

CORPORATE GOVERNANCE REPORT

For the Year ended March 31, 2011

(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.

2. BOARD OF DIRECTORS

Your Company has an optimum combination of Executive and Non-Executive Independent Directors on the Board. As on March 31, 2011, 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.

Table-1

Sl. No	Name of Director(s)	Category	No. of Board Meetings 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	Executive Director (Chairman and Managing Director)	4	Present	2	1	—
2.	Mr. Sameer Kanwar	Executive Director (Joint Managing Director)	4	Present	—	1	—
3.	Mr. W.R. Schilha	Non-Executive Director	4	Present	—	—	—
4.	Dr. Ram S. Tarneja	Independent Director	4	Present	11	7	2
5.	Mr. N.J. Kamath	Independent Director	4	Present	—	1	1
6.	Mr. V.K. Pargal	Independent Director	3	Present	1	1	—
7.	Mr. S.G. Awasthi	Independent Director	4	Present	—	—	—
8.	Mr. Rakesh Chopra	Independent Director	2	Absent	2	3	1

^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 Companies and the Companies under Section 25 of the Companies Act, 1956 are excluded. Further, it includes Membership/Chairmanship of Audit Committee and Shareholder's /Investors Grievance' Committee only. None of the directors of your Company is a member of more than ten (10) Committees or is the Chairman of more than five (5) Committees across all Public Limited Companies in which they are Directors. The Membership/Chairmanship also includes Membership/Chairmanship in Bharat Gears Limited.

^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 2010-2011 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 2010-11, 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:-

- 27th May, 2010;
- 29th July, 2010;
- 28th October, 2010 and
- 04th February, 2011

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 Committee and other Committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.

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

3. BOARD COMMITTEES

A. Audit Committee

1. Constitution and Composition

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

Table-2

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

In addition to the members of the Audit Committee, the Chief Financial Officer, Internal Auditors and the Statutory Auditors attended the meetings of the Committee as invitees. Members held discussions with Statutory Auditors during the meetings of the Committee. The Audit Committee reviewed the quarterly, half-yearly 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 till 4th June, 2010 acted as secretary to the Audit Committee Meeting held on 26th May, 2010. Pursuant to his resignation, Mr. Prashant Khattry had been appointed as Group Head (Legal) and Company Secretary of the Company and he acted as secretary to the other Audit Committee Meetings as aforesaid.

II. Audit Committee Meetings

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

- 26th May, 2010;
- 29th July, 2010;
- 28th October, 2010 and
- 04th February, 2011.

III. Powers of Audit Committee

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

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

IV. Role of Audit Committee

The role of the Audit Committee includes the following:

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



Transmission Unit

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

function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

13. Reviewing the Company's financial and risk management policies.
14. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

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

V. Review of Information by Audit Committee

The Audit Committee reviews the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

B. **Remuneration Committee**

I. Constitution and Composition

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

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

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

Table-3

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

During the year, one meeting of the Committee was convened on May 26, 2010 and it was attended by all the members of the Committee. The Committee considered and recommended remuneration of Mr. Surinder P. Kanwar, Chairman and Managing Director on his re-appointment as Chairman & Managing Director of the Company.



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. Rakesh Chopra	Member	3/0
3.	Mr. Sameer Kanwar	Member	3/3

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

I. Shareholders'/Investors' Grievance Committee meetings

During the financial year 2010-11, the Committee met three (3) times on 29th July, 2010, 23rd September, 2010 and 23rd December, 2010 and 114 Letters/Requests/Complaints were received from the shareholders till 31st March, 2011; and were replied/resolved to the satisfaction of the shareholders. All the requests for transfers and transmissions have been duly acted upon and no such request was pending as on 31st March, 2011.

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, Process Head (Finance and Accounts)
- Mr. Prashant Khattry, Group Head (Legal) and Company Secretary

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

D. Finance Committee

During the Financial Year 2010-2011, the Finance Committee of the Board of Directors was duly constituted on 4th February, 2011. The "Finance Committee" has been empowered to take care of the financing and other day to day requirements of the Company. The said Committee is authorised to borrow monies, make loans, issue Shares etc. and matters related or incidental thereto.

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

Table-5

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

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

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

4. COMPLIANCE OFFICER

Mr. Prashant Khattry, Group Head (Legal) & Company Secretary is the Compliance Officer of the Company w.e.f 7th June, 2010.

Previously, Mr. Ashish Pandey, Group Head (Legal) and Company Secretary of the Company was the Compliance Officer of the Company from 1st April, 2010 to 4th June, 2010.

