Statutory Auditors during the meetings of the Committee. The Audit Committee reviewed the quarterly, half-yearly and year to date un-audited and annual audited financials of the Company before submission to the Board of Directors for their consideration and approval. The Committee also reviewed the internal control systems and internal audit reports.

Mr. V.K.Pargal, Member of the Committee acted as the Chairman of the Committee at the last Annual General Meeting due to non-availability of Dr. Ram S. Tarneja and he replied to the queries of the shareholders to their satisfaction.

Mr. Prashant Khattri, Head (Legal) and Company Secretary of the Company acted as Secretary to the Audit Committee Meetings as aforesaid.

#### *II. Audit Committee Meetings*

During the year, four (4) meetings of the Audit Committee were held on the following dates:

- 30th May, 2012;
- 25th July, 2012;
- 31st October, 2012 and
- 24th January, 2013

#### *III. Powers of Audit Committee*

The Audit Committee has been empowered with the adequate powers as mandated in the Clause 49 of the Listing Agreement, which includes the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

#### *IV. Role of Audit Committee*

The role of the Audit Committee includes the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees.
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

- a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any Related Party Transactions.
  - g. Qualifications in the Draft Audit Report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
  - 5A. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
  6. Reviewing, with the management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
  7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of Internal Audit.
  8. Discussion with Internal Auditors any significant findings and follow up there on.
  9. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  10. Discussion with Statutory Auditors before the Audit commences, about the nature and scope of Audit as well as Post-Audit discussion to ascertain any area of concern.
  11. To look into the reasons for substantial defaults in the payment to the Depositors, Debenture Holders, Shareholders (in case of non payment of declared dividends) and Creditors.
  12. To review the functioning of the Whistle Blower mechanism existing in the Company.
  - 12A. Approval of appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background etc. of the candidate.
  13. Reviewing the Company's Financial and Risk Management Policies.





14. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee may also review such matters as may be referred to it by the Board or which may be specified as role of the Audit Committee under amendments, if any, from time to time, to the Listing Agreement, Companies Act and other Statutes.

#### V. Review of Information by Audit Committee

The Audit Committee reviews the following information:

1. Management Discussion and Analysis of financial condition and results of operations;
2. Statement of significant Related Party Transactions (as defined by the Audit Committee), submitted by Management;
3. Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
4. Internal Audit Reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.

### B. Remuneration Committee

#### I. Constitution and Composition

In terms of the non-mandatory requirement of Clause 49 of the Listing Agreement, and Schedule XIII to the Companies Act, 1956, the "Remuneration Committee" was constituted on 22nd April, 2002. The said Committee has been empowered to consider, approve and recommend the remuneration of the Whole Time Director/Managing Director.

Pursuant to Schedule XIII to the Companies Act, 1956 as amended upto date, in case of no profits or inadequate profits, the Remuneration Committee has been empowered to consider, approve and recommend the remuneration of Whole Time Director/Managing Director.

The Remuneration Committee constitutes of following three Directors. **Table 3** gives the details: -

**Table-3**

| Sl.No. | Name of Members    | Designation |
|--------|--------------------|-------------|
| 1.     | Mr. N.J. Kamath    | Chairman    |
| 2.     | Dr. Ram S. Tarneja | Member      |
| 3.     | Mr. V.K. Pargal    | Member      |

During the Financial Year 2012-2013 (1) one meeting of the Committee was convened on May 30, 2012 and it was attended by all the Members of the Committee. The Committee considered and recommended the payment of increased remuneration payable to Mr. Sameer Kanwar, Joint Managing Director of the Company for the remaining period of 1(one) year w.e.f 1st June, 2012 to 31st May, 2013 of his present tenure, on the same terms and conditions as recommended by the remuneration Committee in its Meeting held on 04th May, 2009 and 26th May, 2011 which was approved by the Board of Directors in its meeting held on 04th May, 2009 and 27th May, 2011 and approved by the shareholders in the Extraordinary General Meeting held on 29th May, 2009.

The Chairman of the Remuneration Committee was present at the last Annual General Meeting, to answer the shareholders' queries.

The remuneration policy of the Company is based on criteria such as industry benchmarks, the Company's performance vis-à-vis the industry, responsibilities shouldered, performance/ track record, macro economic review on remuneration packages of heads of other organizations with a need to attract the best available talent.

### C. Shareholders'/Investors' Grievance Committee

The "Shareholders'/Investors' Grievance Committee" has been empowered to look into the Shareholders'/Investors' grievances i.e Non-receipt of Annual Reports, Dividend payments, other miscellaneous complaints and redressal of the same. The said Committee is also authorised to effect transfers/transmissions of Equity Shares/Debentures and other securities and also to issue Duplicate Share Certificates and other securities and matters related or incidental thereto.

The **Table-4** gives the composition of the Shareholders'/Investors' Grievance Committee and the attendance record of Members of the Committee:

**Table-4**

| Sl. No. | Name of Member    | Designation | No. of meetings Held/Attended |
|---------|-------------------|-------------|-------------------------------|
| 1.      | Mr. N. J. Kamath  | Chairman    | 2/2                           |
| 2.      | Mr. Sameer Kanwar | Member      | 2/2                           |
| 3.      | Mr. Rakesh Chopra | Member      | 2/2                           |

Mr. N. J. Kamath and Mr. Rakesh Chopra are the Non-Executive Independent Directors and Mr. Sameer Kanwar is Joint Managing Director of the Company.

#### I. Shareholders'/Investors' Grievance Committee Meetings

During the Financial Year 2012-13, the Committee met two (2) times on 30th May, 2012 and 31st August, 2012 and 202 Letters/Requests/Complaints were received from the shareholders till 31st March, 2013; and were replied/ resolved to the satisfaction of the shareholders. All the requests for transfers and transmissions have been duly acted upon and no such request was pending as on 31st March, 2013.

#### II. Sub-Committee

In order to have speedy disposal of the Shareholders'/Investors' requests for transfer and transmission, a Sub-Committee consisting of the following Directors/Officers of the Company is in place for effecting transfer/transmission/split/consolidation of shares;

- a. Mr. Surinder P. Kanwar, Chairman and Managing Director
- b. Mr. Sameer Kanwar, Joint Managing Director
- c. Mr. P.C. Kothari, Head (Finance and Accounts)
- d. Mr. Prashant Khattri, Head (Legal) and Company Secretary

Any two of the above are authorised to consider and approve the transfer/transmission/ split/consolidation of shares. The Sub-Committee is attending to Share Transfer formalities at least once in a fortnight.

#### D. Finance Committee

The "Finance Committee" of the Board of Directors of the Company is in existence which has been empowered to take care of the financing and other day to day requirements of the Company. The said Committee is authorised to borrow monies, make loans, issue shares etc. and matters related or incidental thereto.

The **Table-5** gives the composition of the Finance Committee:

**Table-5**

| Sl.No. | Name of Members        | Designation |
|--------|------------------------|-------------|
| 1.     | Mr. Rakesh Chopra      | Chairman    |
| 2.     | Mr. Surinder P. Kanwar | Member      |
| 3.     | Mr. Sameer Kanwar      | Member      |
| 4.     | Mr. S.G. Awasthi       | Member      |

Mr. Rakesh Chopra and Mr. S.G. Awasthi are the Non-Executive Independent Directors, Mr. Surinder P. Kanwar is Chairman &

Managing Director and Mr. Sameer Kanwar is Joint Managing Director of the Company.

During the year, no meeting of the Finance Committee was convened.

#### 4. COMPLIANCE OFFICER

Mr. Prashant Khattry, Head (Legal) & Company Secretary is the Compliance Officer of the Company.

#### 5. DIRECTORS

Re-Appointment of existing Non-Executive Rotational Directors

As required under Clause 49 of the Listing Agreement, the information or details pertaining to the Directors seeking appointment/ re-appointment in the ensuing Annual General Meeting, are furnished below.

The **Table-6** gives the information pertaining to the directors who are to be re-appointed in the forthcoming Annual General Meeting:

**Table-6**

| Sl.No. | Particulars of Directors   |
|--------|--|
| 1      | <p><b>Mr. Rakesh Chopra, Director</b></p> <p><b>Brief Resume:</b> Mr. Rakesh Chopra aged 62 years is a Non-Executive Independent Director of the Company since 25th January, 2007. He is a qualified Chartered Accountant (England &amp; Wales) and MBA from Cranfield University, U.K. He had been spearheading various industry groups at top levels including Escorts Limited. He has rich experience of around 36 years. He is the Chairman of Finance Committee and also a member of the Audit Committee and Shareholders'/Investors' Grievance Committee of Bharat Gears Limited.</p> <p>As on 31st March, 2013, he does not hold any Share in the Company.</p>  |
| 2      | <p><b>Mr. W.R. Schilha, Director</b></p> <p><b>Brief Resume:</b> Mr. W.R. Schilha aged 62 years is a Graduate of Business Administration. He is a Non-Executive Independent Director on the Board of the Company since 26th February, 1986 as a representative of ZF Friedrichshafen AG, Germany, the erstwhile foreign collaborator. However, after withdrawal of his nomination from the Board, Mr. W.R. Schilha was appointed as a regular director of the Company on 16th May, 2007 in his personal capacity. He is Chairman of ZF Drivotech (Suzhou) Limited in Suzhou, PR, china and ZF-Beiben Drivotech Company Limited, Chongqing PRC. He is immensely experienced and has international exposure on various facets of auto industry as a whole including gear technology. He is having expertise in the area of sales, marketing and service.</p> <p>As on 31st March, 2013, he does not hold any Share in the Company.</p> |





## 6. GENERAL BODY MEETINGS

The last three Annual General Meetings of the Company were held as detailed below:

### Annual General Meeting

| Financial Year | Venue  | Date & Time              | Special Resolution(s) Passed  |
|----------------|--|--------------------------|---|
| 2011-2012      | Faridabad Industries Association, FIA House, Bata Chowk, Faridabad-121001 (Haryana)  | 26.07.2012<br>11.30 A.M. | No  |
| 2010-2011      | Faridabad Industries Association, FIA House, Bata Chowk, Faridabad-121001 (Haryana)  | 26.07.2011<br>12.00 Noon | No  |
| 2009-2010      | Faridabad Industries Association, FIA House, Bata Chowk, Faridabad -121001 (Haryana) | 29.07.2010<br>04.30 P.M. | Yes<br><br>Re-appointment of Mr. Surinder P. Kanwar as Chairman & Managing Director for a further period of 5 (five) Years with increased remuneration. |

### Extra-ordinary General Meetings

No Extraordinary General Meeting of the Company was held during the Financial Year ended 31st March, 2013.

### Postal Ballot

During the Financial Year 2012-2013, the Company has obtained the approval of its members under Section 17 of the Companies Act, 1956 for the alteration of the Objects Clause of Memorandum of Association (MOA) of the Company by passing a resolution as Special Resolution through Postal Ballot in accordance with the procedure prescribed in terms of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolutions by Postal Ballot) Rules, 2011. Mr. Sameer Kanwar, Joint Managing

Director and Mr. Prashant Khattri, Head (Legal) & Company Secretary of the Company were authorised by the Board of Directors of the Company to conduct the Postal Ballot Process and Mr. Anant Kumar Jha of M/s. A.K. Jha & Associates, Company Secretaries, New Delhi was appointed as the Scrutinizer by the Board to conduct the said Postal Ballot Process in fair and transparent manner.

The result of voting, conducted through Postal Ballot for passing of the Special Resolution under Section 17 of the Companies Act, 1956, relating to the alteration of objects clause of the Memorandum of Association (MOA) of the Company by adding Clause (e) after the existing Clause (d) under the main objects of the Company thereof had been announced by the Chairman and Managing Director on 18th September, 2012 and the same is reproduced here:

| Particulars  | No of Postal Ballot Forms | No. of shares | % of total Paid Up Equity Capital                                 |
|--|---------------------------|---------------|---|
| Total Postal Ballot forms received                   | 125                       | 41,60,589     | 53.22   |
| Less : Invalid Postal Ballot forms (as per register) | 04                        | 1,060         | 0.01  |
| Net valid Postal forms (as per register)             | 121                       | 41,59,529     | 53.21   |
| Postal Ballot forms with assent for the resolution   | 117                       | 41,58,879     | 53.20<br>(representing 99.99% votes cast in favour of resolution) |
| Postal Ballot forms with dissent for the resolution  | 04                        | 650           | 0.01  |

No special resolution is proposed to be conducted through Postal Ballot.

## 7. DISCLOSURES

### A. Basis of Related Party Transactions

During the year 2012-2013, there were no material individual transactions with related parties, which are not in normal course of

business or are not on an Arm's Length basis. The statements in summary form of transactions with Related Parties in the ordinary course of business are placed periodically before the Audit Committee for its consideration and review. All disclosures related to financial and commercial transactions where Directors are interested are provided to the Board and the interested Directors neither participated in the discussion nor did they vote on such matters. The details of the Related Party Transactions during the year are given in the Notes forming part of financial statements.



## B. Disclosure of Accounting Treatment in preparation of Financial Statements

Bharat Gears Limited has followed the guidelines of Accounting Standards as mandated by the Central Government in preparation of its financial statements.

## C. Risk Management Framework

The Company has in place mechanisms to inform Board Members about the risk assessment and minimization procedures and periodical review to ensure that executive management controls risk by means of a properly defined framework.

A detailed note on Risk Management is given in the Management Discussion and Analysis section forming part of the Directors Report.

## D. Compliance by the Company

There were no instances of any non compliance by the Company or any penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any other Statutory Authority, on any matter related to the Capital Markets, during the last three years.

## G. Remuneration of Directors for 2012-2013

| Name of Members        | Sitting Fees | Salaries and Perquisites                        |        | Total  |
|------------------------|--------------|---|--------|--------|
| Mr. N. J. Kamath       | 0.97         | Nil   |        | 0.97   |
| Mr. V. K. Pargal       | 0.87         | Nil   |        | 0.87   |
| Dr. Ram S. Tarneja     | 0.77         | Nil   |        | 0.77   |
| Mr. W.R. Schilha       | 0.32         | Nil   |        | 0.32   |
| Mr. S.G. Awasthi       | 0.49         | Nil   |        | 0.49   |
| Mr. Rakesh Chopra      | 0.92         | Nil   |        | 0.92   |
|                        |              | Sub-Total (A)                                   |        | 4.34   |
| Mr. Surinder P. Kanwar | Nil          | • Salary  | 138.60 | 216.14 |
|                        |              | • Contribution to provident and other (*)       | 37.42  |        |
|                        |              | • Monetary value of perquisites (**)            | 40.12  |        |
| Mr. Sameer Kanwar      | Nil          | • Salary and allowances                         | 76.30  | @      |
|                        |              | • Contribution to provident and other funds (*) | 11.57  | 108.09 |
|                        |              | • Monetary value of Prerequisites               | 20.22  |        |
|                        |              | Sub Total                                       |        | 324.23 |
|                        |              | Grand Total                                     |        | 328.57 |

\*Excludes provision for gratuity which is determined on the basis of actuarial valuation done on an overall basis for the Company.

\*\*Excludes provision for compensated absences which is made based on the actuarial valuation done on an overall basis for the Company.

@ Includes total provision of ` 50.80 lacs made on the basis of shareholders approval in excess of the limit specified under Section 198 read with Section 309 and Schedule XIII to the Companies Act, 1956 which is subject to approval of the Central Government for which applications have been made by the Company.

There is no notice period or severance fee in respect of appointment of any of the above Managerial Personnel. Neither Mr. Surinder P. Kanwar nor Mr. Sameer Kanwar is entitled for any performance linked incentives and the Company does not have any Stock Option Scheme.

## H. CEO/CFO Certification

Certificate from Mr. Surinder P. Kanwar, Chairman and Managing Director and Mr. Milind Pujari, Chief Financial Officer in terms of

## E. Management

Management Discussion and Analysis forms part of the Annual Report to the Shareholders for the Financial Year 2012-2013.

## F. Whistle Blower

The Company has established an effective mechanism called Whistle Blower Policy (Policy) which is available at the Company's website [www.bharatgears.com](http://www.bharatgears.com). The mechanism under the Policy has been appropriately communicated within the organisation. The purpose of this policy is to provide a framework to promote responsible whistle blowing by employees. It protects employees wishing to raise a concern about serious irregularities, unethical behaviour, actual or suspected fraud within the Company by reporting the same to the Audit Committee. A separate e-mail i.e. [whistleblower@bglindia.com](mailto:whistleblower@bglindia.com) has been designated for the purpose.

During the year, no unethical behavior has been reported. Further, the Company has not denied any personnel access to the Audit Committee and it will provide protection to Whistle Blower, if any, from adverse personnel action.

## I. Code of Conduct and Corporate Ethics

### • Code of Business Conducts and Ethics

Bharat Gears Limited believes that Good Corporate Governance is the key to the Conduct of Company's Business in a transparent,



reliable and vibrant manner. It is of paramount importance for any Company to create an atmosphere of faith, integrity, accountability, responsibility and financial stability by adhering to commitment, ethical business conduct, a high degree of transparency thereby unlocking the individual intellectual capabilities and enabling its Board of Directors to conduct its duties under a moral authority, which ultimately leads to enhance legitimate needs and value of the stake holders. A copy of this code has been posted at Company's official website i.e. [www.bharatgears.com](http://www.bharatgears.com).

