



BHARAT GEARS LIMITED

**ANNUAL REPORT
2004-2005**



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Board of Directors

Mr. Surinder P Kanwar,
Chairman & Managing Director

Mr. Sameer Kanwar,
Executive Director Strategic Planning

Mr. W. R. Schilha

Mr. A. F. Hartmann

Dr. Ram S. Tarneja

Mr. N. J. Kamath

Mr. V. K. Pargal

Mr. Jai Singh Bhandari

Bankers/Financial Institution

Industrial Development Bank of India Ltd.

Export Import Bank of India

LIC Mutual Fund

State Bank of India

Bank of Baroda

Indian Overseas Bank

The Federal Bank Limited

Auditors

A.F. Ferguson & Co.

Audit Committee

Dr. Ram S. Tarneja *Chairman*

Mr. N. J. Kamath

Mr. V. K. Pargal

Shareholders /Investors' grievance Committee

Mr. N. J. Kamath *Chairman*

Mr. Surinder P. Kanwar

Mr. Sameer Kanwar

Remuneration Committee

Mr. N. J. Kamath *Chairman*

Mr. J. S. Bhandari

Mr. V. K. Pargal

Management Executives

Mr. N.V. Srinivasan

Corporate Business Head

Mr. Milind Pujari

Financial Controller

Compliance Officer

Mr. Gulshan Bhatia

Group Head (Legal) & Company Secretary

Registrar & Transfer Agents

M/s Intime Spectrum Registry Ltd.

A-31, 3rd Floor,

Naraina Industrial Area,

Phase-I, Near PVR Naraina,

New Delhi - 110 028.

Corporate Office

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

Registered Office

20 K.M. Mathura Road,
P.O. Amar Nagar,
Faridabad-121 003,
Haryana.

Works

Kausa Shil, Shilpata,
Distt. Thane-400 612,
Maharashtra.

20 K.M. Mathura Road,
P.O. Amar Nagar,
Faridabad-121 003,
Haryana.

Branches

512, Surya Kiran Building,
19th Kasturba Gandhi Marg,
New Delhi-110 001.

25-26, Yard No. 6, 1st Floor
Transport Nagar (Narwal),
Jammu-180 006.

19, Transport Nagar,
Jaipur-302 003.

SCF- 506, 1st Floor Motor
Market, Mani Majra,
UT Chandigarh.

89/01, 7th Cross, Wilson
Garden, Hosur Road,
Bangalore-560 027.

Poomkudy House,
NH-47 Road,
Edappally,
Kochi-682 024

104, Mahalinga Puram,
Hight Road, Chennai.

Commercial
House, Kankarbagh Road,
Patna-800 020.

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

Gurunanak Pura,
Katras Road,
Dhanbad-826 001.

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

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

New Bombay
Market, Complex, Nav Bharat
Press Road,
Raipur-492 001,
Chattisgarh.

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

20 K.M. Mathura Road,
P.O. Amar Nagar,
Faridabad-121 003,
Haryana

8, Sahdev Market,
Jalandhar City-144 001.

1902-A, Baldev Nagar,
Ambala City, Haryana.

Hamirpur Road,
UNA (H.P.)

Durga Mills,
Near Milk Dairy,
Mangal Parao,
Haldwani-263139.

123/650-A, GNA Market,
Pratap Ganj,
(Gadarian Purva),
Kanpur-208 012.

Plot 30-31, 100 Feet Road,
Jawahar Auto Nagar,
Vijaywada-520 007.

Poomkudy Centre,
2/2056-B, Vyanad Road,
Near Civil Station,
Calicut-673 020,
Kerala.

9/15, Dr. Munnuswami
Garden, Avinashi Road,
Coimbatore-641 018.

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

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

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

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

W4/94, TPT Nagar,
SDM Road,
Gwalior-474 009.

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

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

5/3/1042-2,
Shankar Bagh Lane,
Nizam Shah Road,
Hyderabad-500 095.



NOTICE

TO THE MEMBERS OF BHARAT GEARS LIMITED

NOTICE is hereby given that the 33rd Annual General Meeting of the Members of Bharat Gears Limited will be held as under:

Day : Wednesday
Date : July 27, 2005.
Time : 10.30 A.M.
Venue : Municipal Auditorium
N.I.T. Faridabad -121 001.
(Haryana)

to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the year ended March 31, 2005 together with Reports of the Auditors and Directors thereon.
2. To appoint a director in place of Mr. N.J. Kamath who retires by rotation and is eligible for re-appointment.
3. To appoint a director in place of Mr. W.R. Schilha who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors for the year 2005-2006 to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

SPECIAL RESOLUTION: -

5. To consider and if thought fit, to pass with or without modification(s) the following Resolution as a Special Resolution: -

"RESOLVED THAT pursuant to the provisions of sections 198, 268, 269, 309, 310, 311, 316, 317, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory amendments, modifications, or re-enactments thereof, and subject to the approval of the Central Government, and further subject to the approval of the institutions, as may be required, in this regard, the consent of the Shareholders of the Company be and is hereby granted that Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company who is also a Managing Director of M/s. Raunaq International Limited, from where he is drawing a token remuneration of Rupee One (Re. 1/-) only per month, be and is hereby re-appointed as the Chairman & Managing Director of the Company w. e. f. 1st October, 2005 for a further period of five (5) years, on the terms and conditions including remuneration, as recommended by the Remuneration Committee and

approved by the Board of Directors of the Company and as set out in the explanatory statement which forms part of this resolution.

RESOLVED FURTHER THAT the remuneration as set out in the explanatory statement which forms part of this resolution, payable to Mr. Surinder P. Kanwar, Chairman & Managing Director is subject to the condition that the total remuneration payable in any financial year by way of salary, perquisites, commission and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the company as applicable to each of the Managing/ Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/ Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force or to the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the Chairman and Managing Director, the Company has no profits or its profits are inadequate, the Chairman shall be entitled to remuneration by way of salary, perquisites, commission and other allowances not exceeding the limits specified under Section II Part II of Schedule XIII of the Companies Act, 1956 as amended and for the time being in force including such amendments, modifications, revisions, or re-enactments as may be made thereto by the Central Government in the said limits from time to time or to the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, thing, to make such applications, to file such forms, returns or any such document with the appropriate authorities, to enter into such agreement, deed of amendment or any such document, as the Board may, in its absolute discretion consider necessary, expedient or desirable including power to sub-delegate, in order to give effect to this resolution or as otherwise considered by the Board to be in the best interest of the Company, as it may deem fit."

By Order of the Board

Gulshan Bhatia
Group Head (Legal)
& Company Secretary

Place : Faridabad
Dated : 29th June, 2005

NOTES:

- i. **A member entitled to attend and vote is entitled to appoint for one or more proxies to attend and vote on a poll, instead of himself and the proxy need not be a member of the Company. The 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.**
- ii. **NO GIFTS OR COUPONS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**
- 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 Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business set out above is annexed hereto and forms part of the Notice.
- v. The Register of Members and the Share Transfer Books of the Company shall remain closed from Friday, the 22nd July, 2005 to Wednesday, the 27th July, 2005 (both days inclusive).
- vi. The documents referred to in the accompanying Notice and Explanatory Statement and the Annual Report are open for inspection at the Registered Office of the Company during the office hours between 11.00 a. m. and 1.00 p. m. on all working days except Sundays up to the date of the Annual General Meeting and shall also be available at the venue of the Meeting.
- vii. Members seeking any further clarification/information relating to the Annual Accounts are requested to write at the registered office of the company at least ONE WEEK before the date of the Meeting i. e. on or before 20th July, 2005 so as to enable the management to keep the information ready at the Annual General Meeting.
- viii. Pursuant to Section 205C of the Companies Act, 1956 all unclaimed dividends which remain unclaimed/unencashed for a period of 7 (seven) years from the date they became due for payment will be transferred to Investor Education and Protection Fund. The Shareholders shall not be able to claim any unpaid dividend from the said Fund or from the Company thereafter.
- ix. The unclaimed dividend for the financial year 1996-97 has already been deposited with the Investor Education and Protection Fund. The unclaimed dividend for the financial year 1997-98 shall be deposited with Investor Education and Protection Fund after 12th October, 2005. The same shall not be available for withdrawal after 12th October, 2005. The Shareholders who have not claimed dividend for the financial years 1997-98 to 1999-2000 are requested to forward their claims for revalidation of their dividend warrants.
- x. As a measure of economy, copies of the Annual Report shall not be distributed at the Meeting. Members are requested to bring along their own copies to the meeting.
- xi. The shares of the Company are compulsorily traded in demat mode. Hence, the Shareholders who are still holding physical share certificates are advised that it is in their own interest to dematerialize their shareholding to avail benefit of dematerialization viz. easy liquidity, electronic transfer, savings in stamp duty and prevention of forgery.
- xii. Members are requested to notify change in their addresses, bank details, bank mandate and nomination, if any, quoting their respective Folio Numbers and other particulars to the Registrar and Share Transfer Agents of the Company. Alternatively, they may also be sent at the Registered Office of the Company. (Relevant Forms for nomination and updating of Shareholders information is enclosed at the end of the Annual Report.)
- xiii. Members holding shares in the same name under different folios are requested to apply for consolidation of such folios and send relevant share certificates.

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

Item No. 5

The present tenure of Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company for a period of Three (3) years w. e. f. 1st October, 2002 to 30th September, 2005 as approved by the Shareholders of the Company in their Annual General Meeting held on 23rd August, 2002 shall expire on 30th September, 2005.

Under the able guidance and chairmanship of Mr. Surinder P. Kanwar, Chairman & Managing Director, and his relentless efforts to maintain the brand image of the Company and to transform the Company as the largest automotive gear manufacturing company for heavy/medium commercial vehicles, tractors and utility vehicles, the Company has been able to sustain during the lean phase of the vehicle industry in the last few years and has turned around and once again started moving upwards to the growth.

Mr. Surinder P. Kanwar, has shown immense capabilities and shouldered higher responsibilities during the past decade since his appointment as Managing Director of the Company on 1st October, 1990 and his sincerity, dedication and vision towards the company and its role has resulted in opening of new opportunities for the company in the automotive sector. Mr. Surinder P. Kanwar, is also the Chairman & Managing Director of M/s. Raunaq International Limited from where he is drawing a token remuneration of Rupee one (Re. 1/-) only per month.



