

# **BHARAT GEARS LIMITED**

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<b>CORPORATE OFFICE</b>	14th Floor, Hoechst House, Nariman Point, Mumbai - 400 021.
<b>REGISTERED OFFICE</b>	20 K.M., Mathura Road, P.O. Amar Nagar, Faridabad - 121 003.
<b>WORKS</b>	Kausa Shil, Mumbra, Distt. Thane - 400 612, Maharashtra 20 K.M., Mathura Road, P.O. Amar Nagar, Faridabad - 121 003.
<b>BRANCHES</b>	512 Surya Kiran Bldg., 19th Kasturba Gandhi Marg, New Delhi-110 001  8, Sahdev Market, Jalandhar City -144 001.  79-80, Yard No.6, Transport Nagar, Narwal Jammu -180 006.  1902 - A, Baldev Nagar, Ambala City, Haryana  19, Transport Nagar, Jaipur - 302 003.  Durga Mills (Near Milk Dairy) Mangal Parao, Haldwani-263139, Uttranchal.  SCF-506, 1st Floor, Motor Market, Mani Majra, UT Chandigarh.  123/650 - A, GNA Market, Pratap Ganj, (Gadarian Purva), Kanpur - 208 012.  Hamirpur Road, UNA (HP).  Plot 30-31, 100 Feet Road, Jawahar Auto, Nagar, Vijaywada - 520 007.  89/01, 7th Cross, Wilson Garden, Hosur, Road, Bangalore - 560 027.  Poomkudy Centre, 2/2056-B, Vyanad Road, Near Civil Station, Calicut - 673 020 (Kerala).  Poomkudy House, NH - 47, Edappally, Kochi-682 024.  9/15, Dr. Munnuswamy Garden, Avinashi Road, Coimbatore - 641 018.  104, Mahalinga Puram, Hight Road, Chennai.



17, Brabourne Road, Mukherjee House,  
2nd Floor, Kolkata - 700 072.

Commercial House, Kankarbagh Road,  
Patna - 800 020.

Kohli Building, A.T. Road, Guwahati -781 001 (Assam).

89, Motor Stand Road,  
Agartala - 799 001,  
Tripura.

4, North Market Road, Upper Bazar,  
Ranchi - 834 001.

Gurunanak Pura,  
Katras Road, Dhanbad - 826 001.

NH-5, Gandharpur,  
Cuttack - 753 003 (Orissa ).

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

W4/94, TPT Nagar,  
SDM Road, Gwalior - 47 4 009.

17-18, Auto Friends Estate,  
Nr. Changodar Bridge, Bawla Road,  
Sarkhej, Ahmedabad - 382 210.

41, Chhoti Gwaltoli, Opp. Madhumilan Cinema,  
Indore - 452 001 ( M.P.).

New Bombay Market,  
Complex, Nav Bharat Press Road,  
Raipur-492001 (Chattisgarh).

54, Bhasin House,  
Verma Layout,  
Khargoan Road, Wadi,  
Nagpur.

Duplex No.5,  
Anant Enclave,  
172, Nepier Town,  
Near Shastri Bridge,  
Jabalpur, M.P.

D.no. 53-1042/12,  
Shanker Baug Lane,  
Nizam Shah Road,  
Hyderabad - 500 095.

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# **BHARAT GEARS LIMITED**

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## **BOARD OF DIRECTORS**

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

**Sameer Kanwar**, *Executive Director - Strategic Planning*

**Ram S Tarneja**

**N. J. Kamath**

**W.R. Schilha**

**A.F. Hartmann**

**Jai Singh Bhandari**

**V. K. Pargal**

## **MANAGEMENT EXECUTIVES**

**N.V. Srinivasan**

Sr. VP- Manufacturing

**A.S. Raghvan**

Sr. VP- Furnace Division

**S.M. Mathur**

VP-Manufacturing

**Milind Pujari**

Financial Controller

## **COMPLIANCE OFFICER**

**Sanjay K. Sachdev**

Asstt. General Manager (Legal)  
& Secretary

## **FINANCIAL INSTITUTIONS**

Sumitomo Mitsui Banking Corporation  
Industrial Development Bank of India  
Export Import Bank of India  
LIC Mutual Fund

## **DEBENTURE TRUSTEES**

The Western India Trustee  
& Executor Co. Ltd.

## **BANKERS**

State Bank of India  
Bank of Baroda  
Indian Overseas Bank  
The Federal Bank Ltd.

## **AUDITORS**

A.F. Ferguson & Co.



## NOTICE

### TO THE MEMBERS OF BHARAT GEARS LIMITED

NOTICE is hereby given that the 32nd Annual General Meeting of the Members of Bharat Gears Limited will be held as under:

**Day** : **FRIDAY**  
**Date** : **JULY 23, 2004**  
**Time** : **11.00 A.M.**  
**Venue** : **Municipal Auditorium  
NIT, Faridabad**

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, 2004 together with Report of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Jai Singh Bhandari, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. V.K.Pargal, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors for the year 2004-2005 and to fix their remuneration.

**By order of the Board**

**SANJAY K. SACHDEV**  
**Asstt. General Manager (Legal)**  
**& Secretary**

Place : Faridabad  
Dated : June 25, 2004

## NOTES:

- i. **NO GIFTS OR COUPONS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**
- ii. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on a poll, instead of himself. Proxies in order to be valid and effective must be delivered duly completed in the enclosed format at the Registered Office of the Company not later than forty-eight hours before the scheduled time of commencement of the meeting. Proxy need not be a Member of the Company.
- iii. Members/Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed at the entrance of the meeting for attending the meeting. 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 Tuesday, the July 20, 2004 to Friday, the July 23, 2004 (both days inclusive).
- v. Members are requested to promptly intimate Change in their address, if any, at the Company's Registered Office.
- vi. 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.
- vii. Shareholders are informed that unclaimed dividend for the financial year 1996-97 shall be deposited with Investor Education and Protection Fund in September, 2004. The same shall not be available for withdrawal after September 18, 2004. Further, those who have not claimed dividend for the financial year 1996-97 to 1999-00 are requested to request the company for the revalidation of their dividend warrants as the same shall be transferred to Investor Education and Protection Fund in pursuance of Section 205C of the Companies Act, 1956.
- viii. Members holding shares in the same name under different folios are requested to apply for consolidation of such folios and send relevant share certificates.
- ix. Members are requested to bring their own copy of the Annual Report to the meeting.

**By order of the Board**

Place : Faridabad  
Dated : June 25, 2004

**SANJAY K. SACHDEV**  
**Asstt. General Manager (Legal)**  
**& Secretary**

# BHARAT GEARS LIMITED

## REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED MARCH 31, 2004

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is a combination of voluntary practices and compliances of laws and regulations leading to effective control and management of the Organisation through effective and transparent communication.

Your Company is following transparent and fair practices of good Corporate Governance. The Company recognizes communication as key element in the overall Corporate Governance framework and therefore, emphasises on keeping abreast its stakeholders including investors, lenders, vendors and customers on continuous basis by effective and relevant communication through Annual Reports, quarterly results and its website.

### BOARD OF DIRECTORS

Your Company has an optimum combination of executive and non-executive directors on the Board. The Chairman of the Board is an executive director and half of the strength of the Board of Directors consists of independent directors. The composition of the Board of Directors for the year ended March 31, 2004 is as under :

<b>Chairman &amp; Managing Director</b>	:	Mr. Surinder P.Kanwar
<b>Executive Director (Strategic Planning)</b>	:	Mr. Sameer Kanwar
<b>Nominees of Collaborators</b>	:	Mr. W.R.Schilha Mr. A.F.Hartmann (Representative of ZF Friedrichshafen AG)
<b>Non-executive and Independent Directors</b>	:	Dr. Ram S. Tarneja Mr. N.J.Kamath Mr. V. K. Pargal
<b>Representative of Life Insurance Corporation of India (Equity investor)</b>	:	Mr. J.S.Bhandari

Attendance of the Directors at the Board Meetings and at the last Annual General Meeting, outside Directorships and Board Committees is as under:

SNo	Name of Director	No. of Board meeting attended <sup>A</sup>	Attendance at last AGM	No. of outside Directorships held <sup>B</sup>	No. of memberships/ Chairmanships in Board Committees <sup>C</sup>
1.	Mr. V.K.Pargal	5	Present	Nil	2
2.	Mr. N.J.Kamath	5	Present	Nil	3/2
3.	Mr. W.R.Schilha	3	Present	Nil	Nil
4.	Mr. J.S.Bhandari	5	Present	Nil	1
5.	Dr. Ram S.Tarneja	5	Present	14	10/4
6.	Mr. A.F.Hartmann	1	Not present	Nil	Nil
7.	Mr. Surinder P. Kanwar	5	Present	2	1
8.	Mr. Sameer Kanwar	3	Present	Nil	1

<sup>A</sup>Attendance at the Board Meetings relevant to the period when Director of the Company.

<sup>B</sup>Directorship in companies registered under the Companies Act, 1956, excluding directorships in private companies and alternate directorship.

<sup>C</sup>Only covers membership/chairmanship of Audit Committee, Remuneration Committee and Shareholders / Investors Grievance Committee.

Mr. V. K. Pargal is also 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 2003-2004 is Rs. 1,08,000/-.

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).

### BOARD MEETINGS HELD DURING THE YEAR 2003-2004

During the financial year 2003-2004, five Board meetings were held on May 21, 2003, July 29, 2003, September 29, 2003, October 24, 2003 and January 31, 2004.

### AUDIT COMMITTEE

The Audit Committee comprises of following three non-executive and independent directors:

Name of Director	Designation	No. of meetings attended
Dr. Ram S.Tarneja	Chairman	4
Mr. N.J.Kamath	Member	4
Mr. V.K.Pargal	Member	4

Dr. Ram S.Tarneja who has financial and accounting knowledge, is the Chairman of the Audit Committee.

Mr. Sanjay K.Sachdev, Company Secretary, acts as the Secretary to the Committee.

During the financial year, the Audit Committee met four times on the following dates :

May 20, 2003  
July 29, 2003  
October 24, 2003  
January 31, 2004

The meetings were attended by Financial Controller, Internal Auditor and the Statutory Auditor as invitees. Members held discussions with Statutory Auditor during the meetings of the Committee and the half-yearly and annual audited financials of the Company were reviewed by the audit committee before consideration and approval by the Board of Directors. The Committee reviewed the internal control systems and conduct of the internal audit.

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

The broad terms of reference as delegated by the Board are as follows :

- Overview of the Company's financial reporting process and disclosure of its financial information.
- Recommend the appointment/removal of external auditors, nature and scope of audit, fixation of audit fee and payment for any other service to external auditors.
- Review with the management, the half yearly and annual financial statements before submission to the board.
- Review with the management, internal and external auditors, the internal audit reports and the reports of the external auditors.
- Review of the adequacy and effectiveness of internal audit function, the internal control system of the Company, compliance with the Company's policies and applicable laws and regulations.
- Reviewing the Company's financial and risk management policies.
- To look into the reasons for substantial defaults, if any, in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividend) and creditors.

### REMUNERATION COMMITTEE

In terms of the non-mandatory requirement of Clause 49 of the Listing Agreement, the 'Remuneration Committee' was constituted on April 22, 2002 by the Board of Directors. The said Committee has been empowered to consider, approve and recommend the remuneration of the Whole Time Director/Managing Director. The Remuneration Committee constitutes of



following three non-executive and independent directors :

- 1) Mr. N.J. Kamath - Chairman
- 2) Mr. J. S. Bhandari - Member
- 3) Mr. V.K.Pargal - Member

The Remuneration Committee meets as and when required. Since there was no appointment/re-appointment of any Managerial Personnel during the year under review , no meeting of the Remuneration Committee was held.

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

The remuneration policy of the Company is based on the need to attract the best available talent and be inline with the industry levels.

#### REMUNERATION OF DIRECTORS FOR 2003-2004

(Rs. lacs)

Name of the Director	Sitting fees	Salaries and perquisites	Total
Mr. N.J.Kamath	0.24	Nil	0.24
Mr. J.S.Bhandari	0.10	Nil	0.10
Mr. V.K.Pargal	0.18	Nil	0.18
Dr. Ram S.Tarreja	0.18	Nil	0.18
Mr. Surinder P. Kanwar @	--	Salary - Monetary Value of Perquisites - Contribution to Provident and other funds	27.25 8.75* 8.95 44.95
Mr. Sameer Kanwar #	--	Salary - Monetary Value of Perquisites - Contribution to Provident and other funds	7.63 7.35* 2.51 17.49

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

@ Approved in the Annual General Meeting held on August 23, 2002 for a period of three years w.e.f. October 1, 2002.

