

**CORPORATE GOVERNANCE REPORT**  
**For the Year ended March 31, 2009**  
**(Pursuant to Clause 49 of the Listing Agreement)**

**1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

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

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

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

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

**2. BOARD OF DIRECTORS**

Your Company has an optimum combination of executive and non-executive independent directors on the Board. As on March 31, 2009, the Board consists of 8 members, the Chairman of the Board is an executive director and more than half of the strength of the Board consists of non-executive independent directors. All non-executive independent directors bring a wide range of expertise and experience to the Board. The Board believes that the current size of the Board is appropriate based on the Company's present requirements.

**A. Board's definition of independent director**

Independent director shall mean Non-executive director of the Company who:

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

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

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

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.

Sl.No	Name of Director(s)	Category	No. of Board Meetings attended <sup>A</sup>	Attendance at last AGM	No. of outside Directorships held <sup>B</sup>	No. of memberships/ Chairmanships in Board Committees <sup>C</sup>	
						Member	Chairman
1.	<sup>D</sup> Mr. Surinder P. Kanwar	Executive Director (Chairman and Managing Director)	4	Present	2	1	—
2.	<sup>D</sup> Mr. Sameer Kanwar	Executive Director (Joint Managing Director)	4	Present	—	1	—
3.	Mr. W.R. Schilha	Non-Executive Director	3	Present	—	—	—
4.	Dr. Ram S. Tarneja	Independent Director	4	Present	11	5	2
5.	Mr. N.J. Kamath	Independent Director	4	Present	—	1	1
6.	<sup>E</sup> Mr. V.K. Pargal	Independent Director	4	Present	—	1	—
7.	Mr. S.G. Awasthi	Independent Director	3	Present	—	—	—
8.	Mr. Rakesh Chopra	Independent Director	3	Present	1	3	—

**A** Attendance at the Board Meetings relevant to the period, when Director of the Company.

**B** Excluding directorship in private companies, alternate directorship, Companies registered under Section 25 of the Companies Act, 1956 and foreign companies.

**C** For the purpose of considering the limit of the committees on which a director can serve, all public limited companies, whether listed or not, are included and all other companies including private companies, foreign and the companies under Section 25 of the Companies Act, 1956 are excluded. Further, it includes Membership/ Chairmanship of Audit Committee and Shareholders' /Investors' Grievance Committee only. None of the directors of your Company is a member of more than ten (10) committees or is the chairman of more than five (5) committees across all public limited companies in which they are Directors. The Membership/Chairmanship also includes Membership/Chairmanship in Bharat Gears Limited.

**D** Mr. Surinder P. Kanwar is father of Mr. Sameer Kanwar. Mr. Sameer Kanwar has been appointed as Joint Managing Director w.e.f. June 1, 2008.

**E** Mr. V. K. Pargal is also a Director on the Board of Pargal Consultants Pvt. Ltd (PCPL) , which is providing consultancy service to the Company in its professional capacity. Professional fees paid to PCPL for the year 2008-2009 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. Mr. V.K. Pargal is holding 100 shares of the Company.

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

## B. Board Meetings

During the financial year 2008-09, four (4) Board Meetings were held on the following dates. The gap between any two meetings was not more than four (4) months as mandated in Clause 49 of the Listing Agreement:-

- 28<sup>th</sup> May, 2008;
- 31<sup>st</sup> July, 2008;
- 31<sup>st</sup> October, 2008 and
- 30<sup>th</sup> January, 2009

## C. Information supplied to the Board

The Board has complete access to all information with the Company. The information is provided to the Board on regular basis and the agenda papers for the meetings are circulated in advance of each meeting. The information supplied to the Board includes:

- Annual Operating Plans and Budgets
- Quarterly, Half Yearly and Yearly results of the Company
- Minutes of the Meetings of Audit Committees and other Committees of the Board.

The Board periodically reviews compliance reports of all laws applicable to the Company, prepared by the Company.

## 3. BOARD COMMITTEES

### A. Audit Committee

#### I. Constitution and Composition

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

**Table 2**

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

\*Mr. Rakesh Chopra was inducted as member of the Committee with effect from 30<sup>th</sup> January, 2009.

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

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

Mr. Ashish Pandey, Group Head (Legal) and Company Secretary of the Company acted as secretary to the aforesaid committee meetings.