In view of the above, it is proposed that in the best interests of the company and its shareholders, Mr. Surinder P. Kanwar, Chairman & Managing Director be re-appointed as Chairman & Managing Director of the Company for a further period of five (5) years w. e. f. 1st October, 2005 on the revised terms and conditions as are stated below: -

- A) Salary: Rs. 4,50,000/- per month in the grade of Rs. 4,50,000-50,000-6,50,000.
- B) Perquisites: In addition to the aforesaid salary, he shall be entitled to perquisites of 1/3rd of the Basic Salary per month.
- The total value of the aforesaid perquisites, wherever applicable, shall be computed as per the provisions of Income Tax Act, 1961 read with the applicable Income Tax Rules, as amended from time to time, and for the time being in force.
- In case of absence of any such Rule(s), the value of the said perquisite shall be computed at the actual cost incurred.
- C) Commission: In addition to the above salary and perquisites, commission not exceeding @ 3% of the Net Profits of Company, in any year computed in the manner laid down under section 198, 309, 349 and 350 and other applicable provisions of the Companies Act, may also be paid, as may be determined by the Board of Directors, based on the Net Profits of the Company.
- D) Other terms:
1. He shall be entitled to re-imburement of actual out-of-pocket expenses incurred in connection with the business of the company.
 2. He shall be entitled to reimbursement of entertainment expenses incurred for the business of the company.
 3. As long as he functions as chairman & managing director he shall not be paid any sitting fees to attend any meeting of the board and/or committee thereof.
 4. He shall be entitled to earned/privileged leave as per the rules of the Company.

The Chairman & Managing Director shall also be eligible to the following perquisites which shall not be included in the computation of ceiling on remuneration specified in the said section II part II of Schedule XIII of the Companies Act, 1956:

- a) Contribution to provident fund, Superannuation fund or Annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- c) Encashment of the leave at the end of the tenure.

The said re-appointment and terms of remuneration and other terms and conditions of re-appointment were recommended by the Remuneration Committee of the Board of the Company and further approved by the Board of Directors of the Company.

In compliance with the provisions of sections 198, 268, 269, 309, 310, 311, 316, 317, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 the proposed re-appointment and the revised terms and conditions of re-appointment including remuneration stated therein which are subject to the approval of the Central Government, and further, subject to the approval of the institutions, as may be required, in this regard, are now being placed before the members in the Annual General meeting for their approval.

The Board of Directors of your Company, therefore, recommends the passing of the Special Resolution as set out at Item No. 5 of the Notice.

Certified Copy of the Resolution(s) passed and recommended by the Remuneration Committee of the Board of the Company in its meeting held on 17th May, 2005 and further approved by the Board of Directors of the Company in their meeting held on 18th May, 2005 in this regard are available for inspection by the Members of the Company at its Registered Office during the office hours between 11.00 a. m. and 1.00 p. m. on all working days except Sundays up to the date of the Annual General Meeting and shall also be available at the venue of the Meeting.

Nature of Concern or Interest of Directors:

Except Mr. Surinder P. Kanwar, himself and his relative Mr. Sameer Kanwar, Executive Director of the Company, no other director is concerned or interested in the passing of the above resolutions as set out at item no. 5 of the Notice.

By Order of the Board

**Gulshan Bhatia
Group Head (Legal)
& Company Secretary**

Place : Faridabad
Dated : 29th June, 2005

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

The Directors are pleased to present the 33rd Annual Report on the business and operations of the Company and Audited Statement of Accounts of the Company for the financial year ended on 31st March, 2005.

(Rupees/Lacs)
Financial year ended

Financial Results	31.03.2005	31.03.2004
Sales and other income (gross)	17160.48	11976.11
Profit before financing charges and depreciation	2476.68	1856.32
Financing charges	1121.51	1117.39
Depreciation	919.02	884.84
Profit/(Loss) before tax	436.15	(145.91)
Less: Provision for tax	-	-
Profit/(Loss) after tax	436.15	(145.91)
Add: Balance brought forward from previous year	(2220.74)	(2074.83)
Add: Transferred from Debenture redemption reserve	83.34	-
Balance carried to balance sheet	(1701.25)	(2220.74)

Dividend

In view of accumulated losses of the previous years, your directors are constrained not to recommend any dividend on the equity as well as preference shares of the company for the year under review. Also no amount is being proposed to transfer to any reserve in the Balance Sheet as at 31st March, 2005.

Finance

During the year under review, two financial restructuring packages for the company were successfully implemented. The interest rates on outstanding loans were also reduced to 10.25% with effect from 1st October, 2004. The outstanding Rupee loan of Rs. 1156 Lacs was also converted to Foreign Currency Loan. Further, the company repaid its external commercial borrowings and some of its outstanding Rupee Loan as per schedule. The 2,50,000 14% Secured redeemable non-convertible debentures of the face value of Rs. 66.67 each aggregating to Rs. 166.68 Lacs held by LIC Mutual Fund, which after roll over were repayable at par on 28 January, 2005 were redeemed in September, 2004.

The Company is actively exploring various means to achieve further cost reduction. Budgetary provisions are being considered to meet cost of capital equipment that may be needed to balance the existing capacity, to bring about up-

gradation of the equipment and any severance plan that may be necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

Your company continues to be a leader in the field of Automotive Gears industry in India. During the year under review, the focus has been on manufacture of a wide range of transmission and axle gears and specialized heat treatment furnaces.

(a) Industry Structure & Developments in the Industry:

The Indian automotive industry has polarized into:

- Commercial vehicles
- Utility vehicles (SUV)
- Cars from 800cc to 2500cc(+)
- Two wheelers -and Three wheelers
- Tractors from 18HP to 75HP(+)

Your company is a player in the Heavy/Medium Commercial Vehicle, Utility Vehicle and Tractor segment. During the year under review all the segments have shown robust growth. It is now well established that the Indian economy is one of the fastest growing economies and shall be a large demand generator and key player in the International Trade. The automotive sector is expected to be one of the leading contributors to the growth of the economy.

Tractor Industry:

The Indian tractor industry, which had been passing through a difficult phase in the previous year(s), has turned around and posted a robust growth of more than 30% as compared to the previous year. Supplies to this industry accounts for about 50% of your company's turnover. Demand from your company's domestic tractor customers, who are also active in the export market, has spurred and outlook is upbeat for the current year too. The domestic sector is expected to grow by 8 -10% while exports are also expected to grow.

Commercial Vehicle Industry:

The industry recorded a growth of 27% during the period and demand is expected to further grow by 10-12% in the current year. Your company is an active player in this sector with an OEM and in the aftermarket. We are also actively pursuing orders from another major domestic player.

Utility Vehicles:

Utility vehicle sales also grew by about 27% over that of the previous year, and the growth is expected at about 15% in the current year. All players have introduced a range of models and have plans for introduction of more models in the financial year 2005-2006. Your company is an active player in this sector also.



(b) Opportunities and Threats:

In line with WTO agreement, import duties are being lowered progressively across the world. Further, norms for foreign direct investment have eased. This has exposed us to competition from abroad and from potential new entrants. This threat can only be offset with improvements in productivity and lowering costs. The company is actively pursuing performance enhancement systems and performance culture, technology up-gradation and cost reduction programs. Your company is an established player both in the domestic and export markets and lowering of tariffs will also open to us markets that were protected until now.

GDP growth rate is expected to be between 6.5-7% and inflation is expected to be about 5%. Interest rates are expected to remain stable. Monsoons are expected to be normal. In short, growth should be good for industry in the current year also.

(c) Outlook

Your Company has achieved a 43% growth over the previous year and we are planning a growth of 15% in the financial year 2005-06. This will ensure our retaining the market share in a growing environment in spite of shrinking after sales market.

On the Export front, we have received firm OE orders from Europe, China and USA. The auto components industry is growing rapidly and is poised for a big leap. The opportunities in India are attracting big names and major international OEMs have started outsourcing components from Indian manufacturers. We are also actively pursuing enquiries from several OEM's. Additional business is also expected from existing OEMs.

Outlook on furnace business continues to be optimistic in light of capital expenditure plans drawn up by automotive industry.

(d) Risks & Concerns:

During the year under review, the company was able to achieve a successful turnaround and post a net profit after a gap of four years. However, the industry continued to face, constraints by way of steel availability as well as increase in steel prices. The prices of petroleum products have also increased sharply. As a result, margins are under pressure.

(e) Internal Control Systems and their adequacy:

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

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

Both plants of the company continue to be under QS9000 certification, and are now working towards achieving certification under ISO/TS 16949. Further, in addition, Faridabad plant has been certified under ISO: 14001(Environmental).

(f) Discussion on Financial Performance with respect to operational performance

The year under review has been a year of tremendous growth for the company. Your company turnover has increased by 43% over that of the previous year, resulting in a net profit of Rs. 436.15 Lacs for the year as against the loss of Rs.145.91 Lacs for the previous year.

We have successfully implemented two financial restructuring packages and the interest rates on outstanding loans have been reduced to 10.25% with effect from 1 October, 2004. Further, we have converted Rupee loan of Rs. 1156 Lacs to FC loan.

We are actively pursuing cost reduction on all fronts.

(g) Developments in human resources and industrial relations

Industrial relations at both plants continued to be satisfactory.

During the year under review, wage agreement was signed with the Union of Workmen at Mumbra Plant for a period of three years.

Under the Voluntary Retirement Scheme, 21 employees left the company at a cost of Rs. 0.81 crores.

Employees' headcount at the end of the year was 1322.

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

Fixed Deposits

At the close of the year, deposits aggregating to Rs. 2.54 Lacs remain unclaimed in respect of 52 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 Education and Protection Fund established under the Companies Act. Accordingly, a sum of Rs. 6,073 was deposited with the said Fund.

Redemption of Debentures

During the year, 2,50,000 14% Secured redeemable non-convertible debentures of the face value of Rs. 66.67 each aggregating to Rs. 166.68 Lacs, held by LIC Mutual Fund, which after roll over were repayable at par on 28 January, 2005 were redeemed in September, 2004.

CORPORATE GOVERNANCE

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

Directors

In accordance with the Articles of Association of your Company, Mr. N. J. Kamath and Mr. W. R. Schilha, Directors retire by rotation at the forthcoming Annual General meeting and being eligible offer themselves for reappointment. Further, the Board of Directors in its meeting held on 18th May, 2005 have re-appointed Mr. Surinder P. Kanwar, Chairman and Managing Director of the Company for a further period of five (5) years w. e. f. 1st October, 2005. Separate Resolutions pertaining to the aforesaid appointments/re-appointments are placed before the Shareholders for approval in the Notice convening the Annual General Meeting.

Directors' Responsibility Statement

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

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2005 and of the profits of the company for the period ended on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts have been prepared on a going concern basis.

Particulars of Employees

Information regarding employees in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956

read with the Companies (Particulars of Employees) Rules, 1975 as amended is given in Annexure 'A' to the Directors' Report.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings & Outgo

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

Auditors

M/s. A. F. Ferguson & Company, Chartered Accountants, the Statutory Auditors of the Company hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

Auditors' Report

The observations of the Auditors in their report are self-Explanatory and/or explained suitably in the Note to the Accounts.


Cost Audit

In terms of the 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 31st March, 2005.

Acknowledgements

The Board of Directors gratefully acknowledge the continued cooperation, trust and support of our shareholders and would like to place on record its appreciation for the dedicated services rendered by the Employees at all levels. The Directors further express their gratitude to the Financial Institutions, Bankers, Customers, Suppliers and Collaborators as well for the assistance and confidence reposed by them in the Company.