# Approved in the Annual General Meeting held on September 17, 2001 for a period of five years w.e.f February 1, 2002.

There is no notice period or severance fees in respect of appointment of any of the above Managerial Personnel. The Company does not have any stock option scheme.

#### SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The constitution of the Shareholders/Investors Grievance Committee is as under:

1. Mr. N.J.Kamath - Chairman
2. Mr. Surinder P. Kanwar - Member
3. Mr. Sameer Kanwar - Member

Mr. N.J.Kamath is a non-executive director whereas Mr. Surinder P. Kanwar and Mr. Sameer Kanwar are executive directors.

The said Shareholders/Investors Grievance Committee has been empowered to look into the grievances of shareholders/investors and redressal of the same. Mr. Sanjay K. Sachdev, Assistant General Manager (Legal) & Company Secretary, acts as the compliance officer of the Company. Further, the said Committee is also authorised to effect transfers/transmissions of

equity shares/debentures and other securities and also to issue Duplicate Shares and other securities and matters related or incidental thereto.

During the financial year 2003-2004, 101 letters/complaints were received from the shareholders; all of them have been 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 March 31, 2004.

In order to have speedy disposal of the investors' requests for transfer and transmission, a sub-committee of the following directors/officers of the Company is in place for effecting share transfer/transmission/split/consolidation of shares.

1. Mr. Surinder P. Kanwar, Chairman & Managing Director
2. Mr. Sameer Kanwar, Executive Director
3. Mr. P.C. Kothari, General Manager (Accounts)
4. Mr. Sanjay K. Sachdev, AGM (Legal) & Company Secretary

Any two of the above are authorised to consider and approve the share transfer/transmission/ split/consolidation of shares

#### DIRECTORS

During the year under report, the Company did not appoint any new Directors.

Mr. V.K.Pargal and Mr. J.S.Bhandari are the Directors who are liable to retire by rotation at the ensuing Annual General Meeting and are eligible to offer for re-appointment.

1. Mr. V.K.Pargal, aged 71, a qualified Chartered Engineer from England, was inducted on our Board on January 24, 2002. He is presently also managing a consultancy company specializing in Business Strategies & Structures and he holds the directorship in Pargal Consultants Pvt. Ltd. He is also the member of Audit Committee and Remuneration Committee of the Company.
2. Mr. J.S.Bhandari, aged 62, a retired Executive Director, Life Insurance Corporation of India, is acting on the Company's Board as a representative of Life Insurance Corporation of India. He does not have directorship in any other company. He is a member of Remuneration Committee of the Company.

#### GENERAL BODY MEETINGS

The last three Annual General Meetings of the Company were held as per the following schedule:

Financial Year	Venue	Date	Time	Whether any special resolution passed
2002-2003	Municipal Auditorium, NIT, Faridabad, Haryana	September 29, 2003	10:30 A.M.	Yes
2001-2002	Municipal Auditorium, NIT, Faridabad, Haryana	August 23, 2002	2:00 P.M.	Yes
2000-2001	City Palace Banquet, SCO 104-105, Sector 16, Faridabad, Haryana	September 17, 2001	12:00 Noon	Yes

There was no other General Body meeting in the last three years and no resolution was put through postal ballot.

#### DISCLOSURES

During the year 2003-2004, the Company had no materially significant related party transactions, which are considered to have potential conflict with the interests of the Company at large.

# BHARAT GEARS LIMITED

There were no instances of any non-compliance by the Company or 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.

## MEANS OF COMMUNICATION

**Half-yearly report to shareholders, Quarterly Results, Newspaper in which published, website etc.**

The Quarterly, Half-yearly and Annual Results are published by the Company in Financial Express (English), Delhi and in Jansatta (Hindi), Delhi. The half-yearly reports were not sent to household of shareholders. The Company has its own website and the results are regularly being displayed on the website i.e. [www.bharatgears.com](http://www.bharatgears.com). Further, the Company is registered under EDIFAR (Electronic Data Information Filing and Retrieval) site of SEBI which is [www.sebi.gov.in](http://www.sebi.gov.in). The Company is filing online, the Quarterly results, Shareholding pattern w.e.f. quarter ended December 31, 2002, along with the full version of the Corporate Governance Report & Annual Report w.e.f. financial year ended March 31, 2003 which can be retrieved by any one. The Company has not displayed any official news releases. No presentations were made to any institutional investors or analysts.

## GENERAL SHAREHOLDER INFORMATION

**Annual General Meeting details :** At 11.00 A.M. on Friday, the July 23, 2004 at Municipal Auditorium, NIT, Faridabad.

**Date of Book Closure :** July 20, 2004 to July 23, 2004 (both days inclusive).

**Financial Calender :**

Financial calendar of the Company commences from April 1 and ends on March 31. Four quarters of the Company end on June 30, September 30, December 31 and March 31.

**Dividend payment date :** Not applicable

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

## Listing on Stock Exchanges and Stock Code

The shares of the Company are listed on the following stock exchanges :

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

The Annual Listing Fees for the year 2004-2005 have been paid to the aforesaid Stock Exchanges.

The shares of the Company were listed on the "The Delhi Stock Exchange Association" [DSE], (Regional Stock Exchange) (Stock Code : 02010) upto January 22, 2004.

In terms of SEBI (Delisting of Securities) Guidelines, 2003 issued by the Securities & Exchange Board of India (SEBI) and consequent upon approval from the Shareholders in their Annual General Meeting held on September 29, 2003 and due compliance with requisite statutory provisions, the securities of the Company have been voluntarily delisted from the Delhi Stock Exchange (DSE) w.e.f. January 23, 2004.

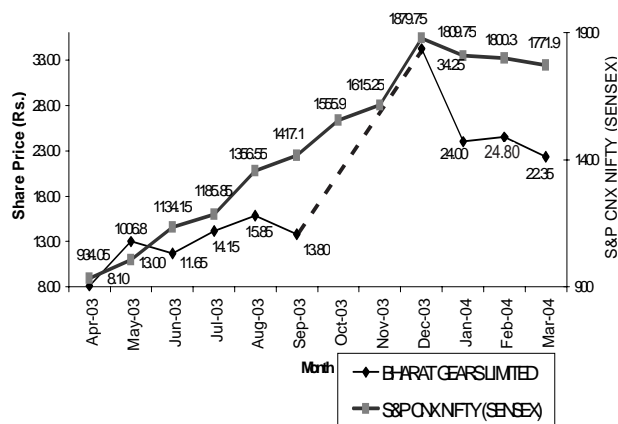
**Market Price Data : High, Low during each month of Financial year, 2003-2004 on National Stock Exchange of India Limited.**

As per official quotations of National Stock Exchange of India Limited, the High, Low market price of the equity share of the Company during the last financial year is given below:-

Month	High (Rs.)	Low (Rs.)	Closing (Rs.)
April	9.45	6.30	8.10
May	19.35	6.70	13.00
June	13.85	11.00	11.65
July	16.45	11.60	14.15
August	21.90	13.35	15.85
September*	16.80	13.50	13.80
December*	37.95	33.60	34.25
January	36.90	23.10	24.00
February	27.00	20.25	24.80
March	26.20	17.05	22.35

\* The trading of Company's equity shares was shifted from B2 group to TT (Trade to Trade) group and there was no trading of the shares of the Company from 9th September'03 till 30th November'03. However, on persistent representation from the Company, the trading of equity shares was shifted back from TT group to B2 group.

BHARAT GEARS SHARE PRICE VERSUS S&P CNX NIFTY (SENSEX)



..... Represents no trading during this period

## Registrar and Transfer Agents, Share transfer system

The Company appointed M/s Intime Spectrum Registry Ltd., as its Registrar and Transfer Agents (R&T Agent) w.e.f. April 1, 2003 for handling share registry work related to shares held in physical and electronic form. Press notification in this regard was duly published on February 22, 2003 in the Financial Express.

Share transfers were duly registered and returned in the normal course within stipulated period, if the documents were clear in all respects.

## Categories of Shareholders as on March 31, 2004

Shareholding Pattern Category	No. of shares held	% age of share holding
<b>A. Promoters' holding</b>		
1. Promoters		
- Indian Promoters	8,74,263	14.54
- Foreign Promoters	---	---
2. Persons acting in concert	7,01,985	11.67
<b>B. Non-Promoters holding</b>		
Foreign Collaborator	15,63,567	26.00



<b>C. Institutional Investors</b>		
1. Mutual Funds and Unit Trust of India	8,150	0.14
2. Banks, Financial Institutions, Insurance Companies (Central /State Government Institutions / Non-Government Institutions)	6,45,501	10.73
3. Foreign Institutional Investor	50	---
<b>D. Others</b>		
1. Private Corporate Bodies	4,96,606	8.26
2. Indian Public	17,23,596	28.66
3. Non Resident Indians/Overseas Corporate Bodies	---	---
<b>Total</b>	<b>60,13,718</b>	<b>100.00</b>

**Distribution of shareholding as on March 31, 2004**

No. of Equity shares held	Number of shareholders	Number of shares	Percentage of total shares
1 to 250	6884	512445	8.52
251 to 500	757	308993	5.14
501 to 1000	313	266950	4.44
1001 to 2000	137	209630	3.49
2001 to 3000	50	129337	2.15
3001 to 4000	21	77081	1.28
4001 to 5000	17	82995	1.38
5001 to 10,000	21	158806	2.64
10,001 and above	23	4267481	70.96
<b>Total</b>	<b>8223</b>	<b>60,13,718</b>	<b>100</b>

**Dematerialisation of shares and liquidity:**

The shares of the Company are compulsorily traded in dematerialized form and are available for trading under both the Depository Systems in India - National Securities Depository Limited and Central Depository Services (India) Limited.

As on March 31, 2004 a total of 3816154 shares of the Company, which form 63.46% of the Share Capital, stand dematerialized.

**Plant locations:**

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

1. M/s. Bharat Gears Limited  
20 K.M. Mathura Road,  
P.O. Amar Nagar  
Faridabad - 121 003.  
(Haryana)

**AUDITORS' CERTIFICATE ON THE COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To the Members of  
Bharat Gears Limited

We have examined compliance of conditions of Corporate Governance by Bharat Gears Limited, for the year ended on March 31, 2004, as stipulated in clause 49 of the Listing Agreement of the said Company with 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 compliance with the conditions of Corporate Governance as stipulated in clause 49 of the abovementioned Listing Agreement. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and the management, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in clause 49 of the abovementioned Listing Agreement.

2. M/s. Bharat Gears Limited  
Kausa Shil, Mumbra  
Distt. Thane - 400 612  
(Maharashtra)

**Addresses for correspondence:**

- (1) For Share transfer/demat of shares or any other query relating to shares :-

**M/s Intime Spectrum Registry Ltd.**  
A-31, 3rd Floor  
Naraina Industrial Area, Phase-1  
Near PVR Naraina  
New Delhi - 110 028

- (2) For investor assistance in any other matter :-

**Mr. Sanjay K. Sachdev**  
Asstt. General Manager (Legal) & Company Secretary  
M/s Bharat Gears Limited  
20 K.M. Mathura Road  
P.O. Amar Nagar  
Faridabad - 121 003

**E-Mail for investors :**

The Company's e-mail address is [bgfbd@vsnl.com](mailto:bgfbd@vsnl.com) or [investor@bglindia.com](mailto:investor@bglindia.com)

**Non-Mandatory Requirements**

**Nomination facility**

As per the provisions of Companies Act, 1956, the shareholders may avail nomination facility in respect of their shareholding. For the convenience of the shareholders, the nomination form is enclosed at some other place in this Annual Report. The same may be sent duly filled at the registered office of the Company, addressed to the Company Secretary.

