



Bharat Gears Limited was incorporated as a public limited company under the provisions of the Companies Act, 1956 as “Bharat Gears Limited” pursuant to a certificate of incorporation dated December 23, 1971 issued by the Registrar of Companies, Delhi. For further details relating to change in the registered office address of our Company, please see “General Information” on page 36 of this Draft Letter of Offer.

Registered Office: 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad - 121 003, Haryana
Corporate Office: 14th Floor, Hoechst House, Nariman Point, Mumbai - 400 021, Maharashtra
Corporate Identification No.: L29130HR1971PLC034365
Tel: +91 129 428 8888

Contact Person: Mr. Prashant Khattry, Head (Legal) – Company Secretary & Compliance Officer
E-mail: info@bglindia.com; **Website:** www.bharatgears.com

PROMOTERS OF OUR COMPANY: MR. SURINDER PAUL KANWAR AND MR. SAMEER KANWAR
FOR PRIVATE CIRCULATION TO THE EQUITY SHAREHOLDERS OF OUR COMPANY

ISSUE OF UP TO [●] EQUITY SHARES WITH A FACE VALUE OF ₹ 10 EACH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A PREMIUM OF ₹ [●] PER EQUITY SHARE) (“RIGHTS EQUITY SHARES”) FOR AN AMOUNT AGGREGATING UP TO ₹ 1,000 LAKHS ON A RIGHTS BASIS TO THE ELIGIBLE EQUITY SHAREHOLDERS OF BHARAT GEARS LIMITED (THE “COMPANY” OR THE “ISSUER”) IN THE RATIO OF [●] RIGHTS EQUITY SHARE FOR EVERY [●] FULLY PAID-UP EQUITY SHARE HELD BY SUCH ELIGIBLE EQUITY SHAREHOLDERS ON THE RECORD DATE, THAT IS ON [●] (THE “ISSUE”).

THE ISSUE PRICE OF EACH RIGHTS EQUITY SHARE IS [●] TIMES THE FACE VALUE OF THE EQUITY SHARE.
FOR FURTHER DETAILS, SEE “TERMS OF THE ISSUE” ON PAGE 165.

GENERAL RISKS

Investment in equity and equity related securities involves a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, Investors must rely on their own examination of our Company and the Issue including the risks involved. The Rights Equity Shares being offered in this Issue have not been recommended or approved by Securities and Exchange Board of India (“SEBI”) nor does SEBI guarantee the accuracy or adequacy of the contents of this Draft Letter of Offer. **Investors are advised to refer to “Risk Factors” on page 20 before making an investment in this Issue.**

ISSUER’S ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Letter of Offer contains all information with regard to our Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Letter of Offer as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The equity shares of Bharat Gears Limited are listed on the BSE Limited (“BSE”) and National Stock Exchange of India Limited (“NSE”). We have received “in-principle” approval from BSE and NSE for listing the equity shares arising from the Issue vide their letters dated [●] and [●] respectively. For the purposes of the Rights Issue, the Designated Stock Exchange is BSE.

LEAD MANAGER TO THE ISSUE		REGISTRAR TO THE ISSUE
KEYNOTE Keynote Financial Services Limited The Ruby, 9 th Floor, Senapati Bapat Marg, Dadar (West), Mumbai – 400 028 Tel: +91 22 3026 6000-3 E-mail: mbd@keynoteindia.net Website: www.keynoteindia.net Contact Person: Mr. Sunu Thomas SEBI Registration No.: INM 000003606		LINKIntime Link Intime India Private Limited C101, 247 Park, LBS Marg, Vikhroli (West), Mumbai – 400 083 Tel: +91 22 4918 6200 E-mail: bharatgears.rights@linkintime.co.in Website: www.linkintime.co.in Contact Person: Ms. Shanti Gopalkrishnan SEBI Registration No.: INR000004058
ISSUE PROGRAMME		
ISSUE OPENS ON	LAST DATE FOR ON MARKET RENUNCIATION	ISSUE CLOSURES ON
[●]	[●]	[●]

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SECTION I – GENERAL INFORMATION

DEFINITIONS AND ABBREVIATIONS

In this Draft Letter of Offer, unless the context otherwise requires, the terms defined and abbreviations expanded herein below shall have the same meaning as stated in this section and references to any statute or regulations or acts or policies shall include amendments thereto, from time to time.

The words and expressions used in this Letter of Offer but not defined herein, shall have, to the extent applicable, the meaning ascribed to such terms under the Companies Act, 2013, the SEBI ICDR Regulations, the SCRA, the Depositories Act or the rules and regulations made thereunder. Notwithstanding the foregoing, terms used in “Statement of Possible Special Tax Benefits” and “Financial Statements” beginning on pages 50 and 74, respectively, shall have the meaning given to such terms in such sections.

In this Draft Letter of Offer, unless otherwise indicated or the context otherwise requires, all references to “Bharat Gears Limited”, “BGL”, the/ our “Company”, “we”, “our”, “us” or similar terms shall mean Bharat Gears Limited and references to “you” shall mean the equity shareholders and/ or prospective investors in the Equity Shares.

Conventional and general terms/ Abbreviations/ Company related and Industry related terms

Term	Description
“Bharat Gears Limited” or “BGL” or “the Company”, or “the Resulting Company”, or “our Company”	Bharat Gears Limited, a public limited company incorporated under the provisions of the Companies Act, 1956, as amended and having its registered office at 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad – 121 003, Haryana, India.
“We” or “us” or “our”	Unless the context otherwise indicates or implies, refers to Bharat Gears Limited
₹/ Rs./ Rupees/ INR	Indian Rupees
AIF(s)	Alternative Investment Funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
Articles of Association or AOA or Articles	The articles of association of our Company, as amended from time to time
ASBA	Application Supported by Blocked Amount
Audited Financial Statements	The audited financial statements of our Company for the year ended March 31, 2021 prepared in accordance with Ind AS which comprises the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss, including Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year ended March 31, 2021 and notes to the financial statements, including a summary of significant accounting policies and other explanatory information
AY	Assessment Year
AO	Assessing Officer, Income Tax
ACIT	Assistant Commissioner of Income Tax
AGM	Annual General Meeting
Articles or Articles of Association	Articles of Association of our Company, as amended from time to time
Auditor/ Statutory Auditor	The statutory auditors of our Company i.e., S R B C & CO LLP, Chartered Accountants
Board of Directors/ Board	Board of Directors of our Company, including any committees thereof
BSE	BSE Limited
CAGR	Compounded Annual Growth Rate
CDP	Collecting Depository Participant
Capital or Share capital	Share capital of our Company
CDSL	Central Depository Services (India) Limited
CIN	Corporate Identification Number



Term	Description
Corporate Office	14 th Floor, Hoechst House, Nariman Point, Mumbai – 400 021, Maharashtra
Companies Act	The Companies Act, 1956 or Companies Act, 2013 and rules framed thereunder, as applicable
COVID-19	A public health emergency of international concern as declared by the World Health Organization on January 30, 2020 and a pandemic on March 11, 2020
Client ID	Client Identification Number of the Bidders Beneficiary Account
Copyright Act	The Copyright Act, 1957
CPC	The Code of Civil Procedure, 1908
CrPC	The Code of Criminal Procedure, 1973
CSR	Corporate Social Responsibility
CTS	Cheque Truncation System
CWIP	Capital Work in Progress
CIT (A)	Commissioner of Income Tax (Appeals)
Depository(ies)	CDSL and NSDL or any other depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 as amended from time to time read with the Depositories Act, 1996
Depositories Act	The Depositories Act, 1996 and amendments thereto
DIN	Director Identification Number
DIPP	Department of Industrial Policy and Promotion
DP ID	Depository Participant's identity
Director	Director of our Company, unless otherwise specified otherwise
DP or Depository Participant	Depository Participant as defined under the Depositories Act
EBIT	Earnings Before Interest and Tax
EBITDA	Profit/(loss) after tax for the year adjusted for income tax expense, finance costs, depreciation and amortisation expense, as presented in the statement of profit and loss
EGM	Extra-ordinary General Meeting
Eligible Shareholder(s)	Eligible holder(s) of the equity shares of Bharat Gears Limited as on the Record Date
EPS	Earnings Per Share
EPF Act	The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
ESOS 2021	Bharat Gears Limited – Employee Stock Option Scheme 2021
FCNR Account	Foreign currency non-resident account
FDI Circular 2020	Consolidated FDI Policy dated October 15, 2020 issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India
FEMA	Foreign Exchange Management Act, 1999, together with rules and regulations thereunder
FEMA Rules	Foreign Exchange Management (Non-debt Instruments) Rules, 2019
FPI/ Foreign Portfolio Investor	Foreign Portfolio Investor
Fugitive Economic Offender	An individual who is declared a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018
FVCI	Foreign venture capital investors as defined under and registered with SEBI pursuant to the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000 registered with SEBI
GDP	Gross Domestic Product
GoI or Government or Central Government	Government of India
GST	Goods and Services Tax
HUF	Hindu Undivided Family
IATF	International Automotive Task Force



Term	Description
IBC	Insolvency and Bankruptcy Code, 2016
ICD	Inter Corporate Deposits
ICL	Inter Corporate Loans
IFRS	International Financial Reporting Standards
Ind AS	Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013, as notified under Companies (Indian Accounting Standards) Rules 2015, as amended
Independent Auditor's Report	The report given by the Statutory Auditors of the Company for the Audited Financial Statements
Independent Director	Independent directors on the Board, who are eligible to be appointed as independent directors under the provisions of the Companies Act, 2013 and the SEBI Listing Regulations. For details of the Independent Directors, see "Our Management" beginning on page 67 of this DLOF
Indian GAAP/ I-GAAP	Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read with Companies (Accounting Standards) Rules, 2014, as amended
IT Act	The Income Tax Act, 1961 and amendments thereto
ITAT	Income Tax Appellate Tribunal
Key Managerial Personnel	The key managerial personnel of our Company as per the definition provided in Regulation 2(1)(bb) of the SEBI ICDR Regulations
Kgs	Kilograms
LLP	Limited Liability Partnership
Materiality threshold	Materiality threshold adopted by our Company in relation to the disclosure of outstanding litigation, including tax litigation, violation of statutory regulations, involving our Company where the amount involved in each litigation exceeds 0.1% of the revenues from operations of our Company as per the Audited Financial Statements for the FY 2020-21 or INR 50,00,000/- (Rupees Fifty Lakhs only), whichever is higher
MCA	Ministry of Corporate Affairs
Memorandum of Association or MOA	Memorandum of Association of our Company, as amended from time to time
MRTU & PULP Act	Maharashtra Recognition of Trade Union Act and Prevention of Unfair Labour Practices Act, 1971
NACH	National Automated Clearing House which is a consolidated system of ECS
NAV	Net Asset Value per share
NBFC(s)	Non-Banking Financial Company(ies)
NEFT	National Electronic Fund Transfer
NR/Non- Resident	A person resident outside India, as defined under the FEMA and includes an NRI, FPIs registered with SEBI and FVCIs registered with SEBI
NRE Account	Non-resident external account
NRI	Non-resident Indian
NRO Account	Non-resident ordinary account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under FEMA
p.a.	Per Annum
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax



Term	Description
RBI	Reserve Bank of India
Registered Office	20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad – 121 003, Haryana
Regulation S	Regulation S under the U.S. Securities Act
RONW	Return on Net Worth
RTGS	Real time gross settlement
SCORES	SEBI Complaints Redress System
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI/ Board	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992 and amendments thereto
SEBI Listing Regulations/ SEBI (LODR)	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time
SEBI Regulations/ SEBI ICDR Regulations	The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and amendments thereto
SEBI Relaxation Circulars	SEBI circular bearing reference number SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 6, 2020, read with SEBI circulars bearing reference numbers SEBI/HO/CFD/DIL1/CIR/P/2020/136 dated July 24, 2020, SEBI/HO/CFD/DIL1/CIR/P/2021/13 dated January 19, 2021 and SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/552 dated April 22, 2021
SEBI Rights Issue Circulars	Collectively, SEBI circular, bearing reference number SEBI/HO/CFD/DIL2/CIR/P/2020/13 dated January 22, 2020, bearing reference number SEBI/HO/CFD/CIR/CFD/DIL/67/2020 dated April 21, 2020 and the SEBI Relaxation Circulars
SEBI Takeover Regulations/ Takeover Code/ Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and amendments thereto
Securities Act	United States Securities Act of 1933, as amended
Sq. mtrs.	Square Metres
Stock Exchanges	BSE and NSE
State Government	The Government of a State in India
STT	Securities Transaction Tax
TP Act	The Transfer of Property Act, 1882
Trade Marks Act	Trade Marks Act, 1999
Unaudited Financial Results	Unaudited financial results of our Company for the quarter ended June 30, 2021 prepared in accordance with Regulation 33 of SEBI (LODR) Regulations, 2015, as amended which are subjected to Limited Review by the Statutory Auditors
United States or US	United States of America
UPI	Unified Payments Interface

Issue related terms

Term	Description
Abridged Letter of Offer/ ALOF	The abridged letter of offer to be sent to the Equity Shareholders as on the Record Date with respect to this Issue in accordance with SEBI Regulations
Additional Rights Shares	The Equity Shares applied or allotted under this Issue in addition to the Rights Entitlement
Allot/ Allotted/ Allotment	Unless the context requires, the allotment of Equity Shares pursuant to the Rights Issue
Allotment Account(s)	The account(s) opened with the Banker(s) to this Issue, into which the Application Money lying credit to the Escrow Account(s) and amounts blocked by Application Supported by Blocked Amount in the ASBA Account, with respect to successful Applicants will be transferred on the Transfer Date in accordance with Section 40(3) of the Companies Act, 2013
Allotment Advice	The note or advice or intimation of Allotment, sent to each successful Investor



Term	Description
	who has been or is to be Allotted the Equity Shares after approval of the Basis of Allotment by the Designated Stock Exchange
Allotment Date	Date on which the Allotment is made pursuant to this Issue
Allottee(s)	Person(s) to whom Rights Shares are issued/ allotted pursuant to the Issue
Applicant(s)/ Investor(s)	Eligible Equity Shareholder(s) and/or Renounees who are entitled to make an application for the Rights Equity Shares in terms of the Letter of Offer.
Application	Application made through (i) submission of the Application Form or plain paper Application to the Designated Branch of the SCSBs or online/ electronic application through the website of the SCSBs (if made available by such SCSBs) under the ASBA process, or (ii) filling the online Application Form available on R-WAP (instituted only for resident Investors, in the event the Investors are not able to utilize the ASBA facility for making an Application despite their best efforts), to subscribe to the Equity Shares at the Issue Price
Application Form	Unless the context otherwise requires, an application form (including online application form available for submission of application using the R-WAP or through the website of the SCSBs (if made available by such SCSBs) under the ASBA process) used by an Investor to make an application for the Allotment of Equity Shares in the Issue
Application Money	Aggregate amount payable in respect of the Rights Equity Shares applied for in the Issue at the Issue Price
Application Supported by Blocked Amount/ ASBA	The application (whether physical or electronic) used by an ASBA Investor to make an application authorizing the SCSB to block the application money payable on application in their specified bank account maintained with the SCSBs
ASBA Account	Account maintained with the SCSB and specified in the Application Form or the plain paper Application by the Applicant for blocking the amount mentioned in the Application Form or the plain paper Application
Bankers to the Issue	[●]
Banker to the Issue Agreement/ Issue Agreement	Agreement dated [●] entered into by and among our Company, the Registrar to the Issue, the Lead Manager and the Banker to the Issue for collection of the Application Money from Applicants/Investors making an application through the R-WAP facility, transfer of funds to the Allotment Account from the Escrow Account and SCSBs, release of funds from Allotment Account to our Company and other persons and where applicable, refunds of the amounts collected from Applicants/ Investors and providing such other facilities and services as specified in the agreement
Basis of Allotment	The basis on which the Rights Equity Shares will be Allotted to successful applicants in consultation with the Designated Stock Exchange in the Issue and which is described in “Terms of the Issue” on page 165 of this DLOF
Controlling Branches / Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate with the Lead Manager, the Registrar to the Issue and the Stock Exchanges, a list of which is available on http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes and/or such other website(s) as may be prescribed by the SEBI / Stock Exchange(s) from time to time
Designated Branches	Such branches of the SCSBs which shall collect the Application Form or the plain paper Application, as the case may be, used by the Investors and a list of which is available on http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes
Designated Stock Exchange	BSE
Draft Letter of Offer/ DLOF	This Draft Letter of Offer dated September 09, 2021.
Eligible Equity Shareholder(s)	Holder(s) of Equity Shares of our Company as on the Record Date
Equity Share Capital	Equity share capital of our Company