#### II. Audit Committee Meetings

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

- 27<sup>th</sup> May, 2008;
- 30<sup>th</sup> July, 2008;
- 31<sup>st</sup> October, 2008 and
- 30<sup>th</sup> January, 2009.

#### III. Terms of reference

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

- i. Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

- ii. 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;
- iii. Reviewing with the management, the quarterly, half yearly and annual financial statements before submission to the Board with particular reference to;
  - a. Matters required to be included in the Director's Responsibility Statement pursuant to Clause (2AA) of Section 217 of the Companies Act, 1956;
  - b. Changes, if any, in accounting policies and practices and the reasons for the same;
  - c. Major accounting entries involving estimates based on the exercise of judgment by the management;
  - d. Compliance with listing and other legal requirements relating to financial statements;
  - e. Disclosure of any related party transactions.
- iv. Reviewing with the management, the performance of the internal and external auditors, the internal audit reports and the reports of the external auditors;
- v. Reviewing 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;
- vi. Discussion with the internal auditors on any significant findings and follow up thereon;
- vii. Discussion with the Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- viii. Reviewing the Company's financial and risk management policies;
- ix. 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.
- x. To review the functioning of the Whistle Blower mechanism existing in the Company.

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.

## B. Remuneration Committee

### 1. Constitution and Composition

In terms of the non-mandatory requirement of Clause 49 of the Listing Agreement, and Schedule XIII of the Companies Act, 1956, the "Remuneration Committee" was constituted on 22<sup>nd</sup> 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 directors. **Table 3** gives the details: -

**Table 3**

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

During the year one meeting of the Committee was convened on May 27, 2008 and it was attended by all the members of the Committee.

The Chairman of the Remuneration Committee was present at the last Annual General Meeting, to answer the shareholders' queries. The remuneration policy of the Company is based on the need to attract the best available talent and be in line with the industry levels.

## C. 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 Share Certificates and other securities and matters related or incidental thereto.

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

**Table-4**

Sl.No.	Name of Member	Designation	No. of meetings held/ attended
1.	Mr. N. J. Kamath	Chairman	3/3
2.	*Mr. Surinder P. Kanwar	Member	3/1
3.	Mr. Sameer Kanwar	Member	3/3
4.	*Mr. Rakesh Chopra	Member	3/1

\*Mr. Rakesh Chopra has been inducted as Member of the Committee in place of Mr. Surinder P. Kanwar with effect from 28<sup>th</sup> May, 2008.

Mr. N. J. Kamath and Mr. Rakesh Chopra are the non-executive independent directors and Mr. Sameer Kanwar was appointed as Joint Managing Director w.e.f. June 1, 2008.

### 1. Shareholders'/Investors' Grievance Committee meetings

During the financial year 2008-09, the Committee met three (3) times on 27<sup>th</sup> May, 2008, 31<sup>st</sup> October, 2008 and 30<sup>th</sup> January, 2009 respectively

and 68 Letters/Requests/Complaints were received from the shareholders till 31<sup>st</sup> March, 2009; and were replied/resolved to the satisfaction of the shareholders. All the requests for transfers and transmissions have been duly acted upon and no such request was pending as on 31<sup>st</sup> March, 2009.

## II. Sub-Committee

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

- Mr. Surinder P. Kanwar, Chairman and Managing Director
- Mr. Sameer Kanwar, Joint Managing Director
- Mr. P. C. Kothari, Head (Finance and Accounts)
- Mr. Ashish Pandey, Group Head (Legal) and 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.

## 4. COMPLIANCE OFFICER

Mr. Ashish Pandey, Company Secretary is the Compliance Officer of the Company.

## 5. DIRECTORS

### Re-appointment of existing non-executive rotational directors

In accordance with the provisions of Companies Act, 1956 and the Article of Association of the Company, Mr. V. K. Pargal and Mr. N. J. Kamath being 1/3<sup>rd</sup> of the rotational directors, are liable to retire at the forthcoming Annual General Meeting and being eligible for re-appointment, have shown their willingness to be re-appointed. The Board recommends their re-appointment.