• *Code of Conduct for Prevention of Insider Trading*

The Company has a comprehensive Code of Conduct for its Management, Staff and Directors for prevention of Insider Trading in compliance with SEBI (Prohibition of Insider Trading) Regulations, 1992 and SEBI (Prohibition of Insider Trading) Amendment

Regulations, 2011. The code lays down the guidelines and procedures to be followed and disclosures to be made while dealing with the Shares of the Company and cautioning them on the consequences of noncompliances. The pieces of the price sensitive information are disseminated to the Stock Exchanges timely, adequately and promptly on continuous basis for prevention of Insider Trading. The Company Secretary has been appointed as Compliance Officer and is responsible for adherence to Code for prevention of Insider Trading. A copy of same has been posted at the official website of the Company i.e. [www.bharatgears.com](http://www.bharatgears.com).

**J. Mandatory Requirements**

The Company has complied with all the mandatory requirements of Clause 49 of Listing Agreement entered into with Stock Exchanges. Details of compliances are given below:

| Particulars  | Clause of Listing Agreement | Compliance Status |
|--|-----------------------------|-------------------|
| <b>I. Board of Directors</b>   | 49(I)                       | Yes               |
| (A) Composition of Board   | 49(IA)                      | Yes               |
| (B) Non-executive directors compensation and disclosure                | 49(IB)                      | Yes               |
| (C) Other provisions as to Board and committees                        | 49(IC)                      | Yes               |
| (D) Code of Conduct  | 49(ID)                      | Yes               |
| <b>II. Audit Committee</b>   | 49(II)                      | Yes               |
| (A) Qualified and independent Audit Committee                          | 49(IIA)                     | Yes               |
| (B) Meeting of Audit Committee   | 49(IIB)                     | Yes               |
| (C) Power of Audit Committee   | 49(IIC)                     | Yes               |
| (D) Role of Audit Committee  | 49(IID)                     | Yes               |
| (E) Review of information by Audit Committee                           | 49(IIE)                     | Yes               |
| <b>III. Subsidiary Companies</b>                                       | 49(III)                     | N.A.              |
| <b>IV. Disclosures</b>   | 49(IV)                      | Yes               |
| (A) Basis of related party transaction                                 | 49(IVA)                     | Yes               |
| (B) Disclosure of accounting treatment                                 | 49(IVB)                     | N.A.              |
| (C) Board disclosures  | 49(IVC)                     | Yes               |
| (D) Proceed from public issues, right issues, preferential issues etc. | 49(IVD)                     | N.A.              |
| (E) Remuneration of directors  | 49(IVE)                     | Yes               |
| (F) Management   | 49(IVF)                     | Yes               |
| (G) Shareholders   | 49(IVG)                     | Yes               |
| V. CEO/CFO Certification   | 49(V)                       | Yes               |
| VI. Report on Corporate Governance                                     | 49(VI)                      | Yes               |
| VII. Compliance  | 49(VII)                     | Yes               |

**K. Non-Mandatory Requirements**

The Company has set up a Remuneration Committee and Finance Committee, details whereof are given in the Board Committee section of this report. The Company has also adopted a Whistle Blower Mechanism.

## L. Means of Communication

The Quarterly, Half Yearly and Annual Financial Results during the year were published by the Company as under:

| Financial Result                             | Name(s) of Newspapers   | Date(s) of Publication |
|--|---|------------------------|
| Quarter/ Year ended 31st March, 2012         | The Economic Times*,<br>The Economic Times<br>(Hindi)**           | 31st May, 2012         |
| Quarter ended 30th June, 2012                | The Economic Times*,<br>The Economic Times<br>(Hindi)**           | 27th July, 2012        |
| Quarter/Half Year ended 30th September, 2012 | The Economic Times*,<br>The Economic Times<br>(Hindi)**           | 01st November, 2012    |
| Quarter ended 31st December, 2012            | The Economic Times#<br>The Economic Times<br>(Hindi)**<br>Mint### | 25th January, 2013     |

\* Economic Times- New Delhi/ Mumbai/ Jaipur/ Pune /Lucknow/ Chandigarh /Chennai /Hyderabad /Kolkata /Bangalore / Ahmedabad Editions

# Economic Times- Mumbai & Delhi Edition

\*\* Economic Times (Hindi)- Delhi Edition

###Mint- Ahmedabad/ Bangalore/ Chandigarh/ Chennai/ Hyderabad/ Kolkata/ Mumbai/ New Delhi/ Pune Editions

In addition to the above, the quarterly/ half yearly and the annual financial results and official releases, if any, are also displayed under the "Investors" section on the Company's official website i.e. [www.bharatgears.com](http://www.bharatgears.com) for the information of all the shareholders. The quarterly/half-yearly and annual financial results, shareholding pattern, along with full version of Corporate Governance Report, Annual Report and other requisite material information are also displayed on [www.corpfiling.co.in](http://www.corpfiling.co.in)

Also, the Quarterly Corporate Governance Report and Shareholding Pattern of the Company as mandated under Clause 49 and Clause 35 of the Listing Agreement respectively are filed with National Stock Exchange of India Limited (NSE) through NSE Electronic Application Processing System (NEAPS).

Further, any interviews given by Company Executives/Management during the year are also displayed on the Company's official website i.e. [www.bharatgears.com](http://www.bharatgears.com).

### Green Initiative:

In support of the "Green Initiative" undertaken by Ministry of Corporate Affairs (MCA), the Company had sent soft copies of Annual Reports for the year 2011-12 to all those shareholders whose email addresses were made available to the depositories or the Registrar and Transfer Agents (RTA). Physical copies were sent to only those shareholders whose email addresses were not available and for the bounced email cases.

Besides the above, no other presentations were made to any institutional investor or to the analysts.

## 8. GENERAL SHAREHOLDERS' INFORMATION

### A. Annual General Meeting Details:

The forthcoming AGM of the Company shall be held at 11.30 A.M. on Wednesday, the 31st day of July, 2013 at HUDA Convention Centre, Sector-12, Faridabad-121007 (Haryana).

### B. Financial Year:

Financial year of the Company commences on 1st April and ends on 31st March. The four Quarters of the Company ends on 30th June; 30th September; 31st December and 31st March respectively.

### C. Date of Book Closure:

27th July, 2013 to 31st July, 2013 (both days inclusive)

### D. Dividend Payment Date:

The dividend will be paid on or before 27th August, 2013.

### E. Listing on Stock Exchanges and Stock Code:

The Shares of the Company are listed on the following Stock Exchanges:

1. Bombay Stock Exchange Limited [BSE]  
[Stock Code: 505688]
2. National Stock Exchange of India Limited [NSE]  
[Symbol: BHARATGEAR]

The Annual Listing Fees for the year 2013-2014 has been paid in advance to the aforesaid Stock Exchanges.





## F. Market Price Data:

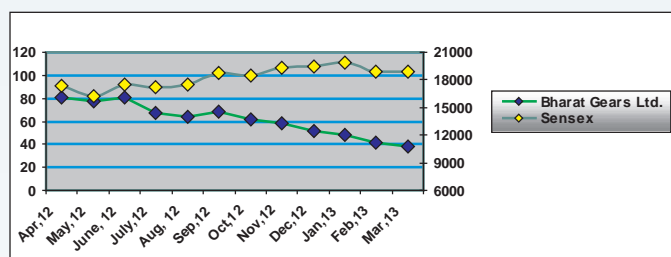
High and Low prices during each month of Financial Year 2012-2013 on National Stock Exchange of India Limited and Bombay Stock Exchange Limited are as under:

The Closing Price represents the price on the last trading day of each month of Financial Year 2012-2013.

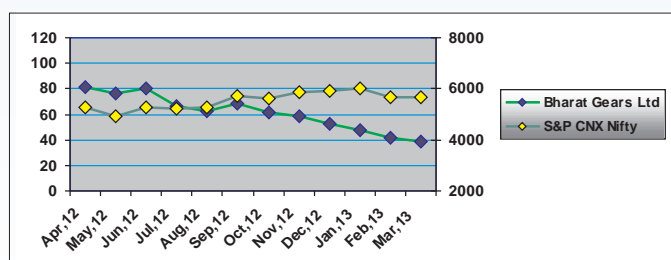
| Month     | High (Rs.) |       | Low (Rs.) |       | Closing (Rs.) |       |
|-----------|------------|-------|-----------|-------|---------------|-------|
|           | NSE        | BSE   | NSE       | BSE   | NSE           | BSE   |
| April     | 88.20      | 89.00 | 69.00     | 69.75 | 80.95         | 81.30 |
| May       | 84.40      | 84.00 | 68.00     | 66.65 | 76.10         | 77.35 |
| June      | 85.90      | 85.85 | 72.00     | 73.10 | 80.25         | 80.25 |
| July      | 85.95      | 85.95 | 65.70     | 66.20 | 66.90         | 67.55 |
| August    | 72.00      | 69.90 | 61.10     | 61.00 | 62.85         | 63.55 |
| September | 69.40      | 69.40 | 59.00     | 59.50 | 68.60         | 68.10 |
| October   | 70.55      | 70.95 | 61.00     | 60.60 | 61.35         | 62.00 |
| November  | 66.00      | 61.75 | 54.50     | 54.00 | 58.15         | 58.55 |
| December  | 58.95      | 58.80 | 48.25     | 47.10 | 52.20         | 52.10 |
| January   | 61.95      | 61.00 | 47.30     | 47.50 | 47.50         | 47.80 |
| February  | 49.50      | 49.30 | 40.50     | 40.05 | 41.55         | 41.80 |
| March     | 43.00      | 44.75 | 36.55     | 36.00 | 38.60         | 38.15 |

The graphical presentations of movement of closing share prices of the company on BSE and NSE during the year are as under:

### a. BHARAT GEARS' PRICES VERSUS SENSITIVITY AT BSE



### b. BHARAT GEARS' PRICES VERSUS S & P CNX NIFTY



## G. Registrar and Transfer Agent:

Link Intime India Private Limited (Formerly known as Intime Spectrum Registry Limited) is the Registrar and Transfer agent for handling both the share registry work relating to shares held in

physical and electronic form at single point. The Share Transfers were duly registered and returned in the normal course within stipulated period, if the documents were clear in all respects.

The Shareholders are therefore advised to send all their correspondences directly to the Registrar and Transfer Agent of the Company at the below mentioned address:

Link Intime India Private Limited  
44, Community Centre  
2nd Floor, Naraina Industrial Area,  
Phase-I, Near PVR Naraina  
New Delhi - 110 028  
Tel Nos.: 011-41410592-94  
Fax No.: 011-41410591  
Email: delhi@linkintime.co.in

However, for the convenience of Shareholders, correspondence relating to Shares received by the Company are forwarded to the Registrar and Transfer Agent for action thereon.

## H. Share Transfer System:

The Shares are accepted for registration of transfer at the Registered Office of the Company in addition to the office of Registrar and Transfer Agent (RTA), Link Intime India Private Limited. Link Intime India Private Limited is fully equipped to undertake the activities of Share Transfers and redressal of Shareholders grievances.

In order to have speedy disposal of the shareholders'/investors' requests for transfer and transmission, a sub-committee consisting of the following directors/officers of the Company is in place for effecting Transfer/Transmission/Split/Consolidation of Shares.

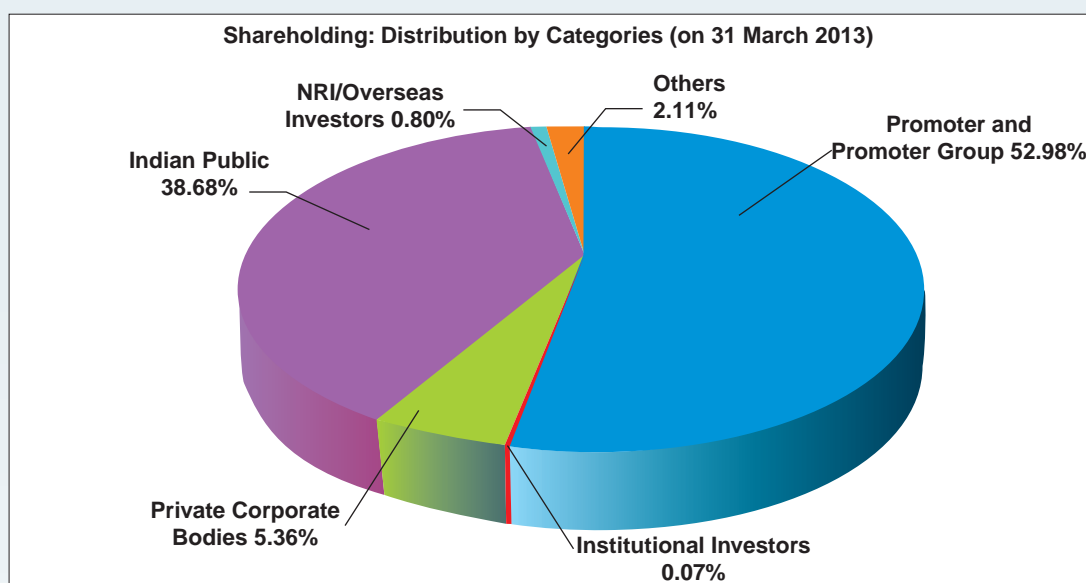
- a. Mr. Surinder P. Kanwar, Chairman and Managing Director
- b. Mr. Sameer Kanwar, Joint Managing Director
- c. Mr. P.C. Kothari, Head (Finance and Accounts)
- d. Mr. Prashant Khattri, Head(Legal) and Company Secretary

Any two of the above are authorised to consider and approve the Transfer/Transmission/Split/Consolidation of Shares. The Sub-Committee is attending to Share Transfer formalities at least once in a fortnight.

After approved by the Sub-Committee, the Share Transfers are affected by the Registrar and Transfer Agent of the Company.

As per the requirements of Clause 47(c) of the Listing Agreement with the Stock Exchanges, the Company has obtained the Half Yearly Certificates from a Company Secretary in Practice for due compliance of Share Transfer formalities.

#### I. Shareholding pattern of the Company as per category of shareholders as on March 31, 2013



\* Non Promoters Holdings are Negligible

| Category   | No. of Shares held | % of Share holdings |
|--|--------------------|---------------------|
| <b>A Promoters' holding</b>  |                    |                     |
| 1. Promoters   |                    |                     |
| - Indian Promoters   | 23,04,290          | 29.48               |
| - Foreign Promoters  | --                 | --                  |
| 2. Persons acting in Concert   | 18,37,213          | 23.50               |
| <b>B Non-Promoters' Holding</b>  |                    |                     |
| 3. Institutional Investors   |                    |                     |
| a. Mutual Funds and Unit Trust of India  | 3,300              | 0.04                |
| b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-Govt. Institutions) | 2,268              | 0.03                |
| c. Foreign Institutional Investor  | 50                 | 0.00                |
| 4. Others  |                    |                     |
| a. Private Corporate Bodies  | 4,18,839           | 5.36                |
| b. Indian Public   | 30,23,945          | 38.68               |
| c. Non Resident Indians / Overseas   | 62,594             | 0.80                |
| d. Any Other   | 1,65,334           | 2.11                |
| <b>TOTAL</b>   | <b>78,17,833</b>   | <b>100.00</b>       |



#### J. Distribution of Shareholding as on March 31, 2013:

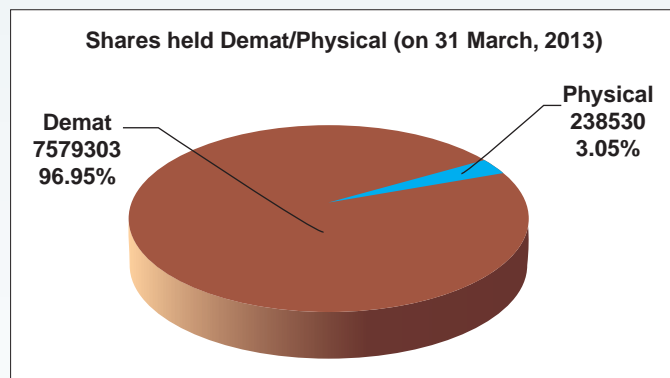
| No. of Equity shares held | Number of Shareholders | Number of Shares | %age to total shares |
|---------------------------|------------------------|------------------|----------------------|
| Up to 250                 | 8722                   | 544806           | 7.00                 |
| 251 to 500                | 819                    | 315869           | 4.04                 |
| 501 to 1000               | 404                    | 323260           | 4.13                 |
| 1001 to 2000              | 194                    | 288584           | 3.69                 |
| 2001 to 3000              | 63                     | 162317           | 2.07                 |
| 3001 to 4000              | 28                     | 99731            | 1.27                 |
| 4001 to 5000              | 29                     | 135877           | 1.73                 |
| 5001 to 10000             | 43                     | 326010           | 4.17                 |
| 10001 and above           | 47                     | 5621379          | 71.90                |
| <b>Total</b>              | <b>10349</b>           | <b>7817833</b>   | <b>100.00</b>        |

#### K. Share Dematerialisation System:

The requests for dematerialisation of shares are processed by Registrar & Transfer Agent (RTA) expeditiously and the confirmation in respect of dematerialisation is entered by RTA in the depository system of the respective depositories, by way of electronic entries for dematerialisation of shares generally on weekly basis. In case of rejections the documents are returned under objection to the Depository Participant with a copy to the shareholder and electronic entry for rejection is made by RTA in the Depository System.

#### L. Dematerialization of Shares and Liquidity:

The Company's Equity Shares are compulsorily traded in the Stock Exchanges in the dematerialized mode and are available for trading under both the Depository Systems in India i.e. National Securities Depository Limited and Central Depository Services (India) Limited.