**Update of shareholders information**

The shareholders of the Company are requested to intimate their latest residential address along with the details of their shareholding in the enclosed form. The enclosed form 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 27, 2004  
Place : Mumbai

**SURINDER P. KANWAR**  
Chairman & Managing Director

As required by the Guidance Note on Certification on Corporate Governance issued by the Institute of Chartered Accountants of India, we state that no investor grievance is pending for a period exceeding one month as at March 31, 2004, against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee of the Company.

We further 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 A. F. FERGUSON & CO.**  
Chartered Accountants

**MANJULA BANERJI**  
PARTNER

Date : May 27, 2004  
Place : New Delhi



# BHARAT GEARS LIMITED

## DIRECTORS' REPORT TO THE MEMBERS OF BHARAT GEARS LIMITED

The Directors are pleased to present the 32nd Annual Report and Audited Statement of Accounts of the Company for the financial year ended on March 31, 2004.

	(Rupees/Crores)	
	Financial year ended	
Financial Results	31.03.2004	31.03.2003
Sales and other income (gross)	119.76	114.35
Profit before finance charges and Depreciation	18.56	11.35
Finance Charges	11.17	10.80
Depreciation	8.85	9.13
(Loss) before tax	(1.46)	(8.58)
Less : Taxation including deferred tax charge)/credit	-	(0.05)
(Loss) after tax	(1.46)	(8.63)
Add : Balance brought forward from previous year	(20.75)	(12.12)
Add : Transferred from Debenture redemption reserve	-	-
Less : Transferred to Capital Redemption Reserve	-	-
Balance carried to balance sheet	<u>(22.21)</u>	<u>(20.75)</u>

### DIVIDEND

In view of loss incurred during the year, your directors have not recommended any dividend on the equity as well as preference shares of the company for the year ended March 31, 2004.

### FINANCE

During the year under review, the financial restructuring package for the company was approved under Corporate Debt Restructuring (CDR) scheme. In terms of this, financial institutions and banks sanctioned additional term loans amounting to Rs. 12.05 crores and enhanced working capital facilities. Out of this, Rs.11.59 crores have been disbursed to date. Interest falling due on term loans/working capital facilities for the year was funded by banks/institutions. Further, 10% preference shares of Rs.2.08 crores have been issued to institutions and banks as part of their dues under the CDR package. Monies were also received from ZF and Domestic promoter aggregating to Rs 3 crores as stipulated in the CDR package.

A part of company's corporate office premises was sold during the year resulting in a profit of Rs.5.51 crores. Proceeds from this sale were utilized towards repayment of term loans. Total repayment of long term loans during the year amounted to Rs.6.46 Crores. Further, repayment of other term loans/debentures/10% preference shares, falling due for repayment during the year were rescheduled/rolled over in terms of CDR package.

In light of above, pressure on working capital position has eased considerably in second half of the year and hence has helped us to contain loss for the year. Further, this has put us in a better position to cater to increased demand from customers. This coupled with several cost reduction measures planned should help your company to turn around the corner, during the current year.

## MANAGEMENT DISCUSSION AND ANALYSIS

Your company is a leader in the field of automotive gear industry in India with a core competence in manufacture of a wide range of transmission and axle gears.

### (a) Industry Structure & Developments in the Industry:

The Indian automotive industry has polarized into:

- Commercial vehicles
- Utility vehicles (SUV)
- Cars from 800cc to 2000cc(+)
- Two wheelers - motorcycles and scooters
- Tractors from 18HP to 75HP(+)

Your company is a player in the heavy/medium commercial vehicle segment, tractor segment and utility vehicle segment.

### Tractor Industry:

The Indian tractor industry has been passing through a difficult phase since last three years. Tractor sales, which had declined by 40 percent have started showing signs of recovery. Since March 2004, the demand from your company's tractor customers is encouraging and the current year's outlook is positive.

### Commercial Vehicle Industry:

Commercial vehicle manufacturers demand is expected to grow by 12-15% in the current year. Your company is an active player to Original Equipment Manufacturer and in the aftermarket.

### Utility Vehicles:

Utility vehicle manufacturers demand is also expected to grow by 12-15% in the current year. Your company is an active player to Original Equipment Manufacturer.

### (b) Opportunities and Threats:

In line with WTO agreement, import duties are being lowered progressively and this has already resulted in pressures on prices. This can only be offset with improvements in productivity and lowering costs.

GDP growth rate is expected to be between 7-8% and inflation is expected to be about 5%. Interest rates are expected to remain stable. Monsoons are expected to be normal/good. In short, growth should be good in the current year.

### (c) Segment-wise Performance

Your company has two business segments i.e automotive gears and industrial furnaces.

Segment wise revenues for current year and previous year are as follows:

(Rs.lacs)

Segment	Year ended 31.03.2004	Year ended 31.03.2003
Automotive gears	9268.74	8808.08
Furnace	93.30	647.59
<b>Total</b>	<b>9362.04</b>	9455.67

Details of segment wise revenue, results, assets and liabilities are reported in note 16 of schedule 20 to the accounts.



#### **(d) Outlook**

In the OE domestic segment, demand is buoyant. All Original Equipment Manufacturers have indicated aggressive growth plans. Even the Tractor segment which was sluggish has started looking up. Your company is gearing up to meet OE demand from the month of April 2004 itself. We are looking at marginal balancing capital expenditure for achieving the desired product mix.

The response from Overseas market is encouraging. We have received firm OE orders from Europe, China and USA. Middle East aftermarket for bevel gears and differential gears is growing. However steel price increases are an area of concern as it may affect margins.

Outlook on furnace business continues to be optimistic.

#### **(e) Risks & Concerns:**

The year under review continued to be a difficult one and customers' requirements have not been met for want of adequate working capital resources and also due to shortages in steel availability. During the year there were numerous unilateral steel price increases. The US dollar exchange with rupee has also been adverse resulting in lower realizations. Since the year end there has been a change of government and possible change in policies can affect operations.

#### **(f) Internal Control Systems and their adequacy :**

The Company maintains adequate internal control systems, which assure proper recording of transactions of its operations and also ensure protection against misuse or loss of the company's assets.

Internal audit of the company is carried out by independent firm(s) of chartered accountants. Internal audit is carried out at periodic intervals to ensure that the company's internal control system are adequate and complied with.

Both plants of the company continue to be accredited by QS-9000.

#### **(g) Discussion on Financial Performance with respect to operational performance**

The year under review has been a year of consolidation for the company. Your company has improved its market share in domestic replacement market. Even though domestic tractor industry continued to register negative growth, we have retained our market share and marginally improved it due to export drive of some of our customers.

Production and sales for the year have been mainly affected due to availability of steel, which was in shortage resulting in large price increases. During the year, there were numerous unilateral steel price increases. These increases were partially offset through selling price increases from customers.

In the export market, although exchange rates were adverse, all fresh orders of developed items are accepted only after necessary price correction.

During first half of the year, cash flow constraints contributed to lower availability of forgings and we were unable to meet our budgeted production and sales targets in the period resulting in higher losses from operations.

#### **(h) Developments in human resources and industrial relations**

Industrial relations at both plants continued to be satisfactory.

The fresh wage agreement with the union at Mumbra plant is under negotiation.

Under the Voluntary Retirement Scheme, 7 employees left the company at a cost of Rs 16.16 lacs.

Employees' headcount of the Company at the end of the year was 1341.

A statement required under Section 217(2A) of the Companies Act, 1956 is annexed.

#### **FIXED DEPOSITS**

At the close of the year, 52 Depositors had not claimed their deposits aggregating to Rs 2.54 lacs, which have matured including Rs 2.49 Lacs in respect of 51 depositors of erstwhile Universal Steel & alloys Ltd. (now merged with the Company). After the close of the year, no deposits have been paid and the remaining are awaiting disposal instructions.

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 Protection Fund established under the Companies Act. Accordingly, a sum of Rs. 4,128 was deposited with the said Fund.

#### **CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement, Report on Corporate Governance, together with certificate of Compliance from Statutory Auditors is enclosed.

#### **DIRECTORS' RESPONSIBILITY**

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm;

1. that in the preparation of the annual accounts, the applicable accounting standards have been followed.
2. 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 March 31, 2004 and of the loss of the company for the period ended on that date.
3. 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
4. The annual accounts have been prepared on a going concern basis.

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

The information as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed.

# BHARAT GEARS LIMITED

## DIRECTORS

In terms of the provisions of Articles of Association of the Company, Mr. V.K.Pargal & Mr. J.S.Bhandari, Directors retire by rotation at the forthcoming Annual General meeting and are eligible for reappointment.

## AUDITORS & THEIR REPORT

M/s. A. F. Ferguson & Company, Chartered Accountants retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

Auditor's observations are self-explanatory and/or explained suitably in the Notes to Accounts.

## COST AUDIT

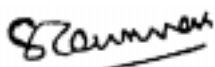
In terms of approval of the Central Government, M/S M.K Kulshrestha & Associates, Cost Accountants were appointed as Cost Auditors of the Company for auditing the Cost records for the year ended March 31, 2004.

## ACKNOWLEDGEMENTS

Your Directors record their appreciation for the assistance and confidence reposed by the Financial Institutions, Bankers, Customers, Suppliers and Collaborators as well as the dedicated services rendered by the Employees.

Lastly but not the least, the directors wish to express their gratitude to the members for their continued trust and support.

For & On behalf of Board of Directors



Place: Mumbai

Date : May 27, 2004

**SURINDER P. KANWAR**

Chairman and Managing Director

## REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO FORMING PART OF THE DIRECTORS' REPORT.

### A. CONSERVATION OF ENERGY

The efforts were continued in the year under review, to conserve energy by optimum scheduling of furnaces and by maintaining near unity power factor by installation of capacitors. Plans are being made to look at alternate sources of LPG and also minimize running of generators by use of Power from the main lines, to reduce energy costs.

### B. TECHNOLOGY ABSORPTION

New technology in terms of design of Endothermic Gas Generator with 100% turndown capability was successfully absorbed and utilised for a special application in the steel wire processing industry.

The standard turndown (reduction in gas production from the rated capacity) capability of 33% is increased upto 100% by utilising the excess endothermic atmosphere gas to provide supplementary heat input to the Gas Generator, resulting in substantial gas saving during the periods when the demand falls below 67% of the rated capacity.

### C. FOREIGN EXCHANGE EARNINGS & OUTGO

The company continued to be a net foreign exchange earner as the total earnings in foreign exchange aggregating to Rs.4.14 crores (previous year: Rs.8.42 crores) and the total expenditure in foreign currency aggregating to Rs.0.72 crores (previous year : Rs.0.37 crores) resulting in a net foreign exchange earnings aggregating to Rs.3.42 crores (previous year Rs.8.05 crores).

## BHARAT GEARS LIMITED

### INFORMATION PURSUANT TO SECTION 217 [2A] OF THE COMPANIES ACT, 1956, READ WITH COMPANIES PARTICULARS OF EMPLOYEES RULES 1975 AS AMENDED UPTO DATE AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2004

Srl. No.	Name	Age/ Years	Qualification	Designation	Date of Commencement of Employment	Experience Years	Remuneration (Rs. in Lacs)	Particulars of Last Employment
1.	Surinder P. Kanwar	52	B.com.	Chairman & Managing Director	01.10.1990	29	44.95	Managing Director BST Mfg.Ltd.

**NOTES :**

1. Remuneration includes Salary, Allowances, Co's Contribution to Provident, Superannuation, Gratuity Funds and Value of other Perquisites on the basis of Income Tax Act, 1961.
2. The appointment of Mr. Surinder P. Kanwar is contractual.
3. Mr. Kanwar is related to Mr. Sameer Kanwar, Executive Director of the Company.