For and on behalf of the Board of Directors




Place: Mumbai

Dated: 18th May, 2005

Surinder P. Kanwar
Chairman and Managing Director

**BHARAT GEARS LIMITED****Information Pursuant to Section 217 [2A] of the Companies Act, 1956, read with Companies Particulars of Employees Rules 1975 as Amended up to Date and Forming Part of the Directors' Report for the year ended 31st March, 2005.**

Sl. No.	Name	Age in Years	Qualification	Designation	Date of Commencement of Employment	Years of Experience	Remuneration (Rs. in Lacs)	Particulars of Last Employment
A. Employed for the Full Financial Year :								
1.	Surinder P. Kanwar	52	B.com.	Chairman & Managing Director	01.10.1990	30	50.09	Managing Director BST Mfg.Ltd.
B. Employed for the part of the Financial year:				NIL				
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. Except Mr. Sameer Kanwar, Executive Director who is a relative of Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company, none of the employee is related to any of the Director of the company.								
3. All the appointments except that of Mr. Surinder P. Kanwar & Mr. Sameer Kanwar are Non-Contractual.								
For and on behalf of the Board of Directors								
								
Place : Mumbai Date : 18th May, 2005								Surinder P. Kanwar Chairman & Managing Director

Annexure - 'B'

Report on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo and forming part of the Directors' Report for the year ended 31st March, 2005.**A. Conservation of energy:**

(a) Energy conservation measures taken:

Our furnace division engineered a "Cascade Energy Reuse" system for a 3 -row gas fired continuous gas carburising furnace.

In this system waste heat in radiant tube exhaust gases is recovered in a cascaded manner in 3 stages viz. at 1010 degree C to preheat combustion air for radiant tube burners, at 620 degree C to preheat the tray loads charged into the carburising furnace and finally at 320 degree C to heat the solution in the washing machine. This system is designed to recover maximum heat from the flue gases and achieve optimum energy conservation in the context of burgeoning fuel costs.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

The above system is under installation at an automotive axle manufacturing plant in India. On successful commissioning of the same, it shall be adapted to our needs in the financial year 2006-07.

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

The thermal efficiency of the system shall improve by 7-8%, which is expected to save the energy cost to the tune of Rs. 5.00 lacs per annum.

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

.....Not Applicable.....

B. Technology Absorption:

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

Form for disclosure of particulars with respect to absorption.

Research & development (R & D)

The Company is in the business of manufacturing & supplying automotive gears to OEM's and for aftermarket sales both domestic and overseas. The nature of business activity carried on by the company at present does not entail any Research & Development as such. However, the Company extends the design software facility for developing the new products to their customers.

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

Technology absorption, adaptation and innovation

1.	Efforts, in brief, made towards technology absorption, adaptation and innovation	Collaborators' technology for direct quenching of carburised gears in molten salt at 200 degree C was successfully absorbed and utilized as a retrofit in a batch carburising furnace. The objective to achieve a quantum reduction in span variation in the heat-treated speed gears was fully realized. Lean manufacturing methodology & system are introduced and implemented for post heat treatment operations of Spicer hypoid gears and accordingly special cell/JIT layout is set up for single piece flow incorporating self inspection, online packing etc. features for reduction of inventories/through put time and manpower.
2.	Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.	Benefits accrue to the Customer in terms of substantial improvement in the quality of the heat-treated gears.
3.	In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:	Technology is received free of charge as per the terms of technical collaboration agreement with AC Holcroft, in consideration of royalty on sale.
	a) Technology imported	Not Applicable
	b) Year of import	Not Applicable
	c) Has technology been fully absorbed?	Yes.
	d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	Not Applicable

C. Foreign Exchange Earnings and Outgo:

(f) Activities relating to exports; initiatives taken to increase exports; development of new export

Your company is making headway in developing the after market in Middle East. Effect of this shall be visible in the coming years. markets for products and services; and export plans; Further efforts are on to explore new OEM markets, particularly in USA & Europe.

(g) Total foreign exchange used and earned:

The particulars with respect to foreign exchange earnings and outgo are as follows:

	2004-2005	2003-2004
Foreign Exchange Earned	1430.98	413.52
Foreign Exchange Used	89.88	72.39
Net Foreign Exchange Earnings	1341.10	341.13

(Rs. in Lacs)

For and on behalf of the Board of Directors



Surinder P. Kanwar
Chairman & Managing Director

Place: Mumbai
Dated: 18th May, 2005



CORPORATE GOVERNANCE REPORT

For the Year ended 31st March 2005
(pursuant to Clause 49 of the Listing Agreement)

COMPANY'S PHILOSOPHY

Corporate Governance is a combination of voluntary practices and compliances of laws and regulations leading to effective control and management of the Organization and its valuable resources through effective and transparent business conduct integrating communication, integrity and accountability towards its stakeholders.

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

BOARD OF DIRECTORS

Your Company has an optimum combination of executive and non-executive independent directors on the Board. The Board consists of 8 members, the Chairman of the Board is an executive director and half of the strength of the Board consists of non-executive independent directors. All non-executive Independent Directors bring a wide range of expertise and experience to the Board. The Board believes that the current size of the Board is appropriate based on the Company's present requirements.

Composition of the Board

Executive Directors

1. Mr. Surinder P. Kanwar - Chairman & Managing Director
2. Mr. Sameer Kanwar - Executive Director (Strategic Planning)

Nominees of Collaborators - (ZF Friedrichshafen AG)

3. Mr. W. R. Schilha - Director
4. Mr. A. F. Hartmann - Director

Non-Executive Independent Directors

5. Dr. Ram S. Tarneja - Director
6. Mr. N. J. Kamath - Director
7. Mr. V. K. Pargal - Director
8. Mr. J. S. Bhandari - Director

(Representative of Life Insurance Corporation of India-Equity Investor)

The **Table 1** gives Composition of the Board, Attendance record of the directors at the Board Meetings and at the last Annual General Meeting (AGM); Number of their outside directorships and their memberships/ chairmanships in Board Committees.

Table 1

S.No	Name of Director	No. of Board meeting attended ^A	Attendance at last AGM	No. of outside Directorships held ^B	No. of memberships/ Chairmanships in Board Committees ^C	
					Member	Chairman
1.	Mr. Surinder P. Kanwar	4	Yes	2	1	--
2.	Mr. Sameer Kanwar	4	Yes	--	1	--
3.	Mr. W. R. Schilha	3	No	--	--	--
4.	Mr. A. F. Hartmann	1	No	--	--	--
5.	Dr. Ram S. Tarneja	4	Yes	13	10	4
6.	Mr. N. J. Kamath	4	Yes	1	3	2
7.	Mr. V. K. Pargal ^D	4	Yes	--	2	--
8.	Mr. J. S. Bhandari	3	Yes	--	1	--

^AAttendance at the Board Meetings relevant to the period when Director of the Company.

^BIncludes Directorship in companies registered under the Companies Act, 1956, excluding directorship in private companies and alternate directorship.

^CIncludes Membership/Chairmanship of Audit Committee, Remuneration Committee and Shareholders /Investors Grievance Committee.

^DMr. V. K. Pargal is also a Director on the Board of Pargal Consultants Pvt. Ltd (PCPL), which is providing consultancy service to the Company in its professional capacity. Professional fees paid to PCPL for the year 2004-2005 is Rs. 1,08,000/-. The Board is of the opinion that such payments in the context of overall expenditure by the Company, is not significant and does not affect his independence.

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).

None of the Directors of your Company is a member of more than 10 committees or is the chairman of more than five committees across all companies in which they are Directors.

BOARD MEETINGS

During the financial year 2004-05, four (4) Board Meetings were held on the following dates. The gap between any two meetings was not more than 4 months as mandated in clause 49 of the listing agreement: -

27th May 2004;

23rd July 2004;

22nd October 2004 and

28th January 2005.

Information supplied to the Board

The Board has complete access to all information with the company. The information is provided to the Board and the agenda papers for the meetings are circulated in advance of each meeting.

BOARD COMMITTEES

1. Audit Committee

Constitution and Composition

The "Audit Committee" comprises of the following three non-executive & independent directors, who have financial/accounting acumen to specifically look into internal controls and audit procedures. Dr. Ram S. Tarneja, the Chairman of the Audit Committee has accounting and financial management expertise.

The **Table 2** gives the composition of the audit committee and the attendance record of members of the committee:

Table 2

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

In addition to the members of the Audit Committee, the Financial Controller, Internal Auditor and the Statutory Auditors attended these meetings as invitees. Members held discussions with Statutory Auditors during the meetings of the Committee. The Audit Committee reviewed the half-yearly & annual audited financials of the Company 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.

Mr. Sanjay K. Sachdev, Company Secretary, was the Secretary to the Committee for the first three meetings.

Mr. Gulshan Bhatia, Company Secretary, was the Secretary to the Committee for the fourth meeting.

Audit Committee Meetings

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

- 26th May 2004;
- 23rd July 2004;
- 22nd October 2004 and
- 28th January 2005.

Terms of reference

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

- a) Overview of the Company's financial reporting process and disclosure of its financial information;
- b) Recommending the appointment/removal of external auditors, nature and scope of audit, fixation of audit fee and payment of fees for any other service rendered by external auditors;
- c) Reviewing with the management, the quarterly, half yearly and annual financial statements before submission to the Board;
- d) Reviewing with the management, internal and external auditors, the internal audit reports and the reports of the external auditors;
- e) Reviewing 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;
- f) Reviewing the Company's financial and risk management policies;
- g) To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

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

2. Remuneration Committee

Constitution and Composition

In terms of the non-mandatory requirement of Clause 49 of the Listing Agreement, the "Remuneration Committee" was constituted on 22nd April 2002. The said Committee has been empowered to consider, approve and recommend the remuneration of the Whole Time Director/Managing Director. The Remuneration Committee constitutes of following three non-executive & independent directors: -

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

Remuneration Committee meetings

The Remuneration Committee meets as and when required. Since there was no appointment/re-appointment of any Managerial Personnel or revision in the managerial remuneration of existing 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 in line with the industry levels.

REMUNERATION OF DIRECTORS FOR 2004-2005

(Rs. lacs)

Name of the Director	Sitting fees	Salaries and perquisites	Total
Mr. N.J.Kamath	0.18	Nil	0.18
Mr. J.S.Bhandari	0.06	Nil	0.06
Mr. V.K.Pargal	0.16	Nil	0.16
Dr. Ram S.Tarreja	0.16	Nil	0.16
Mr. Surinder P. Kanwar @	-	Salary - Monetary Value of Perquisites - Contribution to Provident and other funds	30.00 11.62* 8.47 50.09
Mr. Sameer Kanwar #	-	Salary - Monetary Value of Perquisites - Contribution to Provident and other funds	9.60 8.12* 2.71 20.43

* 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 23rd August 2002 for a period of three years w. e. f. 01st October 2002.

Approved in the Annual General Meeting held on 17th September 2001 for a period of five years w. e. f. 01st February 2002.