Term	Description
Equity Share(s) or Share(s)	Equity shares of our Company having a face value of ₹ 10/- each unless otherwise specified in the context thereof
Equity Shareholder(s)	Holder(s) of Equity Shares of our Company
Escrow Account(s)	One or more no-lien and non-interest bearing accounts with the Escrow Collection Bank(s) for the purposes of collecting the Application Money from resident Investors making an Application through the ASBA or R-WAP facility
Financial Year/ Fiscal Year/ Fiscal Year/ FY	Any period of twelve months ended March 31 of that particular year, unless otherwise stated
IEPF	Investor Education and Protection Fund
Issue/ Rights Issue	Issue of [●] Equity Shares with a face value of ₹ 10/- each at a premium of ₹ [●] per Equity Share for an amount aggregating up to ₹ 1,000 Lakhs on a rights basis to the existing Equity Shareholders in the ratio of [●] Equity Share for every [●] fully paid-up Equity Share(s) (i.e., [●]) held by the existing Equity Shareholders on the Record Date. The issue price is [●] times the face value of the Equity Shares
Investor(s)	Eligible Equity Shareholder(s) of our Company as on the Record Date and/ or Renouncee(s) applying in the Issue
Issue Closing Date	[●]
Issue Opening Date	[●]
Issue Period	The period between the Issue Opening Date and the Issue Closing Date, inclusive of both days, during which Applicants can submit their Applications, in accordance with the SEBI ICDR Regulations
Issue Price	₹ [●] per Equity Share
Issue Proceeds	The gross proceeds of the Issue
Issue Size	The issue of [●] Equity Shares for an amount aggregating up to ₹ 1,000 Lakhs
Lead Manager/ LM	Keynote Financial Services Limited
Letter of Offer/ LOF	The final letter of offer to be filed with the Stock Exchanges and to be submitted with SEBI
Listing Agreement	The listing agreements entered into between our Company and the Stock Exchanges in terms of the SEBI Listing Regulations
MICR	Magnetic Ink Character Recognition
Multiple Application Forms	Multiple application forms submitted by an Eligible Equity Shareholder/Renouncee in respect of the Rights Entitlement available in their demat account. However supplementary applications in relation to further Equity Shares with/without using additional Rights Entitlement will not be treated as multiple application
NECS	National Electronic Clearing Services
Non-ASBA Investor	Investors other than ASBA Investors who apply in the Issue otherwise than through the ASBA process
Non-Institutional Investors	All Investors including sub-accounts of FIIs/ FPIs registered with SEBI, which are foreign corporate or foreign individuals, that are not QIBs or Retail Individual Investors and who have applied for Equity Shares for a cumulative amount of more than ₹ 2 lakhs
Promoters	The Promoters of our Company being Mr. Surinder Paul Kanwar and Mr. Sameer Kanwar
Promoter Group	Unless the context requires otherwise, the entities forming part of the promoter group in accordance with the SEBI ICDR Regulations and which are disclosed by our Company to the Stock Exchange(s) from time to time
Offer Document	Means Draft Letter of Offer/ Letter of Offer/ Abridged Letter of Offer
Off Market Renunciation	The renunciation of Rights Entitlements undertaken by the Investor by transferring them through off-market transfer through a depository participant in accordance with the SEBI Rights Issue Circulars and the circulars issued by the Depositories, from time to time, and other applicable laws
On Market Renunciation	The renunciation of Rights Entitlements undertaken by the Investor by trading



Term	Description
	them over the secondary market platform of the Stock Exchanges through a registered stock broker in accordance with the SEBI Rights Issue Circulars and the circulars issued by the Stock Exchanges, from time to time, and other applicable laws, on or before [●]
QIBs or Qualified Institutional Buyers	Qualified institutional buyers as defined under Regulation 2(1) (ss) of the SEBI ICDR Regulations, 2018
Record Date	Designated date for the purpose of determining the Eligible Equity Shareholders eligible to apply for Equity Shares, being [●]
Refund through electronic transfer of funds	Refunds through NECS, Direct Credit, RTGS, NEFT or ASBA process, as applicable
Registrar of Companies/ RoC	Unless specified otherwise, Registrar of Companies, Delhi & Haryana
Registrar Agreement	Agreement dated September 06, 2021 between our Company and the Registrar to the Issue in relation to the responsibilities and obligations of the Registrar to the Issue pertaining to this Issue, including in relation to the R-WAP facility
Registrar to the Issue	Link Intime India Private Limited
Renouncee(s)	Any person(s) who has acquired Rights Entitlements from the Equity Shareholders through renunciation
Renunciation Period	The period during which the Investors can renounce or transfer their Rights Entitlements which shall commence from the Issue Opening Date. Such period shall close on [●], in case of On Market Renunciation. Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such manner that the Rights Entitlements are credited to the demat account of the Renouncee on or prior to the Issue Closing Date
Retail Individual Investors	Individual Investors who have applied for Equity Shares for an amount not more than ₹ 2 lakhs (including HUFs applying through their Karta)
Rights Entitlement(s)	The number of Equity Shares that an Investor is entitled to in proportion to the number of Equity Shares held by the Investor(s) on the Record Date
Rights Entitlement Letter/ Entitlement Letter	Letter including details of Rights Entitlements of the Eligible Equity Shareholders. The Rights Entitlements are also accessible through the R-WAP and on the website of our Company
R-WAP	Registrar's web based application platform accessible at www.linkintime.co.in , instituted as an optional mechanism in accordance with SEBI circulars bearing reference numbers SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/552 dated April 22, 2021, SEBI/HO/CFD/DIL1/CIR/P/2021/13 dated January 19, 2021, SEBI/HO/CFD/DIL1/CIR/P/2020/136 dated July 24, 2020 and SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 6, 2020, for accessing/submitting online Application Forms by resident public Investors This platform is instituted only for resident Investors, in the event such Investors are not able to utilize the ASBA facility for making an Application despite their best efforts
SCSB(s)	A Self Certified Syndicate Bank registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers the facility of ASBA, including blocking of bank account. A list of all SCSBs is available at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes
Transfer Date	The date on which Application Money held in the Escrow Account and the Application Money blocked in the ASBA Account will be transferred to the Allotment Account in respect of successful Applications, upon finalization of the Basis of Allotment, in consultation with the Designated Stock Exchange
Wilful Defaulter	Company or person, as the case may be, categorised as a wilful defaulter by any bank or financial institution (as defined under the Companies Act, 2013) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by RBI



Term	Description
Working Days	All days on which commercial banks in Mumbai are open for business. Further, in respect of Issue Period, reference to 'working day' shall mean all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in Mumbai are open for business. Furthermore, the time period between the Issue Closing Date and the listing of Equity Shares on the Stock Exchanges, working day means all trading days of the Stock Exchanges, excluding Sundays and bank holidays, as per circulars issued by SEBI

The words and expressions used but not defined herein shall have the same meaning as is assigned to such terms under the Companies Act, the Securities Contracts (Regulation) Act, 1956, the SEBI ICDR Regulations, the Depositories Act, 1996 and the rules and regulations made thereunder.

Notwithstanding the foregoing, terms in “*Statement of Possible Special Tax Benefits*”, “*Outstanding Litigations and Defaults*” and “*Financial Information*” on pages 50, 150 and 74, respectively, shall have the meanings given to such terms in these respective sections.



NOTICE TO OVERSEAS INVESTORS

The distribution of this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and the Issue of Rights Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons in whose possession the Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer or Application Form may come are required to inform themselves about and observe such restrictions. Our Company is making this Issue of the Rights Equity Shares on a rights basis to the Equity Shareholders as on Record Date and the Letter of Offer, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent/ dispatched only to the Eligible Equity Shareholders who have provided Indian address. In case such Eligible Equity Shareholders have registered their e-mail address, the Letter of Offer, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent only to their registered e-mail address and in case such Eligible Equity Shareholders have not registered their e-mail address, then the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them. Those overseas shareholders, who have not updated our records with their Indian address or the address of their duly authorised representative in India, prior to the date on which we propose to dispatch the Letter of Offer/ Abridged Letter of Offer and Application Form, shall not be sent the Letter of Offer/ Abridged Letter of Offer and Application Form. Further, this Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided Indian address and who have made a request in this regard.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose. Accordingly, the Rights Equity Shares may not be offered or sold, directly or indirectly, and the Letter of Offer/Abridged Letter of Offer and Application Form or any offering materials or advertisements in connection with the Issue may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Receipt of this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and Application Form will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, under such circumstances, this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and CAFs must be treated as sent for information only and should not be acted upon for subscription to Rights Equity Shares and should not be copied or redistributed. Accordingly, persons receiving a copy of this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and Application Form should not, in connection with the issue of the Rights Equity Shares or Rights Entitlements, distribute or send the same in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and Application Form is received by any person in any such jurisdiction, or by their agent or nominee, they must not seek to subscribe to the Rights Equity Shares or the Rights Entitlements referred to in this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and Application Form. Envelopes containing a Application Form should not be dispatched from any jurisdiction where it would be illegal to make an offer, and all persons subscribing for the Equity Shares in this Issue must provide an Indian address.

Any person who makes an application to acquire Equity Shares offered in this Issue will be deemed to have declared, represented, warranted and agreed that she/ he is authorised to acquire the Rights Equity Shares in compliance with all applicable laws and regulations prevailing in her/ his jurisdiction. Our Company, the Registrar, the Lead Manager or any other person acting on behalf of us reserve the right to treat any Application Form as invalid where we believe that Application Form is incomplete or acceptance of such Application Form may infringe applicable legal or regulatory requirements and we shall not be bound to allot or issue any Rights Equity Shares or Rights Entitlement in respect of any such Application Form. Neither the delivery of this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and Application Form nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company's affairs from the date hereof or that the information contained herein is correct as at any time subsequent to the date of this Draft Letter of Offer.

The contents of this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and Application Form should not be construed as legal, tax or investment advice. Prospective investors may be subject to adverse foreign, state or local tax or legal consequences as a result of the offer of Equity Shares. As a result, each investor should consult its own counsel, business advisor and tax advisor as to the legal, business, tax and related matters concerning the offer of the Rights Equity Shares. In addition, neither our Company nor



the Lead Manager is making any representation to any offeree or purchaser of the Rights Equity Shares regarding the legality of an investment in the Rights Equity Shares by such offeree or purchaser under any applicable laws or regulations.

NO OFFER IN THE UNITED STATES

The Rights Entitlements and the Rights Equity Shares have not been and will not be registered under the Securities Act, or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof (“**United States**” or “**U.S.**”), or to, or for the account or benefit of “U.S. persons” (as defined in Regulation S of the Securities Act), except in a transaction not subject to, or exempt from the registration requirements of the Securities Act. The offering to which this Draft Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any Rights Equity Shares or Rights Entitlement for sale in the United States or as a solicitation therein of an offer to buy any of the Rights Equity Shares or Rights Entitlement. There is no intention to register any portion of the Issue or any of the securities described herein in the United States or to conduct a public offering of securities in the United States. Accordingly, this Draft Letter of Offer, Letter of Offer or Abridged Letter of Offer and the enclosed Application Form should not be forwarded to or transmitted in or into the United States at any time. In addition, until the expiry of 40 days after the commencement of the Issue, an offer or sale of Rights Entitlements or Rights Equity Shares within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the Securities Act.

Neither our Company nor any person acting on our behalf will accept a subscription or renunciation from any person, or the agent of any person, who appears to be, or who our Company or any person acting on our behalf has reason to believe is, either a U.S. Person or otherwise in the United States when the buy order is made. Envelopes containing a Application Form should not be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer, and all persons subscribing for the Rights Equity Shares Issue and wishing to hold such Equity Shares in registered form must provide an address for registration of these Equity Shares in India. Our Company is making the Issue on a rights basis to Eligible Shareholders and the Letter of Offer/ Abridged Letter of Offer and Application Form will be dispatched only to Eligible Shareholders who have an Indian address. Any person who acquires Rights Entitlements and the Rights Equity Shares will be deemed to have declared, represented, warranted and agreed that, (i) it is not and that at the time of subscribing for such Rights Equity Shares or the Rights Entitlements, it will not be, in the United States, (ii) it is not a U.S. Person and does not have a registered address (and is not otherwise located) in the United States when the buy order is made, and (iii) it is authorised to acquire the Rights Entitlements and the Rights Equity Shares in compliance with all applicable laws and regulations.

Our Company reserves the right to treat any Application Form as invalid which: (i) does not include the certification set out in the Application Form to the effect that the subscriber is not a U.S. Person and does not have a registered address (and is not otherwise located) in the United States and is authorised to acquire the Rights Equity Shares or Rights Entitlement in compliance with all applicable laws and regulations; (ii) appears to us or our agents to have been executed in or dispatched from the United States; (iii) appears to us or our agents to have been executed by a U.S. Person; (iv) where a registered Indian address is not provided; or (v) where our Company believes that Application Form is incomplete or acceptance of such Application Form may infringe applicable legal or regulatory requirements; and our Company shall not be bound to allot or issue any Rights Equity Shares or Rights Entitlement in respect of any such Application Form.

Rights Entitlements may not be transferred or sold to any person in the United States.



PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Certain Conventions

Unless otherwise specified or the context otherwise requires, all references herein to 'India' are to the Republic of India and its territories and possessions and the 'Government' or 'GoI' or the 'Central Government' or the 'State Government' are to the Government of India, Central or State, as applicable. Unless otherwise specified or the context otherwise requires, all references in this Draft Letter of Offer to the 'US' or 'U.S.' or the 'United States' are to the United States of America and its territories and possessions.

In this Draft Letter of Offer, references to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable.

Financial Data

Unless otherwise specified or the context otherwise requires, the financial data in this Draft Letter of Offer is derived from the Audited Financial Statements of our Company as of and for the financial year ended March 31, 2021 and Unaudited Financial Results for the quarter ended June 30, 2021.

Further, the financial information as of and for the financial year ended March 31, 2020 is derived from the comparatives presented in the Audited Financial Statements as of and for the financial year ended March 31, 2021.

The Unaudited Financial Results for the quarter ended June 30, 2021 are not indicative of the full year performance of the Company and hence are not comparable with the financial information presented for the year ending March 31, 2021.

Our Company publishes its financial statements and financial results in Indian Rupees. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Letter of Offer should accordingly be limited.

In this Draft Letter of Offer, any inconsistencies in any table between the aggregate and the total of the sums recorded are because of rounding off. Certain figures in decimals have been rounded off and accordingly there may be consequential changes in this Draft Letter of Offer.

Our Company's financial year commences on April 01 and ends on March 31 of each year, so all references to a particular financial year, unless stated otherwise, are to the twelve months period ended on March 31 of that year.

Unless the context otherwise indicates, any percentage amounts, as set forth in the sections titled "*Risk Factors*" on page 20 of this Draft Letter of Offer have been calculated on the basis of the Financial Statements of our Company prepared in accordance with Ind AS and the Companies Act, 2013.

Currency and Units of Presentation

All references to "Rupees", "Rs.", "INR", "₹" are to Indian Rupees, the official currency of the Republic of India. All references to "USD", or "US\$" or "\$" are to United States Dollar, the official currency of the United States of America. All references to "EUR", or "€" are to Euro, the official currency of the member states of the European Union. In this Draft Letter of Offer all references to "lac(s)" or "lakh(s)" are used interchangeably.

Non-Ind AS measures

Certain non-Ind AS financial measures and certain other statistical information relating to our operations and financial performance like net worth, return on net worth, net asset value per equity share and Earnings before interest, tax, depreciation and amortization ("**EBITDA**") have been included in this Draft Letter of Offer. These may not be computed on the basis of any standard methodology that is applicable across the industry and



therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other companies and are not measures of operating performance or liquidity defined by Ind AS. These are supplemental measures of our performance and liquidity that is not required by, or presented in accordance with, Ind AS.