5. DIRECTORS

Re-appointment of existing non-executive rotational directors

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

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

Table-6

SI. No. Particulars of Directors

i Dr. Ram S. Tarneja, Director

Brief Resume: Dr. Ram S. Tarneja, born on 07.12.1931 is a non-executive Director of the Company since 31.12.1981. He did B.A. (Hons) from Delhi. He is also an M.A. both from University of Delhi & University of Virginia and has also done Ph.D from Cornell University. Dr. Ram S. Tarneja has varied and rich experience across Companies. He has served on the Board and Committee of various Companies and has the requisite expertise in accounting and financial management.

Dr. Ram S. Tarneja is a Director and Chairman/Member of Committees of Board of the following other Companies:

S.No.	Name of the Company/ Entity in which interested	Committee Chairmanship/ Membership
1	Jolly Board Limited-Chairman	Member-Share Transfer Committee
2	Bennett Coleman & Co. Ltd	Member-Audit Committee
3	GATI Ltd.	Member-Audit Committee
4	GIVO Ltd.	-----
5	HDFC Ltd.	Chairman-Shareholders/Investors Grievances Committee
6	NESCO Ltd.	Member-Audit Committee
7	Otis Elevator Company (I) Ltd.	Member-Audit Committee Member-Shareholders/Investors Grievances Committee
8	Phillips Carbon Black Ltd.	-----
9	Phoenix Township Limited	-----
10	SOWIL Ltd.	-----
11	Transcorp. International Limited	Member-Audit Committee

He also holds directorship in following Private Limited Companies:

S.No.	Name of the Company/Entity in which interested
1	Arim Metal Industries Pvt. Ltd.-Vice Chairman
2	Nissin ABC Logistics Pvt. Ltd.-Chairman
3	RITCO Travels and Tours Private Ltd.

As on 31st March, 2011, he does not hold any share in the Company.

ii Mr. S.G. Awasthi, Director

Brief Resume: Mr. S.G. Awasthi, born on 06.03.1943, graduated in Science from Allahabad University, and did Mechanical Engineering from Roorkee University. He possesses vast experience of representing the top hierarchy of Indian industry, Media,

Bureaucracy, and the Government and Business Houses like TATA, TOYOTA etc. He has also served as member and Chairman of various state, national and international level committees.

Mr. S.G. Awasthi is a Director and Chairman/Member of Committees of Board of the following other Companies:

S. No.	Name of the Company/Entity in which interested	Committee Chairmanship/Membership
1	-	-

As on 31st March, 2011, he does not hold 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	Special Resolution(s) Passed
2009-2010	Faridabad Industries Association, FIA House, Bata Chowk, Faridabad-121001 (Haryana)	29.07.2010 4.30 P.M.	Yes A. Re-appointment of Mr. Surinder P. Kanwar as Chairman & Managing Director for a further period of 5 Years with increased remuneration.
2008-2009	Faridabad Industries Association, FIA House, Bata Chowk, Faridabad-121001 (Haryana)	31.07.2009 11:00 A.M.	No
2007-2008	Municipal Auditorium, N.I.T., Faridabad-121001 (Haryana)	31.07.2008 11:00 A.M.	Yes A. Increase in remuneration of Mr. Surinder P. Kanwar, Chairman & Managing Director, for period of 2 years. B. Revision in terms of appointment of Mr. Sameer Kanwar, Executive Director. C. Appointment of Mr. Sameer Kanwar as Joint Managing Director. D. Early redemption of Preference Shares.

Extra-ordinary General Meetings

No Extraordinary General Meeting of the Company was held during the Financial Year ended 31st March, 2011.

There are no special resolution passed during 2010-2011 through postal ballot and no special resolution is proposed to be conducted through postal ballot.

7. DISCLOSURES

A. Basis of Related Party Transactions

During the year 2010 – 2011, 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.

B. Disclosure of Accounting Treatment in preparation of Financial Statements

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

C. Risk Management Framework

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

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

D. Compliance by the Company

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

E. Management

Management Discussion and Analysis forms part of the Annual Report to the Shareholders for the Financial Year 2010-2011.

F. Whistle Blower

The Company has laid down a complete whistle blower policy, which is available at the Company's website 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.