**AUDITORS' REPORT  
TO THE MEMBERS OF BHARAT GEARS LIMITED**

1. We have audited the attached Balance Sheet of Bharat Gears Limited as at March 31, 2004 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that :
  - i. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
  - ii. Further to our comments in the Annexure referred to in paragraph 3(i) above :
    - (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 appears from our examination of those books;
    - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
    - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
    - (e) on the basis of the written representations received from the directors, as on March 31, 2004, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
    - (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004;
- (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For A.F.FERGUSON & CO.**  
Chartered Accountants

**U.M.NEOGI**  
Partner  
Membership No.30235

Place : Mumbai  
Date : May 28, 2004

**ANNEXURE REFERRED TO IN PARAGRAPH 3 (i) OF THE  
AUDITORS' REPORT TO THE MEMBERS OF BHARAT GEARS  
LTD. ON THE ACCOUNTS FOR THE YEAR ENDED MARCH 31,  
2004**

- (i)
  - (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) The company has a programme of physical verification of fixed assets. As per the said programme, certain assets were physically verified during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification. In our opinion, having regard to the size of the company and the nature of its assets, the programme of verification of fixed asset of the company is reasonable.
  - (c) Since there is no disposal of substantial part of fixed assets during the year, paragraph 4(i)(c) of the Companies (Auditors' Report) Order, 2003 (hereinafter referred to as the Order) is not applicable.
- (ii)
  - (a) The inventories, except for stocks lying with third parties where certificates confirming stocks have been received in respect of most of the stocks held, have been physically verified by the management during the year at reasonable intervals.
  - (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 are reasonable and adequate in relation to the size of the company and the nature of its business.
  - (c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. According to the information and explanations given to us, no material discrepancies were noticed on physical verification between the physical stock and the book records.

# BHARAT GEARS LIMITED

- (iii) (a) Except for an interest free loan of Rs.100.16 lacs taken from a party listed in the register maintained under section 301 of the Companies Act, 1956 (the Act), according to the information and explanations given to us, the company has not taken/granted any loans, secured or unsecured from/to companies, firms or other parties listed in the register maintained under section 301 of the Act.
- (b) In our opinion, terms and conditions on which loan referred to above has been taken, are not prejudicial to the interest of the company.
- (c) In respect of the loan referred to above, the principal was not due for repayment during the year.
- (iv) In our opinion and according to the information and explanations given to us there are adequate internal control procedures 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. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Act have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lacs during the year for each party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. We have been informed that during the year, no order has been passed by the Company Law Board.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and the nature of the business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Act. We are of the opinion that prima facie the prescribed accounts and records have been made and are being maintained. We are not required and accordingly have not made a detailed examination of the records maintained.
- (ix) (a) According to the information and explanations given to us and according to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, tax deducted at source, tax collected at source, professional tax, sales tax, custom duty, excise duty,

service tax, octroi charges, property tax, water tax, license fees, works contract tax, cess and other material statutory dues applicable to it.

- (b) According to the information and explanations given to us, no undisputed amounts in respect of the statutory dues referred to above were outstanding as at March 31, 2004 for a period of more than six months from the date they became payable.

- (c) As explained to us and according to the records of the company, the following dues have not been deposited on account of dispute :

Name of the Statute	Nature of Dues	Amount of tax (Rs.)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Act, Delhi	Sales Tax (LST)	1,82,601	1992-1993	Sales Tax Tribunal
Punjab General Sales Tax Act, 1948	Additional Tax	1,14,227	1999-2000	Sales Tax Tribunal
West Bengal Sales Tax Act, 1994	Sales Tax on free of cost material	2,63,742	2003-2004	Deputy Commissioner of Sales Tax.

- (x) In our opinion, the accumulated losses of the company are more than fifty percent of its net worth. The company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) The company has defaulted in repayment of instalment of Rs. 143.19 lacs due on September 19, 2002 to a bank for which the bank has, subject to certain conditions, agreed on August 5, 2003 for its repayment on April 14, 2004. The instances of default in the payment of interest are given below which however have been paid/adjusted against loans disbursed under the Corporate Debt Restructuring Scheme before the year end.

Lender	Amount (Rs. lacs)	Period of delay (Days)
Financial Institutions	77.13	268
	75.42	178
	32.16	142
	31.79	165
	3.89	155
Debenture holders	1.76	4
Banks	4.80	6
	1.78	7
	0.55	3
	0.60	2



- (xii) Since the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities, paragraph 4(xii) of the Order is not applicable.
- (xiii) As the company is not a nidhi / mutual benefit fund / society, paragraph 4(xiii) of the Order is not applicable.
- (xiv) Since the company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.
- (xv) In our opinion, the terms and conditions on which the company has given guarantees for loans taken by employees from banks or financial institutions are not prejudicial to the interest of the company.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investments. No long term funds have been used to finance short-term assets except permanent working capital.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) Since the company has not issued any debentures during the year, paragraph 4(xix) of the Order is not applicable.
- (xx) Since the company has not raised any money during the year by way of public issue, paragraph 4(xx) of the Order is not applicable.
- (xxi) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the year.

**For A.F.FERGUSON & CO.**  
Chartered Accountants

**U.M.NEOGI**  
Partner  
Membership No.30235

Place : Mumbai  
Date : May 28, 2004

# BHARAT GEARS LIMITED

## BHARAT GEARS LIMITED BALANCE SHEET AS AT 31ST MARCH, 2004.

	Schedule	Rs lacs As at 31st March, 2004	Rs lacs As at 31st March, 2003
<b>I. Sources of funds :</b>			
(1) SHAREHOLDERS' FUNDS			
Share Capital	1	959.87	751.37
Reserves and surplus	2	1598.76	1620.70
		<u>2558.63</u>	<u>2372.07</u>
(2) LOAN FUNDS			
Secured loans	3	7494.85	6897.68
Unsecured loans	4	172.48	55.67
Finance lease obligations		9.45	13.21
		<u>7676.78</u>	<u>6966.56</u>
(3) DEFERRED TAX LIABILITIES (Note 20 of Schedule 20)		<u>1293.02</u>	<u>1116.95</u>
	Total	<u>11528.43</u>	<u>10455.58</u>
<b>II. Application of funds :</b>			
(1) FIXED ASSETS			
Gross block	5	15428.09	15251.96
Less : Depreciation		8512.02	7668.15
Net block		6916.07	7583.81
Add : capital work in progress and advances on capital account		110.35	13.36
		<u>7026.42</u>	<u>7597.17</u>
(2) INVESTMENTS	6	86.20	79.02
(3) DEFERRED TAX ASSETS (Note 20 of Schedule 20)		<u>1293.02</u>	<u>1116.95</u>
(4) CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	1571.98	1312.02
Sundry debtors	8	2326.67	2133.99
Cash and bank balances	9	593.93	430.67
Loans and advances	10	850.66	714.33
		<u>5343.24</u>	<u>4591.01</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	11	3082.78	3732.34
Provisions	12	183.23	160.85
		<u>3266.01</u>	<u>3893.19</u>
Net current assets		<u>2077.23</u>	<u>697.82</u>
(5) MISCELLANEOUS EXPENDITURE		<u>179.74</u>	<u>244.71</u>
(To the extent not written off or adjusted) (Note 15 of Schedule 20)			
(6) DEBIT BALANCE IN THE PROFIT & LOSS ACCOUNT	2A	865.82	719.91
	Total	<u>11528.43</u>	<u>10455.58</u>
NOTES	20		

Per our report attached  
For **A.F. FERGUSON & CO.**  
Chartered Accountants

SURINDER P. KANWAR  
Chairman and Managing Director

SAMEER KANWAR  
Executive Director-Strategic Planning

RAM. S. TARNEJA  
N.J. KAMATH  
V.K. PARGAL  
W.R. SCHILHA  
Directors

**U.M. NEOGI**  
Partner

MILIND PUJARI  
Financial Controller

SANJAY K. SACHDEV  
Asstt. General Manager (Legal)  
& Secretary

Place : Mumbai  
Date : May 28, 2004

Place : Mumbai  
Date : May 27, 2004



**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH, 2004**

	Schedule	Rs. lacs Year Ended 31st March, 2004	Rs. lacs Year Ended 31st March, 2003
Sales including processing charges (gross)		<b>10951.85</b>	10893.01
Less : excise duty		<b>1589.81</b>	1437.34
Sales including processing charges (net)		<b>9362.04</b>	9455.67
Other income	13	<b>1024.26</b>	509.70
<b>TOTAL INCOME</b>		<b>10386.30</b>	9965.37
<b>EXPENDITURE</b>			
Consumption of materials	14	<b>3206.57</b>	3060.38
Purchase of finished goods		<b>20.38</b>	19.01
(Increase)/Decrease in finished goods and work in progress	15	<b>(116.22)</b>	466.46
Payments to and provisions for employees	16	<b>2260.89</b>	2149.29
Other expenses	17	<b>3158.36</b>	3134.90
Financing charges	18	<b>1117.39</b>	1080.01
Depreciation	19	<b>884.84</b>	912.64
<b>LOSS BEFORE TAX</b>		<b>(145.91)</b>	(857.32)
Deferred tax charge		<b>-</b>	5.09
<b>LOSS AFTER TAX</b>		<b>(145.91)</b>	(862.41)
Add:Balance brought forward from the previous year		<b>(2074.83)</b>	(1212.42)
Balance carried to balance sheet		<b>(2220.74)</b>	(2074.83)
Basic and diluted earnings per share (in Rs.)		<b>(2.91)</b>	(14.64)
(Note 19 of Schedule 20)			
NOTES	20		

Per our report attached  
**For A.F. FERGUSON & CO.**  
Chartered Accountants

**U.M. NEOGI**  
Partner

Place : Mumbai  
Date : May 28, 2004

**SURINDER P. KANWAR**  
Chairman and Managing Director

**MILIND PUJARI**  
Financial Controller

Place : Mumbai  
Date : May 27, 2004

**SAMEER KANWAR**  
Executive Director-Strategic Planning

**SANJAY K. SACHDEV**  
Asstt.General Manager (Legal)  
& Secretary

**RAM. S. TARNEJA**  
N.J. KAMATH  
V.K. PARGAL  
W.R. SCHILHA  
Directors



# BHARAT GEARS LIMITED

## SCHEDULES ANNEXED TO THE ACCOUNTS

### (1) SHARE CAPITAL

	Rs.lacs As at 31st March, 2004	Rs. lacs As at 31st March, 2003
<b>Authorised</b>		
1,00,00,000 Equity shares of Rs.10 each	1000.00	1000.00
15,00,000 Cumulative redeemable convertible or non-convertible preference shares of Rs.100 each	1500.00	1500.00
	<u>2500.00</u>	<u>2500.00</u>
<b>Issued and Subscribed</b>		
60,13,718 Equity shares of Rs.10 each fully paid up [ Of the above 28,750 equity shares have been issued pursuant to the scheme of amalgamation of the erstwhile Universal Steel & Alloys Limited (USAL) with the company]	601.37	601.37
1,50,000 10% Cumulative redeemable non - convertible preference shares of Rs. 100 each, fully paid up (Refer note 1 below)	150.00	150.00
2,08,500 10% Cumulative redeemable non- convertible preference shares of Rs.100 each, fully paid up (previous year :Nil) [Issued pursuant to a Corporate Debt Restructuring scheme] (Refer note 2 below)	208.50	-
	<u>959.87</u>	<u>751.37</u>

#### Notes :

- Series IV and Series V of Rs. 75 lacs each have been allotted on August 31, 2002 and were redeemable on March 1, 2004 and September 1, 2004 respectively, which have been postponed during the year to March 1, 2006 and September 1, 2006 respectively.
- Series VI, VII & VIII aggregating Rs.208.50 lacs were allotted on September 29, 2003 in respect of the present value of 50% of the differential interest on account of reduction in interest rate on the term loans as per the Corporate Debt Restructuring scheme and are redeemable at par in two equal annual instalments on March 31, 2011 and March 31, 2012.