Further, these measures are not a measurement of our financial performance or liquidity under Ind AS and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the years/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Ind AS. In addition, these Non GAAP measures, are not standardised terms and have limited usefulness as a comparative measure. Although such Non-GAAP measures are not a measure of performance calculated in accordance with applicable accounting standards, our Company's management believes that they are useful to an investor in evaluating us as they are widely used measures to evaluate a company's operating performance

Please Note:

One million is equal to 1,000,000/10 lakhs;

One billion is equal to 1,000 million/100 crores;

One lakh/lac is equal to 100 thousand;

One crore is equal to 10 million/100 lakhs



FORWARD LOOKING STATEMENTS

This Draft Letter of Offer includes statements which contain words or phrases such as “will”, “would”, “aim”, “aimed”, “will likely result”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, “anticipate”, “estimate”, “estimating”, “intend”, “plan”, “contemplate”, “seek to”, “seeking to”, “trying to”, “target”, “propose to”, “future”, “objective”, “goal”, “project”, “should”, “can”, “could”, “may”, “will pursue”, and similar expressions or variations of such expressions, that are “forward looking statements”.

These forward-looking statements contained in this Letter of Offer (whether made by our Company or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- COVID-19 pandemic and resulting deterioration of general economic conditions;
- Inability to upgrade manufacturing processes and technological capability with evolving trends in the automotive component industry and inability to meet our customers’ preferences;
- General economic conditions;
- Changes in political and social conditions in India and also in other countries with whom the company has direct business relevance;
- The outcome of legal or regulatory proceedings that we are or might become involved in;
- Contingent liabilities, environmental problems and uninsured losses;
- Increasing competition in the industry;
- Strikes or work stoppages by our employees;
- Accidents and natural disasters;
- Loss of or shut down of operations at any of our manufacturing facility;
- Volatility in the supply or price of raw materials;
- Failure to respond to the technological advances;
- Failure to safeguard the reputation of our brand or failure to enhance our brand recognition;
- Downturn in automobile industry;
- Changes in technology and our ability to manage any disruption or failure of our technology systems;
- Developments affecting the Indian economy;
- Changes in laws and regulations that apply to the industry;
- Uncertainty in global financial markets;



For a further discussion of factors that could cause the actual results to differ, see “*Risk Factors*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Position and Results of Operations*” beginning on page 20, 59 and 146 respectively of this Draft Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the Lead Manager nor any of their respective affiliates or advisors have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI and Stock Exchanges’ requirements, our Company and Lead Manager shall ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.



SECTION II – LETTER OF OFFER SUMMARY

Our Company is primarily engaged in the business of manufacturing of automotive gears, automotive components and construction of industrial furnaces. The Company has three manufacturing locations; two in the state of Maharashtra at Mumbra and Lonand and one in the state of Haryana at Faridabad.

Objects of the Issue:

The proposed utilization of Issue Proceeds is set forth below:

(₹ in Lakhs)

Sr. No.	Particulars	Amount
1.	Part Funding of Working Capital Requirements	[●]
2.	Issue Expenses	[●]
	Total	[●]

Means of Finance

(₹ in Lakhs)

Source	Amount
Proceeds of the Issue	Up to 1,000

Intention and extent of participation by our Promoter(s) and Promoter Group in the Issue:

Our Promoter(s) and entities forming part of our Promoter Group have, *vide* their letters dated August 31, 2021 (the "**Subscription Letters**") indicated their intention to: subscribe, jointly and/ or severally to the full extent of their Rights Entitlement and subscribe to the full extent of any Rights Entitlement renounced in their favour by any other Promoter or member of the Promoter Group of our Company. Further, they reserve the right to apply for, and subscribe to, additional Rights equity shares, including subscribing to the unsubscribed portion (if any), subject to compliance with the minimum public shareholding requirement as prescribed under the SCRR and the SEBI Listing Regulations.

Our Company is in compliance with Regulation 38 of the SEBI Listing Regulations and will continue to comply with the minimum public shareholding requirements pursuant to the Issue.

Financial Information:

The following table sets forth summary financial information derived from the Audited Financial Statements and the Unaudited Financial Results of the Company. The financial information as of and for the financial year ended March 31, 2020 is derived from the comparatives presented in the Audited Financial Statements as of and for the financial year ended March 31, 2021.

(₹ in Lakhs)

Particulars	For the quarter ended June 30, 2021	For the Fiscal	
		2021	2020
Share Capital	930.61	930.61	930.61
Net Worth ⁽¹⁾	8,051.67	7,381.28	7,957.41
Total Income	16,620.50	50,439.60	46,799.56
Profit/ (loss) after tax	639.21	(770.06)	(1,877.78)
Basic and Diluted EPS (in ₹)	6.87 ⁽²⁾	(8.27)	(20.38)
Net asset value per share (in ₹) ⁽³⁾	86.52	79.32	85.51
Total borrowings ⁽⁴⁾	11,298.36	11,135.56	14,766.58

⁽¹⁾Equity share capital and other equity

⁽²⁾Not annualized



⁽³⁾ Net asset value shall mean Equity share capital and other equity

⁽⁴⁾ consists of borrowings under non-current liabilities, current maturities of long-term debts and borrowings under current liabilities

Auditor Qualifications:

No reservations, qualifications and adverse remarks have been made by our statutory auditors in their reports which requires any adjustments to the Audited Financial Statements for Fiscal 2021 and the Unaudited Financial Results for the quarter ended June 30, 2021.

Outstanding Litigations:

A summary of outstanding litigation proceedings pertaining to our Company as on the date of this Draft Letter of Offer is provided below.

Sr. No.	Outstanding Litigations	Number of Matters	Financial implications to the extent quantifiable (₹ in Lakhs)
1.	Proceedings involving moral turpitude or criminal liability on the part of our Company	-	NIL
2.	Litigation involving material violations of statutory regulations by our Company	-	NIL
3.	Proceedings involving economic offences initiated against our Company	-	NIL
4.	Litigation involving an amount above the Materiality Threshold	7	Not ascertainable

The amounts mentioned above may be subject to additional interest/ penalties being levied by the concerned authorities for delay in making payment or otherwise. The amount of interest/ penalties that may be levied is unascertainable as on date of this Draft Letter of Offer. For further details regarding these legal proceedings, please refer to chapter titled “*Outstanding Litigations and Defaults*” on page 150 of this Draft Letter of Offer.

Risk Factors:

For details of potential risks associated with our ongoing business activities and industry, investment in Equity Shares of the Company, material litigations which impact the business of the Company and other economic factors please see “*Risk Factors*” on page 20 of this Draft Letter of Offer.

Contingent Liabilities:

As of March 31, 2021, we have certain contingent liabilities that had not been provided for, as per Ind AS 37. Details of the same are as under:

Sr. No.	Particulars	Amount
	Contingent liabilities:	
	Claims against the Company not acknowledged as debt	
1.	In respect of employees:	
	(i) The Company has filed an appeal in the Bombay High Court against the order passed by Third Labour Court on issue of back wages and reinstatement of 11 employees.	40.26
	(ii) In respect of claim of permanency of services and/or back wages (less subsistence allowance paid, if any) filed by set of temporary/ permanent workmen before the Industrial Court, Thane/ Labour Court/ Bombay High Court.	Not ascertainable
2.	Others:	

(₹ in Lakhs)



Sr. No.	Particulars	Amount
	Contingent liabilities:	
	Claims against the Company not acknowledged as debt	
	(i) The Company's appeal is pending before the Bombay High Court against the order passed by Central Government Industrial Tribunal, on issue of provident fund dues on subsistence allowance.	1.27
	(ii) The Company's appeal is pending before Central Government Industrial Tribunal against the order passed by Regional Provident Fund Commissioner, on issue of provident fund dues on difference of wages of certain employees.	0.87

For disclosure of contingent liabilities as per Ind AS 37 as at March 31, 2021 please see the section Financial Statements – “*Note 31 Additional information to the financial statement*” on page 122 of this Draft Letter of Offer.

Related Party Transactions:

For details of related party transactions of our Company, as per the requirements under Ind AS 24 ‘Related Party Disclosures’ for FY ending March 31, 2021 please see Financial Statements - “*Note 35: Related Party Transactions*” on page 74 of this Draft Letter of Offer.

Financing Arrangements:

There have been no financing arrangements whereby the Promoters, members of the Promoter Group, our Directors and their relatives have financed the purchase, by any other person, of securities of our Company other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of this Draft Letter of Offer.

Issuance of Equity Shares for Consideration other than cash:

Our Company has not issued Equity Shares for consideration other than cash during the last one year immediately preceding the date of filing of this Draft Letter of Offer.



SECTION III - RISK FACTORS

An investment in equity shares involves a high degree of risk. The risks described below together with other information contained in this Draft Letter of Offer should be carefully considered by the prospective investors before making an investment decision. Prospective investors should carefully consider all the information contained in the section titled “**Financial Information**” on page 74 for the information related to the financial performance of our Company. The risks described in this section are those that we consider to be the most significant to our business, results of operations, financial condition, cash flows and prospects. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business operations. If any or a combination of the following events occur, our business, results of operations, financial condition and prospects could materially suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment. Unless otherwise stated, we are not in a position to specify or quantify the financial or other risks mentioned herein.

The following risk factors have been determined by our Board of Directors on the basis of their materiality. In accordance with Clause (VI) in Part B of Schedule VI of the SEBI ICDR Regulations, the following factors have been considered for determining the materiality: (i) Some events may not be material individually, but may be found material collectively, (ii) some events may have material impact qualitatively instead of quantitatively; and (iii) some events may not be material at present but may have material impact in the future.

INTERNAL RISK FACTORS

1. Our Company is a party to certain litigations, the outcome of which could adversely affect our business operations and financial condition

Our Company is party to certain legal proceedings which may be incidental to our business and operations. Further in one of such proceedings, the subject matter of the dispute pertains to the ownership right over a portion of our factory land situated at Mumbra, Maharashtra. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Any adverse decision may render us liable to liabilities/penalties and may adversely affect our business and results of operations. A classification of these legal and other proceedings are given in the following table:

Sr. No.	Outstanding Litigations	Number of Matters	Financial implications to the extent quantifiable (₹ in Lakhs)
1.	Litigation involving an amount above the Materiality Threshold	7	Not ascertainable

The amounts mentioned above may be subject to additional interest/ penalties being levied by the concerned authorities for delay in making payment or otherwise. The amount of interest/ penalties that may be levied is unascertainable as on date of this Draft Letter of Offer. For further details regarding these legal proceedings, please refer to chapter titled ‘Outstanding Litigations and Defaults’ on page 150 of this Draft Letter of Offer.

2. Our Company has incurred losses in two out of the three preceding financial years and as a result we had negative Earnings Per Share for that financial year.

We had incurred losses of ₹ 1877.78 Lakhs and ₹ 770.06 Lakhs in the Financial year ended March 31, 2020 and March 31, 2021 respectively and as a result our Company had negative EPS for these years. Further, we may incur losses in future for a number of reasons, including the other risks described in this Draft Letter of Offer and we may also encounter unforeseen expenses, difficulties, complications, delays and other unknown events. If we incur losses in the future, our financial condition, our reputation and the market price of our Equity Share could suffer.



3. Our Company has experienced negative cash flows from investing and financing activities in the previous Fiscals. Sustained negative cash in future could affect our growth and results of operations.

Our Company has experienced negative cash flows from its investing and financing activities in the recent past. The details of such negative cash flows in the immediately preceding two financial years are as follows:

(₹ in Lakhs)

Particulars	For the year ended March 31,	
	2021	2020
Net cash (used in) investing activities	(224.68)	(2,947.66)
Net cash generated from/ (used in) financing activities	(5,670.55)	(1,991.37)

However, we have reported positive cash flows from operating activities to the tune of ₹ 5902.84 Lakhs and ₹ 5,356.25 Lakhs for the year ended March 31, 2021 and March 31, 2020 respectively. If we are not able to generate sufficient cash flows, it may adversely affect our business and financial operations. For further details please refer to the section titled “Financial Information” beginning on page 74 of the Draft Letter of Offer.

4. We require certain approvals and licenses in the ordinary course of business and are required to comply with certain rules and regulations to operate our business and failure to obtain, retain and renew such approvals and licenses or comply with such rules and regulations, in a timely manner or at all may adversely affect our operation

Being a manufacturing company, we require several statutory and regulatory permits, licenses and approvals to operate our business. Many of these approvals are granted for a fixed period of time and need renewal from time to time. We are required to renew such permits, licenses and approvals periodically. For instance, we have made applications for renewal of Consent to Operate Mumbra facility under the Water (Prevention & Control of Pollution) Act, 1974, the Air (Prevention & Control of Pollution) Act, 1981 and the Hazardous and Other Wastes (Management & Transboundary Movement) Rules, 2016, license for storage of petroleum products, cutting oil and saw dust at our manufacturing facility at Mumbra, Maharashtra under the Bombay Provisional Municipal Corporations Act, 1949, business license for Mumbra facility under the Bombay Provisional Municipal Corporations Act, 1949, amongst others, which are pending. There can be no assurance that the relevant authorities will issue such permits or approvals to our Company or that they will issue these in time. Further, these permits, licenses and approvals are subject to several conditions and our Company may not be able to continuously meet the conditions and this may lead to cancellation, revocation or suspension of relevant permits / licenses / approvals. Failure by our Company to renew, maintain or obtain the required permits, licenses or approvals may result in the interruption of our Company’s operations and may have a material impact on our business. For details of pending regulatory and government approvals please refer chapter “Government and Other Approvals” on page 154 of this Draft Letter of Offer.

5. We employ a large labour force and in case any labour disputes arise in the course of our business operations, the same could disrupt operations and adversely affect the results of operations and financial condition of our Company.

Our manufacturing processes are labour intensive. We employ a large number of skilled and unskilled labourers. As of June 30, 2021, we have over 1300 permanent employees across our manufacturing facilities and registered and other offices. Any disputes between the management and labour in our Company can result in a disruption of our manufacturing activities and thereby affect the profitability of our Company.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes certain financial obligations on employers during employment and upon retrenchment. Under Indian law, workers also have a right to establish trade unions. Furthermore, it may become difficult for us to maintain flexible labour policies in case cost of labour in our industry increases. There was a slowdown in production activities



at Mumbra Plant in the month of July 1997 and in FY 2002 the plant was shut down from August 10, 2001 to November 30, 2001. After protracted negotiations with the representatives of the workmen a Memorandum of Understanding was signed, and the plant reopened on December 01, 2001. A group of certain employees at Lonand facilities of our Company remained themselves absent from the duties of the Company during various shifts in an unauthorized manner during the period from November 29, 2019 upto December 05, 2019. Such eventualities may adversely impact our operations and financial condition. Whilst we believe that presently, we share good relationship with our employees, we may experience unrest or slowdowns, increase in wage costs and employee numbers.

We have experienced any some interruption to our operations as a result of labour disputes. Some of these disputes are at different stages of resolution and there can be no assurance that we will not experience any such disruption in the future as a result of disputes or disagreements with our work force, which may adversely affect our ability to continue our business operations. We may also have to incur additional expense to train and retain skilled labour. We are also subject to a number of stringent labour laws that protect the interests of workers, including legislation that imposes financial obligations on employers upon retrenchment. There can be no assurance that we will not experience labour unrest in the future, which may delay or disrupt our operations. Any labour unrest including labour disputes, strikes and lock-outs, industrial accidents, experienced by us could directly or indirectly prevent or hinder our normal operating activities and, if not resolved in a timely manner, could lead to disruptions in our operations. In the event of any prolonged delay or disruption our business, results of operations and financial condition could be materially and adversely affected.