G. Remuneration of Directors for 2010-2011

(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	0.35	Nil	0.35
Dr. Ram S. Tarneja	0.45	Nil	0.45
Mr. W.R. Schilha	0.20	Nil	0.20
Mr. S.G. Awasthi	0.20	Nil	0.20
Mr. Rakesh Chopra	0.25	Nil	0.25
		Sub-Total (A)	2.05
Mr. Surinder P Kanwar Chairman & Managing Director	Nil	● Salary	131.10
		● Contribution to provident and other funds (*)	35.40
		● Monetary value of perquisites (**)	27.87
Mr. Sameer Kanwar Joint Managing Director	Nil	● Salary and allowances	60.90
		● Contribution to provident and other funds (*)	14.18
		● Monetary value of perquisites (**)	8.71
		Sub-Total (B)	278.16
		Grand Total	280.21

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

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

@ Includes provision of Rs. 21.72 lacs ; (previous year : Rs. Nil) being provision for additional remuneration effective from 1st October, 2010, which is subject to approval of the Central Government, for which application has been filed before Ministry of Corporate Affairs by the Company.

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

H. CEO/CFO certification

Certificate from Mr. Surinder P. Kanwar, Chairman and Managing Director and Mr. Milind Pujari, Chief Financial Officer in terms of Clause 49 (V) of the Listing Agreement with the Stock Exchanges for the financial year ended 31st March, 2011 was placed before the Board of Directors of the Company in its meeting held on 27th May, 2011.

I. Code of Conduct and Corporate Ethics

• 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

• Code of Conduct for Prevention of Insider Trading

The Company has a comprehensive code of conduct for its management, staff and directors for prevention of insider trading in compliance with SEBI(Prohibition of Insider Trading) Regulations, 1992. 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.

J. Mandatory Requirements

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

	Particulars	Clause of Listing Agreement	Compliance status
I.	Board of Directors	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
II.	Audit Committee	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
III.	Subsidiary Companies	49(III)	N.A
IV.	Disclosures	49(IV)	Yes
(A)	Basis of related party transaction	49(IVA)	Yes
(B)	Disclosure of accounting treatment	49(IVB)	N.A.
(C)	Board disclosures	49(IVC)	Yes
(D)	Proceed from public issues, right issues, preferential issues etc.	49(IVD)	N.A.
(E)	Remuneration of directors	49(IVE)	Yes
(F)	Management	49(IVF)	Yes
(G)	Shareholders	49(IVG)	Yes
V.	CEO/CFO Certification	49(V)	Yes
VI.	Report on Corporate Governance	49(VI)	Yes
VII.	Compliance	49(VII)	Yes

K. Non-Mandatory Requirements

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

L. Means of Communication

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

Financial Results	Name(s) of Newspapers	Date(s) of Publication
Quarter/Year ended 31 st March, 2010	The Economic Times*, NavbharatTimes (Hindi)#.	28 th May, 2010
Quarter ended 30 th June, 2010	The Economic Times*, NavbharatTimes (Hindi)#.	30 th July, 2010
Quarter/Half Year ended 30 th September, 2010	The Economic Times*, NavbharatTimes (Hindi)#.	29 th October, 2010
Quarter ended 31 st December, 2010	The Economic Times*, NavbharatTimes (Hindi)#.	5 th February, 2011

* Economic Times - Delhi/Mumbai/Pune/Lucknow/Chandigarh Editions

NavbharatTimes (Hindi)- Delhi/Mumbai Editions

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.bharatgears.com for the information of all the shareholders. The quarterly/half-yearly and annual financial results, shareholding pattern, along with full version of Corporate Governance Report, Annual Report and other requisite material information are also displayed on www.corpfiling.co.in

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.

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 12.00 Noon on Tuesday, the 26th day of July, 2011 at Faridabad Industries Association, FIA House, Bata Chowk, Faridabad-121001(Haryana).

B. 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 and 31st March respectively.

C. Date of Book Closure:

21st July, 2011 to 26th July, 2011 (both days inclusive)

D. Dividend Payment Date:

The dividend will be paid on or before 24th August, 2011.

E. Listing on Stock Exchanges and Stock Code:

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

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

The Annual Listing Fees for the year 2011-2012 have been paid in advance to the aforesaid Stock Exchanges.

F. Market Price Data:

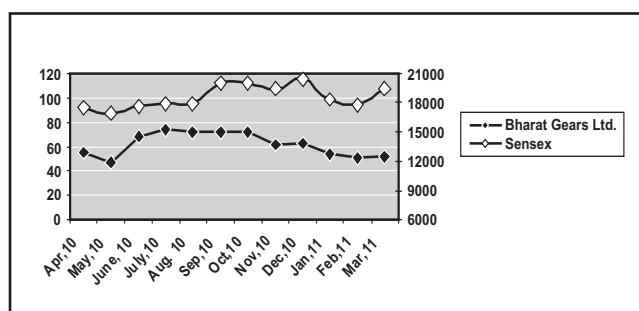
High and Low prices during each month of Financial Year 2010-2011 on National Stock Exchange of India Limited and Bombay Stock Exchange Limited are as under:

The Closing Price represents the price on the last trading day of each month of Financial Year 2010-2011.