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

3. Shareholders'/Investors' Grievance Committee

The "Shareholders'/Investors' Grievance Committee" has been empowered to look into the shareholders'/investors' grievances and redressal of the same. The said Committee is also authorised to effect transfers/transmissions of equity shares/debentures and other securities and also to issue Duplicate Shares and other securities and matters related or incidental thereto.

The **Table 3** gives the composition of the Shareholders'/Investors' Grievance Committee and the attendance record of members of the committee:

Table 3

Sl.	Name of Director	Designation	No. of meetings attended
1.	Mr. N. J. Kamath	Chairman	1
2.	Mr. Surinder P. Kanwar	Member	-
3.	Mr. Sameer Kanwar	Member	1

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

Shareholders'/Investor's Grievance Committee meetings

During the financial year 2004-05, the committee met once on 14th October 2004. Mr. N.J. Kamath and Mr. Sameer Kanwar, directors attended the said meeting.

During the financial year 2004-2005, 130 letters/complaints were received from the shareholders till 31st March 2005; all of them were replied/resolved to the satisfaction of the shareholders. All the requests for transfers and transmissions have been duly acted upon and no such request was pending as on 31st March 2005.

Sub-Committee

In order to have speedy disposal of the shareholders'/investors' requests for transfer and transmission, a sub-committee consisting of the following directors/officers of the Company is in place for effecting 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. Gulshan Bhatia, Group Head (Legal) & Company Secretary

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



The sub-committee is attending to Share Transfer formalities at least once in a fortnight.

Compliance Officer

At present Mr. Gulshan Bhatia, Company Secretary acts as the Compliance Officer of the Company with effect from 4th December 2004.

He has replaced the previous Company Secretary Mr. Sanjay K. Sachdev, upon his resignation from the Company. Mr. Sanjay K. Sachdev was acting as the Compliance Officer of the Company till he was relieved from the services of Company w. e. f. 30th November 2004.

DIRECTORS

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

Re-appointment of existing non-executive rotational directors.

Mr. N.J. Kamath and Mr. W.R. Schilha, the Directors who are liable to retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment, have shown their willingness to be re-appointed. The Board recommends their re-appointment.

Re-appointment of Chairman & Managing Director

The present tenure of Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company ends on 30th September 2005. The Board in its meeting held on 18th May, 2005 has resolved to re-appoint him, subject to the approval of the Shareholders at the ensuing Annual General Meeting of the Company and subject to the approval of the Central Government, as

Table 4

Sl. No.	Particulars of the Director	Directorship and Memberships/ Chairmanship of the Companies	Shareholding of Non-executive Directors in the Company
1.	<p>Brief Resume: -Mr. N. J. Kamath aged 83, is a retired IAS officer. He is vastly experienced and during his tenure with the Government of India, he has served in various capacities in the Ministry of Finance; Ministry of Industry; Ministry of Supplies and Ministry of Urban Development respectively. He was inducted on the Board of Directors of the Company on 22nd August 1985.</p> <p>Nature of his Expertise in specific functional areas: - Mr. Kamath has rich experience in General administration, Management Strategy, HRD, Government-Industry relationship, Corporate Governance etc. He is also a visiting faculty and guest faculty of many Management Institutes.</p>	<p>Other Directorships: Rajdhani Leasing & Industries Ltd.</p> <p>Membership of Board Committees : 1. Shareholders' / Investors' Grievance Committee; 2. Remuneration Committee; and 3. Audit Committee.</p> <p>Chairmanship of Board Committees : 1. Shareholders' / Investors' Grievance Committee; and 2. Remuneration Committee;</p>	Mr. N. J. Kamath does not hold any shares in the company.
2.	<p>Brief Resume : - Mr. W. R. Schilha aged 54, is a Senior Vice President (Bus Driveline Technology and Marketing) of ZF Friedrichshafen, AG Germany. He is a Director on the board of the Company as a representative of the foreign collaborators of the company. He was appointed as a member on the Board of Directors of the Company on 26th February 1986.</p> <p>Nature of his Expertise in specific functional areas : - He is immensely experienced and has international exposure on various facets of Auto Industry as a whole including Gear Technology. He is having expertise in the area of sales, marketing and service.</p>	<p>Other Directorships : ZF Driveteck (Suzhou) Co. Ltd, Suzhou, PR China.</p> <p>Membership/Chairmanship of Board Committees: -----NIL -----</p>	Mr. W. R. Schilha does not hold any shares in the company.
3.	<p>Brief Resume: - Mr. Surinder P. Kanwar, aged 52 is a commerce graduate from Delhi University. He has received intensive on-the-job training in various companies of Raunaq Group under the supervision of senior professionals from diverse fields and overall guidance of his industrialist father Late Dr. Raunaq Singh. He is on the Board of the Company w. e. f. 29th September, 1982. He is the Managing Director of the Company since 1990. He was appointed as Vice Chairman & Managing Director at the AGM of the company held on August 23, 2002 for a period of 3 years w. e. f. 01st October 2002. He was re-designated as Chairman & Managing Director by the Board at its meeting held on 29 October 2002.</p> <p>Nature of his Expertise in specific functional areas : - Mr. S. P. Kanwar is immensely experienced and has in-depth knowledge of the core business of the Company i. e. Automotive Gears. He has whole-some exposure on all aspects of business of the Company and is engaged in supervision and conduct of business of the Company along with a team of senior management personnel, who assist him in carrying out his activities, subject to the overall supervision and control of the Board.</p>	<p>Other Directorships : Raunaq International Limited Raunaq ABM India Limited Clip-Lok Simpax (India) Pvt. Ltd. Vibrant Finance & Investment Pvt. Ltd. Ultra Consultants Pvt. Ltd.</p> <p>Membership of Board Committees: Shareholders' / Investors' Grievance Committee;</p> <p>Chairmanship of Board Committees : -----NIL -----</p>	<p>Chairman & Managing Director Director Director Director Director</p> <p>Not Applicable</p>

the Chairman & Managing Director of the Company for a period of five (5) years commencing from 01st October 2005.

The **Table 4** gives the information pertaining to directors of the committee:

GENERAL BODY MEETINGS

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

Financial Year	Venue	Date	Time	Whether any special resolution passed
2003-2004	Municipal Auditorium, NIT, Faridabad, Haryana-121 0001	23rd, July 2004	11:00 A.M.	No
2002-2003	Municipal Auditorium, NIT, Faridabad, Haryana-121 0001	29th, September 2003	10:30 P.M.	Yes
2001-2002	Municipal Auditorium, NIT, Faridabad, Haryana-121 0001	23rd, August 2002	2:00 P.M.	Yes

Further, one Extra-ordinary General meeting of members was held during the last year on 23rd July 2004 at 11:30 A. M. at Municipal Auditorium, NIT Faridabad, Haryana - 121 001. There was no other General Body meeting in the last three years and no resolution was put through postal ballot.

At this meeting there is no Postal Ballot Proposed.

BHARAT GEARS LIMITED

DISCLOSURES

Related Party Transactions

During the year 2004-2005, there were no related party transactions of material significant nature that are considered to have potential conflict with the interests of the Company at large. All disclosures related to financial and commercial transactions where Directors were interested are provided to the Board, and the interested directors do not participate in the discussion nor do they vote on such matters.

Compliance by the Company

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.

Non-Mandatory Requirements

The Company has set up a Remuneration Committee, details whereof are given in the Board Committee section of this report.

MEANS OF COMMUNICATION

Quarterly Results, Half-yearly Reports, Newspapers in which published, Website etc.

The quarterly/half-yearly and annual financial results are normally published by the Company in 'The Financial Express' (English), Delhi and in 'Jansatta' (Hindi), Delhi. In addition to the above, the quarterly/half-yearly and annual financial results and official releases, if any, are also displayed on the company's website www.bharatgears.com for the information of all the shareholders. The half-yearly reports were not sent to household of shareholders. The Company is registered under EDIFAR (Electronic Data Information Filing and Retrieval) site of SEBI www.sebi.gov.in. The Company has been posting online, the quarterly/half-yearly and annual financial results, shareholding pattern, along with full version of Corporate Governance Report, Annual Report and other requisite material information on www.sebidifar.nic.in.

Further, any interviews given by Company Executives/Management during the year are also displayed on the company's website www.bharatgears.com.

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

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting details:

The forthcoming AGM of the Company shall be held at 10.30 A. M. on Wednesday, the 27th of July, 2005 at Municipal Auditorium, N. I. T. Faridabad, Haryana - 121 001.

Financial year:

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

Date of Book Closure:

July 22, 2005 to July 27, 2005 (both days inclusive)

Dividend payment date: 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]

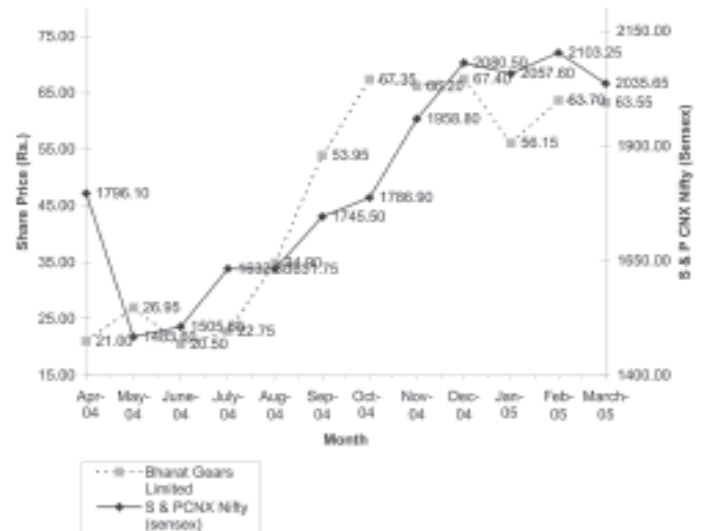
The Annual Listing Fees for the year 2005-2006 have been paid to the aforesaid Stock Exchanges.

Market Price Data: High, Low during each month of Financial Year 2004-2005 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	28.45	20.50	21.00
May	30.95	17.50	26.95
June	29.95	15.50	20.50
July	29.00	17.00	22.75
August	38.80	21.00	34.90
September	62.00	35.10	53.95
October	70.30	50.50	67.35
November	69.95	45.00	66.20
December	81.00	58.30	67.40
January	69.95	50.15	56.15
February	65.55	54.60	63.70
March	79.00	60.05	63.55

Bharat Gears Share Price versus S & P CNX Nifty (Sensx)



Registrar and Transfer Agents, Share Transfer System:

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

The Registrar and Transfer Agents are single point for handling both the share registry work relating to shares held in physical and electronic form. The 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, 2005:

Shareholding Pattern			
Category	No. of shares held	% age of share holding	
A. Promoters' holding			
1. Promoters			
- Indian Promoters	876263	14.57	
- Foreign Promoters	---	---	
2. Persons acting in concert	716717	11.92	
B. Non-Promoters Holding			
3. Institutional Investors			
a. Mutual Funds and Unit Trust Of India	6600	0.11	
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions / Non-Govt. Institutions)	286044	4.76	
c. Foreign Institutional Investors	21934	0.36	
4. Others			
a. Private Corporate Bodies	758885	12.65	
b. Indian Public	1748540	29.08	
c. Non Resident Indians/Overseas Corporate Bodies	35168	0.58	
d. Any other - Foreign collaborator	1563567	26.00	
Total	6013718	100.00	

Distribution of shareholding as on March 31, 2005:

No. of Equity shares held	Number of shareholders	Number of shares	%age to total shares
Up to 250	6712	492226	8.18
251 to 500	726	297860	4.95
501 to 1000	279	235475	3.92
1001 to 2000	151	242978	4.04
2001 to 3000	54	139761	2.33
3001 to 4000	15	53848	0.90
4001 to 5000	29	139133	2.31
5001 to 10000	29	241762	4.02
10,001 and Above	30	4170675	69.35
Total	8025	6013718	100.00

Dematerialisation of shares and liquidity:

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

As on 31st March 2005 a total of 4002792 equity shares of the Company of Rs. 10/- each, which form 66.56 % of the paid up share capital, stand dematerialized.