6. *Any unscheduled or prolonged disruption of our manufacturing operations could materially and adversely affect our business, financial condition, results of operations and cash flows.*

Any unscheduled or prolonged disruption of our manufacturing operations, including power failure, fire and unexpected mechanical failure of equipment, obsolescence, labour disputes, strikes, lock-outs, earthquakes and other natural disasters, industrial accidents or any significant social, political or economic disturbances, or infectious disease outbreaks such as the COVID-19 pandemic, could reduce our ability to manufacture our products and adversely affect sales and revenues from operations during such period. The occurrence of any such incidents could also result in a destruction of certain assets and adversely affect our results of operations. Any such disruption may interrupt our operations, which may interfere with manufacturing process, requiring us to either stop our operations or repeat activities that may involve additional time and increase our costs. In particular, due to the COVID-19 pandemic, operations at our manufacturing facility were temporary suspended in the month of April 2020 owing to the lockdown imposed by the Government, and we subsequently resumed operations in a phased manner in May 2020. Further, in the first quarter of Fiscal 2022 there were market disruptions due to restrictions imposed by state governments on account of COVID-19. Our customers rely on the timely delivery of our products and our ability to provide an uninterrupted supply of our products is critical to our business. Although we take precautions to minimize the risk of any significant operational problems at our manufacturing facilities, our customer relationships, business, financial condition, results of operations and cash flows, may be adversely affected by any disruption of operations at our manufacturing facilities, including due to any of the factors mentioned above.

Disruptions in our manufacturing operations could delay production or require us to temporarily cease operations at our manufacturing facilities. We may be subject to manufacturing disruptions due to contraventions by us of any of the conditions of our regulatory approvals, which may require our manufacturing facilities to cease, or limit, production until the disputes concerning such approvals are resolved. As regulatory approvals are site specific, we may be unable to transfer manufacturing activities to another location immediately. Similarly, there is no assurance that those of our manufacturing facilities unaffected by an interruption will have the capacity to increase their output to manufacture products for the affected manufacturing facilities, to the extent that all outstanding orders will be fulfilled in a timely manner. In the event of prolonged interruptions in the operations of our manufacturing facilities, we may have to make alternate arrangements for supplies and products in order to meet our production requirements, which could affect our profitability.



7. ***Our business is dependent on the sale of our products to our key customers, and the loss of one or more such customers, the deterioration of their financial condition or prospects, or a reduction in their demand for our products could adversely affect our business, results of operations, financial condition and cash flows.***

We are dependent on a limited number of key customers for a significant portion of our revenues. For the Financial Years ended March 31, 2021 and 2020 our top five customers have contributed more than 50% of our total revenue from operations. Further, most of the business that we conduct with our significant customers is through purchase orders that are placed from time to time. We do not typically have exclusivity arrangements with our customers, including our key customers.

The loss of one or more of our significant customers or a reduction in the amount of business we obtain from them whether due to circumstances specific to such customer, such as pricing pressures or adverse market conditions affecting our supply chain, the gears and automotive industry or the economic environment generally, such as the COVID-19 pandemic, could have an adverse effect on our business, results of operations, financial condition and cash flows.

Our reliance on a select group of customers may also constrain our ability to negotiate our arrangements, which may have an impact on our profit margins and financial performance. The deterioration of the financial condition or business prospects of these customers could reduce their requirement of our products and result in a significant decrease in the revenues we derive from these customers. We cannot assure you that we will be able to maintain historic levels of business from our key customers

8. ***Volatility in prices of our raw materials (including steel, LPG, propane and natural gas) and our inability to procure the desired quality, quantity of our raw materials in a timely manner and at reasonable costs, or at all, may have a material adverse effect on our business, results of operations, financial condition and cash flows.***

The principal raw material in making automotive gears is alloy steel and alloy steel forgings. Of late, the steel prices have been on an upward trend. Any increase in the prices of the steel would adversely impact the business of the Company. Though we have been able to pass on the increase in prices of steel to our customers in the past, we cannot assure the same to continue in future. Further, there has been a trend of increasing prices of LPG, propane, natural gas and any such increase in cost may affect the profitability of our Company. Further, our ability to remain competitive, maintain costs and profitability depend, in part, on our ability to source and maintain a stable and sufficient supply of raw materials at acceptable prices. We depend on external suppliers for all the raw materials required and typically purchase raw materials on a purchase order basis and place such orders with them in advance on the basis of our anticipated requirements. As a result, the success of our business is significantly dependent on maintaining good relationships with our raw material suppliers. The absence of long-term supply contracts subjects us to risks such as price volatility caused by various factors such as commodity market fluctuations, currency fluctuations, climatic and environmental conditions, production and transportation cost, changes in domestic as well as international government policies, and regulatory and trade sanctions. If we are not able to fully offset the increase in raw material prices with increase in the prices for our products, we will experience lower margins, which in turn may have a material adverse effect on our results of operations, financial condition, and cash flows. In the absence of such contracts we are also exposed to the risk of unavailability of certain raw materials in desired quantities and qualities, in a timely manner or at all.

Although we have not faced significant disruptions in the procurement of raw materials in the past, the COVID-19 pandemic temporarily affected our ability to source raw materials from certain vendors who were unable to transport raw materials to us. There can thus, be no assurance that in future we will be able to procure the required quantities and quality of raw materials commensurate with our requirements. There can also be no assurance that a particular supplier will continue to supply us with raw materials in the future. Any delay in supplying finished products to customers in accordance with the terms and conditions of the purchase orders, such as delivery within a specified time, as a result of delayed raw material supply, could



result in the customers refusing to accept our products, which may have an adverse effect on our business and reputation. Further, we cannot assure you that we will be able to enter into new or renew our existing arrangements with suppliers on terms acceptable to us, which could have an adverse effect on our ability to source raw materials in a commercially viable and timely manner, if at all, which may impact our business and profitability.

9. *Our future success depends on our ability to satisfy changing client needs by offering better products in a timely manner and maintaining quality and competitiveness of such products.*

Our future success depends on our ability to satisfy changing client needs by offering better products in a timely manner and maintaining quality and competitiveness of such products. Our competitors may gain significant advantages if they are able to offer products satisfying client needs earlier than we are able to, which may materially and adversely impact our sales and productivity. Unanticipated delays or cost overruns in implementing new product development plans or capacity enhancements could also materially and adversely impact our financial condition and results of operations.

Customer preferences especially in many of the developed markets appear to be moving in favor of more fuel efficient and environmental friendly vehicles. Furthermore, in many countries there has been significant pressure on the automotive industry to reduce carbon dioxide emissions. In many markets these preferences are driven by increasingly stringent government regulations, rising fuel prices and customers' environmental considerations. Our business and operations may be significantly impacted if we experience delays in developing products that reflect changing customer preferences. In addition, deterioration in the quality of our components could force us to incur substantial costs and damage our reputation. There can be no assurance that the market acceptance of our future products will meet our sales expectations, in which case we may be unable to realize the intended economic benefits of our investments and our revenues and profitability may decrease materially.

10. *We have borrowed from commercial banks and NBFC and an inability to comply with repayment and other covenants in our financing agreements could adversely affect our business and financial condition.*

We have entered into agreements with banks and NBFC for short-term and long-term borrowings. As of March 31, 2021, we had total borrowings (consisting of borrowings under non-current liabilities, current maturities of long-term debts and borrowings under current liabilities) of ₹ 11,135.56 Lakhs. Certain agreements that we have entered into contain restrictive covenants, including requirements that we obtain consent from the lenders prior to undertaking certain matters including any change in the capital structure of the Company. We have sought to obtain consent with respect to the proposed Issue which are pending as on the date of this Draft Letter of Offer. We shall obtain the same before filing of the Letter of Offer. Any failure to service such indebtedness, or otherwise perform any obligations under such financing agreements may lead to a termination of one or more of our credit facilities or incur penalties and acceleration of payments under such credit facilities, which may adversely affect our business and financial condition.

Further, we are required to, among other obligations, comply with certain financial covenants including maintaining the prescribed inventory margins, insurance covers on the hypothecated properties and lien creation. There have been some instances of breach of such covenants by our Company in the past. There can be no assurance that we will be able to comply with these financial or other covenants or that we will be able to obtain consents necessary to take the actions that we believe are required to operate and grow our business. Any fluctuations in the interest rates may directly impact the interest costs of such loans, and affect our business, financial condition, results of operations and prospects. Our total debt to equity ratio as on March 31, 2021 is 1.51. Our ability to service these debts, make repayments and refinance our indebtedness will depend on our continued ability to generate cash from our future operations. We may not be able to generate enough cash flow from operations or obtain enough capital to service our debt.

Any failure to comply with the conditions and covenants in our financing agreements that is not waived by our lenders or guarantors or otherwise cured could lead to a termination of our credit facilities, foreclosure on our assets, acceleration of all amounts due under such facilities or trigger cross-default provisions under certain of our other financing agreements, any of which could adversely affect our financial condition and



our ability to conduct and implement our business plans.

11. We have certain contingent liabilities which had not been provided for in our balance sheet.

As of March 31, 2021, we have certain contingent liabilities that have not been provided for, as per Ind AS 37, details of the same are as under:

		(₹ in Lakhs)
Sr. No.	Particulars	Amount
	Contingent liabilities:	
	Claims against the Company not acknowledged as debt	
1.	In respect of employees:	
	(i) The Company has filed an appeal in the Bombay High Court against the order passed by Third Labour Court on issue of back wages and reinstatement of 11 employees.	40.26
	(ii) In respect of claim of permanency of services and/or back wages (less subsistence allowance paid, if any) filed by set of temporary/ permanent workmen before the Industrial Court, Thane/ Labour Court/ Bombay High Court.	Not ascertainable
2.	Others:	
	(i) The Company's appeal is pending before the Bombay High Court against the order passed by Central Government Industrial Tribunal, on issue of provident fund dues on subsistence allowance.	1.27
	(ii) The Company's appeal is pending before Central Government Industrial Tribunal against the order passed by Regional Provident Fund Commissioner, on issue of provident fund dues on difference of wages of certain employees.	0.87

In the event that any of our contingent liabilities become crystallized, our business, financial condition and results of operations may be adversely affected.

12. Our business is working capital intensive. If we experience insufficient cash flows from our operations or are unable to borrow to meet our working capital requirements, it may materially and adversely affect our business and results of operations.

Our business requires significant amount of working capital primarily as a considerable amount of time passes between purchase of raw materials and collection of receivables post sales to customers. As a result, we are required to maintain sufficient stock at all times in order to meet manufacturing requirements as well as extend credit period to customers as per the industry practise, thus increasing our storage and working capital requirements. Consequently, there could be situations where the total funds available may not be sufficient to fulfil our commitments and hence we may need to incur additional indebtedness in the future or utilize internal accruals to satisfy our working capital needs. Our future success depends on our ability to continue to secure and successfully manage sufficient amounts of working capital. Further, our ability to arrange financing and the costs of capital of such financing are dependent on numerous factors, including general economic and capital market conditions and the effect of events such as the COVID-19 pandemic, credit availability from banks, investor confidence, the continued success of our operations and other laws that are conducive to our raising capital in this manner.

As we pursue our growth plan, we may be required to raise additional funds by incurring further indebtedness or issuing additional equity to meet our capital expenditures in the future. If we experience insufficient cash flows or are unable to borrow funds on a timely basis, or, at all, to meet our working capital and other requirements, or to pay our debts, it could materially and adversely affect our business and results of operations. Management of our working capital requirements involves the timely payment of, or rolling over of, our short-term indebtedness and securing new and additional loans on acceptable terms, or re-negotiation of our payment terms for our trade payables, collection of trade receivables and preparing and following accurate and feasible budgets for our business operations. If we are unable to manage our working capital



requirements, our business, results of operations, financial condition, and cash flows could be materially and adversely affected. There can be no assurance that we will be able to effectively manage our working capital. Should we fail to effectively implement sufficient internal control procedures and management systems to manage our working capital and other sources of financing, we may have insufficient capital to maintain and grow our business and we may breach the terms of our financing agreements with banks, face claims under cross-default provisions and be unable to obtain new financing, any of which would have a material adverse effect on our business, results of operations, financial condition, and cash flows.

13. Demand for our products is cyclical in nature and a substantial decrease in our sales during certain quarters of fiscal could have a material adverse impact on our financial performance.




Demand for auto components is driven by the demand from Original Equipment Manufacturers (OEMs) and from replacement market in auto sector. The industry has been cyclical in the past and we expect this trend to continue. The future growth of our business depends on our ability to adjust to the variation in demand, in a timely manner and at competitive prices. Any such inability could adversely affect our operations and profitability.

14. Our Company has entered into certain related party transactions and may continue to do so in the future.

Our Company has entered into transactions with certain of its related parties amounting to ₹ 757.06 Lakhs and ₹ 1,560.74 Lakhs for the Financial Years ending March 31, 2021 and March 31, 2020. For details of related party transactions of our Company for the Financial Year ending March 31, 2021, as per the requirements under Ind AS 24 'Related Party Disclosures' please see Financial Statements - "Note 35: Related Party Transactions" on page 131 of this Draft Letter of Offer.

While our Company believes that all such transactions have been conducted on the arm's length basis, there can be no assurance that it could not have been achieved on more favourable terms had such transactions not been entered into with related parties. Further, it is likely that our Company will continue to enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations.

15. Intellectual property rights are important to our business and we may be unable to protect them from being infringed by others which may adversely affect our business value, financial condition and results of operations.

As on the date of this Draft Letter of Offer, we have 6 trademarks including ,  and  registered under the provisions of the Trade Marks Act, 1999 and 1 copyright registered under the Copyright Act, 1957. We cannot assure that third parties will not infringe on our intellectual property, thereby causing damage to our business prospects, reputation and goodwill. Our efforts to protect our intellectual property may not be adequate and any third party claim on any of our unprotected brands may lead to erosion of our business value and our operations could be adversely affected. We may need to litigate in order to determine the validity of such claims and the scope of the proprietary rights of others. Any such litigation could be time consuming and costly, and a favourable outcome cannot be guaranteed. We may not be able to detect any unauthorised use or take appropriate and timely steps to enforce or protect our intellectual property.

16. We are in the process of expanding our operations and adding new products to our portfolio. Any failure to such expansion or addition could adversely affect our sales, financial condition, result of operations and cash flows.

In order to cater to the growing market demand for our products, we are in the process of adding more products to our portfolio. There can be no assurance that our expansion plans will be successful, as our competitors may have more established brands, more experience in trends and deeper relationships with customers for new product portfolio. Further, having limited or no experience in new product categories as



compared to some of our competitors, may lead to lower product pricing due to lack of brand presence and higher expenditure on brand building. As a result, it may be more expensive for us to manufacture and/ or distribute new products and it may take longer to reach expected sales and profit levels than anticipated, which could affect the viability of these operations or our overall profitability. There can be no assurance that our products will gain market acceptance or meet the particular requirements of customers. If we do not successfully establish our operations, reputation and brand image in these new markets and regions, our sales, financial condition, results of operations and cash flows could be materially and adversely affected.

17. *A portion of our land at our Mumbra facility has been acquired by Thane Municipal Corporation (TMC) along with Mumbai Metropolitan Region Development Authority (MMRDA).*

A certain portion of our land (approximately 11,110 sq. mt.) has been acquired by TMC along with MMRDA for proposed 60 meters widening of old Mumbai-Pune Road and proposed widening of Airoli-Katai Road. However, the same is an estimate based on the notice(s)/ information/ communication received from TMC/ MMRDA. Exact areas shall be determined by TMC after actual survey of land, which is still pending. As a compensation for reconstruction of some of our manufacturing facilities and compound wall, we have received monetary compensation from MMRDA in July 2021 however, we are yet to receive Transferable Development Rights (TDRs) in the form of a Development Rights Certificate from TMC as compensation for acquisition of the abovementioned land by the authorities.

18. *Our Statutory Auditors have included certain matters of emphasis in our Financial Statements for the financial year ended March 31, 2020.*

The auditor's report to the Financial Statements for the year ended March 31, 2020 includes a matter of emphasis referring to a note in the financial statements which is as follows:

“The Company's operations have been impacted by the unprecedented COVID-19 pandemic which resulted in an interruption to the production due to the shutdown of all its plant facilities and offices due to the nationwide lockdown. The Company has since obtained requisite permissions and restarted its manufacturing plants and its offices.