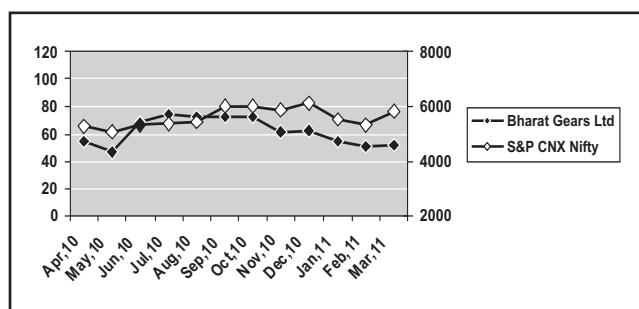
Month	High (Rs.)		Low (Rs.)		Closing (Rs.)	
	NSE	BSE	NSE	BSE	NSE	BSE
April	63.00	62.85	53.70	53.15	55.00	55.15
May	58.70	60.40	42.80	42.50	47.00	47.00
June	70.00	69.90	43.50	44.55	68.60	68.85
July	85.00	85.20	63.00	62.85	74.25	74.20
August	79.00	79.20	68.85	69.00	72.35	72.30
September	82.50	82.55	70.00	71.35	72.35	72.00
October	102.70	102.45	67.55	67.10	72.05	72.00
November	76.00	77.85	55.50	56.00	61.00	61.15
December	67.40	67.00	54.15	56.50	62.45	62.50
January	66.50	64.60	54.10	52.25	54.45	54.35
February	58.00	57.40	42.15	42.50	50.85	50.00
March	57.00	62.40	48.10	49.00	51.80	51.80

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

a. BHARAT GEARS' PRICES VERSUS SENSITIVITY AT BSE



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



G. Registrar and Transfer Agent:

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.

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

Linkintime India Private Limited
A-40, Naraina Industrial Area
Phase-II
Near Batra Banquets
New Delhi-110028
Phone Nos: 011-41410592/93/94
Fax No.: 011-41410591
E-mail: delhi@linkintime.co.in

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

H. Share Transfer System:

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

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

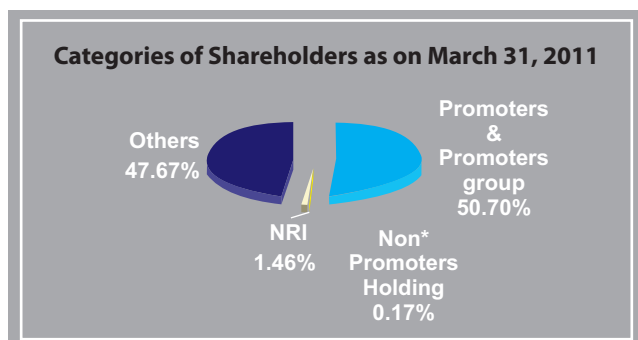
- Mr. Surinder P. Kanwar, Chairman and Managing Director
- Mr. Sameer Kanwar, Joint Managing Director
- Mr. P.C. Kothari, Process Head (Finance and Accounts)
- Mr. Prashant Khattry, Group Head (Legal) and Company Secretary

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

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

As per the requirements of Clause 47(c) of the Listing Agreement with the Stock Exchanges, the Company has obtained the half yearly certificates from a Company Secretary in Practice for due compliance of Share transfer formalities.

I. Shareholding pattern of the Company as per category of shareholders as on March 31, 2011:



*** Non Promoters Holdings are Negligible**

Category	No. of Shares Held	%age of Shareholding
A. Promoters' holding		
1. Promoters		
- Indian Promoters	23,01,290	29.44
- Foreign Promoters	-	-
2. Persons acting in Concert	16,62,213	21.26
B. Non-Promoters' Holding		
3. Institutional Investors		
a. Mutual Funds and Unit Trust of India	3,300	0.04
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt. Institutions)	10,218	0.13
c. Foreign Institutional Investor	50	0.00
4. Others		
a. Private Corporate Bodies	9,06,911	11.60
b. Indian Public	26,91,523	34.43
c. Non Resident Indians/Overseas	1,13,858	1.46
d. Any Other	1,28,470	1.64
Total	7817833	100.00