### (2) RESERVES AND SURPLUS

	Rs.lacs As at 31st March, 2004	Rs. lacs As at 31st March, 2003
Capital redemption reserve Per last balance sheet	380.00	380.00
Share premium account Per last balance sheet	383.37	383.37
Debenture redemption reserve Per last balance sheet	83.34	83.34
Revaluation reserve Per last balance sheet	773.99	788.65
Less : Adjustment for balance of revaluation reserve, in respect of revalued asset sold during the year	7.69	-
Less : Transferred to profit and loss account, being depreciation on amount added on revaluation of fixed assets (Schedule 19)	14.25	14.66
	<u>752.05</u>	<u>773.99</u>
General reserve Per last balance sheet	1354.92	1354.92
Less : Profit and loss account (See Schedule 2A)	1354.92	1354.92
	<u>-</u>	<u>-</u>
	<u>1598.76</u>	<u>1620.70</u>
	<u>Rs.lacs</u> <u>As at</u> <u>31st March, 2004</u>	<u>Rs. lacs</u> <u>As at</u> <u>31st March, 2003</u>
<b>(2A) PROFIT AND LOSS ACCOUNT</b>		
Debit balance in the Profit and Loss Account	2220.74	2074.83
Less : Deducted from General Reserve ( See Schedule 2)	1354.92	1354.92
	<u>865.82</u>	<u>719.91</u>



### (3) SECURED LOANS

	Rs.lacs As at 31st March, 2004	Rs. lacs As at 31st March, 2003
<b>Debentures</b>		
2,50,000      14% Secured redeemable non-convertible debentures of face value of Rs.66.67 each (note 1 and 2 below)	166.68	166.68
	<u>166.68</u>	<u>166.68</u>
<b>From Banks :</b>		
Cash credits (including funded interest thereon) and packing credits (note 3 below)	1845.49	1588.73
Other:		
External Commercial Borrowing from Sumitomo Mitsui Banking Corporation (note 4 below)	130.95	147.35
Rupee loan from The Federal Bank Limited (note 5, 11 & 12 below)	328.08	290.00
Rupee loan from Credit Agricole Indosuez (note 13 below)	-	640.74
Rupee loan from State Bank of India (note 5 & 12 below)	127.90	-
Rupee loan from Indian Overseas Bank (note 5 & 12 below)	62.38	-
Rupee loan from The Federal Bank Limited (note 6 below)	891.70	791.10
Vehicle loan from ICICI Bank Ltd. (note 7 below)	<u>21.98</u>	<u>27.35</u>
	<u>3408.48</u>	<u>3485.27</u>
<b>From Others :</b>		
Rupee loan from Industrial Development Bank of India (note 6 below)	1662.63	1577.53
Rupee loan from Export-Import Bank of India (note 6 below)	971.53	923.97
Rupee loan from Industrial Development Bank of India (note 8 below)	592.93	561.73
Rupee loan from Industrial Development Bank of India (note 5 & 12 below)	311.86	-
Rupee loan from Export-Import Bank of India (note 5 & 12 below)	142.22	-
Rupee loan from L & T Finance Limited (note 9 below)	25.00	182.50
Foreign Currency loan from ZF Friedrichshafen AG (note 10 below)	<u>213.52</u>	<u>-</u>
	<u>3919.69</u>	<u>3245.73</u>
	<u>7494.85</u>	<u>6897.68</u>

Notes :

- 2,50,000, 14% Secured redeemable non-convertible debentures are held by LIC Mutual Fund and were, after roll over, repayable at par on January 28, 2004 which have been further rolled over during the year and accordingly, these debentures are now repayable at par on January 28, 2005.
- 14% Secured redeemable non-convertible debentures are secured by parri passu first charge on all immovable properties and moveable fixed assets of the Company located at Mumbra plant.
- Cash credits (including funded interest thereon) and packing credits 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 for all immovable properties of the Company located at Mumbra and Faridabad which rank second subject and subservient to charges created / to be created in favour of debentures referred to in note 2 and for loans referred to in notes 4, 5, 6, 8 and 9.
- External commercial borrowing from Sumitomo Mitsui Banking Corporation is secured by mortgage of immovable properties and hypothecation of moveable fixed assets located at Mumbra plant, both present and future and which shall rank parri passu with charges created / to be created in respect of debentures referred to in note 2 and loans referred to in notes 5, 8 and 9.
- Rupee loans from The Federal Bank Limited, State Bank of India, Indian Overseas Bank, Industrial Development Bank of India, Export-Import Bank of India are secured by first mortgage and charge created / to be created on the immovable and moveable assets at Mumbra unit on parri passu basis with debentures referred to in note 2 and loans referred to in notes 4, 8 and 9.
- Rupee loans from The Federal Bank Limited, Industrial Development Bank of India and Export Import Bank of India are secured by way of joint mortgage of land at Faridabad plant together with all buildings and structures thereon and all plant & machinery attached to the earth and by way of hypothecation of all moveable fixed assets at Faridabad plant ranking parri passu with each other.
- Secured against the hypothecation of respective vehicles
- Rupee loan from Industrial Development Bank of India is secured by mortgage of immovable properties and hypothecation of moveable fixed assets located at Mumbra plant, both present & future, which ranks parri passu with charges created / to be created in respect of debentures referred to in note 2 and loans referred to in notes 4, 5 and 9.
- Rupee loan from L & T Finance Limited is secured by charge to be created on the fixed assets at Mumbra plant which will rank parri passu with the charges created / to be created in respect of debentures referred to in note 2 and loans referred to in notes 4, 5 and 8.
- Foreign Currency loan from ZF Friedrichshafen is secured by charge to be created on specific assets located at Faridabad plant which shall rank subordinate and subservient to charges created in respect of the loans referred to in notes 3 and 6.
- Rupee loan from The Federal Bank Limited is also secured by mortgage of company's office premises at Nariman Point, Mumbai.
- Rupee loans referred to in note 5 are also guaranteed by a Director of the Company aggregating Rs. 972.44 lacs (previous year : Rs. 290 lacs) (from banks : Rs. 518.36 lacs; (previous year : Rs. 290 lacs) from others : Rs. 454.08 lacs; (previous year : Rs Nil)).
- Rupee loan from Credit Agricole Indosuez was secured by mortgage of certain portion of the company's office premises at Nariman Point, Mumbai.

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## (4) UNSECURED LOANS

	Rs.lacs As at 31st March, 2004	Rs. lacs As at 31st March, 2003
Other than short term		
From Housing Development Finance Corporation Ltd. (under Line of Credit scheme) (Repayable within one year Rs.7.42 lacs; previous year: Rs.6.45 lacs).	35.57	42.02
From LIC Housing Finance Ltd. (under Line of Credit scheme) (Repayable within one year Rs.2.18 lacs; previous year: Rs.1.90 lacs).	11.75	13.65
From Director (Repayable within one year Rs. Nil; previous year: Rs.Nil).	100.16	-
From others (Repayable within one year Rs. 8 lacs; previous year: Rs.Nil).	25.00	-
	<u>172.48</u>	<u>55.67</u>

## (5) FIXED ASSETS

(Rs.in lacs)

Assets	Gross Block			Depreciation				Net Block		
	As at 31.03.2003	Additions	Deductions/ Adjustments	As at 31.03.2004	Upto 31.03.2003	For the year	On Deductions/ Adjustments	Upto 31.03.2004	As at 31.03.2004	As at 31.03.2003
Land - Freehold	142.13	-	2.70 (*)	139.43	-	-	-	-	139.43	142.13
Land - Leasehold (@)	581.40	-	- (*)	581.40	39.10	7.82	-	46.92	534.48	542.30
Buildings and roads	1712.45	2.51	28.93 (*)	1686.03 **	494.97	47.53	18.56	523.94	1162.09	1217.48
Leasehold improvements	1.77	-	-	1.77	1.68	-	-	1.68	0.09	0.09
Plant and machinery	11746.00	219.92	36.28	11929.64	6506.35	773.44	34.46	7245.33	4684.31	5239.65
Electrical installations	276.88	4.72	-	281.60	96.62	12.50	-	109.12	172.48	180.26
Water supply installations	74.51	0.19	-	74.70	16.21	3.73	-	19.94	54.76	58.30
Furniture and fixtures	144.53	9.61	2.23	151.91	116.61	4.97	1.30	120.28	31.63	27.92
Computers, office and miscellaneous equipment	473.61	10.81	1.49	482.93	341.28	39.17	0.91	379.54	103.39	132.33
Vehicles	79.81	-	-	79.81	49.28	7.89	-	57.17	22.64	30.53
<b>Assets acquired under finance lease</b>										
Plant and machinery	7.37	-	-	7.37	0.61	0.35	-	0.96	6.41	6.76
Computers, office and miscellaneous equipment	2.39	-	-	2.39	1.48	0.36	-	1.84	0.55	0.91
Vehicles	9.11	-	-	9.11	3.96	1.33	-	5.29	3.82	5.15
	15251.96	247.76	71.63	15428.09	7668.15	899.09	55.23	8512.01	6916.08	
As at 31st March, 2003	15364.28	61.85	174.17	15251.96	6790.15	927.30	49.30	7668.15		7583.81
Capital work-in-progress									107.58	13.36
Advances on capital account									2.77	-
									110.35	13.36
									7026.43	7597.17

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

	on 31.7.84	on 30.4.85 (#)	on 25.11.97 (#)	Total
Land	117.48	92.99	488.41	698.88
Buildings & roads (excluding residential premises)	147.25	93.20	51.13	291.58
	264.73	186.19	539.54	990.46

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

(#) Relating to the erstwhile USAL

(\*\*) Buildings include 10 shares of Rs.50/- each in Venkatesh Premises Co-operative Society Ltd. - Total Rs.500/-(previous year: Rs.500/-)

(@) Is in the name of erstwhile USAL. The Company is in the process of getting it transferred in it's name.



## (6) INVESTMENTS

	Rs.lacs As at 31st March, 2004	Rs. lacs As at 31st March, 2003
Long Term Investment		
Trade, quoted		
14,36,700 Equity shares of Rs. 10 each fully paid up of Raunaq Automotive Components Ltd. (Market value : Rs. 71.84 lacs; previous year : Rs.30.89 lacs).	143.67	143.67
Less :		
Provision for diminution in the value of investment	<u>57.47</u> <u>*86.20</u>	<u>64.65</u> <u>79.02</u>

\* Represents value for which the Company has entered into an agreement subsequent to the year end to sell these shares

## (7) INVENTORIES

	Rs.lacs As at 31st March, 2004	Rs. lacs As at 31st March, 2003
Stores and spare parts	151.64	146.38
Loose tools	270.43	272.97
Stock-in-trade		
Raw materials and components	230.87	89.17
Work in progress	552.60	387.04
Finished goods - manufactured	363.61	414.84
Finished goods - traded	2.12	0.23
Scrap	0.71	1.39
	<u>1571.98</u>	<u>1312.02</u>

## (8) SUNDRY DEBTORS (UNSECURED & CONSIDERED GOOD)

	Rs.lacs As at 31st March, 2004	Rs. lacs As at 31st March, 2003
Outstanding for a period exceeding six months		
doubtful	9.59	6.19
others	<u>70.71</u>	<u>131.03</u>
	80.30	137.22
Others	2255.96	2002.96
	<u>2336.26</u>	<u>2140.18</u>
Less : Provision for doubtful debts	9.59	6.19
	<u>2326.67</u>	<u>2133.99</u>

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## (9) CASH AND BANK BALANCES

	Rs.lacs As at 31st March, 2004	Rs. lacs As at 31st March, 2003
Cash on hand	6.54	6.47
Cheques on hand	125.61	156.02
With scheduled banks :		
On current accounts	118.76	107.73
On margin accounts	143.44	121.45
On fixed deposit accounts	199.58	39.00
[Includes Rs.38 lacs ( previous year : Rs.38 lacs) the deposit receipts for which, are held by IDBI Bank Ltd towards outstanding dividends on preference shares]	<u>593.93</u>	<u>430.67</u>

## (10) LOANS AND ADVANCES

	Rs.lacs As at 31st March, 2004	Rs. lacs As at 31st March, 2003
UNSECURED AND CONSIDERED GOOD :		
Loans and advances recoverable in cash or in kind or for value to be received	676.02	559.76
Balance with excise authorities (on current account)	12.74	33.45
Security deposits	80.64	80.66
Income-tax recoverable	81.26	40.46
	<u>850.66</u>	<u>714.33</u>

## (11) CURRENT LIABILITIES

	Rs.lacs As at 31st March, 2004	Rs. lacs As at 31st March, 2003
Acceptances	1023.49	894.08
Sundry Creditors		
- due to small scale industrial undertakings	24.89	40.56
- others	1297.48	1922.02
Customers advances and credit balances	692.06	829.17
Interest accrued but not due on loans	7.21	5.20
Amount due to customer in respect of contract in progress	-	7.41
Security deposits	8.03	2.98
Investor Education and Protection Fund *		
(a) Unpaid dividends	4.46	5.30
(b) Unpaid matured deposits	2.54	2.60
(c) Unpaid interest accrued on fixed deposits	0.25	0.25
(d) Unpaid matured debentures	21.78	22.15
(d) Unpaid interest accrued on debentures	0.59	0.62
	<u>3082.78</u>	<u>3732.34</u>

\* 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.