The Company has incurred loss before tax during the current year amounting to ₹ 2482.25 lacs, primarily owing to the lower volumes due to continuing slowdown in the automotive industry, finance costs and depreciation. The Company has a positive net worth of ₹ 7957.41 lacs and a net current asset position of ₹ 2198.18 lacs. The Company has outstanding term loans amounting to ₹ 10542.20 lacs as at 31 March, 2020, out of which ₹ 2311.61 lacs is due for repayment in next year.

The Company is adopting several cost reduction measures to address the liquidity crunch which may arise due to the impact of the slowdown in industry and pandemic and to maintain sufficient operational cashflows to ensure uninterrupted fulfilment of its orders from customers. The Company has sought moratorium from lenders, and is also in discussions with lenders for the restructuring of term loans.

The Company had made an assessment of the impact of the pandemic on its operations and the carrying value of current and non-current assets, based on the internal and external sources of information and indicators of economic forecasts existing as at the date of approval of these financial statements. Based on such assessment, the Company is confident of recovering the carrying value of these assets as at 31 March, 2020.

The estimates used for assessing the carrying value of assets and liabilities at 31 March, 2020 during the COVID-19 pandemic may undergo a change as these are dependent on the improvement in the economy and automotive sector. The Company will continue to monitor any material changes to future economic conditions and the consequent impact on its business, if any.”

There can be no assurance that any similar matters of emphasis or remarks will not form part of our financial statements for the future fiscal periods, or that such remarks will not affect our financial results in future fiscal periods. Investors should consider the remarks and observations in evaluating our financial condition,



results of operations and cash flows. Any such remarks or matters of emphasis in the auditors' report and/ or CARO report on our financial statements in the future may also adversely affect the trading price of the Equity Shares.

19. Some of our Group Companies have incurred losses during the last three fiscal years.

As set forth below, some of our Group Companies have incurred losses during last three fiscal years (as per their respective audited financial statements):

(₹ in Lakhs)

Sr. No.	Particulars	For the year ended		
		March 31, 2021	March 31, 2020	March 31, 2019
1.	Raunaq EPC International Limited	(29.71)	(2921.78)	(527.62)
2.	Xlerate Driveline India Limited	-	(20.68)	-

20. Wage pressures and increases in operating costs in India may prevent us from sustaining our competitive advantage and may reduce our profit margins.

Wage costs as well, as operating costs, in India have historically been significantly lower than wage costs and operating costs in the other developed economies; and these reduced costs have been one of the sources of our competitive strengths. However, wage and operating expense increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. Wages in India are increasing at a faster rate than in the developed economies, which could result in increased employee benefit expenses. We may need to continue to increase the levels of our employee compensation to remain competitive and manage attrition. Further, The Code on Wages, 2019 received the assent of the President of India on August 8, 2019 and proposes to subsume four existing laws namely, the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976. The provisions of this code will be brought into force on a date to be notified by the Central Government. This may impact our wage structure and may lead to increased wage payments to employees. Additionally, the cost of operating expenses is also increasing as India continues to grow. Compensation increases manifest a hike in operational costs which may result in a material adverse effect on our business and financial condition and result of operations.

21. Our success depends largely on the senior management personnel and the Company's ability to attract and retain the senior personnel.

Our success depends on the continued services and performance of the members of the management team and other key personnel. Competition for senior management personnel in the industry is intense and the Company may not be able to retain the existing senior management team or attract and retain new senior management talent in the future. The loss of the services of the senior managerial personnel could seriously impair the ability to continue to manage and expand the Company's business which may adversely affect the business, results of operations and financial condition.

22. Our insurance coverage may not be adequate to protect us against all potential losses, which may have an adverse effect on our business, financial condition and results of operations.

Our operations are subject to various risks inherent in the sectors in which we operate, such as fire, theft, robbery, earthquake, flood, acts of terrorism and other force majeure events. Our insurance cover includes, among other things, insurance under Business Suraksha Classik Policy (including loss of profit clause), Public/ Product Liability Insurance, etc. As of March 31, 2021, the fixed assets were insured to the extent of 2.02 times of the Gross block (sum assured ₹ 829 crores) & the Current Assets (sum assured ₹ 113 crores) comprising of Inventory were insured to the extent of 1.25 times. The total insurance expense was ₹ 161.01 Lakhs for all the three factories at Mumbra, Faridabad and Satara. These expenses were incurred towards insurance policies obtained for coverage of risk against – Fire including forest fire, earthquake etc., Product Liability and Product recall, Public Liability, Directors & Officers Liability, etc.



However, we may not have identified every risk and further may not be insured against every risk, including operational risk that may occur and the occurrence of an event that causes losses in excess of the limits specified in our policies, or losses arising from events or risks not covered by insurance policies or due to the same being inadequate, could materially harm our financial condition and future results of operations. There can be no assurance that any claims filed will be honoured fully or timely under our insurance policies. Also, our financial condition may be affected to the extent we suffer any loss or damage that is not covered by insurance or which exceeds our insurance coverage. In addition, we may not be able to renew certain of our insurance policies upon their expiration, either on commercially acceptable terms or at all.

23. ***Our Promoter and promoter group will continue to exercise significant control over our business and shall be in a position to direct corporate actions which may be allegedly detrimental to the interest of other shareholders.***

Our Promoter and Promoter Group hold 55.32% of our equity share capital. As a result, they are in a position to continue to exercise significant control over our business and all matters requiring shareholder approval, including timing and distribution of dividends, election of officers and directors, our business strategy and policies, approval of significant corporate transactions such as mergers and business combinations and sale of assets. Their control could approve or impede a merger, consolidation, takeover or other business combination involving us.

24. ***Stringent environmental, health and safety laws and regulations or stringent enforcement of existing environmental, health and safety laws and regulations may result in increased liabilities and increased capital expenditures.***

Our operations are subject to environmental, health and safety and other regulatory and/ or statutory requirements in the jurisdictions in which we operate. We are subject to various national, state, municipal and local laws and regulations concerning environmental protection in India. Non-compliance with these laws and regulations could expose us to civil penalties, criminal sanctions and revocation of key business licenses. Environmental laws and regulations in India are becoming more stringent and the scope and extent of new environmental regulations, including their effect on our operations, cannot be predicted with any certainty. In case of any change in environmental or pollution regulations, we may be required to invest in, among other things, environmental monitoring, pollution control equipment and emissions management.

As a consequence of unanticipated regulatory or other developments, future environmental and regulatory related expenditures may vary substantially from those currently anticipated. We cannot assure you that our costs of complying with current and future environmental laws and other regulations will not adversely affect our business, results of operations, financial condition, or cash flows. In addition, we could incur substantial costs, our products could be restricted from entering certain markets and we could face other sanctions, if we were to violate or become liable under environmental laws or if our products become non-compliant with applicable regulations. Our potential exposure includes fines and civil or criminal sanctions, third-party property damage or personal injury claims and clean-up costs. The amount and timing of costs under environmental laws are difficult to predict.

25. ***Changes in technology may impact the business by making the plants less competitive.***

Application of advanced technology in making automotive gears and components may require the Company to make additional capital expenditure for upgrading the manufacturing facilities. In case the Company is unable to keep up with the growth rate of technology improvement or process change, the Company may be unable to service the demand which may adversely affect the revenue.

26. ***Some of our manufacturing facility and offices are located on leasehold premises. If these leasehold agreements are terminated or not renewed on terms acceptable to us, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.***



Our Registered Office, Faridabad, Haryana manufacturing facility and branch offices are located on premises that we have taken on leasehold basis from third parties. We may not be able to renew or extend these agreements at commercially acceptable terms, or at all. Further, we may be required to re-negotiate rent or other terms and conditions of such agreements. We may also be required to vacate the premises at short notice as prescribed in the lease agreements, and we may not be able to identify and obtain possession of an alternate location, in a short period of time. Occurrence of any of the above events may have a material adverse effect on our business, results of operations, financial condition, and cash flows. Further, any adverse impact on the ownership rights of our landlords may impede our effective future operations. Further, our lease agreements shall expire in due course and in case of non-renewal of our lease or if such agreements are renewed on unfavorable terms and conditions, we may be forced to procure alternative space. We may also face the risk of being evicted in the event that our landlords allege a breach on our part of any terms under these lease and lease agreements and there is no assurance that we will be able to identify suitable locations to re-locate our operations.

27. ***The objects for which we propose to utilize Issue proceeds are neither appraised by any Bank or Financial Institution nor any independent agency is appointed to monitor the deployment of proceeds. Our management will have the flexibility in applying the issue proceeds.***

The fund requirements and proposed deployment are based on internal estimates of our management and have not been appraised by any Bank or Financial Institution. Shareholders/ investors shall rely on management's ability and experience to draw correct estimates. Non-appraisal of estimates by external agencies such as Banks or Financial Institutions makes such estimates susceptible to change any time in future.

Further, as per SEBI ICDR Regulations, appointment of monitoring agency is required only for Issue size above ₹ 10,000 Lakhs. Since, our issue size is below this amount, we have not appointed a monitoring agency to monitor the utilisation of Issue proceeds.

We intend to use the Issue proceeds in the manner as described in the section titled "*Objects of the Issue*" on page 46 of this Draft Letter of Offer. We cannot assure you that the issue proceeds will be utilized in conformity with the cost or schedule of implementation as described under the said chapter. Our funding requirements for the objects and deployment schedule are based on current conditions and are subject to change in light of external factors which may not be in our control. This may also include rescheduling the proposed utilization of issue proceeds at the discretion of our management. Our Company may make necessary changes to such utilization in conformity with the provisions of the Companies Act and SEBI ICDR Regulations in relation to the change in the objects of the issue. Accordingly, shareholders /investors in the offer will need to rely on our management's judgment with respect to the use of proceeds. If we are unable to enter into arrangements for utilization of issue proceeds as expected in a timely manner, we may not be able to derive expected benefits from the proceeds of the issue and our business and financial results may suffer.

28. ***Our ability to pay dividends will depend upon earnings, financial condition, cash flows, working capital requirements, lender's approvals and other factors.***

Our Company has not declared any dividend for the financial years ended March 31, 2020 and March 31, 2021. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures, lenders' approvals and other factors. There can be no assurance that we shall have distributable profits or that we will declare dividends in the future. Additionally, the terms and conditions of any financing we obtain in the future, may include restrictive covenants which may also affect some of the rights of our shareholders, including the payment of the dividend.

EXTERNAL RISK FACTORS



29. *Deterioration in global economic conditions could have a material adverse impact on our sales and results of operations.*

The automotive industry and the demand for automobiles are influenced by general economic conditions including among other things, rates of economic growth, availability of credit, disposable income of consumers, interest rates, environmental and tax policies, safety regulations, freight rates and fuel and commodity prices. As Auto Components industry caters directly to Automotive industry, negative trends in any of these factors impacting the regions where we operate would materially and adversely affect our business, financial condition and results of operations.

The Indian automotive industry is affected materially by the general economic conditions in India and around the world. Muted industrial growth as a result of continuing high levels of inflation and interest rates continues to pose risks to overall growth in this market. The automotive industry in general is cyclical and economic slowdowns in the recent past have affected the manufacturing sector, including the automotive and related industries in India. A continuation of negative economic trends or further deterioration in key economic metrics such as the growth rate, interest rates and inflation as well as reduced availability of financing for vehicles at competitive rates could materially and adversely affect our sales in India and results of operations.

In addition, the Indian automotive market and the Indian economy are influenced by economic and market conditions in other countries. Although economic conditions are different in each country, investors' reactions to economic developments in one country can have adverse effects on the securities of companies and the economy as a whole. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India.

Uncertainties in the global financial markets may have an adverse impact on the exchange rate between Rupee vis-à-vis other currencies. The exchange rate between Rupee and other currencies is variable and may continue to remain volatile in future depending upon the foreign exchange reserve position of India. Fluctuations in the exchange rates may have a serious impact on the revenues from the export business.

In the event the growth rate / recovery of global economy is slower than expected, or if there is any significant financial disruption, this could have a material adverse effect on our cost of funding, portfolio of financing loans, business, prospects, financial condition, results of operations and the trading price of our Securities.

30. *Financial instability in Indian and Global financial markets could adversely affect our Company's results of operations and financial condition.*

The Indian economy and financial markets are significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States of America, Europe or China, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss in investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets. Stock exchanges in India have in the past experienced substantial fluctuations in the prices of listed securities. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby resulting in a material and adverse effect on our Company's business, operations, financial condition, profitability and price of its Shares.

31. *Political instability or significant changes in the economic liberalisation and deregulation policies of the Government or in the government of the states where we operate could disrupt its business.*

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Our businesses, and the market price and liquidity of its securities may be affected by changes in exchange rates and controls, interest rates, government policies, taxation, social and



ethnic instability and other political and economic developments in or affecting India. In recent years, India has been following a course of economic liberalisation and our business could be significantly influenced by economic policies followed by the Government.

However, there can be no assurance that such policies will continue in the future. The rate of economic liberalisation could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in India could change as well.

32. *Natural disasters and other disruptions could adversely affect the Indian economy and could cause our business and operations to suffer and the trading price of our Equity Shares to decrease.*

Our operations may be damaged or disrupted as a result of natural disasters such as earthquakes, floods, heavy rainfall, epidemics, tsunamis and cyclones and other events such as protests, riots and labour unrest. Such events may lead to the disruption of information systems and telecommunication services for sustained periods. They also may make it difficult or impossible for employees to reach our business locations which may affect our manufacturing processes. Damage or destruction that interrupts our production could adversely affect our reputation, our relationships with our customers, our senior management team's ability to administer and supervise our business or it may cause us to incur substantial additional expenditure to repair or replace damaged equipment or rebuild parts of our infrastructure. We may also be liable to our customers for disruption in supply resulting from such damage or destruction. Our insurance coverage for such liability may not be sufficient. Any of the above factors may adversely affect our business, our financial results and the price of our Equity Shares.

33. *A prolonged slowdown in economic growth in India or financial instability in other countries, particularly in light of the COVID-19 pandemic, could cause our business to suffer.*

The current contraction of the Indian economy could adversely affect our business, our lenders and contractual counterparties, especially if such a contraction were to be prolonged. Prior to the outbreak of the COVID-19 pandemic, the Indian economy was widely acknowledged as being in a state of slowdown, due to the high rate of inflation, the increase in the fiscal deficit and the Government's borrowing program. The COVID-19 pandemic, along with mandatory lockdowns and other restrictions put in place by state and central Governments in response, have since had a severe disruptive impact on the Indian economy. In the aftermath of the pandemic, it is widely believed that the Indian GDP is likely to see a negative growth rate. This is compounded by a sharp spike in unemployment rates and a widespread drop in household incomes. The pandemic has also brought severe stress into supply chains. Accordingly, the long-term impact of the pandemic is currently unclear. While the Government and the Reserve Bank of India have announced several measures to stimulate the Indian economy, there is no assurance that the Indian economy shall return to its earlier growth trajectory once the pandemic subsides, or at all.

RISKS RELATING TO THE ISSUE

34. *Any future issuance of equity shares by our Company or sale of our equity shares by any of our Company's significant shareholders may adversely affect the trading price of our equity shares.*

Any future issuance of Equity Shares by us could dilute your shareholding. Any such future issuance of our Equity Shares or sale of our Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares and could impact our ability to raise capital through an offering of our securities. We cannot assure you that we will not issue further equity shares or that the shareholders will not dispose of, pledge, or otherwise encumber their equity shares. In addition, any perception by investors that such issuances or sale might occur could also affect the trading price of our equity shares.

35. *Failure to exercise or sell the Rights Entitlements will cause the Rights Entitlements to lapse without compensation and result in a dilution of shareholding.*

The Rights Entitlements that are not exercised prior to the end of the Issue Closing Date will expire and become null and void, and Eligible Equity Shareholders will not receive any consideration for them. The



proportionate ownership and voting interest in our Company of Eligible Equity Shareholders who fail (or are not able) to exercise their Rights Entitlements will be diluted. Even if you elect to sell your unexercised Rights Entitlements, the consideration you receive for them may not be sufficient to fully compensate you for the dilution of your percentage ownership of the equity share capital of our Company that may be caused as a result of the Issue. Renouncee(s) may not be able to apply in case of failure in completion of renunciation through off-market transfer in such a manner that the Rights Entitlements are credited to the demat account of the Renouncee(s) prior to the Issue Closing Date. Further, in case, the Rights Entitlements do not get credited in time, in case of On Market Renunciation, such Renouncee will not be able to apply in this Issue with respect to such Rights Entitlements.