The **Table-5** gives the information pertaining to the directors who are to be re-appointed in the forthcoming Annual General Meeting:

**Table-5**

**SL No.** **Particulars of Directors**

### 1 Mr. V.K.Pargal, Director

**Brief Resume:** Mr. Virender K. Pargal (76 Years) is a non-executive director of the Company since 24<sup>th</sup> January, 2002. Mr. Pargal is a qualified Chartered Engineer from England. Presently, he is also managing a consultancy company specializing in business Strategies and Structures and he holds the directorship in Pargal Consultants Pvt. Ltd. Apart from being the member of Remuneration Committee of Bharat Gears Ltd, he is also the member of Audit Committee of Bharat Gears Ltd. He is holding 100 shares of Bharat Gears Limited, which is well below 1% of the total paid up equity share capital.

### 2 Mr. N.J. Kamath, Director

**Brief Resume:** Mr. N. J. Kamath aged 87 years is a non-executive independent director of the Company since 22<sup>nd</sup> August, 1985. Mr. Kamath is retired IAS officer and is vastly experienced. During his tenure with the Government of India, he served in various capacities in the Ministry of Finance, Ministry of Industry, Ministry of Supplies and Ministry of Urban Development. He has rich experience in General Administration, Management Strategy, HRD, Government Industry relationship, Corporate Governance etc. He is chairman of the Shareholders'/Investors' Grievance Committee and member of Audit Committee and Chairman of Remuneration Committee of the Company. He had been a visiting and guest faculty to many management institutes. He is not holding any share in the Company.

## 6. GENERAL BODY MEETINGS

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

### Annual General Meetings

Financial Year	Venue	Date	Time	Whether any special resolution passed
2007-2008	Municipal Auditorium, N.I.T., Faridabad, Haryana-121001	31.07.2008	11:00 A.M.	Yes
2006-2007	Municipal Auditorium, N.I.T., Faridabad, Haryana-121001	26.07.2007	11:30 A.M.	Yes
2005-2006	Municipal Auditorium, N.I.T., Faridabad, Haryana-121001	21.07.2006	11:30 A.M.	No

### Extra-ordinary General Meetings

Financial Year	Venue	Date	Time	Whether any special resolution passed
2005-2006	Hotel Mahalakshmi Palace, 68, Neelam Bata Road, N.I.T., Faridabad, Haryana-121001	14.12.2005	2:30 P.M.	Yes

### Postal Ballot

During the year 2008-09, the Company has obtained the approval of its members by passing the following resolution as Special Resolution by Postal Ballot in accordance with the procedure prescribed in terms of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 as amended. Mr. Surinder P. Kanwar, Chairman and Managing Director and Mr. Ashish Pandey, Group Head (Legal) and Company Secretary were authorized by the Board of Directors to conduct the Postal Ballot process and Mr. Ajay Garg of M/s Ajay Garg and Associates, Practicing Company Secretaries, was appointed as Scrutinizer by the Board.

The belowmentioned result of the voting, conducted through Postal Ballot on the Special Resolution under Section 31 of the Companies Act, 1956, relating to amendment to Articles of Association of the Company by inserting a new Article empowering Buy Back of securities (including shares), has already been announced by the Chairman and Managing Director on 23<sup>rd</sup> March, 2009 and the same is reproduced here.

Particulars	No. of postal ballot forms	No. of shares	% to total valid votes received (in terms of equity shares)
Number of valid postal ballot forms received	128	4142920	100.00
Votes in favour of the Resolution	119	4142053	99.98
Votes against the Resolution	9	867	00.02
Number of invalid postal ballot forms received	30	2861	00.06

None of the items transacted at the last Annual General Meeting held on 31<sup>st</sup> July, 2008 were required to be passed by Postal Ballot nor any resolution requiring a Postal Ballot is being proposed at the ensuing Annual General Meeting.

## 7. DISCLOSURES

### A. Basis of Related Party Transactions

During the year 2008 – 2009, there were no material individual transactions with related parties, which are not in normal course of business or are not on an arm's length basis. The statements in summary form of transactions with related parties in the ordinary course of business are placed periodically before the Audit Committee for its consideration and review. All disclosures related to financial and commercial transactions where directors are interested are provided to the Board and the interested directors do not participate in the discussion nor do they vote on such matters. The details of the related party transactions during the year are given in the Notes to Accounts. (Refer Note no. 17 of Notes to Accounts)

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

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

### C. Compliance by the Company

There were no instances of any non – compliance by the Company nor any penalties, strictures imposed on the Company by stock exchanges or SEBI or any other statutory authority, on any matter related to the capital markets, during the last three years.