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, 2005, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring 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

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

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)
2. M/s. Bharat Gears Limited
Kausa Shil, Shilpata
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. Gulshan Bhatia
Group Head (Legal) & Company Secretary
M/s. Bharat Gears Limited
20 K.M., Mathura Road
P.O. Amar Nagar
Faridabad - 121 003.

E-Mail for investors: -

Investors may also email at the following email addresses: - bgfbd@vsnl.com and investor@bglindia.com.

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.

Updation of shareholders information:

The shareholders of the Company are requested to intimate their latest residential address along with the details of their shareholding in 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

Surinder P. Kanwar
Chairman & Managing Director

Dated: 18th May, 2005
Place : Mumbai

Corporate Governance as stipulated in clause 49 of the abovementioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by 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

Place : New Delhi
Date : 18th May, 2005

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, 2005 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 as amended by DCA notification G.S.R.766 (E) dated November 25, 2004 issued by the Central Government of India 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, 2005, 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, 2005 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, 2005;
 - (ii) in the case of the Profit and Loss Account, of the profit 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 : 18 May, 2005

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, 2005

- (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 assets 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 all 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.
- (iii) (a) Except for interest free loans of Rs.45 lacs taken from a Company and Rs.55.16 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 loans referred to above have been taken, are not prejudicial to the interest of the company.
 - (c) In respect of the loans 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 systems commensurate with the size of the company and the nature of



its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements 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, having regard to the explanation that purchases of certain items are of specialised nature and comparable alternative quotations are not available, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 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, 58AA or any other relevant provisions 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 or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.
- (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, 2005 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)	182,601	1992-93	Sales Tax Tribunal
Income Tax Act, 1961	Income Tax	811,287	1994-95	Delhi High Court
West Bengal Sales Tax Act, 1994	Sales Tax on free of cost material	263,742	2003-04	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) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
- (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 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.
- (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 : 18 May, 2005

BHARAT GEARS LIMITED

BHARAT GEARS LIMITED BALANCE SHEET AS AT 31ST MARCH, 2005.

	Schedule	Rs. lacs As at 31st March, 2005	Rs. lacs As at 31st March, 2004
I. Sources of funds :			
(1) SHAREHOLDERS' FUNDS			
Share capital	1	959.87	959.87
Reserves and surplus	2	1501.18	1598.76
		<u>2461.05</u>	<u>2558.63</u>
(2) LOAN FUNDS			
Secured loans	3	7705.18	7494.85
Unsecured loans	4	264.88	172.48
Finance lease obligations		24.68	9.45
		<u>7994.74</u>	<u>7676.78</u>
(3) DEFERRED TAX LIABILITIES (Note 20 of Schedule 20)			
		1228.95	1293.02
	Total	<u>11684.74</u>	<u>11528.43</u>
II. Application of funds :			
(1) FIXED ASSETS			
Gross block	5	15796.68	15428.09
Less : Depreciation		9385.65	8512.01
Net block		6411.03	6916.08
Add : capital work in progress and advances on capital account		195.98	110.34
		<u>6607.01</u>	<u>7026.42</u>
(2) INVESTMENTS			
	6	-	86.20
(3) DEFERRED TAX ASSETS (Note 20 of Schedule 20)			
		1228.95	1293.02
(4) CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	2036.66	1571.98
Sundry debtors	8	3302.16	2326.67
Cash and bank balances	9	504.68	593.93
Loans and advances	10	1026.09	850.66
		<u>6869.59</u>	<u>5343.24</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	11	3295.78	3082.78
Provisions	12	238.38	183.23
		<u>3534.16</u>	<u>3266.01</u>
Net current assets		3335.43	2077.23
(5) MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted) (Note 15 of Schedule 20)		167.02	179.74
(6) DEBIT BALANCE IN THE PROFIT & LOSS ACCOUNT			
	2A	346.33	865.82
	Total	<u>11684.74</u>	<u>11528.43</u>
NOTES	20		

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

U.M. NEOGI
Partner

SURINDER P. KANWAR
Chairman and Managing Director

GULSHAN BHATIA
Group Head (Legal)
& Company Secretary

SAMEER KANWAR
Executive Director-Strategic Planning

MILIND PUJARI
Financial Controller

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

Place : Mumbai
Date : 18th May, 2005



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2005**

	Schedule	Rs. lacs Year Ended 31st March, 2005	Rs. lacs Year Ended 31st March, 2004
Sales including processing charges (gross)		16692.28	10951.85
Less : excise duty		2252.62	1589.81
Sales including processing charges (net)		14439.66	9362.04
Other income	13	468.20	1024.26
TOTAL INCOME		14907.86	10386.30
EXPENDITURE			
Consumption of materials	14	5555.92	3206.57
Purchase of finished goods		55.77	20.38
Increase in finished goods and work in progress	15	(263.20)	(116.22)
Payments to and provisions for employees	16	2712.22	2260.89
Other expenses	17	4370.47	3158.36
Financing charges	18	1121.51	1117.39
Depreciation	19	919.02	884.84
PROFIT / (LOSS) BEFORE TAX		436.15	(145.91)
Provision for tax		-	-
PROFIT / (LOSS) AFTER TAX		436.15	(145.91)
Add:Balance brought forward from the previous year		(2220.74)	(2074.83)
Add:Transferred from Debenture redemption reserve		83.34	-
Balance carried to balance sheet		(1701.25)	(2220.74)
Basic and diluted earnings per share (in Rs.)		6.58	(2.91)
(Note 19 of Schedule 20)			
NOTES	20		

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

U.M. NEOGI
Partner

SURINDER P. KANWAR
Chairman and Managing Director

GULSHAN BHATIA
Group Head (Legal)
& Company Secretary

SAMEER KANWAR
Executive Director-Strategic Planning

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

Place : Mumbai
Date : 18th May, 2005

BHARAT GEARS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

	(Rs.Lacs) For the year ended 31st March, 2005	(Rs.Lacs) For the year ended 31st March, 2004
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit / (loss) before tax	436.15	(145.91)
Adjustments for :		
- Depreciation	919.02	884.84
- Write off of capital work in progress	9.49	-
- Unrealised exchange Loss / (Gain)	18.06	16.06
- Loss/(Profit) on sale of fixed assets(net)	5.01	(554.61)
- Interest income	(26.30)	(15.25)
- Lease rent	20.35	81.67
- Interest expense	1046.23	1043.83
- Provision for diminution in the value of investment	-	(7.18)
- Provision for doubtful debts	-	3.39
Operating profit before working capital changes	2428.01	1306.84
Adjustments for :		
- Inventories	(464.68)	(259.96)
- Trade and other receivables	(1063.72)	(130.26)
- Trade and other payables/Provisions	147.28	(616.14)
- Miscellaneous expenditure	12.72	64.97
Cash generated from operations	1059.61	365.45
- Direct taxes refunded / (paid) - net	(11.19)	(40.80)
Net cash from operating activities	1048.42	324.65
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(371.53)	(356.99)
Sale of fixed assets	10.59	563.33
Interest received [inclusive of tax deducted at source Rs.2.54 lacs ; (previous year : 1.42 lacs)]	25.47	14.77
Sale of long term investment	86.20	-
Net cash used in investing activities	(249.27)	221.11
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from long term borrowings # (including funded interest Rs.711.80 lacs)	403.84	1650.05
Repayment of long term borrowings	(348.50)	(646.22)
Proceeds from short term borrowings	-	450.00
Repayment of short term borrowings	(25.00)	(607.50)
Increase / (Decrease) in cash credits and packing credits	285.67	91.52
Payment of dividend etc.to Investor Education and Protection Fund	(23.56)	(1.30)
Lease rent paid (net)	(20.38)	(76.28)
Interest paid # (including funded interest Rs.711.80 lacs)	(1160.49)	(1242.75)
Net cash used in financing activities	(888.42)	(382.48)
Net increase/(decrease) in cash & cash equivalents (A+B+C)	(89.27)	163.28
Cash & cash equivalents at the beginning of the year.	555.95	392.67
Cash and Cash equivalents at the end of the year.(see note 2)	466.68	555.95
	(89.27)	163.28

Notes :

- The cash flow is based on and derived from the accounts of the company for the year ended 31st March, 2005 and 31st March, 2004.
- Cash and cash equivalents comprise :

	(Rs/lacs)	(Rs/lacs)
Cash, cheques on hand and bank balances	347.52	250.91
Margin money with banks	116.05	143.44
Fixed deposit with banks	41.11	199.58
Total	504.68	593.93
Less : Fixed deposit with bank not readily convertible in cash	38.00	38.00
Add : Unrealised loss on foreign currency bank account	-	0.02
Cash and cash equivalents at the end of the year	466.68	555.95

- The previous year's figures have been regrouped wherever necessary.

Per our report attached to the balance sheet **SURINDER P. KANWAR**
For A.F. FERGUSON & CO. *Chairman and Managing Director*
Chartered Accountants

SAMEER KANWAR
Executive Director-Strategic Planning

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

U.M. NEOGI
Partner

GULSHAN BHATIA
*Group Head (Legal)
& Company Secretary*

MILIND PUJARI
Financial Controller

Place : Mumbai
Date : 18th May, 2005



SCHEDULES ANNEXED TO THE ACCOUNTS

(1) SHARE CAPITAL

	Rs.lacs As at 31st March, 2005	Rs. lacs As at 31st March, 2004
Authorised		
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	<u>1500.00</u>	<u>1500.00</u>
	<u>2500.00</u>	<u>2500.00</u>
Issued and Subscribed		
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 [Issued pursuant to a Corporate Debt Restructuring scheme] (Refer note 2 below)	208.50	208.50
	<u>959.87</u>	<u>959.87</u>

Notes :

- Series IV and Series V 10% Cumulative Redeemable Non Convertible Preference Shares of Rs. 75 lacs each were redeemable at par on 1st March, 2004 and 1st September, 2004 respectively, which have been rolled over to 1st March, 2006 and 1st September, 2006 respectively with the consent of holders of these shares.
- Series VI, VII & VIII aggregating Rs.208.50 lacs were allotted on 29th September, 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 31st March,2011 and 31st March, 2012.