36. *The Rights Entitlement of Eligible Equity Shareholders holding Equity Shares in physical form (“Physical Shareholders”) may lapse in case they fail to furnish the details of their demat account to the Registrar.*

In accordance with Regulation 77A of the SEBI ICDR Regulations read with SEBI Rights Issue Circulars, the credit of Rights Entitlements and Allotment of Rights Equity Shares shall be made in dematerialised form only and the physical shareholders will not have the option of getting the allotment of Rights Equity Shares in physical form. Accordingly, the Rights Entitlements of the physical shareholders shall be credited in a suspense escrow demat account opened by our Company during the Issue Period. The physical shareholders are requested to furnish the details of their demat account to the Registrar not later than two Working Days prior to the Issue Closing Date to enable the credit of their Rights Entitlements in their demat accounts at least one day before the Issue Closing Date. The Rights Entitlements of the physical shareholders who do not furnish the details of their demat account to the Registrar not later than two Working Days prior to the Issue Closing Date, shall lapse.

Further, pursuant to a press release dated December 3, 2018 issued by the SEBI, with effect from April 1, 2019, a transfer of listed Equity Shares cannot be processed unless the Equity Shares are held in dematerialized form (except in case of transmission or transposition of Equity Shares).

37. *Our Company will not distribute the Issue Materials to certain overseas Shareholders who have not provided an address in India for service of documents.*

We will dispatch this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer, Application Form and Rights Entitlement Letter (the “Issue Materials”) to the shareholders who have provided an address in India for service of documents. The Issue Materials will not be distributed to addresses outside India on account of restrictions that apply to circulation of such materials in overseas jurisdictions. However, the Companies Act requires companies to serve documents at any address, which may be provided by the members as well as through e-mail. While we have requested all the shareholders to provide an address in India for the purposes of distribution of Issue Materials, we cannot assure you that the regulator or authorities would not adopt a different view with respect to compliance with the Companies Act and may subject us to fines or penalties.

38. *Applicants to the Issue are not allowed to withdraw their Applications after the Issue Closing Date.*

In terms of the SEBI ICDR Regulations, Applicants in this Issue are not allowed to withdraw their Applications after the Issue Closing Date. The Allotment in this Issue and the credit of such Equity Shares to the Applicant’s demat account with its depository participant shall be completed within such period as prescribed under the applicable laws. There is no assurance, however, that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in our business, results of operation or financial condition or other events affecting the Applicant’s decision to invest in the Rights Equity Shares, would not arise between the Issue Closing Date and the date of Allotment in this Issue. Occurrence of any such events after the Issue Closing Date could also impact the market price of our Equity Shares. The Applicants shall not have the right to withdraw their applications in the event of any such occurrence. We cannot assure you that the market price of the Equity Shares will not decline below the Issue Price. To the extent the market price of the Equity Shares declines below the Issue Price after the Issue Closing Date, the shareholder will be required



to purchase Rights Equity Shares at a price that will be higher than the actual market price for the Equity Shares at that time. Should that occur, the shareholder will suffer an immediate unrealized loss as a result. We may complete the Allotment even if such events may limit the Applicants' ability to sell our Equity Shares after this Issue or cause the trading price of our Equity Shares to decline.

39. *The R-WAP payment mechanism facility proposed to be used for this Issue may be exposed to risks, including risks associated with payment gateways.*

In accordance with the R-WAP Circulars, a separate web based application platform, i.e., the R-WAP facility (accessible at <https://linkintime.co.in>), has been instituted for making an Application in this Issue by resident Investors. Further, R-WAP is only an additional option and not a replacement of the ASBA process. On R-WAP, the resident Investors can access and fill the Application Form in electronic mode and make online payment using the internet banking or UPI facility from their own bank account thereat. For details, see “*Terms of the Issue – Making of an Application through the Registrar’s Web-based Application Platform (“R-WAP”) process*” on page 169. Such payment gateways and mechanisms are faced with risks such as:

- keeping information technology systems aligned and up to date with the rapidly evolving technology;
- payment services industries;
- scaling up technology infrastructure to meet requirements of growing volumes;
- applying risk management policy effectively to such payment mechanisms;
- keeping users’ data safe and free from security breaches; and
- effectively managing payment solutions logistics and technology infrastructure.

Investors should also note that only certain banks provide a net banking facility by way of which payments can be made on the R-WAP platform. In the event that your bank does not provide such facility, you will have to use an UPI ID to make a payment. Further, R-WAP is a new facility which has been instituted due to challenges arising out of COVID-19 pandemic. We cannot assure you that R-WAP facility will not suffer from any unanticipated system failure or breakdown or delay, including failure on the part of the payment gateway, and therefore, your Application Form may not be completed or rejected. These risks are indicative and any failure to manage them effectively can impair the efficacy and functioning of the payment mechanism for this Issue. Since Application process through R-WAP is different from the ASBA process, there can be no assurance that investors will not find difficulties in accessing and using the RWAP facility.

40. *Investors may be subject to Indian taxes arising out of capital gains on the sale of our Equity Shares and Rights Entitlements.*

Under current Indian tax laws, unless specifically exempted, capital gains arising from the sale of equity shares of an Indian company are generally taxable in India. As per Finance Act, 2018, long term capital gains exceeding ₹ 1 Lakh arising from sale of equity shares on or after April 1, 2018 is taxable. Accordingly, you may be subject to payment of long-term capital gains tax in India, in addition to payment of STT, on the sale of any Equity Shares held for more than 12 months. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold.

Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. Capital gains arising from the sale of the Equity Shares may be partially or completely exempt from taxation in India in cases where such exemption is provided under a treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties do not limit India’s ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on gains made upon the sale of the Equity Shares.



SECTION IV - INTRODUCTION

THE ISSUE

The Issue has been authorised by way of a resolution passed by our Board of Directors on August 12, 2021 pursuant to Section 62 of the Companies Act, 2013.

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in “*Terms of the Issue*” on page 165 of this Draft Letter of Offer.

Equity Shares outstanding prior to the Issue	93,06,695 Equity Shares
Rights Equity Shares offered in the Issue	[●]
Equity Shares outstanding after the Issue (assuming full subscription for and allotment of the Rights Entitlement)	[●] Equity Shares
Rights Entitlement	[●] Equity Share for every [●] fully paid-up Equity Share held on the Record Date i.e., [●]
Record Date	[●]
Face Value per Equity Share	₹ 10/- each
Issue Price per Equity Share	₹ [●]/- each
Issue Size	Up to ₹ 1,000 Lakhs
Terms of the Issue	For more information, please see “ <i>Terms of the Issue</i> ” on page 165 of this Draft Letter of Offer
Use of proceeds of the Issue	For further information, please see “ <i>Objects of the Issue</i> ” on page 46 of this Draft Letter of Offer
Scrip Code	ISIN: INE561C01019 BSE: 505688 NSE: BHARATGEAR

Terms of Payment

The full amount of ₹ [●] per Equity Share is payable on application.



GENERAL INFORMATION

Our Company was incorporated on December 23, 1971 as a public limited company under the provisions of the Companies Act, 1956. Our Company obtained the certificate for commencement of business on January 05, 1972 from the Registrar of Companies, Delhi & Haryana.

Registered Office of our Company

20 K.M. Mathura Road, P.O. Amar Nagar,
Faridabad -121 003, Haryana, India
Tel: +91 129 428 8888

Registration No.: 034365

CIN: L29130HR1971PLC034365

Corporate Office of our Company

14th Floor, Hoechst House,
Nariman Point,
Mumbai - 400 021, Maharashtra
Tel: +91 22 2283 2370

Changes in our Registered Office

Date	Particulars of registered office	Reason of change in registered office
Incorporation	Initially, registered office of the Company was situated at Allahabad Bank Building, 17, Parliament Street, New Delhi-110 001	N.A.
October 01, 1987	Registered Office of the Company shifted from Allahabad Bank Building, 17, Parliament Street, New Delhi-110001 to Chiranjiv Tower, 43 Nehru Place, New Delhi – 110 019	Administrative convenience
December 13, 1990	Registered Office of the Company shifted from Chiranjiv Tower, 43 Nehru Place, New Delhi – 110019 to Allahabad Bank Building, 17, Parliament Street, New Delhi-110 001	Administrative convenience
November 02, 1992	Registered Office of the Company shifted from Allahabad Bank Building, 17, Parliament Street, New Delhi-110001 to Chiranjiv Tower, 43 Nehru Place, New Delhi – 110 019	Administrative convenience
October 08, 1999	Registered Office of the Company shifted from Chiranjiv Tower, 43, Nehru Place, New Delhi to 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad – 1210 03, Haryana	Administrative convenience

Address of the Registrar of Companies

Our Company is registered with Registrar of Companies, Delhi & Haryana which is situated at the following address:

Registrar of Companies, Delhi & Haryana

4th Floor, IFCI Tower,
61 Nehru Place,
New Delhi – 110019



Tel: +91 11 2623 5703

Fax: +91 11 2623 5702

Head (Legal) – Company Secretary and Compliance Officer	Lead Manager to the Issue
Mr. Prashant Khattry 20 K.M. Mathura Road, P.O.Amar Nagar, Faridabad – 1210 03, Haryana Tel: +91 129 428 8888 E-mail: prashant.khattry@bglindia.com	Keynote Financial Services Limited <i>(formerly known as Keynote Corporate Services Limited)</i> The Ruby, 9 th Floor, Senapati Bapat Marg, Dadar (West), Mumbai- 400 028 Tel: +91 22 3026 6000 E-mail: mbd@keynoteindia.net Website: www.keynoteindia.net Contact Person: Mr. Sunu Thomas SEBI Registration No.: INM 000003606
Legal Advisors to the Issue	Registrar and Share Transfer Agent
Alliance Law 801, 8 th Floor, Raheja Center, Free Press Journal Marg, Nariman Point, Mumbai – 400 021 Tel: +91 22 2204 0822 E-mail: info@alliancelaw.in Contact Person: Mr. Ankur Loona	Link Intime India Private Limited C101, 247 Park, LBS Marg, Vikhroli (West), Mumbai - 400 083 Tel: +91 22 4918 6200 Fax: +91 22 4918 6195 E-mail: bharatgears.rights@linkintime.co.in Website: www.linkintime.co.in Contact Person: Ms. Shanti Gopalkrishnan SEBI Registration No.: INR000004058
Banker to the Issue	Statutory Auditors of our Company
Name Address Tel: [●] E-mail: [●] Website: [●] Contact Person: [●] SEBI Registration No.: [●]	S R B C & Co LLP The Ruby, 12 th Floor, 29, Senapati Bapat Marg, Dadar (W), Mumbai – 400028, India Tel: +91 22 6819 8000 E-mail: srbc.co@srb.in

Self Certified Syndicate Bankers (SCSB)

The list of banks that has been notified by SEBI to act as SCSBs for the ASBA process is provided on SEBI's website at <http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>. Details relating to designated branches of SCSBs collecting the ASBA application forms are available at the above-mentioned link.

Investors may contact the Registrar to the Issue or our Company Secretary and Compliance Officer for any pre-Issue/post-Issue related matters such as non-receipt of letter of Allotment, credit of Rights Equity Shares or Refund Orders and such other matters. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Rights Equity Shares applied for, amount blocked, ASBA Account number and the Designated Branch of the SCSB where the Application was submitted by the ASBA Investors.

Registered Brokers

In accordance with SEBI Circular No. CIR/CFD/14/2012 dated October 04, 2012 and



CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015, Applicants can submit Application Forms with the Registered Brokers at the Broker Centers, CDPs at Designated CDP Locations or the RTAs at the Designated RTA Locations, respective lists of which, including details such as address and telephone numbers, are available at the websites of the NSE at www.nseindia.com and BSE at www.bseindia.com respectively, as updated from time to time.

Registrar and Share Transfer Agents

The list of the RTAs eligible to accept ASBA Forms at the Designated RTA Locations, including details such as address, telephone number and e-mail address, are provided on the websites of Stock Exchanges at https://www1.nseindia.com/products/content/equities/ipo/asba_procedures.htm and <https://www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx?expandable=6> , as updated from time to time.

Collecting Depository Participants

The list of the CDPs eligible to accept ASBA Forms at the Designated CDP Locations, including details such as name and contact details, are provided on the websites of Stock Exchanges.

Monitoring Agency

Since the Issue size does not exceed ₹ 10,000 Lakhs, the appointment of a monitoring agency as per Regulation 82 of the SEBI Regulations is not required.

Credit Rating

As this is an issue of Rights Equity Shares, there is no credit rating required for the Issue.

Appraising Entity

The objects of this issue have not been appraised by any bank or any other independent financial institution or any other independent agency.

Expert

Our Company has received a written consent from M/s. Madan & Associates, Chartered Accountants to include their name as required under Section 26(1) of the Companies Act, 2013 read with the SEBI ICDR Regulations, and as an “expert”, as defined under Section 2(38) of the Companies Act 2013, to the extent and in respect of their report dated August 26, 2021 on the ‘Statement of Possible Special Tax Benefits’ included in this Draft Letter of Offer and such consent has not been withdrawn as on the date of this Draft Letter of Offer. However, they should not be construed as “expert” as defined under U.S. Securities Act, 1933.

Statement of responsibility of the Lead Manager

Keynote Financial Services Limited is the sole Lead Manager to the Issue. The details of responsibilities of the Lead Manager is as follows:

Sr. No.	Activity
1.	Capital structuring with relative components and formalities such as type of instruments, etc.
2.	Drafting and design of the offer document and of advertisement / publicity material including newspaper advertisements and brochure / memorandum containing salient features of the Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer, Application Forms, etc. To ensure compliance with the SEBI ICDR Regulations and other stipulated requirements and completion of prescribed formalities with Stock Exchanges and SEBI.
3.	Selection of various agencies connected with the issue, namely Registrar to the Issue, Bankers to the Issue, printers, advertisement agencies etc.
4.	Coordination for queries related to retail investors and setting up of R-WAP facility.



Sr. No.	Activity
5.	Follow-up with Bankers to the Issue to get estimates of collection and advising our Company about closure of the Issue, based on the correct figures.
6.	Co-ordination with stock exchanges and formalities for use of online software, bidding terminal, mock trading, etc. Coordination with stock exchanges, depositories etc. for creation and credit of electronic Rights Entitlements
7.	Post-Issue activities will involve essential follow-up steps, which must include finalisation of basis of allotment / weeding out of multiple applications, listing of instruments and dispatch of allotment advice and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and bank handling refund activities. Even if many of these Post-Issue activities would be handled by other intermediaries, the Lead Manager shall be responsible for ensuring that such agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with our Company.

Underwriting

This Issue is not underwritten.

Filing

This Draft Letter of Offer has been filed with the BSE and NSE. On receipt of the in-principle approval from the BSE and the NSE, the final Letter of Offer will be filed with Stock Exchanges and will be submitted to SEBI for information and dissemination purpose as per the provisions of the SEBI ICDR Regulations.

Issue Schedule:

Issue Opening Date:	[•]
Last date for receipt of request for SAFs:	[•]
Issue Closing Date:	[•]

The Board of Directors or a duly authorized committee thereof will have the right to extend the Issue period as it may determine from time to time, provided the Issue will not be kept open in excess of 30 days from the Issue Opening Date.



CAPITAL STRUCTURE

The equity share capital of our Company as on date of this Draft Letter of Offer is set forth below:

(₹ in lakhs except per share data)

Sr. No.	Particulars	Aggregate Nominal Value	Aggregate Value at Issue Price
A.	Authorised share capital:		
	2,00,00,000 Equity Shares of face value of ₹ 10/- each	2,000.00	
	15,00,000 Cumulative redeemable convertible or non-convertible preference shares of ₹ 100/- each	1,500.00	
	Total	3,500.00	
B.	Issued, subscribed and paid up capital		
	93,06,095 Equity Shares of face value of ₹ 10/- each	930.61	
C.	Present Issue in terms of this Draft Letter of Offer⁽¹⁾		
	[●] Equity Shares of face value of ₹ 10/- each	[●]	[●]
D.	Issued, subscribed and paid up capital after the Issue (assuming full subscription for and allotment of the Rights Entitlement)		
	[●] Equity Shares of ₹ 10/- each fully paid-up	[●]	[●]
E.	Securities premium		
	Before the Issue		2,447.88
	After the Issue ⁽²⁾		[●]

Notes:

- (1) The Issue has been authorised by the Board of Directors of our Company under Section 62 and other provisions of the Companies Act, 2013 at their meeting held on August 12, 2021.
- (2) Assuming full subscription for and allotment of the Rights Entitlement.