## (12) PROVISIONS

	Rs.lacs As at 31st March, 2004	Rs. lacs As at 31st March, 2003
Leave Encashment	178.51	157.20
Others	4.72	3.65
	<u>183.23</u>	<u>160.85</u>



### (13) OTHER INCOME

	Rs.lacs Year Ended 31st March, 2004	Rs. lacs Year Ended 31st March, 2003
Export incentives	15.13	74.20
Interest	15.25	14.88
-on security deposits, deposits with banks, income tax refunds etc. (Tax deducted at source on interest received Rs. 1.42 lacs; previous year : Rs.1.30 lacs)		
Income from scrap	80.14	89.17
Agency Commission	10.90	45.43
Rent	0.60	22.50
Credit balances no longer payable written back	215.44	-
Compensation on termination of leave and license agreement	-	159.26
Profit on sale of fixed assets	557.71	6.21
Miscellaneous income	129.09	98.05
	<u>1024.26</u>	<u>509.70</u>

### (14) CONSUMPTION

	Rs.lacs Year Ended 31st March, 2004	Rs. lacs Year Ended 31st March, 2003
Raw materials and components consumed		
Opening stock	89.17	173.85
Add : Purchases of raw materials & components	3348.27	2975.70
	<u>3437.44</u>	<u>3149.55</u>
Less : Closing stock	230.87	89.17
	<u>3206.57</u>	<u>3060.38</u>

### (15) (INCREASE)/DECREASE IN FINISHED GOODS AND WORK IN PROGRESS

	Rs.lacs Year Ended 31st March, 2004	Rs.lacs Year Ended 31st March, 2003
Opening stock :		
Finished goods - manufactured	414.84	445.35
Finished goods - traded	0.23	3.36
Work in progress	387.04	503.20
Contracts in progress	-	316.66
	<u>802.11</u>	<u>1268.57</u>
Less: Closing Stock		
Finished goods - manufactured	363.61	414.84
Finished goods - traded	2.12	0.23
Work in progress	552.60	387.04
	<u>918.33</u>	<u>802.11</u>
	<u>(116.22)</u>	<u>466.46</u>

### (16) PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

	Rs.lacs Year Ended 31st March, 2004	Rs.lacs Year Ended 31st March, 2003
Salaries, wages and bonus	1796.60	1681.51
Contribution to provident, superannuation, gratuity and other funds	210.60	200.74
Employees' welfare expenses	253.69	267.04
	<u>2260.89</u>	<u>2149.29</u>

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## (17) OTHER EXPENSES

	Rs.lacs Year Ended 31st March, 2004	Rs.lacs Year Ended 31st March, 2003
Stores,spares & packing materials consumed (Net of recoveries Rs.3.28 lacs; previous year : Rs.2.07 lacs)	526.64	479.28
Loose tools consumed	281.21	258.17
Processing charges	337.31	284.96
Power and fuel	990.19	935.14
Repairs and maintenance		
- machinery	97.59	98.76
- buildings	8.60	4.55
- others	108.62	102.71
Travelling, conveyance and car expenses	123.17	152.40
Insurance	45.76	51.76
Rent (including lease rent Rs.81.67 lacs; previous year : Rs.166.20 lacs)	122.36	208.61
Rates and taxes	53.42	67.62
Freight , forwarding and other charges	89.38	120.47
Commission to selling agents	22.17	34.41
Provision for diminution in the value of investments	-	21.55
Miscellaneous expenses (Includes loss on sale of fixed assets Rs.3.10 lacs; previous year : Rs.28.46 lacs)	351.94	314.51
	<u>3158.36</u>	<u>3134.90</u>

## (18) FINANCING CHARGES

	Rs.lacs Year Ended 31st March, 2004	Rs.lacs Year Ended 31st March, 2003
Interest on debentures and other fixed period loans	763.52	744.12
Other interest and bill discounting charges	280.31	262.19
Bank and other financing charges	73.53	73.45
Cash discount	0.03	0.25
	<u>1117.39</u>	<u>1080.01</u>

## (19) DEPRECIATION

	Rs.lacs Year Ended 31st March, 2004	Rs.lacs Year Ended 31st March, 2003
For the year	899.09	927.30
Less : Transferred from revaluation reserve, being depreciation on amount added on revaluation of fixed assets (Schedule 2)	14.25	14.66
	<u>884.84</u>	<u>912.64</u>



## (20) NOTES:

### 1. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Accounting:

The financial statements are prepared under the historical cost convention on an accrual basis except for the revalued fixed assets as stated in (ii) below.

ii) Fixed assets and depreciation:

Fixed assets are stated at cost of acquisition or at revalued amounts less accumulated depreciation.

The company provides for depreciation on fixed assets to write off 95% of the cost either on written down value method or straight line method (SLM) in the manner and at the rates prescribed in Schedule XIV to the Companies Act, 1956 except for certain assets acquired prior to 1.8.86, as below:-

		<u>Rate %</u>
Factory Buildings and roads	SLM	1.61/3.28

Depreciation on revalued amounts is transferred from revaluation reserve to the profit and loss account.

Depreciation is provided on a pro-rata basis from the month of purchase for additions made during the year.

Depreciation is not provided on fixed assets sold during the year.

Leasehold land is amortised over the remaining period of lease.

iii) Inventories are valued as follows:

Stores, spare parts and loose tools at cost.

Raw materials and components, work in progress and finished goods at the lower of cost and net realisable value.

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.

Material cost, other than those of traded goods, which is on specific identification basis, is arrived at on weighted average basis.

Scrap is valued at net realisable value.

iv) Contracts for furnace construction :

Provision is made for estimated foreseeable future losses on contracts for furnace construction based on revenue and the estimated total costs of the contracts.

v) Investments:

Long Term Investments are valued at cost. However, provision is made for diminution other than temporary in nature, in the value of investment.

vi) Foreign Currency Transactions :

Transactions in foreign exchange are accounted at current rates. All assets and liabilities denominated in foreign currency are restated at relevant year end/forward contract rates. Exchange gains or losses realised and arising due to translations of long-term loans/liabilities relating to acquisition of fixed assets are treated as adjustments to the carrying cost of such fixed assets. All other exchange differences are accounted for in the profit and loss account except in case of transactions covered by forward exchange contracts where exchange difference is recognised over the life of the contract.

vii) Revenue recognition:

Sales/Processing charges of Automotive Gears & Gearboxes are accounted on the basis of actual despatches to the customers.

Revenue from contracts for construction of furnaces is recognized on the percentage of completion method based on the stage of completion determined with reference to the contract costs incurred upto 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.



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viii) Amortisation of Miscellaneous Expenditure :

Payments made to employees who left under Voluntary Retirement Scheme / Early Retirement Scheme are amortised over a period of 5 years from the year in which the liability accrues.

ix) Retirement benefits:

The company has various schemes of retirement benefits such as Provident Fund, Superannuation Fund and Gratuity Fund duly recognised by Income Tax authorities and the company's contributions are charged against revenue every year. Provision for leave encashment is made on the basis of actuarial valuation done based on the data as at 1st January by an independent actuary.

x) Taxation :

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax 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 assets is reviewed at each Balance Sheet date.

2. i) The amount of net exchange difference in respect of transactions other than fixed assets, included in the profit and loss account for the year - Rs. 18.64 lacs (loss); (previous year: Rs.12.69 lacs {gain}).
- ii) The amount of net exchange gain, which has been reduced from the cost of relevant plant and machinery, is Rs.12.24 lacs; (previous year: Rs.3.26 lacs).

3. i) Managerial remuneration:

(a) Chairman & Managing Director :

	Rs. in lacs Year Ended 31st March, 2004	Rs. in lacs Year Ended 31st March, 2003
- Salary	27.25	27.00
- Contribution to provident and other funds	8.95	8.83
- Monetary value of perquisites(*)	8.75	9.04
	<u>44.95</u>	<u>44.87</u>

(b) Executive Director

- Salary	7.63	8.40
- Contribution to provident and other funds	2.51	2.75
- Monetary value of perquisites (*)	7.35	6.17
	<u>17.49</u>	<u>17.32</u>

\*Excludes provision for leave encashment which is made based on the actuarial valuation done for the company on an overall basis.

ii) Directors sitting fees : 0.70 0.66

4. Contingent liabilities not provided for:

In respect of bills discounted Rs. 450.33 lacs; (previous year: Rs.536.32 lacs)

In respect of Sales Tax Demand Rs.7.61 lacs; (previous year: Rs. 10.18 lacs)

In respect of excise demands Rs. Nil.; (previous year: Rs. 2.40 lacs)

In respect of demand from Employees State Insurance Corporation Rs. 2.51 lacs; (previous year: Rs. Nil)

In respect of claims against the company not acknowledged as debt: Rs. Nil ; (previous year: Rs.3.28 lacs)

In respect of guarantee given to Housing Development Finance Corporation Limited for loans availed by employees Rs. 20.39 lacs; (previous year: Rs. 26.28 lacs)

5. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.17.58 lacs; ( previous year: Rs.2.00 lacs)



6. Quantitative information for each class of goods manufactured/traded and for furnaces built and sold:

	Units	Year Ended 31st March, 2004		Year Ended 31st March, 2003	
		Licensed	Installed	Licensed	Installed
(i) <u>Manufactured Goods</u>					
Capacities :					
Automotive gears	Tonnes	4000	10594	4000	10594
Industrial furnaces	Nos.	20	20	20	20
Gear box	Nos.	10000	2500	10000	2500
Production :					
Automotive gears	Nos.		1506044		1423363
Furnaces built	Nos.		1		3
Gear box	Nos.		Nil		Nil

	Year Ended 31st March, 2004		Year Ended 31st March, 2003	
	Unit (Nos.)	Rs. lacs	Unit (Nos.)	Rs. lacs
- Opening stock :				
Automotive gears	72880	408.46	89389	438.75
Gear boxes	29	6.38	30	6.60
		<u>414.84</u>		<u>445.35</u>
- Sales				
Automotive gears #	1504422	9110.10	1439872	8732.02
Industrial furnaces(\$)	1	42.24	3	605.09
Gear box	-	Nil	1	0.05
Tooling Development		128.27		39.57
Others		51.06		42.50
		<u>9331.67</u>		<u>9419.23</u>
- Closing stock				
Automotive gears	*74007	363.61	72880	408.46
Gear boxes	29	Nil	29	6.38
		<u>363.61</u>		<u>414.84</u>

# includes processing charges Rs.1523.85 lacs; 197892 nos. (previous year : Rs. 1106.70 lacs; 141147 nos.)

\$ quantity represents furnaces built during the year. Revenue from contracts is recognised as stated in note 1 (vii) above.

\* excludes 495 nos. scrapped during the year.

	Year Ended 31st March, 2004		Year Ended 31st March, 2003	
	Unit (Nos.)	Rs. lacs	Unit (Nos.)	Rs. lacs
(ii) <u>Traded goods</u>				
Automotive gears :				
Opening stock	500	0.23	4735	3.36
Purchases	24501	20.38	28774	19.01
Sales	22451	30.37	33008	36.44
Closing stock	2550	2.12	500	0.23

(iii) Consumption of raw materials and components:

	Year Ended 31st March, 2004			Year Ended 31st March, 2003	
	Unit	Qty	Value (Rs.lacs)	Qty	Value (Rs.lacs)
Forgings	Nos.	1638442	3142.58	1410699	2888.96
Others			63.99		171.42
			<u>3206.57</u>		<u>3060.38</u>

## BHARAT GEARS LIMITED

- a) As the raw materials used in the manufacture of automotive gears either purchased by the company or supplied by the customers are identical and as the opening and closing stocks of finished goods and production cannot be accordingly identified, the respective quantitative details of consumption of raw materials, opening and closing stocks, production cannot be separately disclosed and have, therefore, been included in the respective figures above.
- b) The quantities of actual production and sales include free replacements and insurance claims and are net of quantities received back at factory for re-work.
- c) The figures of actual production, sales, consumption of forgings, opening and closing stocks of finished goods are given in numbers which include numbers of finished goods/forgings of different sizes.
- d) The installed capacity is as certified by the management but not verified by the auditors, as this is a technical matter.