(2) RESERVES AND SURPLUS

	Rs.lacs As at 31st March, 2005	Rs. lacs As at 31st March, 2004
Capital redemption reserve Per last balance sheet	<u>380.00</u>	<u>380.00</u>
Share premium account Per last balance sheet	<u>383.37</u>	<u>383.37</u>
Debenture redemption reserve Per last balance sheet	83.34	83.34
Less : Transferred to profit & loss account	<u>83.34</u>	<u>-</u>
	-	83.34
Revaluation reserve Per last balance sheet	752.05	773.99
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)	14.24	14.25
	<u>737.81</u>	<u>752.05</u>
General reserve Per last balance sheet	1354.92	1354.92
Less : Profit and loss account (See Schedule 2A)	<u>1354.92</u>	<u>1354.92</u>
	-	-
	<u>1501.18</u>	<u>1598.76</u>
	<u>Rs.lacs As at 31st March, 2005</u>	<u>Rs. lacs As at 31st March, 2004</u>
(2A) PROFIT AND LOSS ACCOUNT		
Debit balance in the Profit and Loss Account	1701.25	2220.74
Less : Deducted from General Reserve (See Schedule 2)	<u>1354.92</u>	<u>1354.92</u>
	<u>346.33</u>	<u>865.82</u>

(3) SECURED LOANS

	Rs.lacs As at 31st March, 2005	Rs. lacs As at 31st March, 2004
Debentures		
- (previous year : 2,50,000) 14% Secured redeemable non-convertible debentures of face value of Rs.66.67 each (note 10 below)	-	166.68
	<u>-</u>	<u>166.68</u>
From Banks :		
Cash credits (including funded interest thereon) and packing credits (note 1 below)	2132.18	1845.49
Other :		
External Commercial Borrowing from Sumitomo Mitsui Banking Corporation (note 11 below)	-	130.95
Rupee loan from The Federal Bank Limited (note 2, 7 & 8 below)	324.53	328.08
Rupee loan from The Federal Bank Limited (note 2 & 8 below)	58.00	-
Rupee loan from State Bank of India (note 2 & 8 below)	127.90	127.90
Rupee loan from Indian Overseas Bank (note 2 & 8 below)	62.38	62.38
Rupee loan from The Federal Bank Limited (note 3 below)	887.10	891.70
Rupee loan from Bank of Baroda (note 2 & 8 below)	90.78	-
Vehicle loan from ICICI Bank Ltd. (note 4 below)	24.07	21.98
	<u>3706.94</u>	<u>3408.48</u>
From Others :		
Rupee loan from Industrial Development Bank of India Limited (previous year : from Industrial Development Bank of India) (note 3 below)	1625.08	1662.63
Foreign Currency loan (previous year : Rupee loan) from Export-Import Bank of India (note 3 & 9 below)	969.88	971.53
Rupee loan from Industrial Development Bank of India Limited (previous year : from Industrial Development Bank of India) (note 5 below)	578.25	592.93
Rupee loan from Industrial Development Bank of India Limited (previous year : from Industrial Development Bank of India) (note 2 & 8 below)	409.86	311.86
Foreign Currency loan (previous year : Rupee loan) from Export-Import Bank of India (note 2, 8 & 9 below)	188.33	142.22
Rupee loan from L & T Finance Limited (note 12 below)	-	25.00
Foreign Currency loan from ZF Friedrichshafen AG (note 6 below)	226.84	213.52
	<u>3998.24</u>	<u>3919.69</u>
	<u>7705.18</u>	<u>7494.85</u>

Notes :

- 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 in favour of loans referred to in notes 2, 3, and 5.
- Rupee loans from The Federal Bank Limited, State Bank of India, Indian Overseas Bank, Bank of Baroda, Industrial Development Bank of India Limited (previous year : Industrial Development Bank of India) and Foreign currency loan (previous year : Rupee loan) from Export Import Bank of India are secured by first mortgage and charge created on the immovable and moveable assets at Mumbra unit, on parri passu basis with loans referred to in note 5.
- Rupee loans from The Federal Bank Limited, Industrial Development Bank of India Limited (previous year : Industrial Development Bank of India) and Foreign currency loan (previous year : Rupee loan) from 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 Limited (previous year : 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 in respect of loans referred to in note 2.
- Foreign Currency loan from ZF Friedrichshafen is secured by charge created during the year on specific assets located at Faridabad plant which rank subordinate and subservient to charges created in respect of the loans referred to in notes 1 and 3.
- 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 2 are also guaranteed by a Director of the Company aggregating Rs. 1261.78 lacs (previous year : Rs. 972.44 lacs) (from banks : Rs. 663.59 lacs; (previous year : Rs. 518.36 lacs) from others : Rs. 598.19 lacs; (previous year : Rs 454.08 lacs)).
- Rupee Term Loans from Export Import Bank of India were converted into Foreign Currency Loans during the year.
- 2,50,000, 14% Secured redeemable non - convertible debentures held by LIC Mutual Fund were redeemed during the year at par, which were secured by parri passu first charge on all immovable properties and moveable fixed assets of the Company located at Mumbra plant.
- External commercial borrowing from Sumitomo Mitsui Banking Corporation was secured by parri passu charge by mortgage of immovable properties and hypothecation of moveable fixed assets located at Mumbra plant.
- Rupee loan from L&T Finance Limited was secured by parri passu charge to be created on the fixed assets at Mumbra plant.



(4) UNSECURED LOANS

	Rs.lacs As at 31st March, 2005	Rs. lacs As at 31st March, 2004
Other than short term		
From Housing Development Finance Corporation Ltd. (under Line of Credit scheme) (Repayable within one year Rs.8.53 lacs; previous year: Rs.7.42 lacs).	28.15	35.57
From LIC Housing Finance Ltd. (under Line of Credit scheme) (Repayable within one year Rs.2.51 lacs; previous year: Rs.2.18 lacs).	9.57	11.75
From Director (Repayable within one year Rs. Nil; previous year: Rs.Nil).	55.16	55.16
From others (Repayable within one year Rs. 48 lacs; previous year: Rs.8 lacs).	172.00	70.00
	<u>264.88</u>	<u>172.48</u>

(5) FIXED ASSETS

(Rs.in lacs)

Assets	Gross Block				Depreciation				Net Block	
	As at 31.03.2004	Additions	Deductions/ Adjustments	As at 31.03.2005	Upto 31.03.2004	For the year	On Deductions/ Adjustments	Upto 31.03.2005	As at 31.03.2005	As at 31.03.2004
Land - Freehold	139.43	-	-	(*) 139.43	-	-	-	-	139.43	139.43
Land - Leasehold (@)	581.40	-	-	(*) 581.40	46.92	7.82	-	54.74	526.66	534.48
Buildings and roads	1686.03	12.66	-	(*) 1698.69 (**)	523.94	47.76	-	571.70	1126.99	1162.09
Leasehold improvements	1.77	-	-	1.77	1.68	-	-	1.68	0.09	0.09
Plant and machinery	11929.64	367.47	54.00	12243.11	7245.33	813.54	49.06	8009.81	4233.30	4684.31
Electrical installations	281.60	3.77	-	285.37	109.12	12.44	-	121.56	163.81	172.48
Water supply installations	74.70	0.36	-	75.06	19.94	3.73	-	23.67	51.39	54.76
Furniture and fixtures	151.91	4.33	6.93	149.31	120.28	4.98	2.80	122.46	26.85	31.63
Computers, office and miscellaneous equipment	482.93	21.04	3.67	500.30	379.54	30.61	2.02	408.13	92.17	103.39
Vehicles	79.81	14.29	8.23	85.87	57.17	8.43	3.90	61.70	24.17	22.64
Assets acquired under finance lease										
Plant and machinery	7.37	-	-	7.37	0.96	0.35	-	1.31	6.06	6.41
Computers, office and miscellaneous equipment	2.39	-	2.39	0.00	1.84	-	1.84	-	-	0.55
Vehicles	9.11	19.89	-	29.00	5.29	3.60	-	8.89	20.11	3.82
	15428.09	443.81	75.22	15796.68	8512.01	933.26	59.62	9385.65	6411.03	
As at 31st March 2004	15251.96	247.76	71.63	15428.09	7668.15	899.09	55.23	8512.01		6916.08
Capital work-in-progress									191.38	107.58
Advances on capital account									4.60	2.76
									195.98	110.34
									6607.01	7026.42

(*) 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	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.

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(6) INVESTMENTS

	Rs.lacs As at 31st March, 2005	Rs. lacs As at 31st March, 2004
Long Term Investment		
Trade, quoted		
- (previous year : 14,36,700) Equity shares of Rs. 10 each fully paid up of Raunaq Automotive Components Ltd. (Shares sold during the year) (previous year : Market value : Rs. 71.84 lacs).	-	143.67
Less :		
Provision for diminution in the value of investment	-	57.47
	<u>-</u>	<u>86.20</u>

(7) INVENTORIES

	Rs.lacs As at 31st March, 2005	Rs. lacs As at 31st March, 2004
Stores and spare parts	218.93	151.64
Loose tools	316.59	270.43
Stock-in-trade		
Raw materials and components	317.70	230.87
Work in progress	740.89	552.60
Finished goods - manufactured	435.73	363.61
Finished goods - traded	4.91	2.12
Scrap	1.91	0.71
	<u>2036.66</u>	<u>1571.98</u>

(8) SUNDRY DEBTORS (UNSECURED & CONSIDERED GOOD UNLESS OTHERWISE STATED)

	Rs.lacs As at 31st March, 2005	Rs. lacs As at 31st March, 2004
Outstanding for a period exceeding six months		
doubtful	9.59	9.59
others	<u>40.73</u>	<u>70.71</u>
Others	<u>3261.43</u>	<u>2255.96</u>
	<u>3311.75</u>	<u>2336.26</u>
Less : Provision for doubtful debts	9.59	9.59
	<u>3302.16</u>	<u>2326.67</u>



(9) CASH AND BANK BALANCES

	Rs.lacs As at 31st March, 2005	Rs. lacs As at 31st March, 2004
Cash on hand	5.76	6.54
Cheques on hand	168.82	125.61
With scheduled banks :		
On current accounts	172.94	118.76
On margin accounts	116.05	143.44
On fixed deposit accounts	41.11	199.58
[Includes Rs.38 lacs (previous year : Rs.38 lacs) the deposit receipts for which, are held by Industrial Development Bank of India Limited (previous year : IDBI Bank Ltd.) towards outstanding dividends on preference shares]		
	<u>504.68</u>	<u>593.93</u>

(10) LOANS AND ADVANCES

	Rs.lacs As at 31st March, 2005	Rs. lacs As at 31st March, 2004
UNSECURED AND CONSIDERED GOOD :		
Loans and advances recoverable in cash or in kind or for value to be received	806.21	676.02
Balance with excise authorities (on current account)	46.54	12.74
Security deposits	80.89	80.64
Income-tax recoverable	92.45	81.26
	<u>1026.09</u>	<u>850.66</u>