### D. Whistle Blower

The Company has laid down a complete whistle blower policy, which is available at the Company's website [www.bharatgears.com](http://www.bharatgears.com). During the year, no unethical behavior has been reported. Further, the Company has not denied any personnel access to the Audit

Committee and it will provide protection to whistle blower, if any, from adverse personnel action.

### E. Remuneration of Directors for 2008-2009

(Rs. in lacs)

Name of Members	Sitting Fees	Salaries and Perquisites	Total
Mr. N. J. Kamath	0.60	Nil	0.60
Mr. V. K. Pargal	0.45	Nil	0.45
Dr. Ram S. Tarneja	0.40	Nil	0.40
Mr. W.R. Schilha	0.15	Nil	0.15
Mr. S.G. Awasthi	0.15	Nil	0.15
Mr. Rakesh Chopra	0.25	Nil	0.25
		<b>Sub-Total (A)</b>	<b>2.00</b>
Mr. Surinder P. Kanwar@	Nil	<ul style="list-style-type: none"> <li>• Salary 84.00</li> <li>• Contribution to provident and other funds (*) 22.68</li> <li>• Monetary value of perquisites (***) 10.71</li> </ul>	117.39
Mr. Sameer Kanwar@	Nil	<ul style="list-style-type: none"> <li>• Salary and allowances 40.26</li> <li>• Contribution to provident and other funds (*) 09.41</li> <li>• Monetary value of perquisites (***) 03.37</li> </ul>	53.04
		<b>Sub-Total (B)</b>	<b>170.43</b>
		<b>Grand Total</b>	<b>172.43</b>

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

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

@ In response to the Company's applications for approval of increase in remuneration to Chairman and Managing Director from 1<sup>st</sup> October, 2008 and for approval of appointment as well as remuneration to Joint Managing Director from 1<sup>st</sup> June, 2008, which was approved by the members in the Annual General Meeting held on 31<sup>st</sup> July, 2008, the Central Government has directed the Company to file fresh applications after getting the proposal approved by the Remuneration Committee, the Board of Directors and the members of the Company, stating clearly that the proposed remuneration is expected to exceed the limits prescribed under Schedule XIII of the Companies Act, 1956. Accordingly, remuneration of Rs. 44.90 lacs of Chairman and Managing Director and of Rs. 2.93 lacs of Joint Managing Director included above are subject to approval of members by way of special resolution in the forthcoming Extra Ordinary General Meeting and that of the Central Government.

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

### F. CEO/CFO certification

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



Clause 49 (V) of the Listing Agreement with the Stock Exchanges for the financial year ended 31<sup>st</sup> March, 2009 was placed before the Board of Directors of the Company in its meeting held On 26<sup>th</sup> May, 2009.

#### G. Code of Conduct, Corporate Ethics and Social Responsibility

- Code of Business Conduct and Ethics

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

- Code of Conduct for Prevention of Insider Trading

The Company has a comprehensive code of conduct for its management, staff and directors for prevention of insider trading. The code lays down the guidelines and procedures to be followed and disclosures to be made while dealing with the shares of the Company and cautioning them on the consequences of non-compliances. The pieces of the price sensitive information are disseminated to the stock exchanges timely, adequately and promptly on continuous basis for prevention of insider trading. The Company Secretary has been appointed as compliance officer and is responsible for adherence to Code for prevention of insider trading. A copy of same has been posted at the official website of the Company i.e. [www.bharatgears.com](http://www.bharatgears.com).

- Social Responsibility

Bharat Gears Limited has also contributed to society especially the needy persons in our special ways and through various NGOs. The Company has adopted safety, health and environment (SHE) policy with a commitment to provide a safe and healthy working environment, preservation of the environment of the territory in which the organization operates, preventing the wasteful use of natural resources and minimize any hazardous impact of development, production, use and disposal of any of the organization products and services on ecological environment, maintained highest standard of environmental management and ensure for all its members, consultants, contractors and customers a safe and healthy environment, free from injury and disease. The other details of our contributions towards the society are available on Company's official website i.e. [www.bharatgears.com](http://www.bharatgears.com).