As on 31st March, 2013 a total of 75,79,303 equity shares of the Company of ₹ 10/- each, which form 96.95% of the paid up Equity Share Capital, stand dematerialized.

Outstanding ADRs/GDRs/Warrants or any convertible instruments, conversion date and likely impact on equity: Not Applicable

#### M. Unclaimed Shares in Physical Mode

As per Clause 5A of the Listing Agreement, there are no unclaimed shares in the Company.

#### N. Corporate Benefits

##### Dividend History:

##### Dividend on Equity Shares

| Financial Year   | Rate (%)  | Amount (₹ in Crores) |
|------------------|-----------|----------------------|
| <b>2012-2013</b> | <b>18</b> | <b>1.41</b>          |
| 2011-2012        | 18        | 1.41                 |
| 2010-2011        | 15        | 1.17                 |
| 2009-2010        | 12        | 0.94                 |
| 2008-2009        | 10        | 0.78                 |

##### Dividend on preference shares\*

| Financial Year | Rate (%) | Amount (₹ in Crores) |
|----------------|----------|----------------------|
| 2011-2012      | 10       | 0.10                 |
| 2010-2011      | 10       | 0.21                 |
| 2009-2010      | 10       | 0.21                 |
| 2008-2009      | 10       | 0.21                 |

\* All the preference shares issued by the Company had been redeemed upto March 31, 2012.

#### O. Plant locations:

The Company's Plants are located at the below mentioned addresses:

- 20 K.M., Mathura Road, P.O. Amar Nagar, Faridabad, Haryana, Pin -121 003
- Kausa Shil, Mumbra, Dist. Thane, Maharashtra, Pin-400 612
- Lonand, Taluka Khandala, District Satara, Maharashtra Pin- 415521 **w.e.f May 13, 2013**



#### P. Addresses for Correspondence:

For Share transfer/demat/remat of shares or any other query relating to shares:-

Link Intime India Private Limited, 44 Community Centre, 2nd Floor, Naraina Industrial Area Phase- I, Near PVR Naraina, New Delhi 110 028, Phone No. 011-41410592-94, Email: [delhi@linkintime.co.in](mailto:delhi@linkintime.co.in)

For Investor Assistance:-

Mr. Prashant Khattry, Head (Legal) and Company Secretary, Bharat Gears Limited, 20 K.M., Mathura Road, P.O. Amar Nagar, Faridabad 121 003, Phone:0129-4288888, Fax No. 0129-4288822-23, Email: [prashant.khattry@bglindia.com](mailto:prashant.khattry@bglindia.com)

#### Q. Email for investors:

The Company has designated [investor@bglindia.com](mailto:investor@bglindia.com) as email address especially for investors' grievances. Alternatively, the investors can send their complaints/requests at [bglfbd@vsnl.net.in](mailto:bglfbd@vsnl.net.in)

SEBI has commenced processing of investor complaints in a centralised web based complaints redress system i.e. SCORES. The Company has supported SCORES by using it as a platform for communication between SEBI and the Company.

#### R. Nomination facility:

The Shareholders holding Shares in physical form may, if they so

want, send their nominations in prescribed Form 2B of the Companies (Central Government's) General Rules and Forms, 1956, (which can be obtained from the Company's RTA or downloaded from the Company's Website [bharatgears.com/documents/form\\_2b\\_nomination.pdf](http://bharatgears.com/documents/form_2b_nomination.pdf) to the Company's RTA. Those holding shares in dematerialized form may contact their respective Depository Participant (DP) to avail the nomination facility.

#### S. Updation of Shareholders information:

The Shareholders of the Company are requested to intimate their latest Residential Address along with the details of their Shareholding in "Updation of Shareholder's Information Form" (which can be obtained from the Registered Office of the Company or downloaded from the Company's Website [bharatgears.com/documents/form\\_updation\\_shareholders\\_information.pdf](http://bharatgears.com/documents/form_updation_shareholders_information.pdf). The duly filled form for Updation of information may either be sent to the Company at its Registered Office or be hand-delivered at the Annual General Meeting of the Company.

On Behalf of the Board of Directors



Dated: May 29, 2013  
Place: Mumbai

Surinder P. Kanwar  
Chairman and Managing Director

#### COMPLIANCE CERTIFICATE AS PER CLAUSE 49(V) OF THE LISTING AGREEMENT


We have reviewed financial statements and the cash flow statement for the year 2012-2013 and that to the best of our knowledge and belief:

- 1) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- 2) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- 3) No transaction entered into by the Company during the above said period, which is fraudulent, illegal or violative of the Company's Code of Conduct.

Further, we accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial statements and we have disclosed to the Auditors and the Audit Committee, wherever applicable:

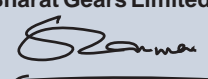
- 1) Deficiencies in the design or operation of internal controls, if any, which came to our notice and the steps we have taken or propose to take to rectify these deficiencies;
- 2) Significant changes in internal control over financial reporting during the year 2012-2013;
- 3) Significant changes in accounting policies during the year 2012-2013 and that the same have been disclosed in the notes to the financial statements;
- 4) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Mumbai  
Date: May 29, 2013



Milind Pujari  
Chief Financial Officer

For Bharat Gears Limited



Surinder P. Kanwar  
Chairman and Managing Director



## COMPLIANCE WITH CODE OF CONDUCT

The Company has adopted "Code of Business Conduct and Ethics". This code deals with the `Good Governance and ethical Practices, which the Company, the Board members and the Senior Management of the Company are expected to follow.

It is hereby affirmed that during the year 2012-2013, all the Directors and Senior Managerial personnel have complied with the Code of Conduct and have given a confirmation in this regard.

Place: Mumbai  
Date: May 29, 2013

**Prashant Khattry**  
Head (Legal) and Company Secretary

For Bharat Gears Limited

**Surinder P. Kanwar**  
Chairman and Managing Director

## AUDITORS' CERTIFICATE

To

The Members of Bharat Gears Limited

We have examined compliance of conditions of Corporate Governance by Bharat Gears Limited (the Company), for the year ended on March 31, 2013, as stipulated in clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliances with the conditions of Corporate Governance as stipulated in Clause 49. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above-mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Deloitte Haskins and Sells  
Chartered Accountants  
(Registration No. 117365W)

Place: Mumbai  
Date: May 29, 2013

**Saira Nainar**  
Partner  
(Membership No.:040081)



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BHARAT GEARS LIMITED

## Report on the Financial Statements

We have audited the accompanying financial statements of **BHARAT GEARS LIMITED** ("the Company"), which comprise the Balance Sheet as at 31 March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

## Emphasis of Matter

We draw attention to Footnote (i) of Note 25.4.b forming part of the financial statements. As stated in the note, remuneration payable to the Joint Managing Director includes ₹ 50.80 lacs in excess of the limit specified under Section 198 read with Section 309 and Schedule XIII to the Companies Act, 1956 which is subject to the approval of the Central Government.

Our opinion is not qualified in respect of this matter.

## Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by Section 227(3) of the Act, 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 purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
  - (e) On the basis of the written representations received from the directors as on 31 March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Firm Registration No. 117365W)

  
**Saira Nainar**  
Partner  
(Membership No. 040081)

Place: Mumbai  
Date: 29 May, 2013





## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/result during the year, clauses (xiii), (xiv), (xviii), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventories:
  - (a) As explained to us, inventories have been physically verified during the year by the Management at reasonable intervals, other than stock lying with third parties where certificates confirming physical inventory have been received.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and during the course of our audit we have not observed any continuing failure to correct major weaknesses in such internal control system.
- (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transaction is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time, other than certain purchases which are of a special nature for which comparable quotations are not available and in respect of which we are, therefore, unable to comment.
- (vii) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year and hence the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder, are not applicable to the Company.
- (viii) In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (ix) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, *prima facie*, the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (x) According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31 March, 2013 for a period of more than six months from the date they became payable.
  - (c) There are no dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31 March, 2013 on account of disputes.
- (xi) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions and banks.

(xiii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause (xv) of Paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were obtained.

(xvi) In our opinion and according to the information and explanations given to us, and on an overall examination of the

Balance Sheet of the Company, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long-term investment.

(xvii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Firm Registration No. 117365W)



**Saira Nainar**  
Partner  
(Membership No. 040081)

Place: Mumbai  
Date: 29 May, 2013









# FINANCIAL STATEMENTS

## Balance Sheet as at 31 March, 2013

| Particulars                        | Note No.     | As at 31 March, 2013<br>₹ lacs | As at 31 March, 2012<br>₹ lacs |
|------------------------------------|--------------|--------------------------------|--------------------------------|
| <b>A Equity And Liabilities</b>    |              |                                |                                |
| <b>1 Shareholders' funds</b>       |              |                                |                                |
| (a) Share capital                  | 2            | 781.78                         | 781.78                         |
| (b) Reserves and surplus           | 3            | 6843.48                        | 6522.10                        |
|                                    |              | <b>7625.26</b>                 | <b>7303.88</b>                 |
| <b>2 Non-current liabilities</b>   |              |                                |                                |
| (a) Long-term borrowings           | 4            | 3464.83                        | 2607.86                        |
| (b) Deferred tax liabilities (net) | 25.7         | 198.53                         | 227.53                         |
| (c) Other long-term liabilities    | 5            | 994.23                         | 845.56                         |
| (d) Long-term provisions           | 6            | 457.50                         | 410.96                         |
|                                    |              | <b>5115.09</b>                 | <b>4091.91</b>                 |
| <b>3 Current liabilities</b>       |              |                                |                                |
| (a) Short-term borrowings          | 7            | 3083.48                        | 2831.90                        |
| (b) Trade payables                 | 8            | 7801.19                        | 8337.23                        |
| (c) Other current liabilities      | 9            | 2683.11                        | 1779.87                        |
| (d) Short-term provisions          | 10           | 309.12                         | 579.93                         |
|                                    |              | <b>13876.90</b>                | <b>13528.93</b>                |
|                                    | <b>TOTAL</b> | <b>26617.25</b>                | <b>24924.72</b>                |
| <b>B Assets</b>                    |              |                                |                                |
| <b>1 Non-current assets</b>        |              |                                |                                |
| (a) Fixed assets                   |              |                                |                                |
| (i) Tangible assets                | 11A          | 9019.12                        | 9239.81                        |
| (ii) Intangible assets             | 11B          | 53.20                          | 70.17                          |
| (iii) Capital work-in-progress     |              | 2534.61                        | 332.65                         |
|                                    |              | <b>11606.93</b>                | <b>9642.63</b>                 |
| (b) Long-term loans and advances   | 12           | 659.56                         | 683.89                         |
|                                    |              | <b>12266.49</b>                | <b>10326.52</b>                |
| <b>2 Current assets</b>            |              |                                |                                |
| (a) Inventories                    | 13           | 5322.03                        | 5895.23                        |
| (b) Trade receivables              | 14           | 6991.46                        | 6607.69                        |
| (c) Cash and cash equivalents      | 15           | 834.94                         | 750.66                         |
| (d) Short-term loans and advances  | 16           | 933.67                         | 894.03                         |
| (e) Other current assets           | 17           | 268.66                         | 450.59                         |
|                                    |              | <b>14350.76</b>                | <b>14598.20</b>                |
|                                    | <b>TOTAL</b> | <b>26617.25</b>                | <b>24924.72</b>                |

See accompanying notes forming part of the financial statements

In terms of our report attached.  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Saira Nainar**  
Partner

**Surinder P. Kanwar**  
Chairman and Managing Director

**Sameer Kanwar**  
Joint Managing Director

**N. J. Kamath**  
**Ram S. Tarneja**  
**V.K. Pargal**  
**W. R. Schilha**  
**S.G. Awasthi**  
**Rakesh Chopra**  
Directors

**Milind Pujari**  
Chief Financial Officer

**Prashant Khattry**  
Head (Legal) & Company Secretary

Place : Mumbai  
Date : 29 May, 2013



## Statement of Profit and Loss for the year ended 31 March, 2013

| Particulars  | Note No.    | For the year ended<br>31 March, 2013<br>₹ lacs | For the year ended<br>31 March, 2012<br>₹ lacs |
|--|-------------|--|--|
| <b>1 Revenue from operations (gross)</b>                                   | <b>18</b>   | <b>43002.30</b>                                | <b>46758.72</b>                                |
| Less: Excise duty  | 18          | 3740.04  | 3702.96  |
| <b>Revenue from operations (net)</b>                                       |             | <b>39262.26</b>                                | <b>43055.76</b>                                |
| <b>2 Other income</b>  | <b>19</b>   | <b>270.13</b>                                  | <b>588.15</b>                                  |
| <b>3 Total revenue (1+2)</b>   |             | <b>39532.39</b>                                | <b>43643.91</b>                                |
| <b>4 Expenses</b>  |             |  |  |
| (a) Cost of materials and components consumed                              | 20a         | 19613.44                                       | 22613.36                                       |
| (b) Changes in inventories of finished goods and work-in-progress          | 20b         | 296.91   | (631.92)                                       |
| (c) Employee benefits expense  | 21          | 5798.27  | 5541.67  |
| (d) Finance Cost   | 22          | 1165.03  | 1269.08  |
| (e) Depreciation and amortisation expense                                  | 11C         | 1155.48  | 1077.93  |
| (f) Other expenses   | 23          | 10758.60                                       | 11097.59                                       |
| <b>Total expenses</b>  |             | <b>38787.73</b>                                | <b>40967.71</b>                                |
| <b>5 Profit before tax (3-4)</b>   |             | <b>744.66</b>                                  | <b>2676.20</b>                                 |
| <b>6 Tax expense:</b>  |             |  |  |
| (a) Current tax expense  |             | 277.00   | 710.00   |
| (b) Deferred tax   |             | (29.00)  | 107.00   |
| <b>Net tax expense</b>   |             | <b>248.00</b>                                  | <b>817.00</b>                                  |
| <b>7 Profit for the year (5-6)</b>   |             | <b>496.66</b>                                  | <b>1859.20</b>                                 |
| <b>8 Earnings per share (of ₹ 10/- each):<br/>Basic and Diluted - in ₹</b> | <b>25.6</b> | <b>6.35</b>                                    | <b>23.63</b>                                   |
| See accompanying notes forming part of the financial statements            |             |  |  |

In terms of our report attached.  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Saira Nainar**  
Partner

**Surinder P. Kanwar**  
Chairman and Managing Director

**Sameer Kanwar**  
Joint Managing Director

**N. J. Kamath**  
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**V.K. Pargal**  
**W. R. Schilha**  
**S.G. Awasthi**  
**Rakesh Chopra**  
Directors

**Milind Pujari**  
Chief Financial Officer

**Prashant Khattry**  
Head (Legal) & Company Secretary

Place : Mumbai  
Date : 29 May, 2013

## Cash Flow Statement for the year ended 31 March, 2013

| Particulars   | For the year ended<br>31 March, 2013<br>₹ lacs | For the year ended<br>31 March, 2012<br>₹ lacs |
|---|--|--|
| <b>A. Cash flow from operating activities:</b>                      |  |  |
| Net profit before tax   | 744.66   | 2676.20  |
| Adjustments for :   |  |  |
| Depreciation and Amortisation expense                               | 1155.48  | 1077.93  |
| (Profit)/loss on sale/write off of fixed assets                     | 31.38  | (286.69)                                       |
| Finance costs   | 1026.74  | 1119.96  |
| Interest income   | (49.97)  | (53.46)  |
| Liabilities no longer required written back                         | --   | (11.72)  |
| Exchange fluctuation on foreign currency loan considered separately | --   | 9.65   |
| Security deposits written off                                       | 2.63   | --   |
| Unrealised exchange (gain)/loss (net)                               | (5.76)   | (48.00)  |
| <b>Operating profit before working capital changes</b>              | <b>2905.16</b>                                 | <b>4483.87</b>                                 |
| <u>Changes in working capital</u>                                   |  |  |
| Adjustments for (increase)/decrease in operating assets:            |  |  |
| Inventories   | 573.20   | (528.25)                                       |
| Trade receivables   | (379.04)                                       | (861.07)                                       |
| Long-term loans and advances  | 105.32   | (103.68)                                       |
| Short-term loans and advances                                       | (45.64)  | (97.63)  |
| Other current assets  | 181.79   | (228.18)                                       |
| Adjustments for increase/(decrease) in operating liabilities:       |  |  |
| Trade payables  | (535.01)                                       | 324.60   |
| Other current liabilities   | 124.38   | 189.14   |
| Other long-term liabilities   | 148.67   | (181.34)                                       |
| Short-term provisions   | 28.65  | (30.33)  |
| Long-term provisions  | 25.77  | (46.12)  |
| <b>Cash generated from operations</b>                               | <b>3133.25</b>                                 | <b>2921.01</b>                                 |
| - Net income tax (paid)/refunds                                     | (543.67)                                       | (363.07)                                       |
| <b>Net cash flow from operating activities (A)</b>                  | <b>2589.58</b>                                 | <b>2557.94</b>                                 |
| <b>B. Cash flow from investing activities:</b>                      |  |  |
| Capital expenditure on fixed assets, including capital advances     | (2650.55)                                      | (2246.99)                                      |
| Proceeds from sale of fixed assets                                  | 9.00   | 331.95   |
| Bank balances not considered as cash and cash equivalents - Matured | --   | 55.59  |
| Interest received   | 50.11  | 50.45  |
| <b>Net cash flow used in investing activities (B)</b>               | <b>(2591.44)</b>                               | <b>(1809.00)</b>                               |
| <b>C. Cash flow from financing activities:</b>                      |  |  |
| Redemption of preference shares                                     | --   | (104.25)                                       |
| Proceeds from long-term borrowings                                  | 1798.61  | 1318.79  |
| Repayment of long-term borrowings                                   | (515.19)                                       | (1153.59)                                      |
| Net increase /(decrease) in short-term borrowings                   | 249.25   | 395.66   |
| Finance cost  | (1024.38)                                      | (1102.17)                                      |
| Dividends paid  | (140.72)                                       | (127.70)                                       |
| Tax on dividend   | (24.52)  | (22.48)  |
| Finance Lease Obligation  | (259.88)                                       | (256.34)                                       |
| <b>Net cash flow from/used in financing activities (C)</b>          | <b>83.17</b>                                   | <b>(1052.08)</b>                               |