J. Distribution of Shareholding as on March 31, 2011:

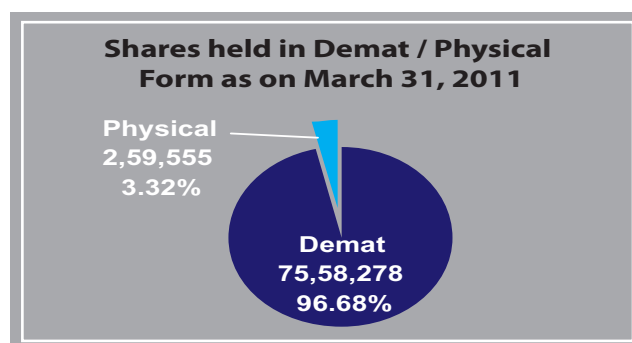
No. of Equity shares held	Number of Shareholders	Number of Shares	%age to total shares
Up to 250	8529	568669	7.28
251 to 500	902	352149	4.50
501 to 1000	418	335240	4.29
1001 to 2000	221	336562	4.30
2001 to 3000	55	142690	1.82
3001 to 4000	43	154011	1.97
4001 to 5000	37	175302	2.24
5001 to 10000	44	324268	4.15
10001 and above	48	5428942	69.45
Total	10297	7817833	100.00

K. Share Dematerialisation System:

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

L. Dematerialization of Shares and liquidity:

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



As on 31st March, 2011 a total of 75,58,278 equity shares of the Company of Rs. 10/- each, which form 96.68 % of the paid up equity share capital, stand dematerialized.

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

M. Unclaimed Shares in Physical Mode:

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

N. Corporate Benefits:

Dividend History:

Dividend on equity shares

Financial Year	Rate (%)	Amount (Rs. in Crores)
2010-2011	15	1.17
2009-2010	12	0.94
2008-2009	10	0.78
2007-2008	10	0.78
2006-2007	Nil	Nil

Dividend on preference shares

Financial Year	Rate (%)	Amount (Rs. In Crores)
2010-2011	10	0.21*
2009-2010	10	0.21
2008-2009	10	0.21
2007-2008	10	1.94
2006-2007	Nil	Nil

* Already paid as Interim Dividend on 31st March, 2011

O. Plant locations:

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

- 20 K.M., Mathura Road, P.O. Amar Nagar, Faridabad, Haryana, Pin-121 003
- Kausa Shil, Mumbra, Distt. Thane, Maharashtra, Pin-400 612

P. 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, 2nd 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

For Investor assistance:-

- Mr. Prashant Khattry, Group Head (Legal) and Company Secretary, M/s. Bharat Gears Limited, 20 K.M., Mathura Road, P. O. Amar Nagar, Faridabad – 121003, Phone: 0129-4288888, Fax No. 0129-4288822-23, Email: prashant.khattry@bglindia.com

Q. Email for investors:

The Company has designated investor@bglindia.com as e-mail address especially for investors' grievances. Alternatively, the investors can send their complaints/requests at bglfbd@vsnl.net.in

R. Nomination facility:

The Shareholders holding Shares in physical form may, if they so want, send their nominations in prescribed Form 2B of the Companies (Central Government's) General Rules and Forms, 1956, (which can be obtained from the Company's RTA or downloaded from the Company's Website <http://www.bharatgears.com/forms.html>) to the Company's RTA. Those holding shares in dematerialised form may contact their respective Depository Participant (DP) to avail the nomination facility.

S. Updation of Shareholders information:

The shareholders of the Company are requested to intimate their latest residential address along with the details of their shareholding in "Updation of Shareholder's Information Form" (which can be obtained from the Registered Office of the Company or downloaded from the Company's Website <http://www.bharatgears.com/forms.html>). The duly filled form for Updation of information may either be sent to the Company at its Registered Office or be hand-delivered at the Annual General Meeting of the Company.

On Behalf of the Board of Directors



Surinder P. Kanwar
Chairman and Managing Director

Dated: May 27, 2011

Place: Mumbai



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

We have reviewed financial statements and the cash flow statement for the year 2010– 2011 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 2010– 2011;
- 3) Significant changes in accounting policies during the year 2010–2011 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 27, 2011

Milind Pujari
Chief Financial Officer

Surinder P. Kanwar
Chairman and Managing Director

COMPLIANCE WITH CODE OF CONDUCT

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

It is hereby affirmed that during the year 2010-2011, 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 27, 2011
Prashant Khattry
Group Head (Legal)
and Company Secretary

Surinder P. Kanwar
Chairman and 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, 2011, 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 the said Clause. It is neither an audit nor an expression of opinion on the financial statement of the Company.

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

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

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

A.S. Varma
Partner

Date: May 27, 2011
Place: Mumbai

(Membership No.: 15458)