Notes to the Capital Structure

1. Details of the outstanding instruments:

As on the date of this Draft Letter of Offer, our Company does not have any outstanding warrants, outstanding instruments with option to convert or securities which are convertible at a later date into Equity Shares.

2. Our Company has formulated an employee stock option scheme titled 'Bharat Gears Limited – Employee Stock Option Scheme 2021' (the "ESOS 2021"). The Scheme has been authorized pursuant to a resolution of the Board passed at the meeting held on August 12, 2021, as amended pursuant to the resolution of the Board passed through circulation on August 25, 2021 and the same shall be presented before the shareholders of the Company for approval in the 49th AGM of the Company. The ESOS 2021 shall be operated and administered by the Nomination and Remuneration Committee to grant options to eligible employees. Once approved by the shareholders, the ESOS 2021 shall have 9,30,610 (Nine Lakhs Thirty Thousand Six Hundred Ten) options.

The purpose of ESOS 2021 includes, among others, to motivate the employees to contribute to the growth and profitability of the Company and to retain the key employees and reduce the attrition rate of the Company. Our Company shall grant options to the eligible employees which shall be vested into them upon its exercise.

3. The shareholding pattern of our Company as on June 30, 2021 is as follows:

(a) **Summary statement holding of specified securities**



Category of Shareholder	No. of shareholders	No. of fully paid up equity shares held	Total no. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	No. of voting rights	Total as a % of Total Voting Right	No. of locked in shares		No. of equity shares held in dematerialized form
							No. (a)	As a % of total shares held (b)	
(A) Promoter & Promoter Group	5	51,48,185	51,48,185	55.32	51,48,185	55.32	-	-	51,47,580
(B) Public	13,685	41,57,910	41,57,910	44.68	41,57,910	44.68	-	-	40,65,941
(C1) Shares underlying DRs	-	-	-	-	-	-	-	-	-
(C2) Shares held by Employee Trust	-	-	-	-	-	-	-	-	-
(C) Non Promoter-Non Public	-	-	-	-	-	-	-	-	-
Grand Total	13,690	93,06,095	93,06,095	100.00	93,06,095	100.00	-	-	92,13,521

(b) Statement showing shareholding pattern of the Promoter and Promoter Group

Category of Shareholder	No. of shareholders	No. of fully paid up equity shares held	Total no. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	No. of locked in shares		No. of equity shares held in dematerialized form
					No. (a)	As a % of total shares held (b)	
A1) Indian							
Individuals/Hindu undivided Family	2	33,68,175	33,68,175	36.19	-	-	33,67,570
Surinder Paul Kanwar	1	33,67,570	33,67,570	36.19	-	-	33,67,570
Raunaq Singh	1	605	605	0.01	-	-	-
Any Other (specify)	3	17,80,010	17,80,010	19.13	-	-	17,80,010



Category of Shareholder	No. of shareholders	No. of fully paid up equity shares held	Total no. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	No. of locked in shares		No. of equity shares held in dematerialized form
					No. (a)	As a % of total shares held (b)	
Ultra Consultants Private Limited	1	14,11,109	14,11,109	15.16	-	-	14,11,109
Raunaq EPC International Limited	1	2,36,097	2,36,097	2.54	-	-	2,36,097
Vibrant Reality Infra Private Limited (formerly known as Vibrant Finance and Investment Private Limited)	1	1,32,804	1,32,804	1.43	-	-	1,32,804
Sub Total A1	5	51,48,185	51,48,185	55.32	-	-	51,47,580
A2) Foreign	-	-	-	-	-	-	-
A=A1+A2	5	51,48,185	51,48,185	55.32	-	-	51,47,580

(c) Statement showing shareholding pattern of the public shareholder

Category & Name of the Shareholders	No. of shareholders	No. of fully paid up equity shares held	Total no. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	No. of voting rights	Total as a % of Total Voting Right	No. of locked in shares		No. of equity shares held in dematerialized form (Not applicable)
							No. (a)	As a % of total shares held (b)	
B1) Institutions									
Mutual Funds	1	200	200	-	200	-	-	-	-



Category & Name of the Shareholders	No. of shareholders	No. of fully paid up equity shares held	Total no. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	No. of voting rights	Total as a % of Total Voting Right	No. of locked in shares		No. of equity shares held in dematerialized form (Not applicable)
							No. (a)	As a % of total shares held (b)	
Financial Institutions/ Banks	5	1,418	1,418	0.02	1,418	0.02	-	-	6
Any Other (specify)	1	1,500	1,500	0.02	1,500	0.02	-	-	-
UTI	1	1,500	1,500	0.02	1,500	0.02	-	-	-
Sub Total B1	7	3,118	3,118	0.03	3,118	0.03	-	-	6
B2) Central Government / State Government (s)/ President of India	-	-	-	-	-	-	-	-	-
B3) Non-Institutions	-	-	-	-	-	-	-	-	-
Individual share capital upto ` 2 Lacs	13,041	29,27,964	29,27,964	31.46	29,27,964	31.46	-	-	28,40,975
Individual share capital in excess of ` 2 Lacs	13	5,45,323	5,45,323	5.86	5,45,323	5.86	-	-	5,45,323
Any Other (specify)	624	6,81,505	6,81,505	7.32	6,81,505	7.32	-	-	6,79,637
IEPF	1	1,02,622	1,02,622	1.10	43,669	1.10	-	-	1,02,622
HUF	285	2,02,104	2,02,104	2.17	2,02,104	2.17	-	-	2,02,003
Non-Resident Indian	176	1,29,058	1,29,058	1.39	1,29,058	1.39	-	-	1,29,058
LLP	3	3	3	-	3	-	-	-	3
Clearing Members	78	1,05,811	1,05,811	1.14	1,05,811	1.14	-	-	1,05,811
Bodies Corporate	81	1,41,907	1,41,907	1.52	1,41,907	1.52	-	-	1,40,140
Sub Total B3	13,678	41,54,792	41,54,792	44.65	41,54,792	44.65	-	-	40,65,935



Category & Name of the Shareholders	No. of share holders	No. of fully paid up equity shares held	Total no. shares held	Share holding as a % of total no. of shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	No. of voting rights	Total as a % of Total Voting Right	No. of locked in shares		No. of equity shares held in dematerialized form (Not applicable)
							No. (a)	As a % of total shares held (b)	
B=B1+B2+B3	13,685	41,57,910	41,57,910	44.68	41,57,910	44.68	-	-	40,65,941

- None of the Equity Shares held by our Promoter and Promoter Group have been locked-in or pledged or has any encumbrance on such Equity Shares.
- Details of the shareholders holding more than one percent (1%) of the share capital of our Company as on June 30, 2021, is as follows:

Sr. No.	Name of Shareholder	No. of equity shares held	% of total no. of shares
1.	Mr. Surinder Paul Kanwar	33,67,570	36.19
2.	Ultra Consultants Private Limited	14,11,109	15.16
3.	Raunaq EPC International Limited	2,36,097	2.54
4.	Vibrant Reality Infra Private Limited (formerly known as Vibrant Finance and Investment Private Limited)	1,32,804	1.43

Note: As of June 30, 2021, 102622 equity shares i.e., 1.1% of the total equity shares, were forming part of Investor Education and Protection Fund (IEPF)

- None of our Promoter and Promoter Group have acquired any Equity Shares in the last one year immediately preceding the date of filing of this Draft Letter of Offer with SEBI.
- Intention and extent of participation by our Promoter and Promoter Group in the Issue:

Our Promoter and entities forming part of our Promoter Group have, *vide* their letters dated August 31, 2021 (the "**Subscription Letters**") indicated their intention to: subscribe, jointly and/ or severally to the full extent of their Rights Entitlement and subscribe to the full extent of any Rights Entitlement renounced in their favour by any other Promoter or member of the Promoter Group of our Company. Further, they reserve the right to apply for, and subscribe to, additional Rights equity shares, including subscribing to the unsubscribed portion (if any), subject to compliance with the minimum public shareholding requirement as prescribed under the SCRR and the SEBI Listing Regulations.

Our Company is in compliance with Regulation 38 of the SEBI Listing Regulations and will continue to comply with the minimum public shareholding requirements pursuant to the Issue.

- The ex-rights price of the Equity Shares as per Regulation 10(4)(b) of the Takeover Regulations is ₹ [●].



-
9. All the Equity Shares of our Company are fully paid-up and there are no partly paid-up Equity Shares on the date of this Draft Letter of Offer. Further, the Rights Equity Shares when issued shall be fully paid-up.
 10. No person connected with the Issue shall offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any Investor for making an application in the rights issue, except for fees or commission for services rendered in relation to the Issue.



SECTION V - PARTICULARS OF THE ISSUE

OBJECTS OF THE ISSUE

Our Company proposes to utilize the proceeds of this Issue towards the following objects:

1. Meet part of the working capital requirements
2. Meet expenses for the Issue

Our Memorandum of Association enables us to pursue our existing activities, and the activities for which the funds are being raised by our Company in the Issue.

Requirement of funds & Means of finance

The proposed utilization of Issue Proceeds is set forth below:

(in ₹ Lakhs)

Sr. No.	Particulars	Amount
1.	Part Funding of Working Capital Requirements	[•]
2.	Expenses to the Issue	[•]
	Total	[•]

(in ₹ Lakhs)

Means of Finance	Amount
Proceeds of the Issue	Upto 1,000

The funding requirements mentioned above are based on our Company's internal management estimates and have not been appraised by any bank, financial institution or any other external agency. They are based on present circumstances of our business and our Company may have to revise these estimates from time to time on account of various factors beyond our control, such as market conditions, competitive environment, or interest rate fluctuations etc. The fund requirements set out in the Objects of the Issue are proposed to be met entirely from the Proceeds of the Rights Issue. Accordingly, our Company confirms that there is no requirement to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised from the Issue as required under SEBI ICDR Regulations. If additional funds are required for the purposes mentioned above, such requirement may be met through internal accruals, additional capital infusion, debt arrangements or any combination of them.

Our Company requires additional working capital for funding its working capital requirements in Fiscal 2022.

Details of the Objects of the Issue**Part funding of the working capital requirements**

We fund our working capital requirements in the ordinary course of business from banks and internal accruals. As at March 31, 2021, the aggregate amounts outstanding under the fund based and non-fund based working capital facilities of our Company are ₹ 2,237.14 Lakhs and ₹ 4,883.82 Lakhs, respectively.

The details of our Company's working capital as at March 31, 2021 and expected working capital requirements for Fiscal 2022, as approved by our Board and source of funding of the same, on a standalone basis, are provided in the table below:

(in ₹ Lakhs)

Particulars	Actuals (FY 2020-21)	Estimated (FY 2021-22)
(A) Current Assets		



(a) Inventories	9,038.74	11,585.00
(b) Financial assets		
(i) Trade Receivables	10,627.43	13,265.00
(ii) Cash and cash equivalents	9.82	150.00
(iii) Bank balances other than (ii) above (net of margin money of ₹554.37 Lakhs)	3.09	-
(iv) Loans	56.00	75.00
(v) Others	544.46	600.00
(c) Current tax assets (net)	91.90	175.00
(d) Other current assets	2156.24	1,825.00
Total Current Assets (A)	22,527.68	27,675.00
(B) Current Liabilities		
(a) Financial liabilities		
(i) Trade Payables		
(A) Total outstanding dues of micro enterprises and small enterprises	496.85	400.00
(B) Total outstanding dues of creditors other than micro enterprises and small enterprises	15,154.18	11,710.00
(ii) Other financial liabilities	2,417.97	3,147.94
(iii) Lease liabilities	173.10	175.00
(b) Provisions	98.70	120.00
(c) Current tax liabilities (net)	41.39	128.52
(d) Other current liabilities	500.95	517.23
Total Current Liabilities (B)	18,883.14	16,198.69
Working Capital Gap (WCL) (A) – (B)	3,644.54	11,476.31
Financed/ To be financed by:		
Working capital funding from banks		5,000.00
Internal Accruals	3,644.54	[●]
ECLGS 2.0 loan(s)	--	2,619.00
Rights Issue	--	[●]
Total Means of Finance	3,644.54	11,476.31

Basis of Estimation & Justification

The working capital requirements and deployment are based on historical Company data, experience of our management team and our internal management appraisal and estimation of the future requirements considering the growth in activities of our Company.

Particulars	No. of Days	
	Holding Level as of FY 2020-21 (Actuals)	Holding Level as of FY 2021-22 (Estimated)
Inventory	66	68
Trade Receivables	77	78
Trade Payables	133	87

Justification for holding levels



Particulars	Assumptions
Inventory	Inventory days were 66 days of revenue from operations at the end of Fiscal 2021. We have assumed inventory to be 68 days of revenue from operations at the end of Fiscal 2022.
Trade Receivables	Trade receivables days were 77 days of revenue from operations at the end of Fiscal 2021. We have assumed Trade receivables to be 78 days of revenue from operations at the end of Fiscal 2022.
Trade Payables	Trade payables days were 133 days of cost of goods sold at the end of Fiscal 2021. 'Cost of goods sold' includes cost of materials and components consumed, changes in inventories of finished goods and work in progress, employee benefit expenses, consumption of stores and spare parts, loose tools, packing materials, processing charges and power and fuel. Proceeds from ECLGS 2.0 loan and rights issue shall be utilized for settlement of Trade payables hence the same has been reduced to 87 days.
Short-term Loans and Advances	Short-term Loans and advances were ₹ 600.46 lakhs at the end of Fiscal 2021. We have assumed Short-term Loans and advances to ₹ 675.00 lakhs at the end of Fiscal 2022.

Assuming full subscription and Allotment of the Rights Equity Shares in the Issue, our Company proposes to utilize ₹ [●] Lakhs of the Proceeds in Fiscal 2022 towards our working capital requirements. The balance portion of our working capital requirement will be arranged from internal accruals. Our statutory auditors have provided no assurance on the prospective financial information or projections and have performed no service with respect to it.

Expenses for the issue

The Issue related expenses consist of fees payable to the Lead Manager, Legal Counsel, processing fee to the SCSBs, Registrars to the Issue, advertising expenses and all other incidental and miscellaneous expenses for listing the Rights Equity Shares on the Stock Exchanges. Our Company will need approximately ₹ [●] Lakhs towards these expenses, a break-up of the same is as follows:

(₹ in Lakhs)

Activity	Estimated Expense	% of Total Expenses	As a % of Issue size
Fee payable to the Lead Manager	[●]	[●]	[●]
Brokerage, selling commission and upload fees	[●]	[●]	[●]
Fee payable to the Registrar	[●]	[●]	[●]
Fee to the legal advisors, other professional service providers and statutory fee	[●]	[●]	[●]
Fee payable to regulators, including depositories, Stock Exchanges and SEBI	[●]	[●]	[●]
Advertising, marketing expenses, shareholder outreach, etc.	[●]	[●]	[●]
Printing and distribution of issue stationery	[●]	[●]	[●]
Other expenses (including miscellaneous expenses and stamp duty)	[●]	[●]	[●]
Total estimated issue expenses (excluding taxes)	[●]	100.00	[●]

*Subject to finalisation of Basis of Allotment. In case of any difference between the estimated Issue related expenses and actual expenses incurred, the shortfall or excess shall be adjusted with the amount allocated towards working capital requirement

Schedule of Utilization and Deployment of Funds



Our Company proposes to deploy the entire Issue Proceeds towards the Objects as described during Fiscal 2022., If the Issue Proceeds are not completely utilised for the Objects during the respective period stated above due to factors such as (i) economic and business conditions; (ii) timely completion of the Issue; (iii) market conditions outside the control of our Company; and (iv) any other commercial considerations, the remaining Issue Proceeds shall be utilised (in part or full) in subsequent periods as may be determined by our Company in accordance with applicable laws.