## Cash Flow Statement .....Contd.

| Particulars   | For the year ended<br>31 March, 2013<br>` lacs | For the year ended<br>31 March, 2012<br>` lacs |
|---|--|--|
| <b>Net increase / (decrease) in cash &amp; cash equivalents (A+B+C)</b>   | <b>81.31</b>                                   | <b>(303.14)</b>                                |
| Cash and cash equivalents at the beginning of the year  | 742.58   | 1045.72  |
| <b>Cash and cash equivalents at the end of the year</b>   | <b>823.89</b>                                  | <b>742.58</b>                                  |
| <b>Reconciliation of cash and cash equivalents with the balance sheet</b>   |  |  |
| Cash and cash equivalents as per Balance Sheet (Refer Note 15)  | 834.94   | 750.66   |
| Less : Bank balances not considered as cash and cash equivalents as defined in AS 3 Cash Flow Statements  |  |  |
| In fixed deposit accounts   | --   | --   |
| Unpaid dividend accounts  | 11.01  | 8.04   |
| Rights issue application money refundable to shareholders   | 0.04   | 0.04   |
| <b>Cash and cash equivalents at the end of the year *</b>   | <b>823.89</b>                                  | <b>742.58</b>                                  |
| <b>* Comprises</b>  |  |  |
| (a) Cash on hand  | 13.46  | 9.81   |
| (b) Cheques on hand   | 52.93  | 23.72  |
| (c) Balances with banks :   |  |  |
| (i) In current accounts   | 54.50  | 82.33  |
| (ii) In earmarked accounts (Refer footnote (i) below) :   |  |  |
| Balances held as margin money or security against borrowings, guarantees and other commitments  | 703.00   | 626.72   |
|   | 823.89   | 742.58   |
| <b>Footnotes:</b>   |  |  |
| (i) Includes earmarked account balances of ` 11.05 lacs (As at 31 March, 2012: ` 8.08 lacs) with banks which can be utilised only for specific identified purposes. |  |  |
| (ii) The previous year's figures have been regrouped wherever necessary.  |  |  |
| See accompanying notes forming part of the financial statements   |  |  |

In terms of our report attached.  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Saira Nainar**  
Partner

**Surinder P. Kanwar**  
Chairman and Managing Director

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**S.G. Awasthi**  
**Rakesh Chopra**  
Directors

**Milind Pujari**  
Chief Financial Officer

**Prashant Khattry**  
Head (Legal) & Company Secretary

Place : Mumbai  
Date : 29 May, 2013

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2013

## Note 1: Significant accounting policies

| Note       | Particulars   |
|------------|---|
| <b>1.1</b> | <p><b>Basis of accounting and preparation of financial statements:</b></p> <p>The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention except for the revalued fixed assets as stated in Note 11 - "Fixed assets".</p>  |
| <b>1.2</b> | <p><b>Use of estimates:</b></p> <p>The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which results are known / materialised.</p>  |
| <b>1.3</b> | <p><b>Fixed assets and depreciation:</b></p> <p>Fixed assets are stated at cost of acquisition or construction or at revalued amounts less accumulated depreciation. Cost comprises of purchase/acquisition price, import duties, taxes and any directly attributed cost of bringing the asset to its working condition for its intended use. Financing cost on borrowings for acquisition or construction of fixed assets, for the period up to the date of acquisition of fixed assets or when the assets are ready to be put to use/the date of commencement of commercial production, is included in the cost of fixed assets.</p> <p>Assessment of indication of impairment of an asset is made at the year-end and impairment loss, if any, is recognized.</p> <p>Depreciation is provided over the economic useful life of the assets on the basis stated hereunder:</p> <p><b>(a) Tangible assets</b></p> <p>The company provides for depreciation on tangible fixed assets to write off 95% of the cost either on written down value (WDV) method or straight line method (SLM) as stated below in the manner and at the rates not lower than those prescribed in Schedule XIV to the Companies Act, 1956 except for Factory buildings and roads acquired prior to 1.8.86 on which depreciation is provided on SLM method at the rate of 1.61% / 3.28%.</p> <p>The method of depreciation used for different category of assets is as given below:</p> <ol style="list-style-type: none"> <li>1) Buildings and roads, Plant and equipment - SLM</li> <li>2) Furniture and fixtures, vehicles and Office equipment - WDV</li> </ol> <p>Depreciation on revalued amounts is transferred from revaluation reserve to the Statement of Profit and Loss.</p> <p>Leasehold land is amortised over the remaining period of lease.</p> <p><b>(b) Intangible assets</b></p> <p>Intangible assets (i.e. computer software) are amortised on written down value basis at the rate of 40%.</p> |
| <b>1.4</b> | <p><b>Inventories:</b></p> <p>Inventories are valued at the lower of cost and net realisable value, except for scrap which is valued at net realisable value.</p> <p>Cost comprises of material cost and expenditure incurred in normal course of business in bringing inventories to its location and includes, where applicable, appropriate overheads.</p> <p>Material cost, other than those of automotive components which is on specific identification basis, is arrived at on weighted average basis.</p>   |
| <b>1.5</b> | <p><b>Contracts for furnace construction:</b></p> <p>When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.</p>   |



## Note 1: Significant accounting policies .....Contd.

|             |  |
|-------------|--|
| <b>1.6</b>  | <b>Foreign currency transactions:</b>  |
|             | Foreign currency transactions during the year are recorded at the rate of exchange prevailing at the date of transaction. All foreign currency monetary items outstanding at the year end are translated at year end exchange rates. All foreign exchange gains or losses on settlement and translation are accounted for in the Statement of Profit and Loss. In case of forward exchange contracts premium or discounts are amortised as expense or income over the life of the contract. Profit or loss arising on cancellation or renewal of such forward exchange contracts are recognised as income or as expenses for the year.   |
| <b>1.7</b>  | <b>Revenue recognition:</b>  |
|             | Sales/Processing charges are accounted on the basis of actual dispatches when significant risks and rewards of ownership are passed on to the customers. Sales are net of sales tax/value added tax and trade discounts.   |
|             | Revenue from contracts for construction of furnaces is recognised on the percentage of completion method based on the stage of completion determined with reference to the contract costs incurred up to the year end and the estimated total costs of the contracts.  |
|             | Net income, if any, from development of tools is recognised as income as and when the tools are sold in terms of respective contracts/supply under the contract is completed/on the expiry of commercially useful life of tools/on expiry of five years from completion of development, whichever is earliest.   |
|             | Interest income is recognised on time proportion basis.  |
| <b>1.8</b>  | <b>Employee benefits:</b>  |
|             | <b>(a) Defined contribution plan:</b>  |
|             | The Company's contributions to the provident fund and superannuation fund are charged to the Statement of Profit and Loss.   |
|             | <b>(b) Defined benefit plan / Long-term compensated absences:</b>  |
|             | The Company's liability towards gratuity (Funded), terminal Ex-gratia (Unfunded) and compensated absences (Unfunded) is determined on the basis of the year end actuarial valuation done by an independent actuary. The actuarial gains and losses determined by the actuary are recognised immediately in the Statement of Profit and Loss as an income or expense.   |
| <b>1.9</b>  | <b>Taxation:</b>   |
|             | Current tax is determined as the amount of tax payable in respect of estimated taxable income for the year.  |
|             | Deferred tax is calculated at current statutory income tax rate and is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.  |
|             | Deferred tax assets are recognised on unabsorbed depreciation and carry forward of losses only to the extent that there are timing differences, the reversal of which will result in sufficient income or there is virtual certainty that sufficient taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax asset is reviewed at each Balance Sheet date.  |
|             | Minimum Alternative Tax (MAT) credit asset is recognized only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. The carrying amount of MAT credit asset is reviewed at each Balance Sheet date.   |
| <b>1.10</b> | <b>Contingencies/Provisions:</b>   |
|             | Provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying the economic benefit is remote. |

## Note 2: Share capital

| Particulars   | As at 31 March, 2013 |                | As at 31 March, 2012 |                |
|---|----------------------|----------------|----------------------|----------------|
|   | Number of Shares     | ₹ lacs         | Number of Shares     | ₹ lacs         |
| <b>(a) Authorised</b>   |                      |                |                      |                |
| Equity shares of ₹ 10 each  | 10000000             | 1000.00        | 10000000             | 1000.00        |
| Cumulative redeemable convertible or non convertible preference shares of ₹ 100 each                                  | 1500000              | 1500.00        | 1500000              | 1500.00        |
|   | <b>11500000</b>      | <b>2500.00</b> | <b>11500000</b>      | <b>2500.00</b> |
| <b>(b) Issued, Subscribed and paid up</b>   |                      |                |                      |                |
| Equity shares of ₹ 10 each, fully paid up with voting rights, outstanding at the beginning and at the end of the year | 7817833              | 781.78         | 7817833              | 781.78         |
| <b>TOTAL</b>  | <b>7817833</b>       | <b>781.78</b>  | <b>7817833</b>       | <b>781.78</b>  |

### 2.1 Details of shares held by each shareholder holding more than 5% shares:

| Class of Shares / Name of Shareholder | As at 31 March, 2013  |                  | As at 31 March, 2012  |                  |
|---------------------------------------|-----------------------|------------------|-----------------------|------------------|
|                                       | Number of Shares held | % of shares held | Number of Shares held | % of shares held |
| <b>Equity shares</b>                  |                       |                  |                       |                  |
| Surinder P. Kanwar                    | 2289432               | 29.28%           | 2286432               | 29.25%           |
| Ultra Consultants (P) Ltd.            | 766038                | 9.80%            | 766038                | 9.80%            |
| Future Consultants (P) Ltd.           | 645071                | 8.25%            | 645071                | 8.25%            |







### Note 3: Reserves and surplus

| Particulars  | As at 31 March, 2013<br>₹ lacs | As at 31 March, 2012<br>₹ lacs |
|--|--------------------------------|--------------------------------|
| <b>(a) Capital redemption reserve</b>  |                                |                                |
| Opening balance  | 588.50                         | 484.25                         |
| Add: Additions during the year   |                                |                                |
| Transferred from Surplus in Statement of Profit and Loss   | --                             | 104.25                         |
| <b>Closing balance</b>   | <b>588.50</b>                  | <b>588.50</b>                  |
| <b>(b) Securities premium account</b>  |                                |                                |
| Opening balance  | 924.60                         | 924.60                         |
| <b>Closing balance</b>   | <b>924.60</b>                  | <b>924.60</b>                  |
| <b>(c) Revaluation reserve</b>   |                                |                                |
| Opening balance  | 468.26                         | 652.52                         |
| Less: Depreciation on amount added on revaluation of fixed assets (Note 11 (C))  | 11.73                          | 13.57                          |
| Adjustment for balance of revaluation reserve, in respect of revalued asset sold during the year.<br>(Refer footnote (iii) of Note 19) | --                             | 170.69                         |
| <b>Closing balance</b>   | <b>456.53</b>                  | <b>468.26</b>                  |
| <b>(d) General reserve</b>   |                                |                                |
| Opening balance  | 1670.80                        | 1470.80                        |
| Add: Transferred from Surplus in Statement of Profit and Loss  | 75.00                          | 200.00                         |
| <b>Closing balance</b>   | <b>1745.80</b>                 | <b>1670.80</b>                 |
| <b>(e) Surplus in Statement of Profit and Loss</b>   |                                |                                |
| Opening balance  | 2869.94                        | 1490.66                        |
| Add: Profit for the year   | 496.66                         | 1859.20                        |
| Less: Interim dividend   |                                |                                |
| Preference shareholders (₹ Nil; As at 31 March, 2012: ₹ 10 per share)  | --                             | 10.43                          |
| Less: Proposed dividend  |                                |                                |
| Equity shareholders (₹ 1.80 per share; As at 31 March, 2012: ₹ 1.80 per share)   | 140.72                         | 140.72                         |
| Tax on dividend  | 22.83                          | 24.52                          |
| Transferred to:  |                                |                                |
| General reserve  | 75.00                          | 200.00                         |
| Capital redemption reserve   | --                             | 104.25                         |
| <b>Closing balance</b>   | <b>3128.05</b>                 | <b>2869.94</b>                 |
| <b>TOTAL</b>   | <b>6843.48</b>                 | <b>6522.10</b>                 |

#### Note 4: Long-term borrowings

| Particulars  | As at 31 March, 2013<br>₹ lacs | As at 31 March, 2012<br>₹ lacs |
|--|--------------------------------|--------------------------------|
| <b>(a) Term loans - Secured (Refer footnotes (i) to (ii))</b>          |                                |                                |
| From banks   | 271.12                         | 586.31                         |
| Less : Current maturities of long-term debts (Refer Note 9 (a))        | 271.12                         | 315.19                         |
|  | --                             | <b>271.12</b>                  |
| From others  | 3598.61                        | 2000.00                        |
| Less : Current maturities of long-term debts (Refer Note 9 (a))        | 475.00                         | 200.00                         |
|  | <b>3123.61</b>                 | <b>1800.00</b>                 |
| <b>(b) Long-term maturities of finance lease obligations - Secured</b> | <b>538.67</b>                  | <b>798.55</b>                  |
| Less : Current maturities of long-term debts (Refer Note 9 (b))        | 197.45                         | 261.81                         |
| (Refer footnote (iii) and Note 25.5 (A) (ii))                          | 341.22                         | 536.74                         |
|  | <b>3464.83</b>                 | <b>2607.86</b>                 |

#### Footnotes :

##### (i) Term loans from banks : - Rupee loan from IDBI Bank Limited

Secured by an exclusive first charge by way of hypothecation of specific plant and machinery, spares, tools and accessories and all other specific movables, both present and future, purchased out of the loan and hypothecation of movables (save & except book debts) including movable plant and machinery, spares, tools and accessories, both present and future subject to prior charges created in respect of loans referred to in footnote of Note 7. Also by mortgage of Company's immovable properties located at Mumbra plant and Faridabad plant together with all buildings and structures and plant and machinery thereon on pari passu basis with loans referred to in footnotes (ii) (a) & (b)) below. Repayable in four quarterly installments and carries an interest rate of 14.25% p.a.

##### (ii) Term loans from others : - Rupee loan from Export-Import Bank of India (EXIM)

- ₹ 1800 lacs (As at 31 March, 2012: ₹ 2000 lacs) secured by first pari passu charge by way of hypothecation over the movable fixed assets and mortgage of immovable properties located at Mumbra plant and Faridabad plant, both present and future, with loans referred to in footnote (i) above. Repayable in equal quarterly installments by 20 August, 2017 and carries an interest rate of 12.20% p.a.
- ₹ 632.61 lacs (As at 31 March, 2012: ₹ Nil) secured by first pari passu charge by way of hypothecation over the movable fixed assets and mortgage of immovable properties located at Mumbra plant and Faridabad plant, both present and future, with loans referred to in footnote (i) above. Repayable in equal quarterly installments commencing from 6 January, 2014 and carries an interest rate of 12.00% p.a.
- ₹ 1166 lacs (As at 31 March, 2012: ₹ Nil) secured by hypothecation of movable fixed assets and mortgage to be created on immovable properties located at Satara plant. Repayable in 20 equal quarterly installments commencing after 18 months from the date of commercial operation and carries an interest rate of 12.00% p.a.

##### (iii) Finance leases are secured on the asset to which they relate and repayable in equated monthly/quarterly installments.

#### Note 5: Other long-term liabilities

| Particulars   | As at 31 March, 2013<br>₹ lacs | As at 31 March, 2012<br>₹ lacs |
|---|--------------------------------|--------------------------------|
| <b>(a) Others:</b>                                    |                                |                                |
| (i) Advances from customers                           | 551.14                         | 494.13                         |
| (ii) Provision for gratuity (net) (Refer Note 25.2.b) | 443.09                         | 351.43                         |
| <b>TOTAL</b>  | <b>994.23</b>                  | <b>845.56</b>                  |



## Note 6: Long-term provisions

| Particulars   | As at 31 March, 2013<br>₹ lacs | As at 31 March, 2012<br>₹ lacs |
|---|--------------------------------|--------------------------------|
| <b>(a) Provision for employee benefits:</b>   |                                |                                |
| (i) Provision for compensated absences  | 369.08                         | 344.68                         |
| (ii) Provision for other employee benefits<br>(Terminal Ex-gratia) (Refer Note 25.2.b)              | 37.86                          | 36.49                          |
| <b>(b) Provision - Others:</b>  |                                |                                |
| (i) Provision for tax (net of advance tax ₹ 1198.44 lacs<br>(As at 31 March, 2012: ₹ 1139.74 lacs)) | 50.56                          | 29.79                          |
| <b>TOTAL</b>  | <b>457.50</b>                  | <b>410.96</b>                  |

## Note 7: Short-term borrowings

| Particulars                                    | As at 31 March, 2013<br>₹ lacs | As at 31 March, 2012<br>₹ lacs |
|--|--------------------------------|--------------------------------|
| <b>(a) Loans repayable on demand - Secured</b> |                                |                                |
| (Refer footnote below)                         |                                |                                |
| From banks                                     | 3083.48                        | 2831.90                        |
| <b>TOTAL</b>                                   | <b>3083.48</b>                 | <b>2831.90</b>                 |

### Footnote:

Loans payable on demand from banks are secured by hypothecation of stocks of raw materials, stock in process, semi finished and finished goods, loose tools, general stores and book debts and all other moveables both present and future and by joint mortgage created/to be created for all immoveable properties of the Company located at Mumbra, Faridabad and Satara plant together with all buildings, plant and machinery thereon which rank second subject and subservient to charges created in favour of loans referred to in footnotes (i) and (ii) of Note 4.