#### H. Mandatory Requirements

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

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

#### I. Non-Mandatory Requirements

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

#### J. Means of Communication

The quarterly, half yearly and annual financial results during the year were published by the Company as under:

Financial Results	Name(s) of Newspapers	Date(s) of Publication
Quarter/ Year ended 31 <sup>st</sup> March, 2008	The Economic Times, Navbharat Times (Hindi)	30 <sup>th</sup> May, 2008
Quarter ended 30 <sup>th</sup> June, 2008	The Economic Times, Navbharat Times (Hindi)	1 <sup>st</sup> August, 2008
Quarter/Half Year ended 30 <sup>th</sup> September, 2008	The Economic Times, Navbharat Times (Hindi)	1 <sup>st</sup> November, 2008
Quarter ended 31 <sup>st</sup> December, 2008	The Financial Express, Jansatta (Hindi)	31 <sup>st</sup> January, 2009

In addition to the above, the quarterly/ half yearly and the annual financial results and official releases, if any, are also displayed on the Company's official website i.e. [www.bhartgears.com](http://www.bhartgears.com) for the

information of all the shareholders. The Company is registered under EDIFAR (Electronic Data Information Filing and Retrieval) site of SEBI [www.sebi.gov.in](http://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](http://www.sebidifar.nic.in).

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

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

## 8. GENERAL SHAREHOLDERS' INFORMATION

### A. Annual General Meeting Details:

The forthcoming AGM of the Company shall be held at 11.00 A.M on Friday, the 31<sup>st</sup> day of July, 2009 at Faridabad Industries Association, FIA House, Bata Chowk, Faridabad-121001 (Haryana)

### B. Financial Year:

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

### C. Date of Book Closure:

23<sup>rd</sup> July, 2009 to 31<sup>st</sup> July, 2009 (both days inclusive)

### D. Dividend Payment Date:

The dividend warrants will be posted on or after August 1, 2009.

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

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

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

The Annual Listing Fees for the year 2009-2010 have been paid in advance to the aforesaid Stock Exchanges.

### F. Market Price Data:

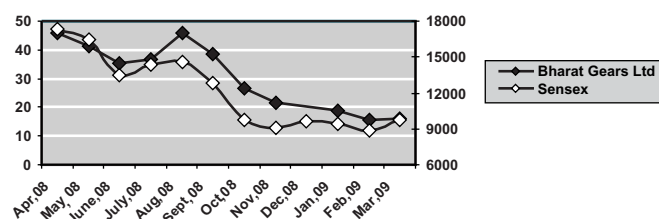
High and Low prices during each month of Financial Year 2008-2009 on National Stock Exchange of India Limited and Bombay Stock Exchange Limited are as under:

The Closing Price represents the price on the last trading day of each month of Financial Year 2008-2009.

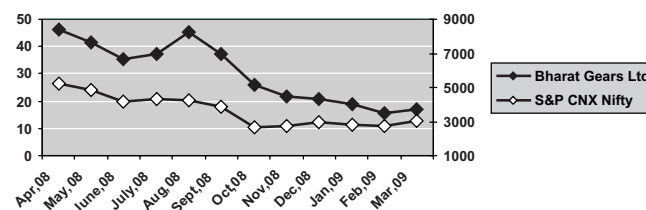
Month	High (Rs.)		Low (Rs.)		Closing (Rs.)	
	NSE	BSE	NSE	BSE	NSE	BSE
April	49.95	49.80	40.50	41.35	46.30	46.10
May	48.10	49.55	40.05	39.75	41.60	41.50
June	44.00	44.00	34.55	33.50	35.15	35.10
July	37.95	37.90	30.95	30.25	37.35	36.75
August	49.50	47.40	36.10	38.50	45.30	45.85
September	53.50	54.00	31.10	33.50	37.50	38.50
October	40.25	40.95	22.10	22.50	26.10	26.60
November	34.40	31.85	20.15	20.30	21.90	21.65
December	24.80	23.60	20.00	20.00	20.75	20.70
January	24.00	22.60	17.10	17.15	18.80	18.80
February	18.00	19.55	13.70	12.90	15.80	15.65
March	18.50	17.15	13.00	14.05	16.75	16.20

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

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



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



### G. Registrar and Transfer Agent, Share Transfer System:

M/s. Link Intime India Pvt. Ltd. (Formerly known as Intime Spectrum Registry Limited) is the Registrar and Transfer Agent for handling both the share registry work relating to shares held in physical and electronic form at single point. The Share Transfers were duly registered and returned in the normal course within stipulated period, if the documents were clear in all respects.