(11) CURRENT LIABILITIES

	Rs.lacs As at 31st March, 2005	Rs. lacs As at 31st March, 2004
Acceptances	678.33	1023.49
Sundry Creditors		
- due to small scale industrial undertakings	76.32	24.89
- others	1815.57	1297.48
Customers advances and credit balances	676.68	692.06
Interest accrued but not due on loans	34.64	7.21
Security deposits	8.18	8.03
Investor Education and Protection Fund *		
(a) Unpaid dividends	3.32	4.46
(b) Unpaid matured deposits	2.54	2.54
(c) Unpaid interest accrued on fixed deposits	0.20	0.25
(d) Unpaid matured debentures	-	21.78
(e) Unpaid interest accrued on debentures	-	0.59
	<u>6.06</u>	<u>29.62</u>
	<u>3295.78</u>	<u>3082.78</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, 2005	Rs. lacs As at 31st March, 2004
Leave Encashment	235.54	178.51
Others	2.84	4.72
	<u>238.38</u>	<u>183.23</u>

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(13) OTHER INCOME

	Rs.lacs Year Ended 31st March, 2005	Rs. lacs Year Ended 31st March, 2004
Export incentives	89.56	15.13
Interest -on security deposits,deposits with banks, income tax refunds etc. (Tax deducted at source on interest received Rs. 2.54 lacs; previous year : Rs.1.42 lacs)	26.30	15.25
Income from scrap	166.43	80.14
Agency Commission	-	10.90
Rent	0.60	0.60
Credit balances no longer payable written back	37.28	215.44
Profit on sale of fixed assets	3.81	557.71
Miscellaneous income	144.22	129.09
	<u>468.20</u>	<u>1024.26</u>

(14) CONSUMPTION

	Rs.lacs Year Ended 31st March, 2005	Rs. lacs Year Ended 31st March, 2004
Raw materials and components consumed		
Opening stock	230.87	89.17
Add : Purchases of raw materials & components	<u>5642.75</u>	<u>3348.27</u>
	5873.62	3437.44
Less : Closing stock	<u>317.70</u>	<u>230.87</u>
	<u>5555.92</u>	<u>3206.57</u>

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

	Rs.lacs Year Ended 31st March, 2005	Rs.lacs Year Ended 31st March, 2004
Opening stock :		
Finished goods - manufactured	363.61	414.84
Finished goods - traded	2.12	0.23
Work in progress	<u>552.60</u>	<u>387.04</u>
	<u>918.33</u>	<u>802.11</u>
Less: Closing Stock		
Finished goods - manufactured	435.73	363.61
Finished goods - traded	4.91	2.12
Work in progress	<u>740.89</u>	<u>552.60</u>
	<u>1181.53</u>	<u>918.33</u>
	<u>(263.20)</u>	<u>(116.22)</u>

(16) PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

	Rs.lacs Year Ended 31st March, 2005	Rs.lacs Year Ended 31st March, 2004
Salaries, wages and bonus	2227.42	1796.60
Contribution to provident ,superannuation, gratuity and other funds	193.18	210.60
Employees' welfare expenses	<u>291.62</u>	<u>253.69</u>
	<u>2712.22</u>	<u>2260.89</u>



(17) OTHER EXPENSES

	Rs.lacs Year Ended 31st March, 2005	Rs.lacs Year Ended 31st March, 2004
Stores,spares & packing materials consumed (Net of recoveries Rs. 3.29 lacs; previous year : Rs.3.28 lacs)	776.47	526.64
Loose tools consumed	472.65	281.21
Processing charges	483.84	337.31
Power and fuel	1344.95	990.19
Repairs and maintenance		
- machinery	197.73	97.59
- buildings	24.98	8.60
- others	144.59	108.62
Travelling, conveyance and car expenses	138.35	123.17
Insurance	48.41	45.76
Rent	62.36	122.36
Rates and taxes	77.87	53.42
Freight, forwarding and other charges	196.66	89.38
Commission to selling agents	43.74	22.17
Loss on sale of long term investment	57.47	-
Less : Write back of provision for dimunition in value of investment being no longer required	<u>57.47</u>	<u>-</u>
Miscellaneous expenses (Includes loss on sale / write off of fixed assets Rs. 18.31 lacs; previous year : Rs.3.10 lacs)	357.87	351.94
	<u>4370.47</u>	<u>3158.36</u>

(18) FINANCING CHARGES

	Rs.lacs Year Ended 31st March, 2005	Rs.lacs Year Ended 31st March, 2004
Interest on debentures and other fixed period loans	748.62	763.52
Other interest and bill discounting charges	297.61	280.31
Bank and other financing charges	68.08	73.53
Cash discount	7.20	0.03
	<u>1121.51</u>	<u>1117.39</u>

(19) DEPRECIATION

	Rs.lacs Year Ended 31st March, 2005	Rs.lacs Year Ended 31st March, 2004
For the year	933.26	899.09
Less : Transferred from revaluation reserve, being depreciation on amount added on revaluation of fixed assets (Schedule 2)	14.24	14.25
	<u>919.02</u>	<u>884.84</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 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 rates. Exchange gains or losses realised and arising due to translations of long-term loans/liabilities relating to acquisition of imported 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 premium or discounts are amortised as expense or income 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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5. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 15.64 lacs; (previous year: Rs. 17.58 lacs)
6. Quantitative information for each class of goods manufactured/traded and for furnaces built and sold:

	Units	Year Ended 31st March, 2005		Year Ended 31st March, 2004	
		Licensed	Installed	Licensed	Installed
(i) Manufactured Goods					
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.		2198585		1506044
Furnaces built	Nos.		1		1
Gear box	Nos.		Nil		Nil

	Year Ended 31st March, 2005		Year Ended 31st March, 2004	
	Unit (Nos.)	Rs. lacs	Unit (Nos.)	Rs. lacs
- Opening stock :				
Automotive gears	74007	363.61	72880	408.46
Gear boxes	29	Nil	29	6.38
		<u>363.61</u>		<u>414.84</u>
- Sales				
Automotive gears #	2150308	13891.61	1504422	9110.10
Industrial furnaces(\$)	1	74.53	1	42.24
Gear box	29	Nil	-	Nil
Tooling Development		178.19		128.27
Others		222.46		51.06
		<u>14366.79</u>		<u>9331.67</u>
- Closing stock				
Automotive gears	122284	435.73	*74007	363.61
Gear boxes	-	Nil	29	Nil
		<u>435.73</u>		<u>363.61</u>

includes processing charges Rs. 2146.14 lacs; 369801 nos. (previous year : Rs. 1523.85 lacs; 197892 nos.)

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

* excludes 495 nos. scrapped in the previous year.

	Year Ended 31st March, 2005		Year Ended 31st March, 2004	
	Unit (Nos.)	Rs. lacs	Unit (Nos.)	Rs. lacs
(ii) Traded goods				
Automotive gears :				
Opening stock	2550	2.12	500	0.23
Purchases	23049	55.77	24501	20.38
Sales	24741	72.87	22451	30.37
Closing stock	858	4.91	2550	2.12

- (iii) Consumption of raw materials and components:

	Year Ended 31st March, 2005			Year Ended 31st March, 2004	
	Unit	Qty	Value (Rs.lacs)	Qty	Value (Rs.lacs)
Forgings	Nos.	2397333	5381.35	1638442	3142.58
Others			174.57		63.99
			<u>5555.92</u>		<u>3206.57</u>



- 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:

	Year Ended 31st March, 2005		Year Ended 31st March, 2004	
	%	Value	%	Value
Imported :				
- Raw materials and components	0.18	9.97	-	Nil
- Loose tools, stores & spare parts	7.96	99.49	7.47	60.33
Indigenous :				
- Raw materials and components	99.82	5545.95	100.00	3206.57
- Loose tools, stores & spare parts	92.04	1149.63	92.53	747.52

8. CIF Value of imports:

	Year Ended 31st March, 2005		Year Ended 31st March, 2004	
	%	Value	%	Value
- Raw materials and components		7.00		Nil
- Loose tools, stores & spare parts		95.80		44.02

9. Expenditure in foreign currency:

- Foreign travel	14.52	14.13
- Commission	7.06	1.93
- Royalty	9.40	14.42
- Interest on foreign currency loans	30.89	13.38
- Others (exchange loss etc.)	28.01	28.53

10. Earnings in foreign exchange :

- Export of goods on F.O.B. basis	1311.57	257.55
- Commission	Nil	10.90
- Tooling development income	Nil	17.31
- Others (Credit balances no longer payable written back, freight, insurance, exchange gain etc.)	119.41	127.76

11. Miscellaneous expenses include:

	Year Ended 31st March, 2005		Year Ended 31st March, 2004	
	%	Value	%	Value
Auditor's Remuneration(Includes service tax, where applicable)				
i) Audit fees		9.50		9.72
ii) Fees for other services :				
- for company law matters		0.16		0.16
- others		4.20		4.21
iii) Reimbursement of out of pocket expenses		0.24		0.28

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12. Income from service rendered Rs. 159.48 lacs; (previous year: Rs. 59.92 lacs) is included in sales and processing charges and Rs. 54.69 lacs; (previous year: Rs. 28.86 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, 2005	As on 31st March, 2004
Sr. No.	Name of the Party
1	Accurate Engineering Co.Pvt.Limited
2	B.H.Enterprises
3	CNC Engineers
4	Coro Chem
5	Corrogard Chemicals
6	Del Gears Limited
7	Delite Plastics
8	Four Star Industries
9	Macwell Engineering Company
10	Naya Plast & Metal Works
11	Patankar Winding Works
12	Precomp Tools Pvt. Limited
13	Pack O Pack
14	Raskin Sales & Services
15	Sushil Traders
16	Tashi Technilgy Pvt.Limited
17	Thermoshell Industries
18	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.167.02 lacs (previous year : Rs. 179.74 lacs) shown in the balance sheet is arrived as under :

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
(a) Balance brought forward	179.74	240.83
Payments made to employees under the Voluntary Retirement Scheme	80.67	16.16
Less : Amortised during the year(Included in Salaries, wages and bonus under Schedule - 16)	93.39	77.25
Balance at the end of the year	167.02	179.74
(b) Preliminary expenses		
Balance brought forward	Nil	3.88
Less : Amortised during the year(Included in Miscellaneous expenses under Schedule - 17)	Nil	3.88
Balance at the end of the year	Nil	Nil
Total	167.02	179.74



16. The Company is primarily engaged in the Automotive Gears business. As such there is no other separate reportable segment as defined by Accounting Standard - 17 " Segment Reporting" issued by the Institute of Chartered Accountants of India.