## Note 8: Trade payables

| Particulars   | As at 31 March, 2013<br>₹ lacs | As at 31 March, 2012<br>₹ lacs |
|---|--------------------------------|--------------------------------|
| <b>Trade payables:</b>  |                                |                                |
| Acceptances   | 2823.94                        | 2709.26                        |
| Other than Acceptances<br>(Refer Note 24.2 and footnotes (i) and (ii) of Note 25.4.b) | 4977.25                        | 5627.97                        |
| <b>TOTAL</b>  | <b>7801.19</b>                 | <b>8337.23</b>                 |

## Note 9: Other current liabilities

| Particulars  | As at 31 March, 2013<br>₹ lacs | As at 31 March, 2012<br>₹ lacs |
|--|--------------------------------|--------------------------------|
| <b>(a) Current maturities of long-term debt (Refer Note 4)</b>   |                                |                                |
| From Banks   | 271.12                         | 315.19                         |
| From Others  | 475.00                         | 200.00                         |
| <b>(b) Current maturities of finance lease obligations</b><br>(Refer Note 4 and Note 25.5 (A) (ii))              | <b>197.45</b>                  | <b>261.81</b>                  |
| <b>(c) Interest accrued but not due on borrowings</b>  | <b>14.32</b>                   | <b>9.89</b>                    |
| <b>(d) Unpaid dividends</b><br>(Refer footnote below)  | <b>11.01</b>                   | <b>8.04</b>                    |
| <b>(e) Unpaid Rights Issue share application money</b><br>(Refer footnote below)                                 | <b>0.04</b>                    | <b>0.04</b>                    |
| <b>(f) Other payables</b>  |                                |                                |
| (i) Statutory remittances (Contributions to PF and ESIC, withholding Taxes, Excise Duty, VAT, Service Tax, etc.) | 307.96                         | 363.36                         |
| (ii) Payables on purchase of fixed assets  | 692.53                         | 65.05                          |
| (iii) Advances from customers  | 329.76                         | 204.69                         |
| (iv) Trade/security deposits received  | 23.29                          | 23.29                          |
| (v) Interest accrued on others   | 3.71                           | 32.15                          |
| (vi) Provision for gratuity (net) (Refer Note 25.2.b)  | 100.00                         | 100.00                         |
| (vii) Others   | 256.92                         | 196.36                         |
| <b>TOTAL</b>   | <b>2683.11</b>                 | <b>1779.87</b>                 |

### Footnote :

The figures reflect the position as at the year end. The actual amount to be transferred to the Investor Education and Protection Fund in this respect shall be determined on the due date.

## Note 10: Short-term provisions

| Particulars   | As at 31 March, 2013<br>₹ lacs | As at 31 March, 2012<br>₹ lacs |
|---|--------------------------------|--------------------------------|
| <b>(a) Provision for employee benefits:</b>   |                                |                                |
| (i) Provision for compensated absences  | 109.08                         | 100.53                         |
| (ii) Provision for other employee benefits<br>(Terminal Ex-Gratia) (Refer Note 25.2.b)    | 7.90                           | 7.00                           |
|   | <b>116.98</b>                  | <b>107.53</b>                  |
| <b>(b) Provision - Others:</b>  |                                |                                |
| (i) Provision for tax (net of advance tax<br>₹ Nil (As at 31 March, 2012: ₹ 412.23 lacs)) | --                             | 297.77                         |
| (ii) Provision for warranty (Refer Note 25.8)   | 28.59                          | 9.39                           |
| (iii) Provision for proposed equity dividend  | 140.72                         | 140.72                         |
| (iv) Provision for tax on proposed dividends  | 22.83                          | 24.52                          |
|   | <b>192.14</b>                  | <b>472.40</b>                  |
| <b>TOTAL</b>  | <b>309.12</b>                  | <b>579.93</b>                  |





## Note 11: Fixed assets

₹ lacs

| Description                            | Gross Block          |            |                           |                            |                      | Accumulated Depreciation / Amortisation |            |                |                            |                      | Net Block            |                      |
|--|----------------------|------------|---------------------------|----------------------------|----------------------|---|------------|----------------|----------------------------|----------------------|----------------------|----------------------|
|  | As at 31 March, 2012 | Adjustment | Additions during the year | Deductions during the year | As at 31 March, 2013 | As at 31 March, 2012                    | Adjustment | For the year   | Deductions during the year | As at 31 March, 2013 | As at 31 March, 2013 | As at 31 March, 2012 |
| <b>(A) Tangible assets</b>             |                      |            |                           |                            |                      |   |            |                |                            |                      |                      |                      |
| (a) Land                               |                      |            |                           |                            |                      |   |            |                |                            |                      |                      |                      |
| - Freehold                             | 672.11               | --         | --                        | --                         | (*) 672.11           | --                                      | --         | --             | --                         | --                   | 672.11               | 672.11               |
| - Leasehold                            | 376.20               | --         | --                        | --                         | (*) 376.20           | 74.34                                   | --         | 5.31           | --                         | 79.65                | 296.55               | 301.86               |
| (b) Building and roads                 | 1820.66              | --         | 114.16                    | 1.34                       | (*)1933.48<br>(**)   | 911.28                                  | --         | 52.84          | 0.92                       | 963.20               | 970.28               | 909.38               |
| (c) Plant and equipment                |                      |            |                           |                            |                      |   |            |                |                            |                      |                      |                      |
| - Owned @                              | 18355.45             | 256.07     | 802.70                    | 246.72                     | 19167.50             | 12646.64                                | 135.86     | 827.66         | 207.33                     | 13402.83             | 5764.67              | 5708.81              |
| - Taken under Finance lease            | 1696.21              | (255.55)   | --                        | --                         | 1440.66              | 485.82                                  | (135.69)   | 155.48         | --                         | 505.61               | 935.05               | 1210.39              |
| (d) Furniture and fixtures             | 449.24               | (1.00)     | 10.27                     | 6.26                       | 452.25               | 195.05                                  | (0.83)     | 46.95          | 6.06                       | 235.11               | 217.14               | 254.19               |
| (e) Vehicles                           | 2.87                 | --         | --                        | --                         | 2.87                 | 0.51                                    | --         | 0.61           | --                         | 1.12                 | 1.75                 | 2.36                 |
| (f) Office equipment \$                | 775.37               | 0.48       | 30.40                     | 6.63                       | 799.62               | 594.75                                  | 0.66       | 48.99          | 6.26                       | 638.14               | 161.48               | 180.62               |
| (g) Leasehold improvements             | 1.77                 | --         | --                        | --                         | 1.77                 | 1.68                                    | --         | --             | --                         | 1.68                 | 0.09                 | 0.09                 |
| <b>Sub - Total - Tangible assets</b>   | <b>24149.88</b>      | <b>--</b>  | <b>957.53</b>             | <b>260.95</b>              | <b>24846.46</b>      | <b>14910.07</b>                         | <b>--</b>  | <b>1137.84</b> | <b>220.57</b>              | <b>15827.34</b>      | <b>9019.12</b>       |                      |
| Previous Year                          | 22046.76             | --         | 2614.88                   | 511.76                     | 24149.88             | 14144.00                                | --         | 1061.88        | 295.81                     | 14910.07             |                      | 9239.81              |
|  |                      |            |                           |                            |                      |   |            |                |                            |                      |                      |                      |
| Description                            | Gross Block          |            |                           |                            |                      | Amortisation                            |            |                |                            |                      | Net Block            |                      |
|  | As at 31 March, 2012 | Adjustment | Additions during the year | Deductions during the year | As at 31 March, 2013 | As at 31 March, 2012                    | Adjustment | For the year   | Deductions during the year | As at 31 March, 2013 | As at 31 March, 2013 | As at 31 March, 2012 |
| <b>(B) Intangible assets</b>           |                      |            |                           |                            |                      |   |            |                |                            |                      |                      |                      |
| Computer software aquired              | 221.55               | --         | 12.40                     | --                         | 233.95               | 151.38                                  | --         | 29.37          | --                         | 180.75               | 53.20                | 70.17                |
| <b>Sub - Total - Intangible assets</b> | <b>221.55</b>        | <b>--</b>  | <b>12.40</b>              | <b>--</b>                  | <b>233.95</b>        | <b>151.38</b>                           | <b>--</b>  | <b>29.37</b>   | <b>--</b>                  | <b>180.75</b>        | <b>53.20</b>         |                      |
| Previous Year                          | 181.40               | --         | 40.15                     | --                         | 221.55               | 121.76                                  | --         | 29.62          | --                         | 151.38               |                      | 70.17                |
| <b>Total : (A) + (B)</b>               | <b>24371.43</b>      | <b>--</b>  | <b>969.93</b>             | <b>260.95</b>              | <b>25080.41</b>      | <b>15061.45</b>                         | <b>--</b>  | <b>1167.21</b> | <b>220.57</b>              | <b>16008.09</b>      | <b>9072.32</b>       |                      |
| Previous Year (Total)                  | 22228.16             | --         | 2655.03                   | 511.76                     | 24371.43             | 14265.76                                | --         | 1091.50        | 295.81                     | 15061.45             |                      | 9309.98              |
| <b>Capital work in progress @</b>      |                      |            |                           |                            |                      |   |            |                |                            |                      | <b>2534.61</b>       | <b>332.65</b>        |
| <b>Grand Total</b>                     |                      |            |                           |                            |                      |   |            |                |                            |                      | <b>11606.93</b>      | <b>9642.63</b>       |

@ The amount of interest capitalised during the year is ₹ 76.54 lacs; (Year ended 31 March, 2012: ₹ 14.37 lacs)

(\$) Includes Computers and Miscellaneous equipments

(\*) Includes amounts added on revaluation carried out by an approved valuer.(see table below)

₹ lacs

|                     | on 31/07/1984 | (#) on 30/04/1985 | (#) on 25/11/1997 | Total         |
|---------------------|---------------|-------------------|-------------------|---------------|
| Land                | 117.48        | 60.16             | 316.04            | 493.68        |
| Buildings and roads | 147.25        | 93.20             | 51.13             | 291.58        |
| <b>TOTAL</b>        | <b>264.73</b> | <b>153.36</b>     | <b>367.17</b>     | <b>785.26</b> |

Basis of revaluation      Current cost accounting      Not Available      Replacement cost/  
Current cost Accounting

(#) Relating to the erstwhile Universal Steel and Alloys Limited.

\*\* Buildings include 10 shares of ₹ 50/- each in Venkatesh Premises Co-operative Society Ltd. - Total ₹ 500/- (Year ended 31 March, 2012: ₹ 500/-)

## Note 11: Fixed assets .....Contd.

| Particulars  | As at 31 March, 2013<br>` lacs | As at 31 March, 2012<br>` lacs |
|--|--------------------------------|--------------------------------|
| <b>(C) Depreciation and amortisation expense</b>   |                                |                                |
| Tangible assets  | 1137.84                        | 1061.88                        |
| Less: Transferred from revaluation reserve, being depreciation on amount added on revaluation of fixed assets (Refer Note 3 (c)) | 11.73                          | 13.57                          |
|  | <b>1126.11</b>                 | <b>1048.31</b>                 |
| Intangible assets  | <b>29.37</b>                   | <b>29.62</b>                   |
| <b>TOTAL</b>   | <b>1155.48</b>                 | <b>1077.93</b>                 |

### Footnote:

During the year, the Company has changed the method of depreciation in respect of Non Factory Building (Corporate office) and has recalculated depreciation from the date of capitalization on the method and in the manner stated in Note 1.3, resulting in credit for depreciation on Non Factory Building (Corporate office), the effect of the change on the financial is insignificant.

## Note 12: Long-term loans and advances

| Particulars   | As at 31 March, 2013<br>` lacs | As at 31 March, 2012<br>` lacs |
|---|--------------------------------|--------------------------------|
| <b>(a) Capital advances</b>   |                                |                                |
| Unsecured, considered good  | 139.66                         | 33.52                          |
| <b>(b) Security deposits (Refer footnote below)</b>   |                                |                                |
| Unsecured, considered good  | 192.12                         | 234.06                         |
| <b>(c) Prepaid expenses - Rent to related parties</b>   |                                |                                |
| Unsecured, considered good (Refer note 25.4.b)  | 2.40                           | 4.80                           |
| <b>(d) Loans and advances to employees</b>  |                                |                                |
| Unsecured, considered good  | 38.00                          | 39.41                          |
| <b>(e) Prepaid expenses</b>   |                                |                                |
| Unsecured, considered good  | 5.47                           | 5.20                           |
| <b>(f) Prepaid tooling expenses</b>   |                                |                                |
| Unsecured, considered good  | 228.56                         | 288.40                         |
| <b>(g) Advance income tax</b>   |                                |                                |
| (net of provisions ` Nil<br>(As at 31 March, 2012: ` 177.00 lacs))<br>Unsecured, considered good                          | 50.62                          | 75.77                          |
| Fringe Benefit Tax (net of provisions ` 35.00 lacs<br>(As at 31 March, 2012: ` 35.00 lacs))<br>Unsecured, considered good | 2.73                           | 2.73                           |
| <b>TOTAL</b>  | <b>659.56</b>                  | <b>683.89</b>                  |

### Footnote :

Security deposits includes ` 10.00 lacs; (As at 31 March, 2012: ` 10.00 lacs) due from a director and ` 5.00 lacs; (As at 31 March, 2012: ` 5.00 lacs) due from a private limited company, in which directors of the company are directors. (Refer note 25.4.b)



### Note 13: Inventories (At lower of cost and net realisable value)

| Particulars                             | As at 31 March, 2013<br>₹ lacs | As at 31 March, 2012<br>₹ lacs |
|---|--------------------------------|--------------------------------|
| <b>(a) Raw materials and components</b> |                                |                                |
| - Automotive Gears                      | 618.74                         | 877.66                         |
| - Automotive Components                 | 67.75                          | 84.65                          |
|   | <b>686.49</b>                  | <b>962.31</b>                  |
| <b>(b) Work-in-progress</b>             |                                |                                |
| - Automotive Gears                      | 1721.71                        | 1830.71                        |
| <b>(c) Finished goods</b>               |                                |                                |
| - Automotive Gears                      | 1128.16                        | 1424.44                        |
| - Automotive Components                 | 433.91                         | 325.54                         |
|   | <b>1562.07</b>                 | <b>1749.98</b>                 |
| <b>(d) Stores and spares</b>            | <b>489.51</b>                  | <b>491.16</b>                  |
| <b>(e) Loose tools</b>                  | <b>856.37</b>                  | <b>857.81</b>                  |
| <b>(f) Scrap</b>                        | <b>5.88</b>                    | <b>3.26</b>                    |
| <b>TOTAL</b>                            | <b>5322.03</b>                 | <b>5895.23</b>                 |

### Note 14: Trade receivables

| Particulars   | As at 31 March, 2013<br>₹ lacs | As at 31 March, 2012<br>₹ lacs |
|---|--------------------------------|--------------------------------|
| Trade receivables outstanding for a period exceeding six months from the date they were due for payment |                                |                                |
| Unsecured, considered good  | 47.91                          | 43.08                          |
| Other Trade receivables   |                                |                                |
| Unsecured, considered good  | 6943.55                        | 6564.61                        |
| <b>TOTAL</b>  | <b>6991.46</b>                 | <b>6607.69</b>                 |

### Note 15: Cash and cash equivalents

| Particulars   | As at 31 March, 2013<br>₹ lacs | As at 31 March, 2012<br>₹ lacs |
|---|--------------------------------|--------------------------------|
| <b>(a) Cash on hand</b>   | <b>13.46</b>                   | <b>9.81</b>                    |
| <b>(b) Cheques, drafts on hand</b>  | <b>52.93</b>                   | <b>23.72</b>                   |
| <b>(c) Balances with banks</b>  |                                |                                |
| (i) In current accounts   | 54.50                          | 82.33                          |
| (ii) In earmarked accounts (Refer footnote below)   |                                |                                |
| - Unpaid dividend accounts  | 11.01                          | 8.04                           |
| - Rights issue application money refundable to shareholders   | 0.04                           | 0.04                           |
| - Balances held as margin money or security against borrowings, guarantees and other commitments                            | 703.00                         | 626.72                         |
| <b>TOTAL</b>  | <b>834.94</b>                  | <b>750.66</b>                  |
| Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 <i>Cash Flow Statements</i> is | 823.89                         | 742.58                         |