7. Value of imported and indigenous materials consumed and the percentage of each to the total consumption thereof:

(Rs. in lacs)

	Year Ended 31st March, 2004		Year Ended 31st March, 2003	
	%	Value	%	Value
Imported :				
- Raw materials and components	-	Nil	0.35	10.73
- Loose tools, stores & spare parts	7.47	60.33	9.50	70.08
Indigenous :				
- Raw materials and components	100	3206.57	99.65	3049.65
- Loose tools, stores & spare parts	92.53	747.52	90.50	667.37

8. CIF Value of imports:

(Rs. in lacs)

	Year Ended 31st March, 2004	Year Ended 31st March, 2003
- Loose tools, stores & spare parts	44.02	32.44

9. Expenditure in foreign currency:

- Foreign travel	14.13	13.07
- Commission	1.93	0.46
- Royalty	14.42	13.01
- Interest on foreign currency loans	13.38	9.20
- Others ( exchange loss etc.)	28.53	1.41

10. Earnings in foreign exchange:

- Export of goods on F.O.B. basis	257.55	736.64
- Commission	10.90	45.43
- Tooling development income	17.31	9.72
- Sale of fixed assets	Nil	7.23
- Others (Credit balances no longer payable written back, freight, insurance, exchange gain etc.)	127.76	43.18

11. Miscellaneous expenses include:

Auditor's Remuneration(Includes service tax, where applicable)

i) Audit fees	9.72	8.64
ii) Fees for other services :		
- for company law matters	0.16	0.16
- others	4.21	4.09
iii) Reimbursement of out of pocket expenses	0.28	0.42

12. Income from services rendered Rs. 59.92 lacs; (previous year: Rs. 26.42 lacs) is included in sales and processing charges and Rs.28.86 lacs; (previous year: Rs.17.21 lacs) is included in Miscellaneous income in Schedule-13.



13. The names of the small scale industrial undertakings to whom the company owes a sum which is outstanding for more than 30 days as at the year end are as follows:

As on 31st March, 2004		As on 31st March, 2003	
Sr. No.	Name of the Party	Sr. No.	Name of the Party
1	Delcray Cables Pvt. Ltd.	1	Accurate Engineering Co. Pvt.Ltd.
2	Delite Plastics	2	Associated Engineers
3	Mamta Plastics	3	Delite Plastics
4	Pack O Pack	4	Evolver Tools Pvt.Ltd.
5	Patankar Winding Works	5	ESGI Tools & Instruments
6	PCP Chemicals Pvt. Ltd	6	Fivebros Forgings Pvt.Ltd.
7	Precicut Engineers	7	Maruti Containers
8	Precihole Machine Tools Pvt. Ltd	8	Neel Enterprises
9	Precomp Tools Pvt. Ltd.	9	Patankar Winding Works
10	R.R.Engineering	10	Pack O Pack
11	Size Control Guages & Tools Pvt.Ltd.	11	Precision Gauges & Fixtures
12	Unity Engineering	12	Precomp Tools Pvt.Ltd.
13	Worth Engineering	13	PCP Chemicals Pvt.Ltd.
		14	Pneumatic Tools Mfg.Co.
		15	Precihole Machine Tools Pvt.Ltd.
		16	Seinumero Engineering (I) Pvt.Ltd
		17	Shailake Nocarb Pvt.Ltd.
		18	Super Castings (Bombay) Pvt.Ltd.
		19	Thermoshell Enterprises
		20	Unity Engineering
		21	Vora Industries
		22	Vinod Industries
		23	Worth Engineering

The above information and that disclosed in Schedule-11 'Current Liabilities' regarding small scale industrial undertakings has been compiled by the company on the basis of details regarding the status of the party available with the company. This has been relied upon by the auditors.

14. Security deposits in Schedule 10 - 'Loans and advances' include Rs.5 lacs; (previous year: Rs. 5 lacs) due from a private limited company, in which a director of the company is a director.
15. Miscellaneous expenditure to the extent not written off of Rs.179.74 lacs ( previous year : Rs. 244.71 lacs ) shown in the balance sheet is arrived as under :

	(Rs.lacs)	
	Year Ended 31st March, 2004	Year Ended 31st March, 2003
(a) Balance brought forward	240.83	221.04
Payments made to employees under the Voluntary Retirement Scheme	16.16	93.81
Less : Amortised during the year (Included in Salaries, wages and bonus under Schedule - 16)	<u>77.25</u>	<u>74.02</u>
Balance at the end of the year	<u>179.74</u>	<u>240.83</u>
(b) Preliminary expenses		
Balance brought forward	3.88	5.82
Less : Amortised during the year (Included in Miscellaneous expenses under Schedule - 17)	<u>3.88</u>	<u>1.94</u>
Balance at the end of the year	<u>Nil</u>	<u>3.88</u>
Total	<u>179.74</u>	<u>244.71</u>

# BHARAT GEARS LIMITED

## 16. Segment Reporting

### (a) Information about Business Segments :

(Rs. in lacs)

	F2004			F2003		
	Automotive Gears	Others	Total	Automotive Gears	Others	Total
<b>Segment Revenue</b> -External sales to customers	9268.74	93.30	9362.04	8808.08	647.59	9455.67
<b>Segment Result - Profit /(Loss)</b> Unallocated Corporate (Expense)/Income[net]	747.62	(47.63)	699.99 256.24	73.29	142.42	215.71 (7.90)
<b>Operating Profit /(Loss)</b> Interest Income			956.23			207.81
Financing Charges			15.25			14.88
Income Taxes (including deferred tax)			(1117.39)			(1080.01)
<b>Net (Loss)</b>			(145.91)			(862.41)
<b>OTHER INFORMATION</b>						
- Segment Assets	11546.71	36.43	11583.14	11737.46	82.17	11819.63
- Unallocated Corporate Assets			1052.46			692.28
Total Assets			12635.60			12511.91
- Segment Liabilities	3144.29	44.51	3188.80	3777.47	79.45	3856.92
- Unallocated Liabilities			7753.99			7002.83
Total Liabilities			10942.79			10859.75
- Capital Expenditure	344.71	-		64.86	-	
- Depreciation / Amortisation	888.22	-		914.58	-	
- Non-cash expenses other than depreciation and amortisation	-	-		-	-	

### (b) Geographical Segments

	F2004			F2003		
	India	Other countries	Total	India	Other countries	Total
Segment Revenue - External sales to customers	9064.60	297.44	9362.04	8613.08	842.59	9455.67
Carrying amount of segment assets	11522.09	61.05	11583.14	11774.24	45.39	11819.63
Addition to tangible and intangible fixed assets	344.71	-	344.71	64.86	-	64.86

Notes :

- Business Segments :** For management purposes, the company is organised into one major operating division - Automotive Gears, and other not a significant operating division - furnaces. The divisions are the basis on which the company reports its primary segment information. The Automotive Gear division manufactures a wide range of bevel, straight bevel and transmission gears for heavy commercial vehicles, tractors, utility vehicles, etc. The two gear manufacturing units of the company are located at Mumbra and Faridabad. The furnace division designs, erects and commissions heat treatment furnaces at sites.
- Geographical Segments:** For the purpose of Geographical segments, the consolidated sales including processing charges are divided into two segments - India and other countries.
- The accounting policies of the segments are the same as those described in the summary of significant accounting policies as referred to in Note 1 to Schedule 20 to the accounts.



17. Related Party Disclosures

(i) Related parties with whom the company had transactions during the year :

(a) Enterprises over which key management personnel is able to exercise significant influence:

Bharat Gears Officers Provident Fund (BGOPF)

Cliplok Simpak (India) Pvt. Ltd. (CSIPL)

Raunaq International Ltd. (RIL)

Vibrant Finance & Investments Pvt. Ltd. (VFIPL)

(b) The investing company of which the Company is an associate

ZF Friedrichshafen AG, Germany (ZF)

(c) Key Management Personnel :

Mr. Surinder P. Kanwar- Chairman and Managing Director (who also has ability to exercise 'significant influence' over the company)

Mr. Sameer Kanwar - Executive Director (son of Chairman and Managing Director of the company)

(ii) Transactions with the related parties during the year ended 31st March, 2004 :

(Rs. in lacs)

	Enterprises over which key management personnel is able to exercise significant influence	
	2003-2004	2002-2003
Rent & other expenses(VFIPL)	10.20	10.20
Rent income	0.66	9.29
Building repair expenses (RIL)	10.73	6.87
Purchases of packing material (CSIPL)	2.38	Nil
Contribution to Provident Fund (BGOPF)	7.92	7.98

	The investing company of which the Company is an associate	
	2003-2004	2002-2003
Receipt of foreign currency loan	199.84	Nil
Interest accrued on the above loan	6.58	Nil

Key Management Personnel :

Remuneration - Refer note 3 (i) of Schedule 20 to the accounts.

(iii) Balances outstanding as at the year end :

(Rs. in lacs)

	Amount payable as at 31st March, 2004.	Amount payable as at 31st March, 2003.
Enterprises over which key management personnel is able to exercise significant influence	5.74	1.28
The investing company of which the Company is an associate	220.10	Nil
Key Management Personnel	1.64	1.39

(iv) No amounts have been written off / provided for or written back during the year in respect of amounts receivable from or payable to the related parties.

# BHARAT GEARS LIMITED

18. (I) Disclosures as per Accounting Standard - 19 on "Leases", in respect of formal agreements entered into for assets taken on lease during accounting periods commencing on or after April 1, 2001:

(A) Finance Lease :

(i) The net carrying amount as at March 31, 2004 for assets acquired under finance lease. } Refer Schedule 5- Fixed Assets

(ii) The maturity profile of finance lease obligations is as follows :

(Rs.in lacs)

	<b>Total minimum lease payments outstanding as at 31st March, 2004</b>	<b>Interest not due</b>	<b>Present value of minimum lease payments</b>
Not later than one year	<b>4.76</b> (5.68)	<b>1.37</b> (1.92)	<b>3.39</b> (3.76)
Later than one year but not later than five years	<b>7.05</b> (11.84)	<b>0.99</b> (2.39)	<b>6.06</b> (9.45)
Total	<b>11.81</b> (17.52)	<b>2.36</b> (4.31)	<b>9.45</b> (13.21)

Figures in brackets are for the previous year.

(iii) General description of these agreements:

One of the agreements contains renewal clause.

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 :

i. Lease payments recognised in the Profit and Loss account for the year are as follows :

	<b>Year Ended 31st March, 2004</b>	<b>(Rs. in lacs.) Year Ended 31st March, 2003</b>
Residential flats / offices / godowns	<b>22.01</b>	22.32

ii. Most of the agreements contain renewal clause and provide for escalation of rent of about 5% on renewal.

(II) Disclosure as regards the assets taken on lease on or before 31st March, 2001:

(Rs.in lacs)

<b>Sr.No</b>	<b>Nature of leased assets</b>	<b>Rental for the year</b>	<b>Future rental obligation</b>
1	Plant & Machinery	<b>64.11</b> (138.39)	<b>22.35</b> (170.27)
2	Office Equipment	<b>5.77</b> (8.83)	<b>Nil</b> (5.89)
3	Vehicles	<b>11.79</b> (18.98)	<b>9.80</b> (23.56)
	Total	<b>81.67</b> (166.20)	<b>32.15</b> (199.72)

Figures in brackets are for the previous year.