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)
 Ultra Consultants Pvt. Ltd. (UCPL)

(b) The investing company of which the Company is an associate
 ZF Friedrichshafen AG, Germany (ZF)

(c) Key Management Personnel:

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

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

(ii) Transactions with the related parties during the year ended 31st March, 2005

(Rs. in lacs)

	Enterprises over which key management personnel is able to exercise significant influence	
	2004-2005	2003-2004
Rent & other expenses(VFIPL)	10.20	10.20
Rent income	0.66	0.66
Building repair expenses (RIL)	24.50	10.73
Purchases of packing material (CSIPL)	1.32	2.38
Contribution to Provident Fund (BGOPF)	10.32	7.92
Construction of water tank	0.50	Nil
Loan availed (UCPL)	Nil	45.00

	The investing company of which the Company is an associate	
	2004-2005	2003-2004
Receipt of foreign currency loan	Nil	199.84
Interest accrued on the above loan	11.50	6.58

Key Management Personnel :

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

Loan taken (SPK) Rs. Nil (previous year : Rs.55.16 lacs)

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(iii) Balances outstanding as at the year end :

(Rs. in lacs)

	Amount payable as at 31st March, 2005	Amount payable as at 31st March, 2004	Amount Receivable as at 31st, March 2005	Amount Receivable as at 31st, March 2004
Enterprises over which key management personnel is able to exercise significant influence	57.63	50.74	0.43	Nil
The investing company of which the Company is an associate	245.33	220.10	Nil	Nil
Key Management Personnel	57.87	56.80	Nil	Nil

(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.

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 1st April, 2001:

(A) Finance Lease :

(i) The net carrying amount as at 31st March, 2005 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)

	Total minimum lease payments outstanding as at 31st March, 2005	Interest not due	Present value of minimum lease payments
Not later than one year	9.08 (4.76)	2.26 (1.37)	6.82 (3.39)
Later than one year but not later than five years	20.82 (7.05)	2.96 (0.99)	17.86 (6.06)
Total	29.90 (11.81)	5.22 (2.36)	24.68 (9.45)

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 :

(Rs. in lacs.)

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
Residential flats / offices / godowns	18.51	22.01

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)

Sr.No	Nature of leased assets	Rental for the year	Future rental obligation
1	Plant & Machinery	14.37 (64.11)	7.98 (22.35)
2	Office Equipment	Nil (5.77)	Nil (Nil)
3	Vehicles	5.98 (11.79)	3.54 (9.80)
	Total	20.35 (81.67)	11.52 (32.15)

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:

	Year Ended 31st March, 2005	(Rs in lacs) Year Ended 31st March, 2004
Profit / (Loss) after tax as per profit and loss account	436.15	(145.91)
Add: Dividend on Cumulative Preference shares (including tax on distributed profits Rs. 4.69 lacs; previous year Rs. 3.27 lacs)	(40.54)	(28.83)
Profit / (Loss) attributable to equity shareholders	395.61	(174.74)
Weighted average number of equity shares outstanding during the year	60,13,718	60,13,718
Basic and diluted earnings per share (face value- Rs. 10 per share)	Rs. 6.58	Rs. (2.91)

20. Taxes on income:

Components of deferred tax balances :

	Year Ended 31st March, 2005	(Rs in lacs) Year Ended 31st March, 2004
Deferred tax liabilities		
On fiscal allowances on fixed assets	(1218.18)	(1282.72)
On other items	(10.77)	(10.30)
	<u>(1228.95)</u>	<u>(1293.02)</u>
Deferred tax assets		
On unabsorbed depreciation and carry forward of losses	965.19	1282.51
On interest funding	260.47	Nil
On other items	3.29	10.51
	<u>1228.95</u>	<u>1293.02</u>

BHARAT GEARS LIMITED

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

	Year Ended 31st March, 2005	(Rs in lacs) Year Ended 31st March, 2004
Contract revenue recognised during the year	296.99	93.30
Method used to determine contract revenue and the stage of completion of contracts in progress	Refer note 1(vii)	Refer note 1(vii)
Disclosure in respect of contracts in progress as at the year end		
- aggregate amounts of costs incurred and recognized profits	107.55	7.93
- the gross amount due from customers for contract work (included under Sundry Debtors- Schedule 8)	77.25	0.73
- the gross amount due to customer for contract work	Nil	Nil
- the amount of advance received	72.31	Nil
- retention (included under Sundry Debtors - Schedule 8)	9.09	Nil

22. Arrears of dividend on cumulative preference shares - Rs.109.82 lacs (previous year : Rs.73.97 lacs).

In addition to above, in respect of certain subscription agreements for preference shares, 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. Disclosures in pursuance of the Accounting Standard -29 " Provisions, Contingent Liabilities and Contingent Assets" issued by the Institute of Chartered Accountants of India.

Provisions for Warranties

**Rs. in lacs
2004 - 2005**

Carrying amount at the beginning of the year	4.46
Additional provision made during the year	2.73
Amount used during the current year	(0.15)
Unused amount reversed during the year	(4.31)
Carrying amount at the end of the year	2.73

Provision for warranty is made for the estimated amount of expenditure which may be incurred during the warranty period of twelve months after successful commissioning of the furnace.

24. Previous years figures have been regrouped wherever necessary.

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Executive Director-Strategic Planning

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

GULSHAN BHATIA
*Group Head (Legal)
& Company Secretary*

MILIND PUJARI
Financial Controller

Place : Mumbai
Date : 18th May, 2005



25. 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. :

	3	4	3	6	5
--	---	---	---	---	---

 of

	1	9	7	1	-	7	2
--	---	---	---	---	---	---	---

 State Code :

	0	5
--	---	---

Balance Sheet Date :

	3	1
--	---	---

 /

	0	3
--	---	---

 /

	2	0	0	5
--	---	---	---	---

Date Month Year

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

Public Issue :

				N	I	L				
--	--	--	--	---	---	---	--	--	--	--

 Rights Issue :

				N	I	L				
--	--	--	--	---	---	---	--	--	--	--

Bonus Issue :

				N	I	L				
--	--	--	--	---	---	---	--	--	--	--

 Private Placement :

				N	I	L				
--	--	--	--	---	---	---	--	--	--	--

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

Total Liabilities :

	1	1	6	8	4	7	4	*		
--	---	---	---	---	---	---	---	---	--	--

 Total Assets :

	1	1	6	8	4	7	4	*	*	
--	---	---	---	---	---	---	---	---	---	--

* Excludes Current Liabilities - 353416
** Net of Current Liabilities - 353416

SOURCES OF FUNDS :

Paid - up Capital :

	9	5	9	8	7					
--	---	---	---	---	---	--	--	--	--	--

 Reserves & Surplus :

	1	5	0	1	1	8				
--	---	---	---	---	---	---	--	--	--	--

Secured Loans :

	7	7	2	9	8	6	*			
--	---	---	---	---	---	---	---	--	--	--

 Unsecured Loans :

	2	6	4	8	8					
--	---	---	---	---	---	--	--	--	--	--

* includes Finance Lease - 2468
Deferred tax liability :

	1	2	2	8	9	5				
--	---	---	---	---	---	---	--	--	--	--

APPLICATION OF FUNDS :

Net Fixed Assets :

	6	6	0	7	0	1				
--	---	---	---	---	---	---	--	--	--	--

 Investments :

				N	I	L				
--	--	--	--	---	---	---	--	--	--	--

Net Current assets :

	3	3	3	5	4	3				
--	---	---	---	---	---	---	--	--	--	--

 Misc. Expenditure :

	1	6	7	0	2					
--	---	---	---	---	---	--	--	--	--	--

Accumulated Losses :

	3	4	6	3	3					
--	---	---	---	---	---	--	--	--	--	--

 Deferred tax assets :

	1	2	2	8	9	5				
--	---	---	---	---	---	---	--	--	--	--

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

Turnover :

	1	7	1	6	0	4	8	*		
--	---	---	---	---	---	---	---	---	--	--

 Total Expenditure :

	1	6	7	2	4	3	3			
--	---	---	---	---	---	---	---	--	--	--

* Includes other income -

	4	6	8	2	0					
--	---	---	---	---	---	--	--	--	--	--

Profit before tax :

	4	3	6	1	5					
--	---	---	---	---	---	--	--	--	--	--

 Profit after tax :

	4	3	6	1	5					
--	---	---	---	---	---	--	--	--	--	--

Earning Per Share (Rs.) :

	6	.	5	8						
--	---	---	---	---	--	--	--	--	--	--

 Dividend Rate % : Equity

				N	I	L				
--	--	--	--	---	---	---	--	--	--	--

Preference

				N	I	L				
--	--	--	--	---	---	---	--	--	--	--

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF COMPANY :

Item code No.

	8	7	0	8	9	9	0	0												
--	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--

Product Description :

A	U	T	O	M	O	T	I	V	E		G	E	A	R	S						
---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	--	--	--	--	--	--

Item code No.

	8	7	0	8	4	0	0	0													
--	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--

Product Description :

G	E	A	R		B	O	X														
---	---	---	---	--	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Item code No.

	8	4	1	7	1	0	0	0													
--	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--

Product Description :

I	N	D	U	S	T	R	I	A	L		F	U	R	N	A	C	E				
---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	--	--	--	--

SURINDER P. KANWAR
Chairman & Managing Director

SAMEER KANWAR
Executive Director-Strategic Planning

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

Place : Mumbai
Date : 18th May, 2005

MILIND PUJARI
Financial Controller

GULSHAN BHATIA
Group Head (Legal)
& Company Secretary

"FORM 2B"

NOMINATION FORM

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

I/We.....and.....the holders of.....equity shares against Folio No..... bearing Certificate number(s) from.....to.....and distinctive number from.....to.....of 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	
-------------	--

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

Occupation	
-------------------	--

Address	

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

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

**The Nominee is a minor whose guardian is :

Name	
-------------	--

Address	

(**To be deleted if not applicable)

Specimen Signature of Nominee/Guardian : _____

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

Signature of two witnesses

Name and Address Signature with date

- 1.
- 2.



BHARAT GEARS LIMITED

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

33RD ANNUAL GENERAL MEETING

ATTENDANCE SLIP

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

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

Name of Proxy, if any
(in Block Letters)

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

No. of shares held

I hereby record my presence at the 33rd Annual General Meeting of the Company on Wednesday 27th July, 2005 at 10.30 A.M. at MUNICIPAL AUDITORIUM, N.I.T. FARIDABAD-121 001. (HARYANA)

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

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

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



BHARAT GEARS LIMITED

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

PROXY FORM

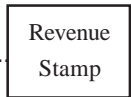
I/We
of
.....being member(s) of BHARAT GEARS LIMITED

hereby appoint.....
of
or failing him/her
of

as my/our Proxy to vote for me/us and on my/our behalf at the 33rd Annual General Meeting of the Company to be held on Wednesday 27th July, 2005 at 10.30 A.M. at MUNICIPAL AUDITORIUM, N.I.T. FARIDABAD-121 001. (HARYANA) and at any adjournment thereof.

AS WITNESS my/our hand(s) this.....day of.....2005.

Signature (s).....



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

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

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

BOOK-POST

if undelivered please return to :
BHARAT GEARS LIMITED
20 K.M. Mathura Road,
P.O. Amar Nagar, Faridabad - 121 003.