**Footnote:** Balances with banks which have restrictions on utilisation.

## Note 16: Short-term loans and advances

| Particulars   | As at 31 March, 2013<br>₹ lacs | As at 31 March, 2012<br>₹ lacs |
|---|--------------------------------|--------------------------------|
| <b>(a) Loans and advances to related parties</b><br>(Refer footnote below and Note 25.4.b)  | 0.07                           | 4.80                           |
| <b>(b) Security deposits</b><br>Unsecured, considered good  | 19.64                          | 3.24                           |
| <b>(c) Loans and advances to employees</b><br>Unsecured, considered good  | 38.33                          | 29.30                          |
| <b>(d) Prepaid expenses</b><br>Unsecured, considered good   | 53.32                          | 80.51                          |
| <b>(e) Prepaid expenses to related parties</b><br>(Refer footnote below and Note 25.4.b)<br>Unsecured, considered good                              | 2.40                           | 2.40                           |
| <b>(f) Prepaid tooling expenses</b><br>Unsecured, considered good   | 90.84                          | 38.26                          |
| <b>(g) Supplier advances</b><br>Unsecured, considered good  | 223.52                         | 330.13                         |
| <b>(h) Balances with government authorities</b><br>Unsecured, considered good<br>(i) CENVAT credit receivable<br>(ii) Service Tax credit receivable | 113.14<br>134.68               | 61.19<br>69.83                 |
| <b>(i) Advance income tax</b><br>(net of provisions ₹ 277.00 lacs<br>(As at 31 March, 2012: Nil))<br>Unsecured, considered good                     | 14.82                          | --                             |
| <b>(j) Others</b><br>Unsecured, considered good   | 242.91                         | 274.37                         |
| <b>TOTAL</b>  | <b>933.67</b>                  | <b>894.03</b>                  |
| <b>Footnote :</b><br>Dues from private limited companies, in which a director of the company is a director.   |                                |                                |

## Note 17: Other current assets

| Particulars  | As at 31 March, 2013<br>₹ lacs  | As at 31 March, 2012<br>₹ lacs |
|--|---------------------------------|--------------------------------|
| <b>(a) Accruals</b><br>(i) Interest accrued on deposits  | 6.41                            | 6.55                           |
| <b>(b) Others</b><br>(i) Export Incentives<br>(ii) Due from customers for contract work<br>(Refer Note 25.1)<br>(iii) Due from Related Party<br>- Sale of Services to Xlerate Driveline India Limited (XDIL)<br>(Refer Note 25.4.b)<br>(iv) Other Recoveries | 46.72<br>206.35<br>5.58<br>3.60 | 80.14<br>349.29<br>--<br>14.61 |
| <b>TOTAL</b>   | <b>268.66</b>                   | <b>450.59</b>                  |





## Note 18: Revenue from operations

| Particulars  |  | For the year ended<br>31 March, 2013<br>` lacs | For the year ended<br>31 March, 2012<br>` lacs |
|--|--|--|--|
| (a) Sale of products (Refer footnote (i) below)          |  | 42101.10                                       | 45954.67                                       |
| (b) Sale of services                                     |  | 262.38   | 152.83   |
| (c) Other operating revenues (Refer footnote (ii) below) |  | 638.82   | 651.22   |
| <b>Revenue from operations (Gross)</b>                   |  | <b>43002.30</b>                                | <b>46758.72</b>                                |
| Less:  |  |  |  |
| (d) Excise duty  |  | 3740.04  | 3702.96  |
| <b>Revenue from operations (Net)</b>                     |  | <b>39262.26</b>                                | <b>43055.76</b>                                |
| Footnotes  | Particulars  | For the year ended<br>31 March, 2013<br>` lacs | For the year ended<br>31 March, 2012<br>` lacs |
| (i)  | <b>Sale of products comprises :</b>  |  |  |
|  | <u>Manufactured goods</u>  |  |  |
|  | - Automotive Gears (Includes processing charges<br>` 687.57 lacs (Year ended 31 March, 2012: ` 597.76 lacs))   | 35344.80                                       | 40156.08                                       |
|  | - Automotive Components  | 4797.83  | 4599.42  |
|  | - Industrial Furnaces (Refer footnote (iii) below)<br>(Excludes ` 245.72 lacs (Year ended 31 March, 2012:<br>` 136.95 lacs) which is included in sale of services) | 1575.99  | 753.61   |
|  | - Tooling Development  | 382.48   | 445.56   |
|  | <b>TOTAL - Sale of products</b>  | <b>42101.10</b>                                | <b>45954.67</b>                                |
| (ii)   | <b>Other operating revenues comprise:</b>  |  |  |
|  | Sale of scrap  | 412.30   | 415.46   |
|  | Export incentives  | 155.36   | 195.16   |
|  | Others :   |  |  |
|  | Liabilities / provisions no longer required written back   | -  | 11.05  |
|  | Miscellaneous income   | 71.16  | 29.55  |
|  | <b>TOTAL - Other operating revenues</b>  | <b>638.82</b>                                  | <b>651.22</b>                                  |
| (iii)  | Revenue from contracts is recognized as stated in Note 1.7.  |  |  |

## Note 19: Other income

| Particulars  |   | For the year ended<br>31 March, 2013<br>₹ lacs | For the year ended<br>31 March, 2012<br>₹ lacs |
|--|---|--|--|
| (a) Interest income (Refer footnote (i) below)             |   | 49.97  | 53.46  |
| (b) Other non-operating income (Refer footnote (ii) below) |   | 220.16   | 534.69   |
| <b>TOTAL</b>   |   | <b>270.13</b>                                  | <b>588.15</b>                                  |
| Footnotes  | Particulars   | For the year ended<br>31 March, 2013<br>₹ lacs | For the year ended<br>31 March, 2012<br>₹ lacs |
| (i)  | Interest income comprises:  |  |  |
|  | Interest from banks on:   |  |  |
|  | -Deposits   | 3.94   | 4.84   |
|  | -Margin money   | 45.42  | 37.09  |
|  | -Others   | 0.61   | 2.77   |
|  | Interest on Income tax refund   | -  | 8.76   |
|  | <b>TOTAL - Interest income</b>  | <b>49.97</b>                                   | <b>53.46</b>                                   |
| (ii)   | Other non-operating income comprises:   |  |  |
|  | Rent  | 1.80   | 1.80   |
|  | Profit on sale of fixed assets  | 0.09   | 8.98   |
|  | Profit on sale/transfer of leasehold rights in respect of part of company's leasehold land (Refer footnote (iii) below) | --   | 300.00   |
|  | Net gain on foreign currency transactions and translation   | 210.63   | 223.23   |
|  | Liabilities/provisions no longer required written back  | 7.64   | 0.68   |
|  | <b>TOTAL - Other non-operating income</b>   | <b>220.16</b>                                  | <b>534.69</b>                                  |
| (iii)  | Amount received on sale/transfer of leasehold rights  | --   | 300.00   |
|  | Gross block of revalued portion of leasehold land   | --   | 205.20   |
|  | Less : Accumulated amortisation   | --   | 34.51  |
|  | Less : Adjustment of balance of revaluation reserve (Refer Note 3(c))   | --   | 170.69   |
|  | <b>Profit on sale/transfer of leasehold rights</b>  | <b>--</b>                                      | <b>300.00</b>                                  |



#### Note 20.a: Cost of material and components consumed

| Particulars  | For the year ended<br>31 March, 2013<br>₹ lacs | For the year ended<br>31 March, 2012<br>₹ lacs |
|--|--|--|
| Opening stock                                      | 962.31   | 1071.52  |
| Add: Purchases                                     | 19337.62                                       | 22504.15                                       |
|  | <b>20299.93</b>                                | <b>23575.67</b>                                |
| Less: Closing stock                                | 686.49   | 962.31   |
| <b>Cost of material and components consumed</b>    | <b>19613.44</b>                                | <b>22613.36</b>                                |
| <b>Material and components consumed comprises:</b> |  |  |
| Forgings   | 14598.38                                       | 18383.61                                       |
| Automotive components                              | 3793.88  | 3584.49  |
| Others   | 1221.18  | 645.26   |
| <b>TOTAL</b>                                       | <b>19613.44</b>                                | <b>22613.36</b>                                |

#### Note 20.b: Changes in inventories of finished goods and work-in-progress

| Particulars                                      | For the year ended<br>31 March, 2013<br>₹ lacs | For the year ended<br>31 March, 2012<br>₹ lacs |
|--|--|--|
| <b>Inventories at the end of the year:</b>       |  |  |
| Finished goods                                   | 1562.07  | 1749.98  |
| Work-in-progress                                 | 1721.71  | 1830.71  |
|  | <b>3283.78</b>                                 | <b>3580.69</b>                                 |
| <b>Inventories at the beginning of the year:</b> |  |  |
| Finished goods                                   | 1749.98  | 1013.02  |
| Work-in-progress                                 | 1830.71  | 1935.75  |
|  | <b>3580.69</b>                                 | <b>2948.77</b>                                 |
| <b>Net (increase) / decrease</b>                 | <b>296.91</b>                                  | <b>(631.92)</b>                                |

## Note 21: Employee benefits expense

| Particulars                                | For the year ended<br>31 March, 2013<br>lacs | For the year ended<br>31 March, 2012<br>lacs |
|--|--|--|
| Salaries and wages                         | 4568.59                                      | 4453.80                                      |
| Contributions to provident and other funds | 515.32                                       | 429.35                                       |
| Staff welfare expenses                     | 714.36                                       | 658.52                                       |
| <b>TOTAL</b>                               | <b>5798.27</b>                               | <b>5541.67</b>                               |

## Note 22: Finance costs

| Particulars  | For the year ended<br>31 March, 2013<br>lacs | For the year ended<br>31 March, 2012<br>lacs |
|--|--|--|
| (a) Interest expense on:                                     |  |  |
| (i) Borrowings   | 804.60                                       | 799.03                                       |
| (ii) Others  |  |  |
| - Bill discounting charges                                   | 222.14                                       | 288.78                                       |
| - Interest on delayed/deferred payment of income tax         | --   | 32.15  |
| (b) Other borrowing costs (Bank and other financing charges) | 138.29                                       | 149.12                                       |
| <b>TOTAL</b>   | <b>1165.03</b>                               | <b>1269.08</b>                               |







## Note 23: Other expenses

| Particulars  | For the year ended<br>31 March, 2013<br>` lacs | For the year ended<br>31 March, 2012<br>` lacs |
|--|--|--|
| Consumption of stores and spare parts                | 1109.98  | 1266.21  |
| Consumption of loose tools                           | 906.88   | 963.79   |
| Consumption of packing materials                     | 723.27   | 823.70   |
| Excise duty (Refer footnote (i) below)               | 4.73   | 89.28  |
| Processing charges                                   | 1297.98  | 1502.56  |
| Power and fuel                                       | 3575.98  | 3289.28  |
| Rent including lease rentals (Refer Note 25.5 B (i)) | 462.21   | 358.69   |
| Repairs and maintenance - Buildings                  | 57.13  | 80.95  |
| Repairs and maintenance - Machinery                  | 212.22   | 289.95   |
| Repairs and maintenance - Others                     | 441.51   | 434.52   |
| Insurance  | 66.03  | 56.39  |
| Rates and taxes                                      | 34.06  | 39.91  |
| Travelling, conveyance and car expenses              | 442.06   | 392.22   |
| Freight, forwarding and other charges                | 419.00   | 604.34   |
| Commission to selling agents                         | 41.37  | 50.24  |
| Payments to auditors (Refer footnote (ii) below)     | 25.14  | 23.00  |
| Loss on sale/write off of fixed assets               | 31.47  | 22.29  |
| Miscellaneous expenses                               | 907.58   | 810.27   |
| <b>TOTAL</b>   | <b>10758.60</b>                                | <b>11097.59</b>                                |

### Footnotes:

(i) Excise duty represents (a) the difference between the excise duty included in the closing stock and that in the opening stock of manufactured finished goods ` 12.64 lacs (credit) (Year ended 31 March, 2012: ` 83.91 lacs (debit)) and (b) the excise duty on free supplies under sales promotion schemes, free replacement, shortages, etc. - ` 17.37 lacs (Year ended 31 March, 2012: ` 5.37 lacs)

| Particulars   | For the year ended<br>31 March, 2013<br>` lacs | For the year ended<br>31 March, 2012<br>` lacs |
|---|--|--|
| <b>(ii) Payments to the auditors comprises (net of service tax input credit):</b> |  |  |
| - As auditors - statutory audit   | 15.00  | 15.00  |
| - For Company Law matters   | 1.05   | 0.15   |
| - For other services  | 8.75   | 7.25   |
| - Reimbursement of expenses   | 0.34   | 0.60   |
| <b>TOTAL</b>  | <b>25.14</b>                                   | <b>23.00</b>                                   |

## Note 24: Additional information to the financial statements

| Note | Particulars  | As at 31 March, 2013<br>₹ lacs         | As at 31 March, 2012<br>₹ lacs         |
|------|--|--|--|
| 24.1 | <b>Contingent liabilities and commitments (to the extent not provided for)</b>   |  |  |
| (i)  | <b>Contingent liabilities</b>  |  |  |
|      | <b>(a) Claims against the Company not acknowledged as debt</b>   |  |  |
|      | <b>1. * ESIC against which the Company's appeals are pending with the relevant appellate authorities.</b>  | --                                     | 1.59                                   |
|      | <b>2. * In respect of Income Tax</b>   |  |  |
|      | On account of disallowance of provision of leave encashment (including interest) for assessment years 2007-08, 2008-09 and 2009-10 for which the Company has preferred appeal against appropriate authority. | --                                     | 47.00                                  |
|      | <b>3. * In respect of Employees</b>  |  |  |
|      | (i) The Company has filed an appeal in the Bombay High Court against the order passed by Third Labour Court on issue of back wages and reinstatement of 11 employees.  | 40.26                                  | 40.26                                  |
|      | (ii) In respect of claim of permanency of services and back wages filed by a set of temporary workmen before the Hon'ble Industrial Tribunal, Thane  | Not ascertainable                      | Not ascertainable                      |
|      | <b>3. Others</b>   |  |  |
|      | (i) In respect of penal interest for late renewal of Employee Deposit Linked Insurance Policy for financial year 2008-09   | 4.43                                   | 4.43                                   |
|      | (ii) In respect of mense profit for the premises under leave and license agreement.  | 402.61                                 | 402.61                                 |
|      | <b>(b) Other money for which the Company is contingently liable</b>  |  |  |
|      | In respect of Sales Invoice Finance facility   | 388.77                                 | 1471.38                                |
|      | *Future ultimate outflow of resources embodying economic benefits in respect of these matters is uncertain as it depends on financial outcome of judgments/decisions on the matters involved.                |  |  |
|      |  | <b>As at 31 March, 2013<br/>₹ lacs</b> | <b>As at 31 March, 2012<br/>₹ lacs</b> |
| (ii) | <b>Commitments</b>   |  |  |
|      | (a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)   |  |  |
|      | Tangible assets  | 1805.05                                | 1262.62                                |
|      | Intangible assets  | 55.70                                  | 27.51                                  |
|      |  | <b>1860.75</b>                         | <b>1290.13</b>                         |



## Note 24: Additional information to the financial statements .....Contd.

| Note        | Particulars   | As at 31 March, 2013<br>₹ lacs                | As at 31 March, 2012<br>₹ lacs                              |
|-------------|---|---|---|
| <b>24.2</b> | <b>Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006</b>   |   |   |
|             | (i) Principal amount remaining unpaid to any supplier as at the end of the accounting year  | 470.71  | 511.69  |
|             | (ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year   | --  | --  |
|             | (iii) The amount of principal paid beyond the appointed day   | 2895.66                                       | 2436.50   |
|             | (iv) The amount of interest due and payable for the year  | --  | --  |
|             | (v) The amount of interest accrued and remaining unpaid at the end of the accounting year   | --  | --  |
|             | (vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid  | --  | --  |
|             | The information disclosed above in respect of principal and/or interest due to Micro and Small Enterprises has been determined on the basis of information available with the Company and confirmations received from the suppliers for registration under the Micro, Small and Medium Enterprises Development Act, 2006 and for interest outstanding/due. This has been relied upon by the auditors. |   |   |
| <b>24.3</b> | <b>Details on derivatives instruments and unhedged foreign currency exposures</b>   |   |   |
|             | The Company has not taken any derivative instrument during the year and there is no derivative instrument outstanding as at the year end. The foreign currency exposures that are not hedged by a derivative instrument or otherwise are as follows :   |   |   |
|             | <b>Particulars</b>  | <b>Amount in Foreign currency</b>             | <b>Equivalent amount in Indian currency<br/>(₹ in lacs)</b> |
|             | Payables  | <b>USD 369,938.63</b><br>(USD 157,421.01)     | <b>200.98</b><br>(80.19)                                    |
|             |   | <b>EUR 61,210.60</b><br>(EUR 7,133.50)        | <b>42.44</b><br>(4.85)                                      |
|             | Receivables   | <b>USD 2,716,509.04</b><br>(USD 2,695,359.57) | <b>1475.61</b><br>(1372.75)                                 |
|             |   | <b>EUR 274,182.72</b><br>(EUR 298,982.58)     | <b>190.03</b><br>(203.07)                                   |
|             |   | --<br>(CHF 12,778.50)                         | --<br>(7.20)  |
|             |   | --<br>(SGD 4,090.00)                          | --<br>(1.66)  |
|             |   | --<br>(JPY 132,450.00)                        | --<br>(0.82)  |
|             | <b>Footnote:</b><br>Figures in brackets represent previous year's figures   |   |   |