19. Earnings per share as disclosed in the profit and loss account is computed based on the following figures:

	<b>Year Ended 31st March, 2004</b>	(Rs in lacs) Year Ended 31st March, 2003
(Loss) after tax as per profit and loss account	<b>(145.91)</b>	(862.41)
Add: Dividend on Cumulative Preference shares (including tax on distributed profits Rs. 3.27 lacs; previous year Rs. 2.04 lacs)	<b>(28.83)</b>	(17.98)
(Loss) to be borne by equity shareholders	<b>(174.74)</b>	(880.39)
Weighted average number of equity shares outstanding during the year	<b>60,13,718</b>	60,13,718
Basic and diluted earnings per share (face value- Rs. 10 per share)	<b>Rs. (2.91)</b>	Rs. (14.64)

20. Taxes on income:

Components of deferred tax balances :

	<b>Year Ended 31st March, 2004</b>	(Rs.in lacs) Year Ended 31st March, 2003
<b>Deferred tax liabilities</b>		
On fiscal allowances on fixed assets	<b>(1282.72)</b>	(1106.68)
On other items	<b>(10.30)</b>	(10.27)
	<b><u>(1293.02)</u></b>	<b><u>(1116.95)</u></b>
<b>Deferred tax assets</b>		
On unabsorbed depreciation and carry forward of losses	<b>1282.51</b>	1105.96
On other items	<b>10.51</b>	10.99
	<b><u>1293.02</u></b>	<b><u>1116.95</u></b>

21. Disclosures for long term contracts (including contracts entered into before April 1, 2003)

	<b>Year Ended 31st March, 2004</b>	(Rs in lacs) Year Ended 31st March, 2003
Contract revenue recognised during the year Method used to determine contract revenue and the stage of completion of contracts in progress	<b>93.30</b> <b>Refer note 1(vii)</b>	647.59 Refer note 1(vii)
Disclosure in respect of contracts in progress as at the year end		
- aggregate amounts of costs incurred and recognized profits	<b>7.93</b>	276.95
the gross amount due to customer for contract work	-	7.41
the gross amount due from customers for contract work	<b>0.73</b>	34.76

22. In view of the loss for the year, no provision has been made in the books for:

- (i) dividend of Rs. 15.22 lacs;(previous year : Rs.15.22 lacs) on 11.50% cumulative preference shares- Series II of Rs. 175 lacs redeemed in financial year 2001-02;
- (ii) dividend of Rs. 24.43 lacs; (previous year : Rs.24.43 lacs) on 11.50% cumulative preference shares- Series III of Rs. 150 lacs redeemed in financial year 2001-02;
- (iii) dividend of Rs. 11.88 lacs; (previous year : Rs.4.38 lacs) on 10% cumulative preference shares - Series IV of Rs. 75 lacs outstanding as at 31st March, 2004;
- (iv) dividend of Rs.11.88 lacs; (previous year : Rs.4.38 lacs) on 10% cumulative preference shares - Series V of Rs. 75 lacs outstanding as at 31st March, 2004;
- (v) dividend of Rs.5.83 lacs; (previous year : Rs. Nil) on 10% cumulative preference shares - Series VI of Rs. 115 lacs outstanding as at 31st March, 2004;
- (vi) dividend of Rs.2.20 lacs; (previous year : Rs. Nil) on 10% cumulative preference shares - Series VII of Rs.43.50 lacs outstanding as at 31st March, 2004.



## **BHARAT GEARS LIMITED**

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- (vii) dividend of Rs.2.53 lacs; (previous year Rs. Nil) on 10% cumulative preference shares - series VIII of Rs. 50 lacs outstanding as at 31st March, 2004.

In addition to above, as per the subscription agreements, in respect of 22(i) to 22(iv) above in the event of withdrawal of benefit available for exemption of tax on dividend income under section 10 (33) of the Income Tax Act,1961, the company has to pay dividend at a rate 7.00% higher than the coupon rate from the date of withdrawal till the date of redemption. Further, in case of default on payment of dividend , 2% per annum over and above the normal coupon rate payable from the date of default till the date of actual payment.

23. Previous years figures have been regrouped wherever necessary.

SURINDER P. KANWAR  
*Chairman & Managing Director*

SAMEER KANWAR  
*Executive Director-Strategic Planning*

RAM S.TARNEJA  
N. J. KAMATH  
V. K. PARGAL  
W. R. SCHILHA  
*Directors*

MILIND PUJARI  
*Financial Controller*

SANJAY K. SACHDEV  
*Asstt. General Manager (Legal)  
& Secretary*

Place : Mumbai  
Date : May 27, 2004



**24. STATEMENT AS REQUIRED BY PART IV OF SCHEDULE VI TO COMPANIES ACT,1956.**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I . REGISTRATION DETAILS**

Registration No. :      of     -   State Code :

Balance Sheet Date :

Date                      Month                      Year

**II . CAPITAL RAISED DURING THE YEAR ( Amount in Rs. Thousands)**

Public Issue :         Rights Issue :

Bonus Issue :         Private Placement :

**III . POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS ( Amounts in Rs. Thousands)**

Total Liabilities :           Total Assets :

\* Excludes Current Liabilities - 326601  
 \*\* Net of Current Liabilities - 326601

**SOURCES OF FUNDS :**

Paid - up Capital :         Reserves & Surplus :

Secured Loans :          Unsecured Loans :

\* includes Finance Lease - 945

Deferred tax liability :

**APPLICATION OF FUNDS :**

Net Fixed Assets :         Investments :

Net Current assets :         Misc. Expenditure :

Accumulated Losses :         Deferred tax assets - net :

**IV . PERFORMANCE OF THE COMPANY ( Amount in Rs. Thousands)**

Turnover :           Total Expenditure :

\* Includes other income -         Loss after tax :

Loss before tax :          Dividend Rate % : Equity

Earning Per Share (Rs.)         Preference

Generic Names of Three Principal Products of Company :

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF COMPANY :**

Item code No.

Product Description :

Item code No.

Product Description :

Item code No.

Product Description :

SURINDER P. KANWAR  
 Chairman & Managing Director

SAMEER KANWAR  
 Executive Director-Strategic Planning

RAM S.TARNEJA  
 N. J. KAMATH  
 V. K. PARGAL  
 W. R. SCHILHA  
 Directors

MILIND PUJARI  
 Financial Controller

SANJAY K. SACHDEV  
 Asstt. General Manager (Legal)  
 & Secretary

Place : Mumbai  
 Date : May 27, 2004

# BHARAT GEARS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2004

	(Rs.Lacs)	(Rs.Lacs)
	For the year ended 31st March, 2004	For the year ended 31st March, 2003
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net (loss) / profit before tax	(145.91)	(857.32)
Adjustments for :		
- Depreciation	884.84	912.64
- Unrealised exchange Loss / (Gain)	16.06	(1.50)
- Loss/(Profit) on sale of fixed assets(net)	(554.61)	22.25
- Interest income	(15.25)	(14.88)
- Lease rent	81.67	166.20
- Interest expense	1043.83	1006.31
- Provision for diminution in the value of investment	(7.18)	21.55
- Provision for doubtful debts	3.39	6.19
<b>Operating profit before working capital changes</b>	<b>1306.84</b>	<b>1261.44</b>
Adjustments for :		
- Inventories	(259.96)	273.14
- Trade and other receivables	(189.26)	(210.01)
- Trade and other payables/Provisions	(616.14)	(1041.98)
- Miscellaneous expenditure	64.97	(17.85)
<b>Cash generated from operations</b>	<b>306.45</b>	<b>264.74</b>
- Direct taxes refunded / (paid) - net	(40.80)	33.17
<b>Net cash from operating activities</b>	<b>265.65</b>	<b>297.91</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of fixed assets	(356.99)	(64.86)
Sale of fixed assets	563.33	99.36
Fixed deposit with bank (see note 2)	-	(38.00)
Interest received (inclusive of tax deducted at source Rs.1.42 lacs ; (previous year : 1.30 lacs)	14.77	13.17
<b>Net cash used in investing activities</b>	<b>221.11</b>	<b>9.67</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Fresh issue of Preference Shares	* -	150.00
Redemption of Preference Shares	-	(150.00)
Proceeds from long term borrowings @ (including funded interest - Rs. 711.80 lacs)	1650.05	986.70
Repayment of long term borrowings	(646.22)	(260.74)
Proceeds from short term borrowings	450.00	840.00
Repayment of short term borrowings	(607.50)	(732.50)
Repayment of fixed deposits	-	(3.03)
Increase / (Decrease) in cash credits and packing credits	91.52	(77.10)
Payment of dividend etc.to Investor Education and Protection Fund	(1.30)	(1.80)
Lease rent paid	(76.28)	(201.15)
Interest paid @ (including funded interest - Rs. 711.80 lacs)	(1183.75)	(773.80)
<b>Net cash used in financing activities</b>	<b>(323.48)</b>	<b>(223.42)</b>
<b>Net increase in cash &amp; cash equivalents (A+B+C)</b>	<b>163.28</b>	<b>84.16</b>
<b>Cash &amp; cash equivalents at the beginning of the year.</b>	<b>392.67</b>	<b>308.51</b>
<b>Cash and Cash equivalents at the end of the year.(see note 2)</b>	<b>555.95</b>	<b>392.67</b>
	<b>(163.28)</b>	<b>(84.16)</b>

### Notes :

- The cash flow is based on and derived from the accounts of the company for the year ended 31st March, 2004 and 31st March, 2003.
- Cash and cash equivalents comprise :

	(Rs/lacs)	(Rs/lacs)
Cash, cheques on hand and bank balances	250.91	270.22
Margin money with banks	143.44	121.45
Fixed deposit with banks	199.58	39.00
<b>Total</b>	<b>593.93</b>	<b>430.67</b>
Less : Fixed deposit with bank not readily convertible in cash	38.00	38.00
Add : Unrealised loss on foreign currency bank account	0.02	-
<b>Cash and cash equivalents at the end of the year</b>	<b>555.95</b>	<b>392.67</b>
- \* Excludes 10% Cumulative redeemable non - convertible preference shares aggregating Rs.208.50 lacs issued during the year in respect of 50% of the differential interest on account of reduction in interest rate on the term loans as per the Corporate Debt Restructuring scheme.
- The previous year's figures have been regrouped wherever necessary.

Per our report attached  
For **A.F. FERGUSON & CO.**  
Chartered Accountants

SURINDER P. KANWAR  
*Chairman and Managing Director*

SAMEER KANWAR  
*Executive Director-Strategic Planning*

RAM. S. TARNEJA  
N.J. KAMATH  
V.K. PARGAL  
W.R. SCHILHA  
*Directors*

**U.M. NEOGI**  
*Partner*

MILIND PUJARI  
*Financial Controller*

SANJAY K. SACHDEV  
*Asstt.General Manager (Legal)  
& Secretary*

Place : Mumbai  
Date : May 28, 2004

Place : Mumbai  
Date : May 27, 2004



**PROFORMA FOR UPDATION OF SHAREHOLDER'S INFORMATION**

Folio No.	<table border="1" style="width: 100%; height: 20px;"><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>							No of Equity Shares	<table border="1" style="width: 100%; height: 20px;"><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>							Specimen Signature (As per application/Transfer Deed)

Name(s)

First Holder 

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Occupation 

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Jt. Holder 1 

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Jt. Holder 2 

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Address 

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(In Case of Joint Holding, all the Joint Holders to sign)

Pin Code 

--	--	--	--	--	--

Cert. Nos. 

--	--	--	--	--	--

**FROM**

**FROM**

Dist. Nos. 

--	--	--	--	--	--

--	--	--	--	--	--

**TO**

**TO**

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- NOTE :**
1. **IN CASE THE SPACE IS NOT SUFFICIENT PLEASE ATTACH A SEPARATE SHEET.**
  2. **THE ABOVE PROFORMA MAY BE FILLED AND RETURNED EVEN IF THERE IS NO CHANGE IN THE PARTICULARS.**

**"FORM 2B"**  
**(See Rules 4 CCC and 5D)**

**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 M/s 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																				
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Father's/Husband Name																				
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Occupation																				
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Address																				

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

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

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

Name																				
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Address																				

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

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

Signature :	Signature :
Name :	Name :
Address :	Address :
Date :	Date :

Signature of two witnesses

Name and Address      Signature with date

- 1.
- 2.



**BHARAT GEARS LIMITED**

Registered Office : 20KM Mathura Road P.O. Amar Nagar, Faridabad - 121 003  
32<sup>ND</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 .....

No. of shares held .....

I hereby record my presence at the 32nd Annual General Meeting of the Company on Friday 23rd July, 2004 at 11.00 A.M. at MUNICIPAL AUDITORIUM, NIT FARIDABAD, HARYANA.

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

- Note :
- 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.
  - No briefcase, bag etc. shall be allowed inside the Meeting Hall.

**BHARAT GEARS LIMITED**

Registered Office : 20KM Mathura Road P.O. Amar Nagar, Faridabad - 121 003



**PROXY**

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 32nd Annual General Meeting of the Company to be held on Friday 23rd July, 2004 at 11.00 A.M. at MUNICIPAL AUDITORIUM, NIT FARIDABAD, HARYANA and at any adjournment thereof.  
AS WITNESS my/our hand(s) this.....day of.....2004.

Signature (s).....  

Revenue Stamp
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.....

Regd. Folio No.....

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