## H. Shareholding pattern of the Company as per category of shareholders as on March 31, 2009

Category	No. of Shares Held	%age of Shareholding
<b>A. Promoters' Holding</b>		
1. Promoters		
- Indian Promoters	2461749	31.49
- Foreign Promoters	-	-
2. Persons acting in Concert	1662213	21.26
<b>B. Non-Promoters' Holding</b>		
3. Institutional Investors		
a. Mutual Funds and Unit Trust of India	33521	0.43
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non -Govt. Institutions)	275204	3.52
c. Foreign Institutional Investor	50	0.00
4. Others		
a. Private Corporate Bodies	832946	10.65
b. Indian Public	2445500	31.29
c. Non Resident Indians/Overseas	106650	1.36
d. Any Other	-	-
<b>Total</b>	<b>7817833</b>	<b>100.00</b>

## I. Distribution of Shareholding as on March 31, 2009:

No. of Equity Shares held	Number of Shareholders	Number of Shares	%age to total Shares
Up to 250	8493	627907	8.03
251 to 500	1055	415636	5.32
501 to 1000	484	388333	4.97
1001 to 2000	225	338719	4.33
2001 to 3000	74	191717	2.45
3001 to 4000	35	122993	1.57
4001 to 5000	33	153183	1.96
5001 to 10000	37	274561	3.51
10,001 and above	38	5304784	67.86
<b>Total</b>	<b>10474</b>	<b>7817833</b>	<b>100.00</b>

## J. Dematerialization of Shares and liquidity:

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

As on 31<sup>st</sup> March, 2009 a total of 75,32,644 equity shares of the Company of Rs. 10/- each, which form 96.35% of the paid up equity share capital, stand dematerialized.

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

## K. Plant locations:

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

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

- Kausa Shil, Mumbra, Dist. Thane, Maharashtra, Pin-400 612

## L. Addresses for Correspondence:

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

- M/s Link Intime India Pvt. Limited, A-40, 2<sup>nd</sup> Floor, Naraina Industrial Area, Phase-II, Near Batra Banquet Hall, New Delhi – 110 028, Phone No. 011-41410592-94, Fax-011-41410591, Email: [delhi@linkintime.co.in](mailto:delhi@linkintime.co.in)

For Investor Assistance:-

- Mr. Ashish Pandey, Group Head (Legal) and Company Secretary, M/s. Bharat Gears Limited, 20 K.M., Mathura Road, P.O. Amar Nagar, Faridabad – 121 003, Phone: 0129-4288888, Fax No. 0129-4288822-23, Email: [ashishpandey@bglindia.com](mailto:ashishpandey@bglindia.com)

## M. Email for investors:

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


## N. 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 as the second last page of the Annual Report of the Company for the year 2008-2009. The same may be sent duly filled at the registered office of the Company, addressed to the Company Secretary.

## O. 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



Place : Mumbai  
Date : May 26, 2009

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



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

We have reviewed financial statements and the cash flow statement for the year 2008– 2009 and that to the best of our knowledge and belief:

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

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

- 1) Deficiencies in the design or operation of internal controls, if any, which came to our notice and the steps we have taken or propose to take to rectify these deficiencies;
- 2) Significant changes in internal control over financial reporting during the year 2008 – 2009;
- 3) Significant changes in accounting policies during the year 2008–2009 and that the same have been disclosed in the notes to the financial statements;
- 4) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For **Bharat Gears Limited**



Place: Mumbai  
Date: May 26, 2009

**Milind Pujari**  
Chief Financial Officer



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

## COMPLIANCE WITH CODE OF CONDUCT

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

It is hereby affirmed that during the year 2008-2009, all the Directors and Senior Managerial personnel have complied with the Code of Conduct and have given a confirmation in this regard.

For **Bharat Gears Limited**



Place: Mumbai  
Date: May 26, 2009

**Ashish Pandey**  
Group Head (Legal) &  
Company Secretary



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

## CERTIFICATE

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, 2009, 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 compliances 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 statement of the Company.

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

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

For **Deloitte Haskins & Sells**  
Chartered Accountants



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

Place : Mumbai  
Date : May 26, 2009