**Note 24: Additional information to the financial statements .....Contd.**

| Note        | Particulars   | For the year ended<br>31 March, 2013<br>₹ lacs          | For the year ended<br>31 March, 2012<br>₹ lacs          |
|-------------|---|---|---|
| <b>24.4</b> | <b>Value of imports calculated on CIF basis:</b>  |   |   |
|             | Raw materials and components  | 422.70  | 404.79  |
|             | Stores and spare parts  | 22.00   | 37.28   |
|             | Loose tools   | 134.53  | 141.23  |
|             | Capital goods   | 494.04  | 1069.46   |
|             |   | <b>1073.27</b>  | <b>1652.76</b>  |
| <b>24.5</b> | <b>Expenditure in foreign currency:</b>   | <b>For the year ended<br/>31 March, 2013<br/>₹ lacs</b> | <b>For the year ended<br/>31 March, 2012<br/>₹ lacs</b> |
|             | Royalty (includes ₹ 5.73 lacs (Year ended 31 March, 2012: Nil) debited to capital work in progress)   | 106.15  | 53.26   |
|             | Professional Fees   | 4.31  | 2.91  |
|             | Interest on foreign currency loans  | --  | 3.61  |
|             | Others (Travel, commission, warehousing charges, rejection claims etc.) (Includes ₹ 8.72 lacs (Year ended 31 March, 2012: Nil) debited to capital work in progress) | 87.58   | 79.01   |
| <b>24.6</b> | <b>Details of consumption of imported and indigenous items</b>  | <b>For the year ended 31 March, 2013</b>                |   |
|             |   | <b>₹ lacs</b>   | <b>%</b>  |
|             | <b><u>Imported</u></b>  |   |   |
|             | Raw materials and components  | <b>472.85</b><br>(433.10)                               | <b>2.41</b><br>(1.92)                                   |
|             | Stores and spare parts  | <b>26.90</b><br>(45.13)                                 | <b>2.42</b><br>(3.56)                                   |
|             | Loose tools   | <b>137.43</b><br>(177.86)                               | <b>15.15</b><br>(18.45)                                 |
|             |   | <b>637.18</b><br>(656.09)                               |   |
|             | <b><u>Indigenous</u></b>  |   |   |
|             | Raw materials and components  | <b>19140.59</b><br>(22180.26)                           | <b>97.59</b><br>(98.08)                                 |
|             | Stores and spare parts  | <b>1083.08</b><br>(1221.08)                             | <b>97.58</b><br>(96.44)                                 |
|             | Loose tools   | <b>769.45</b><br>(785.93)                               | <b>84.85</b><br>(81.55)                                 |
|             |   | <b>20993.12</b><br>(24187.27)                           |   |
|             | Note: Figures in brackets represent previous year's figures.  |   |   |





**Note 24: Additional information to the financial statements .....Contd.**

| Note        | Particulars                             | For the year ended<br>31 March, 2013<br>` lacs | For the year ended<br>31 March, 2012<br>` lacs |
|-------------|---|--|--|
| <b>24.7</b> | <b>Earnings in foreign exchange:</b>    |  |  |
|             | Export of goods calculated on FOB basis | 8244.36  | 7404.11  |
|             | Tooling Development Income              | 112.82   | 165.55   |
|             | Exchange Gain (net)                     | 210.63   | 223.23   |
|             | Other income (Freight, Insurance etc.)  | 153.87   | 266.80   |
|             |   | <b>8721.68</b>                                 | <b>8059.69</b>                                 |



## Note 25: Disclosures under accounting standards

| Note        | Particulars  | For the year ended<br>31 March, 2013<br>₹ lacs | For the year ended<br>31 March, 2012<br>₹ lacs |
|-------------|--|--|--|
| <b>25.1</b> | <b>Details of contract revenue and costs</b>   |  |  |
|             | Contract revenue recognised during the year<br>(Excludes Sale of spares ₹ 77.17 lacs (Year ended 31 March, 2012:<br>₹ 88.34 lacs)) | 1744.54  | 802.22   |
|             | Method used to determine contract revenue and the stage of<br>completion of contracts in progress                                  | (Refer Note 1.7)                               | (Refer Note 1.7)                               |
|             | Aggregate of contract costs incurred and recognised profits<br>upto the reporting date   | 1826.65  | 687.29   |
|             | Advances received for contracts in progress  | --   | --   |
|             | Retention money for contracts in progress  | --   | --   |
|             | Gross amount due from customers for contract work<br>(Refer Note 17)   | 206.35   | 349.29   |
|             | Gross amount due to customers for contract work  | --   | --   |





## Note 25: Disclosures under accounting standards .....Contd.

| Note   | Particulars  |  |                                  |  |                                  |
|--------|--|--|----------------------------------|--|----------------------------------|
| 25.2   | Employee benefit plans   |  |                                  |  |                                  |
| 25.2.a | <u>Defined Contribution Plans</u><br>During the year ended 31 March the Company has recognized the following amounts in the Statement of Profit and Loss :   |  |                                  |  |                                  |
|        | Particulars  | For the year ended<br>31 March, 2013<br>` lacs |                                  | For the year ended<br>31 March, 2012<br>` lacs |                                  |
|        | - Employers' contribution to Provident Fund and Family Pension Fund  | 224.36   |                                  | 221.44   |                                  |
|        | - Employers' contribution to Superannuation Fund   | 134.50   |                                  | 113.46   |                                  |
| 25.2.b | The above amounts are included in Contributions to provident and other funds under Note 21 Employee benefits expense.<br><u>Defined Benefit Plans</u><br>A general description of the Employees Benefit Plans:<br><br>(i) <u>Gratuity (Funded)</u><br>The Company has an obligation towards gratuity, a funded defined benefits retirement plan covering eligible employees. The plan provides for lump sum payment to vested employees at retirement, death while in employment or on termination of the employment, of an amount calculated in accordance with the provisions of the Payment of Gratuity Act, 1972. Vesting occurs upon completion of 5 years of services.<br><br>(ii) <u>Terminal Ex-gratia (Unfunded)</u><br>Company has an obligation towards terminal ex-gratia, an unfunded defined benefit retirement plan covering eligible employees. The plan provides for lump sum payment which varies depending upon the number of completed years of services to vested employees on completion of employment. Vesting occurs upon the completion of 15 years of service.<br><br>The following table sets out the funded status of the defined benefit schemes and the amount recognised in the financial statements: |  |                                  |  |                                  |
|        |  | ` lacs   |                                  |  |                                  |
|        | Particulars  | Year ended 31 March, 2013                      |                                  | Year ended 31 March, 2012                      |                                  |
|        |  | Gratuity                                       | Terminal Ex-gratia<br>(Unfunded) | Gratuity                                       | Terminal Ex-gratia<br>(Unfunded) |
|        | <b>Components of employer expense</b>  |  |                                  |  |                                  |
|        | Current service cost   | 50.82  | 1.74                             | 54.49  | 1.78                             |
|        | Interest cost  | 90.35  | 3.55                             | 83.98  | 3.45                             |
|        | Expected return on plan assets   | (45.80)  | --                               | (47.12)  | --                               |
|        | Past service cost  | --   | --                               | --   | --                               |
|        | Actuarial losses/(gains)   | 46.54  | 2.03                             | (8.18)   | 1.82                             |
|        | <b>Total expense recognised in the Statement of Profit and Loss</b>  | * 141.91                                       | **7.32                           | * 83.17  | **7.05                           |
|        | <b>Actual contribution and benefit payments for year</b>   |  |                                  |  |                                  |
|        | Actual benefit payments  | (94.62)  | (5.05)                           | (109.03)                                       | (6.95)                           |
|        | Actual contributions   | 50.25  | 5.05                             | 46.84  | 6.95                             |
|        | <b>Net asset / (liability) recognised in the Balance Sheet</b>   |  |                                  |  |                                  |
|        | Present value of defined benefit obligation  | 1186.40  | 45.76                            | 1083.34  | 43.49                            |
|        | Fair value of plan assets  | 643.31   | --                               | 631.91   | --                               |
|        | Funded status [Surplus/(Deficit)]  | (543.09)                                       | (45.76)                          | (451.43)                                       | (43.49)                          |
|        | <b>Net asset / (liability) recognised in the Balance Sheet accounted as below :</b>  | (543.09)                                       | (45.76)                          | (451.43)                                       | (43.49)                          |
|        | - Other long-term liabilities (Refer Note 5(a)(ii))  | (443.09)                                       | --                               | (351.43)                                       | --                               |
|        | - Other current liabilities (Refer Note 9(f)(vi))  | (100.00)                                       | --                               | (100.00)                                       | --                               |
|        | - Long-term provisions (Refer Note 6(a)(ii))   | --   | (37.86)                          | --   | (36.49)                          |
|        | - Short-term provisions (Refer Note 10(a)(ii))   | --   | (7.90)                           | --   | (7.00)                           |
|        | (* Included in Contributions to provident and other funds under Employee benefits expense in Note 21).<br>(** Included in 'Salaries and wages' under Employee benefits expense in Note 21).  |  |                                  |  |                                  |

**Note 25: Disclosures under accounting standards .....Contd.**

₹ lacs

| Note   | Particulars  | Year ended 31 March, 2013 |                               | Year ended 31 March, 2012 |                               |
|--|--|---------------------------|-------------------------------|---------------------------|-------------------------------|
|  |  | Gratuity                  | Terminal Ex-gratia (Unfunded) | Gratuity                  | Terminal Ex-gratia (Unfunded) |
|  | <b>Change in defined benefit obligations (DBO) during the year</b>   |                           |                               |                           |                               |
|  | Present value of DBO at beginning of the year  | 1083.34                   | 43.49                         | 1053.24                   | 43.39                         |
|  | Current service cost   | 50.82                     | 1.74                          | 54.49                     | 1.78                          |
|  | Interest cost  | 90.35                     | 3.55                          | 83.98                     | 3.45                          |
|  | Actuarial (gains)/losses   | 56.51                     | 2.03                          | 0.66                      | 1.82                          |
|  | Past service cost  | --                        | --                            | --                        | --                            |
|  | Benefits paid  | (94.62)                   | (5.05)                        | (109.03)                  | (6.95)                        |
|  | Present value of DBO at the end of the year  | 1186.40                   | 45.76                         | 1083.34                   | 43.49                         |
|  | <b>Change in fair value of assets during the year</b>  |                           |                               |                           |                               |
|  | Plan assets at beginning of the year   | 631.91                    | --                            | 638.14                    | --                            |
|  | Expected return on plan assets   | 45.80                     | --                            | 47.12                     | --                            |
|  | Actual company contributions   | 50.25                     | --                            | 46.84                     | --                            |
|  | Actuarial gain/(loss)  | 9.97                      | --                            | 8.84                      | --                            |
|  | Benefits paid  | (94.62)                   | --                            | (109.03)                  | --                            |
|  | Plan assets at the end of the year   | 643.31                    | --                            | 631.91                    | --                            |
| Actual return on plan assets : The expected rate of return on the plan asset (Gratuity Funded) is based on the average long-term rate of return expected on investments of funds during estimated term of obligation. Actual return on Plan Assets (Gratuity Funded) is ₹ 55.77 lacs.(Year ended 31 March, 2012: ₹ 55.96 lacs) |  |                           |                               |                           |                               |
|  | <b>Composition of the plan assets</b>  |                           |                               |                           |                               |
|  | Insurer Managed funds  | 100%                      | --                            | 100%                      | --                            |
|  | The details of investment made by the Insurer is not readily available with the company  |                           |                               |                           |                               |
|  | <b>Actuarial assumptions</b>   |                           |                               |                           |                               |
|  | Discount rate  | 7.95%                     | 7.95%                         | 8.50%                     | 8.50%                         |
|  | Expected return on plan assets   | 7.50%                     | --                            | 7.50%                     | --                            |
|  | Salary escalation  | 6.00%                     | 6.00%                         | 6.00%                     | 6.00%                         |
|  | Estimate of amount of contribution in the immediate next year  | ₹ 100 lacs                |                               |                           |                               |
|  | <b>Particulars</b>   |                           |                               |                           |                               |
|  | The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations. |                           |                               |                           |                               |
|  | The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.                   |                           |                               |                           |                               |
|  | <b>Experience adjustments</b>  |                           |                               |                           |                               |
|  |  | <b>2012-2013</b>          | <b>2011-2012</b>              | <b>2010-2011</b>          | <b>2009-2010</b>              |
|  | <b>Gratuity</b>  |                           |                               |                           |                               |
|  | Present value of DBO   | 1186.40                   | 1083.34                       | 1053.24                   | 913.19                        |
|  | Fair value of plan assets  | 643.31                    | 631.91                        | 638.14                    | 606.63                        |
|  | Funded status [Surplus/(Deficit)]  | (543.09)                  | (451.43)                      | (415.10)                  | (306.56)                      |
|  | Experience gain/(loss) adjustments on plan liabilities   | 11.86                     | 12.42                         | 14.45                     | 130.23                        |
|  | Experience gain/(loss) adjustments on plan assets  | 9.97                      | 8.84                          | 7.19                      | 5.14                          |
|  | <b>Terminal Ex-gratia (Unfunded)</b>   |                           |                               |                           |                               |
|  | Present value of DBO   | 45.76                     | 43.49                         | 43.39                     | 42.53                         |
|  | Fair value of plan assets  | -                         | -                             | -                         | -                             |
|  | Funded status [Surplus/(Deficit)]  | (45.76)                   | (43.49)                       | (43.39)                   | (42.53)                       |
|  | Experience gain/(loss) adjustments on plan liabilities   | (0.72)                    | (2.70)                        | (0.27)                    | (0.76)                        |
|  | Experience gain/(loss) adjustments on plan assets  | -                         | -                             | -                         | -                             |





## Note 25: Disclosures under accounting standards .....Contd.

| Note   | Particulars  |   |  |
|--------|--|---|--|
| 25.3   | Segment information  |   |  |
|        | The Company is primarily engaged in the Automotive Gears business. Risks and rewards involved in sales to overseas customers are not significantly different from those attributable to domestic market. As such there is no other separate reportable segment as defined by Accounting Standard – 17 “Segment Reporting.” |   |  |
| 25.4   | Related party transactions   |   |  |
| 25.4.a | Details of related parties with whom the Company had transactions during the year.   |   |  |
|        | Description of relationship  | Name of related parties   |  |
|        | Key Management Personnel (KMP)   | (i) Mr. Surinder P. Kanwar (SPK) - Chairman and Managing Director (who also has ability to exercise 'significant influence' over the Company)<br>(ii) Mr. Sameer Kanwar (SK) – Joint Managing Director (Son of Chairman and Managing Director of the Company) |  |
|        | Enterprises over which KMP is able to exercise significant influence   | (i) Cliplok Simpak (India) Pvt. Ltd. (CSIPL)<br>(ii) Raunaq International Ltd. (RIL)<br>(iii) Vibrant Finance & Investments Pvt. Ltd. (VFIPL)<br>(iv) Xlerate Driveline India Limited (XDIL)  |  |
|        | Note: Related parties have been identified by the Management.  |   |  |
| 25.4.b | Details of related party transactions during the year ended 31 March, 2013 and balances outstanding as at 31 March, 2013: <span style="float:right">Lacs</span>  |   |  |
|        |  | KMP   | Enterprises over which KMP is able to exercise significant influence |
|        | Purchase of packing material (CSIPL)   |   | 5.64<br>(34.60)  |
|        | Rent & other expenses ( VFIPL)   |   | 11.46<br>(11.25)   |
|        | Rent paid for premises taken on lease (SPK)  | 69.50<br>(63.50)  |  |
|        | Rent paid for premises taken on lease (SK)   | 32.90<br>(31.77)  |  |
|        | Reimbursement of Maintenance charges paid for premises taken on rent (SPK)   | 3.29<br>(3.29)  |  |
|        | Reimbursement of Maintenance charges paid for premises taken on rent (SK)  | 1.13<br>(1.06)  |  |
|        | Rent income (RIL)  |   | 1.74<br>(1.74)   |
|        | Rent income (CSIPL)  |   | 0.06<br>(0.06)   |
|        | Marketing Service Income - (XDIL)  |   | 5.58<br>(-)  |
|        | Repair & Maintenance - Plant and Machinery and Building (RIL)  |   | 24.53<br>(51.28)   |
|        | Construction of Factory Building - Boundary wall/Road/Car parking/Shed (RIL)   |   | 6.55<br>(38.79)  |
|        | Purchase of land (RIL)   |   | -<br>(285.00)  |
|        | Remuneration - (SPK)   | 216.14<br>(195.23)  |  |
|        | Remuneration - (SK) (Refer footnote (i) below)   | 108.09<br>(90.41)   |  |

**Note 25: Disclosures under accounting standards .....Contd.**

| Notes  | Particulars   | KMP   | Enterprises over which KMP is able to exercise significant influence                                   |  |
|--------|---|---|--|--|
|        | <u>Balances outstanding at the end of the year</u><br><b>Receivables:</b><br>Long-term loans and advances (Refer Note 12)<br><br>Short-term loans and advances (Refer Note 16)<br><br>Other Current Assets (Refer Note 17)<br><br><b>Payables:</b><br>Trade payables (Refer footnote (ii) below)<br><br>Note: Figures in bracket relates to the previous year   | <br><b>10.00</b><br>(10.00)<br><br><br><br><br><b>65.60</b><br>(2.75) | <br><b>7.40</b><br>(9.80)<br><b>2.47</b><br>(7.20)<br><b>5.58</b><br>(-)<br><br><b>4.44</b><br>(44.89) |  |
|        | <b>Footnotes :</b><br>(i) Remuneration for the Joint Managing Director for the year ended 31 March, 2013 includes provision of ` 50.80 lacs made on the basis of shareholders approval in excess of the limit specified under Section 198 read with Section 309 and Schedule XIII to the Companies Act, 1956 which is subject to approval of the Central Government for which applications have been made by the Company.<br>(ii) Trade payables for the year ended 31 March, 2013 includes contribution to PF and superannuation on remuneration payable to the Joint Managing Director. |   |  |  |
| 25.4.c | <b>No amounts have been written off/provided for or written back during the year in respect of amounts receivable from or payable to related parties.</b>   |   |  |  |
| 25.5   | <b>Details of Leasing arrangements</b>  |   |  |  |
|        | (A) Finance Lease:<br>(i) For net carrying amount as at 31 March, 2013 for assets acquired under finance lease. (Refer Note 11 A Fixed assets)<br>(ii) The maturity profile of finance lease obligations is as follows:<br><div><div></div><div>lacs</div></div>  |   |  |  |
|        |   | <b>Total minimum lease payments outstanding as at 31 March, 2013</b>  | <b>Interest not due</b>  | <b>Present value of minimum lease payments</b> |
|        | Not later than one year   | <b>245.83</b><br>(341.75)   | <b>48.38</b><br>(79.94)  | <b>197.45</b><br>(261.81)                      |
|        | Later than one year but not later than five years   | <b>384.84</b><br>(632.33)   | <b>43.62</b><br>(95.59)  | <b>341.22</b><br>(536.74)                      |
|        | TOTAL   | <b>630.67</b><br>(974.08)   | <b>92.00</b><br>(175.53)   | <b>538.67</b><br>(798.55)                      |
|        | Figures in brackets are for the Previous Year.  |   |  |  |
|        | (iii) General description of these agreements:<br>- Some of these agreements contains renewal clause.<br>- There are no restrictions such as those concerning dividends, additional debt and further leasing imposed by the lease agreements entered into by the Company.   |   |  |  |
|        | (B) Operating Lease: (Not non-cancellable)  |   |  |  |
|        | (i) Lease payments recognised in the Statement of Profit and Loss for the year are as follows:  |   |  |  |
|        |   | <b>For the year ended 31 March, 2013</b><br>lacs                      | <b>For the year ended 31 March, 2012</b><br>lacs   |  |
|        | Residential flats/offices/godowns   | 180.77  | 173.47   |  |
|        | Vehicle/Plant and Machinery/Air Conditioner   | 277.72  | 181.98   |  |
|        | (ii) Some of the agreements contain renewal clause and provide for escalation of rent of about 5% on renewal. Some of the agreements provides for escalation in rent during the tenure of the agreement.  |   |  |  |



## Note 25: Disclosures under accounting standards .....Contd.

| Note        | Particulars  | For the year ended<br>31 March, 2013<br>` lacs | For the year ended<br>31 March, 2012<br>` lacs |
|-------------|--|--|--|
| <b>25.6</b> | <b>Earnings per share</b>  |  |  |
|             | <u>Basic and diluted</u>   |  |  |
|             | Net profit for the year  | 496.66   | 1859.20  |
|             | Less: Preference dividend and tax thereon  | -  | 12.12  |
|             | Net profit for the year attributable to the equity shareholders  | <b>496.66</b>                                  | <b>1847.08</b>                                 |
|             | Weighted average number of equity shares (Nos.)  | 7817833  | 7817833  |
|             | Par value per share (In `)   | 10.00  | 10.00  |
|             | Earnings per share - Basic and diluted   | 6.35   | 23.63  |
| <b>25.7</b> | <b>Components of deferred tax balances</b>   |  |  |
|             | <u>Tax effect of items constituting deferred tax liability</u>   |  |  |
|             | On difference between book balance and tax balance of fixed assets   | 543.36   | 578.54   |
|             | Others   | 109.41   | 75.23  |
|             | Tax effect of items constituting deferred tax liability  | <b>652.77</b>                                  | <b>653.77</b>                                  |
|             | <u>Tax effect of items constituting deferred tax assets</u>  |  |  |
|             | Provision for compensated absences, gratuity and other employee benefits   | 346.92   | 291.66   |
|             | Disallowances under Section 43B of the Income Tax Act, 1961  | 47.30  | 47.30  |
|             | Others   | 60.02  | 87.28  |
|             | Tax effect of items constituting deferred tax assets   | <b>454.24</b>                                  | <b>426.24</b>                                  |
|             | <b>Deferred tax liability (net)</b>  | 198.53   | 227.53   |
| <b>25.8</b> | <b>Details of provisions</b>   |  |  |
|             | Disclosures in pursuance of the Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets":   |  |  |
|             | <b>Provision for warranties</b>  | <b>2012-13<br/>` lacs</b>                      | <b>2011-12<br/>` lacs</b>                      |
|             | Carrying amount at the beginning of the year   | 9.39   | 4.24   |
|             | Additional provision made during the year  | 20.41  | 8.33   |
|             | Amount used during the current year  | -  | 3.18   |
|             | Unused amount reversed during the year   | 1.21   | -  |
|             | Carrying amount at the end of the year (Refer Note 10)   | 28.59  | 9.39   |
|             | Provision for warranty is made for the estimated amount of expenditure, which may be incurred during the warranty period of twelve months after successful commissioning of the furnace. |  |  |
| <b>26</b>   | <b>Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification / disclosure.</b>                                    |  |  |

**Surinder P. Kanwar**  
Chairman and Managing Director

**Sameer Kanwar**  
Joint Managing Director

**N. J. Kamath**  
**Ram S. Tarneja**  
**V.K. Pargal**  
**W. R. Schilha**  
**S.G. Awasthi**  
**Rakesh Chopra**  
Directors

Place : Mumbai  
Date : 29 May, 2013

**Milind Pujari**  
Chief Financial Officer

**Prashant Khattry**  
Head (Legal) & Company Secretary





## “FORM 2B”

### Nomination Form

(To be filled in by the individual applying singly or jointly)  
(if jointly only upto two persons)

I/We.....and.....the holders of.....equity shares against Folio No..... bearing Certificate number(s) from.....to.....and distinctive number from.....to.....of Bharat Gears Limited wish to make a nomination and do hereby nominate the following person in whom all rights of transfer and or amount payable in respect of the said shares shall vest in the event of my/our death.

#### Name and Address of Nominee (Please write in block letters)

|      |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Name |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

|                       |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|-----------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Father's/Husband Name |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|-----------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

|            |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Occupation |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

|         |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Address |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|         |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|         |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

|                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|----------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Date of Birth* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|----------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

(\*to be furnished in case the nominee is a minor)

\*\*The Nominee is a minor whose guardian is :

|      |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Name |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

|         |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Address |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|         |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|         |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

(\*\*To be deleted if not applicable)

Specimen Signature of Nominee/Guardian : \_\_\_\_\_

Signature :

Name :

Address :

Date :

Signature :

Name :

Address :

Date :

Signature of two witnesses

Name and Address

Signature with date

1.

2.





## ELECTRONIC CLEARING SERVICES(ECS) MANDATE FORM

To  
**M/s Link Intime India Pvt. Ltd.**  
 (Unit : Bharat Gears Limited)  
 44, Community Centre, Naraina Industrial Area,  
 Phase-I, Near PVR Naraina  
 New Delhi - 110 028

|                                     |  |
|-------------------------------------|--|
| Name of the First/Sole Share holder |  |
| Folio No. / DP Id - Client Id       |  |

### PAN / Email information

|  |  |
|--|--|
| Income Tax Permanent Account Number (PAN)<br>(Please attach a photocopy of PAN Card) |  |
| Email ID   |  |

### ECS Mandate Form (for shares held in physical mode)

|  |         |  |         |  |        |  |
|--|---------|--|---------|--|--------|--|
| Bank Name  |         |  |         |  |        |  |
| Branch Name & Address  |         |  |         |  |        |  |
| Bank Account Type (tick)   | Savings |  | Current |  | Others |  |
| Bank Account Number  |         |  |         |  |        |  |
| 9 Digit Code Number of the Bank and Branch<br>appearing on the MICR Cheque issued by the Bank<br>(Please attach a photocopy of the cheque) |         |  |         |  |        |  |

I hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, Bharat Gears Limited, will not be held responsible.

I further undertake to inform the company any change in my Bank / Branch and account number, if any.

\_\_\_\_\_  
Signature of First / Sole Holder

Place :  
Date :



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## BHARAT GEARS LIMITED

Registered Office : 20 K.M., Mathura Road, P.O. Amar Nagar, Faridabad - 121 003. (Haryana)

41<sup>ST</sup> ANNUAL GENERAL MEETING

### ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall.

Name of the Member.....  
(in Block Letters)

Name of Proxy, if any .....  
(in Block Letters)

Regd. Folio No./Demat A/c No. .... DP ID No. ....

No. of shares held .....

I hereby record my presence at the 41<sup>st</sup> Annual General Meeting of the Company on Wednesday, July 31, 2013 at 11.30 A.M. at HUDA Convention Centre, Sector-12, Faridabad-121007 (Haryana).

Signature of the Proxy..... Signature of the Member.....

- Note :
1. Members/Proxy holders are requested to bring this Attendance Slip duly filed in and signed with them when they come to the meeting and hand it over at the entrance of the Meeting Hall.  
NO ATTENDANCE SLIP WILL BE ISSUED AT THE TIME OF MEETING.
  2. **No briefcase, bag etc. shall be allowed inside the Meeting Hall.**
  3. Please bring your copy of the Annual Report to the meeting.
  4. The meeting is of members only and you are requested not to bring with you any person who is not a member or a Proxy.

**NOTE : NO GIFTS / GIFT COUPONS SHALL BE DISTRIBUTED AT THE MEETING**



## BHARAT GEARS LIMITED

Registered Office : 20 K.M., Mathura Road, P.O. Amar Nagar, Faridabad - 121 003. (Haryana)

41<sup>ST</sup> ANNUAL GENERAL MEETING

### PROXY FORM

I/We .....  
of ..... being

member(s) of BHARAT GEARS LIMITED

hereby appoint.....

of .....

or failing him/her .....

of .....

as my/our Proxy to vote for me/us and on my/our behalf at the 41<sup>st</sup> Annual General Meeting of the Company to be held on Wednesday, July 31, 2013 at 11.30 A.M. at HUDA Convention Centre, Sector-12, Faridabad-121007 (Haryana) and at any adjournment thereof.

AS WITNESS my/our hand(s) this..... day of..... 2013.

Signature (s).....

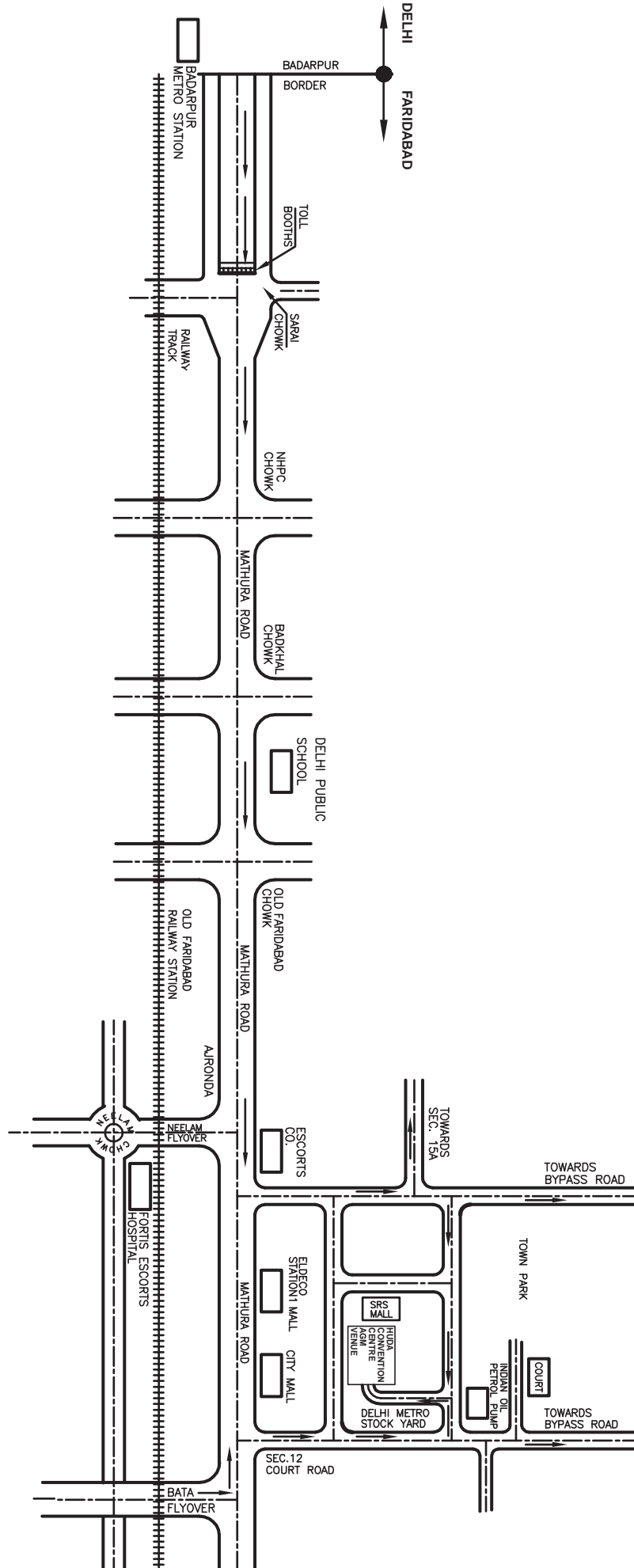
Regd. Folio No. /Demat A/c No. .... DP ID No. ....

- Note :
1. The Proxy need not be a member.
  2. The Proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time of holding the aforesaid meeting.

**NOTE : NO GIFTS / GIFT COUPONS SHALL BE DISTRIBUTED AT THE MEETING**



## Guide Map to venue of AGM from Delhi-Faridabad Border





Geared for Life

## **BHARAT GEARS LIMITED**

### **Offices:**

**REGISTERED OFFICE:** 20 K. M. Mathura Road, P. O. Amar Nagar, Faridabad - 121003

**CORPORATE OFFICE:** 14th Floor, Hoechst House, Nariman Point, Mumbai - 400 021

**BRANCH OFFICE:** 1009, Surya Kiran Building, 19, Kasturba Gandhi Marg, New Delhi -110001

### **Plants:**

- Kausa Shil, Mumbra, District Thane - 400 612 Maharashtra
- 20 K.M. Mathura Road, P. O. Amar Nagar, Faridabad - 121003
- Lonand, Taluka Khandala, District Satara, Maharashtra – 415521





## BHARAT GEARS LIMITED

Kausa Shil, Mumbra, Dist. Thane - 400 612. (Maharashtra) INDIA  
Tel : +91 (22) 2535 2034 2535 7500 • Fax : +91 (22) 2535 1651

### FORM A

#### Format of covering letter of the annual audit report to be filed with the stock exchanges

|    |  |   |
|----|--|---|
| 1. | Name of the Company:                                       | Bharat Gears Limited  |
| 2. | Annual stand alone financial statements for the year ended | March 31, 2013  |
| 3. | Type of Audit observation                                  | Emphasis of matter  |
| 4. | Frequency of observation                                   | <p>EOM</p> <p>We draw attention to Footnote (i) of Note 25.4.b forming part of the financial statements. As stated in the note, remuneration payable to the Joint Managing Director includes Rs. 50.80 lacs in excess of the limit specified under Section 198 read with Section 309 and Schedule XIII to the Companies Act, 1956 which is subject to the approval of the Central Government.</p> <p>Our opinion is not qualified in respect of this matter.</p> <p><b>Note</b></p> <p>Footnote (i) of Note 25.4.b</p> <p>Remuneration for the Joint Managing Director for the year ended 31 March, 2013 includes provision of Rs. 50.80 lacs made on the basis of shareholders approval in excess of the limit specified under Section 198 read with Section 309 and Schedule XIII to the Companies Act, 1956 which is subject to approval of the Central Government for which applications have been made by the Company.</p> |



Mumbai Office : 14th Floor, Hoechst House, Nariman Point, Mumbai - 400 021 INDIA.

Tel.: +91(22) 22883180, 22820112 Fax : +91 (22) 22821465, Email : [info@bharatgears.com](mailto:info@bharatgears.com)

Regd. Office & Works : 20, K.M. Mathura Road, P. O. Box 328, Po. Amar Nagar, Faridabad - 121 003 (Haryana) INDIA.





Tel. : +91(129) 4288600 Fax : +91(129) 4288822 - 23, E-mail : [info@bgindia.com](mailto:info@bgindia.com)

Website : [www.bharatgears.com](http://www.bharatgears.com)



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|    |  |   |
|----|--|---|
|    |  |   |
| 5. | <p>To be signed by-</p> <p>Surinder P. Kanwar<br/>Chairman and Managing Director</p> <p>Milind Pujari<br/>Chief Financial Officer</p> <p>Dr. Ram S. Tarneja<br/>Audit Committee Chairman</p> <p>Auditor of the Company</p> | <p></p> <p></p> <p></p> <p>Refer our Audit Report dated <u>29 May 2013</u><br/>For DELOITTE HASKINS &amp; SELLS<br/>Chartered Accountants<br/>(Firm Registration No. 117365W)</p> <p></p> <p>Signature<br/>Saira Nainar<br/>(Partner)<br/>(Membership No. 040081)<br/>Mumbai, <u>25 June</u>, 2013</p> |



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