The requirement and deployment of funds indicated above is based on internal management estimates, current circumstances of our business and prevailing market conditions. For details, see “*Risk Factors – The Objects for which we propose to utilize Issue proceeds are neither appraised by any Bank or Financial Institution nor any independent agency is appointed to monitor the deployment of proceeds. Our management will have the flexibility in applying the issue proceeds.*” on page 30 of this Draft Letter of Offer.

Sources of financing of funds already deployed

As of August 25, 2021 no amount has been deployed towards the objects of the Issue.

Strategic and/ or Financial Partners

There are no Strategic and Financial partners.

Appraisal

None of the Objects of the Issue have been appraised by any bank or financial institution.

Government approvals

There are no material pending government or regulatory approvals pertaining to the objects of the Issue.

Bridge Financing Facilities

Our Company has not availed any bridge loans from any banks or financial institutions as on the date of this Draft Letter of Offer, which are proposed to be repaid from the Proceeds of this Rights issue.

Interim Use of Funds

Our Company, in accordance with the policies formulated by our Board from time to time, will have flexibility to deploy the Rights issue proceeds. Pending utilization of the proceeds for the purposes described above, our Company intends and will deposit the Proceeds only with scheduled commercial banks included in the second schedule of the Reserve Bank of India Act, 1934, as may be approved by our Board.

Monitoring of Utilization of Funds

Since the proceeds from the Issue are less than ₹ 10,000 lakhs, in terms of Regulation 16(1) of the SEBI ICDR Regulations, our Company is not required to appoint a monitoring agency for this Issue. Our Board of Directors will monitor the utilization of the Issue Proceeds. The Company will disclose the utilization of the Issue Proceeds under a separate head in our balance sheet along with the relevant details, for all such amounts that have not been utilized. The Company will indicate investments, if any, of unutilized Issue Proceeds in the Balance Sheet of the Company for the relevant Financial Years subsequent to receipt of listing and trading approvals from the Stock Exchanges.

Pursuant to Clause 32 of the SEBI Listing Regulation, the Company shall, on a quarterly basis, disclose to the Audit Committee the uses and applications of the Issue Proceeds. In accordance with Clause 32 of the SEBI Listing Regulation, the Company shall furnish to the Stock Exchanges, on a quarterly basis, a statement on material deviations, if any, in the utilization of the proceeds of the Issue from the objects of the Issue as stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results after



placing the same before the Audit Committee.

Other Confirmations

Our promoters, promoter group, directors and key managerial personnel have no interest in any of the objects as stated above and other related matters thereof.

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA

The Board of Directors
Bharat Gears Limited
14th Floor, Hoechst House,
Nariman Point, Mumbai 400 021
India

Dear Sirs/ Madam,

Statement of Possible Special Tax Benefits available to Bharat Gears Limited and its shareholders under the Indian tax laws

1. We hereby confirm that the enclosed Annexure 'A', prepared by Bharat Gears Limited ('the Company'), provides the possible special tax benefits available to the Company and to the shareholders of the Company under the Income-tax Act, 1961 ('the IT Act') as amended by the Finance Act 2021, i.e. applicable for the Financial Year 2021-22 relevant to the assessment year 2022-23 and The Central Goods and Services Act, 2017, The State Goods and Services Act 2017, The Integrated Goods and Services Tax Act 2017 and The Union Territory Goods and Service Tax Act 2017, as amended (collectively referred to as 'GST Regime') presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the IT Act and GST Regime. Hence, the ability of the Company and / or its shareholders to derive the possible special tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Company faces in the future, the Company or its shareholders may or may not choose to fulfil.

2. The benefits discussed in the enclosed statement are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

3. We do not express any opinion or provide any assurance as to whether:

- i) the Company or its shareholders will continue to obtain these benefits in future;
- ii) the conditions prescribed for availing the benefits have been / would be met with; and
- iii) the revenue authorities/courts will concur with the views expressed herein.

4. The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of their understanding of the business activities and operations of the Company.

For Madan & Associates,
Chartered Accountants
Reg. No. 000185N

Sd/-



M.K. Madan
Proprietor
Membership number – 082214
Place: New Delhi
Date: August 26, 2021

**ANNEXURE 'A' TO THE STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS UNDER THE APPLICABLE TAX LAWS IN INDIA**

Outlined below are the possible special tax benefits available to the Company and its shareholders under the Income-tax Act, 1961 ("the IT Act") as amended by the Finance Act 2021, i.e. applicable for the Financial Year 2021-22 relevant to the assessment year 2022-23 and The Central Goods and Services Act, 2017, The State Goods and Services Act 2017, The Integrated Goods and Services Tax Act 2017 and The Union Territory Goods and Service Tax Act 2017, as amended (collectively referred to as "GST Regime"), presently in force in India.

I. Special tax benefits available to the Company

There are no special tax benefits available to the Company.

II. Special tax benefits available to Shareholders

There are no special tax benefits available to the shareholders for investing in the shares of the Company.

Notes:

1. This statement does not discuss any tax consequences in the country outside India of an investment in the Equity Shares. The subscribers of the Equity Shares in the country other than India are urged to consult their own professional advisers regarding possible income-tax consequences that apply to them.
2. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.
3. The above statement covers only above mentioned tax laws benefits and does not cover benefits under any other law.



SECTION VI - ABOUT THE COMPANY

INDUSTRY OVERVIEW

Indian Automobile Industry

Introduction

The automobile industry is one of the key drivers of the Indian economy. Since the liberalization of the sector in 1991 and allowing 100 percent FDI through automatic route, Indian automobile sector has come a long way. Today, there is a presence of almost every global auto manufacturer in the country. All categories of vehicles like Two-wheeler, Three wheelers, Passenger cars, Light commercial vehicles, trucks, buses, tractors, heavy commercial vehicles etc. are produced in India. India is the largest manufacturer of 2W and 3W and 4th largest manufacturers of passenger cars in the world. The manufacturing of automobiles including trucks, buses, cars, three-wheeler/two wheelers etc. in India has risen at a very high pace. The industry produced about 26 million vehicles including passenger vehicles, commercial vehicles, three wheelers, two wheelers and quadricycles in the financial year 2019-20.

(Source: - Annual report 2019-20, Ministry of Heavy Industries and Public Enterprises)

Growth of Automobile Industry in India

The automobile industry in India is the world's fifth largest. India was the world's fifth largest manufacturer of cars and seventh largest manufacturer of commercial vehicles in 2019. Indian automotive industry (including component manufacturing) is expected to reach Rs. 16.16-18.18 trillion (US\$ 251.4-282.8 billion) by 2026. The industry attracted Foreign Direct Investment (FDI) worth US\$ 25.40 billion between April 2000 and December 2020 accounting for ~5% of the total FDI during the period according to the data released by Department for Promotion of Industry and Internal Trade (DPIIT). The Indian automotive industry is expected to reach US\$ 300 billion by 2026. Overall, automobile export reached 4.77 million vehicles in FY20, growing at a CAGR of 6.94% during FY16-FY20.

Government Initiatives in the Automobile Industry:

The Government of India encourages foreign investment in the automobile sector and has allowed 100% foreign direct investment (FDI) under the automatic route.

Some of the recent initiatives taken by the Government of India are –

- In Union Budget 2021-22, the government introduced the voluntary vehicle scrappage policy, which is likely to boost demand for new vehicles after removing old unfit vehicles currently plying on the Indian roads.
- In February 2021, the Delhi government started the process to set up 100 vehicle battery charging points across the state to push adoption of electric vehicles.
- The Union Cabinet outlaid Rs. 57,042 crore (US\$ 7.81 billion) for automobiles & auto components sector in production-linked incentive (PLI) scheme under the Department of Heavy Industries.
- The Government aims to develop India as a global manufacturing centre and a Research and Development (R&D) hub.
- The Ministry of Heavy Industries, Government of India has shortlisted 11 cities in the country for introduction of EVs in their public transport systems under the FAME (Faster Adoption and Manufacturing of (Hybrid) and Electric Vehicles in India) scheme. The Government will also set up incubation centre for start-ups working in the EVs space.
- In February 2019, the Government of India approved FAME-II scheme with a fund requirement of Rs. 10,000 crore (US\$ 1.39 billion) for FY20-22.

(Source: IBEF Indian Automobile Industry Analysis Report May 2021)



Auto Components Industry in India

Evolution:

In 1953, Tariff Commission in its report had stressed the need for a balanced and integrated development of the Automotive Industry by promoting the emergence of a strong auto-component sector. As a result of this recommendation the leading entrepreneurs were invited by Government to establish an auto- component manufacturing industry.

In the pre-1985 era, the auto component sector was a protected market with high import tariffs. The market was oriented primarily towards supply of components to domestic manufacturers.

In the 1980s, encouraged by the establishment of many Japanese OEMs in the passenger car, two-wheeler and LCV industry in the country, a number of Indian companies entered into joint ventures with Japanese companies and exports also commenced.

The Phased Manufacturing Programme (PMP) introduced in Indian automotive sector in the 1980s for localization had laid the foundation for the development of auto component industry. This programme enabled the auto-component industry to modernize its technology, improve quality and to imbibe good manufacturing and shop-floor practices and to transform itself into a highly capable sector of the industry, while at the same time contribute to localizing the component base. In 1990s global OEMs and Tier 1 suppliers started operations in India. This paved the way for a large number of new Joint Ventures in the component industry with European and American component manufacturers and gave the Indian component industry an all-round expertise to manufacture components for applications in Japanese, European as well as American vehicles. After the PMP programme came to an end in 1991, Government introduced the MOU system that continued to place emphasis on the aspect of localization of components. With support from this policy, the component industry developed further capability to manufacture the new breed of auto-components required for the new generation vehicles.

As a result of successful localization of these components, Vehicle manufacturers started outsourcing more and more components rather than manufacturing in-house. Entrepreneurs were encouraged to develop components and set up facilities. Whenever required, OEMs supported component manufacturers through equity participation, technical collaboration, etc.

(Source: Automotive Mission Plan 2006-2016, Ministry of Heavy Industries & Public Enterprises GOI)

Introduction: Current Scenario

The \$49 bn (FY20) Auto Components industry in India is expected to grow to \$200 bn by 2026. Auto Components industry exports, which is currently valued at \$14.5bn in FY20, is expected to grow at an annual rate of 23.9% to reach \$80 bn by 2026. USA, Germany, UK, Thailand, and Italy are the top destinations for exports. Aftermarket segment which includes tyre, battery, brake parts, is expected to reach \$32 bn by 2026 from \$9.8 bn currently. The overall industry which accounts for 2.3% of India's GDP currently, is set to become the 3rd largest in the world by 2025.

(Source: Invest India Opportunities in Auto Components)

The industry can be broadly classified into organized and unorganized sectors. The organized sector caters to original equipment manufacturers (OEMs) and consist of high precision components while the unorganized sector comprises low-valued products and caters mostly to the aftermarket category.

Various sub-sectors of the Automobile component industry in India are engine parts, drive transmission & steering parts, body and chassis, suspension and braking parts, equipment, electrical parts and others such as fan belts, die-casting and sheet metal parts.

(Source: www.makeinindia.com/sector/automobile-components)

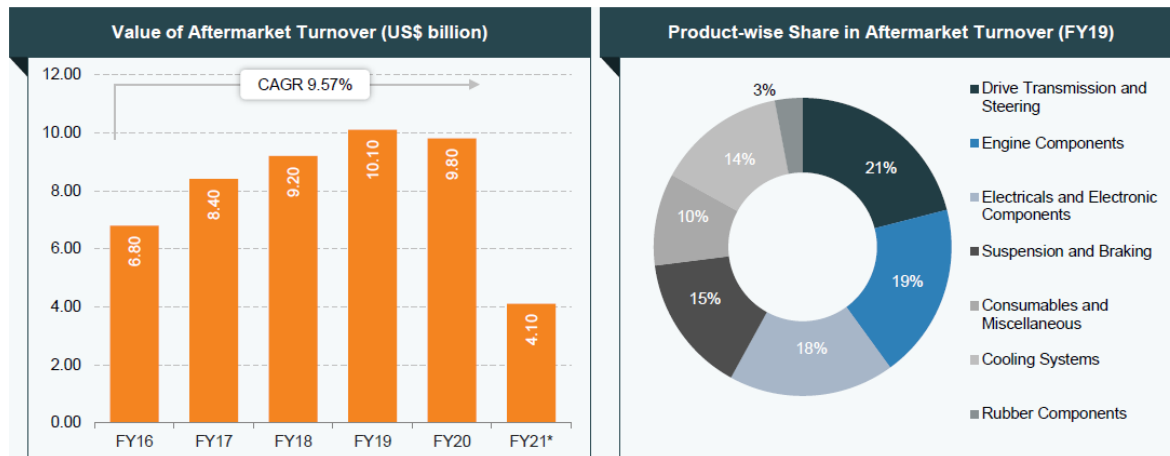


More than 60% of the exports of auto- components are to Europe and USA. More than 70% of the exports go to the OEMs and Tier I suppliers and only 30% to the global aftermarket, indicating the high level of maturity in quality and technology that has been achieved by the Indian component industry.

Currently the Auto Component Industry manufactures a wide range of products in India for both domestic consumption and exports.

(Source: Automotive Mission Plan 2006-2016, Ministry of Heavy Industries & Public Enterprises GOI)

Aftermarket growth



*Note- * -April 2020-September 2020, CAGR until FY20*

India’s auto components aftermarket contributed 20% (amounting to US\$Rs.31,116 crore (US\$ 4.1 billion) to the industry turnover in FY21

Aftermarket turnover increased at a CAGR of 9.57% from US\$6.8 billion in FY16 to US\$ 9.8 billion in FY20 and is expected to reach US\$32 billion by 2026.

The ‘Drive Transmission and Steering’ product category accounted for 21% of the aftermarket share followed by ‘Engine Components’, and ‘Electricals and Electronic Components’ with 19% and 18%, respectively.

(Source: www.ibef.org/download/Auto-Components-January-2021.pdf)

Opportunities & challenges specific to Auto Component Industry:

Low capability in new technology areas: Technology transfer and domestic capability building has potential growth opportunity in the auto components sector, after the entry of several international component manufacturers. With increasingly stringent regulations and standards, there is a critical need to improve technology access, capability and skill levels at component manufacturers. Also, domestic capability for producing components used in green vehicles is extremely low and will be a major bottleneck for shifting the domestic mix to cleaner vehicles.

Different standards for OE and Aftermarket components: Currently, automotive components being supplied to OEMs in India must conform to AIS standards, whereas those being sold through the aftermarket channel need to be certified according to BIS standards. Discrepancies between the standards of new and replacement parts can cause major issues in safety, emissions, and performance of the vehicle. Also, the dual certification requirements lead to higher cost of compliance for smaller manufacturers.

Import duty on auto component prototypes is same as volume production parts: Price of imported auto component prototypes is several times higher than the volume production price, depending on extent of novel child



parts, equipment and material used. Currently, import duty on prototypes is at the same rate as that on volume production parts imports. High landed price of prototypes restricts access to new technologies and hinders testing and innovation by corporates and universities.

(Source: Draft National Auto Policy 2018)

Continuous product innovation & technological advancement: With the advent of E-vehicles & alternative fuel options, Automobile Companies are increasing R & D expenditure to drive the next phase of growth through use of renewable sources of energy which may be solar, wind etc.

High tax: Some of the auto-components are placed at the highest slab of GST in India. The GST rates for Internal Combustion Engines (ICE) based vehicles and their components are currently at the highest GST rate of 28%. Apart from this, the compensation cess levied on these items is in the range of 1-22%, which makes ICE based vehicles one of the highest taxed manufactured product in India.

(Source:

https://www.careratings.com/uploads/newsfiles/31032021103939_Update_on_Auto_Components_Industry.pdf)

Government Initiatives:

- **Government Support:** 100% FDI under automatic route.
- **FAME Scheme:** Promoting & Incentivising e-vehicles. Scheme has 4 focus areas, viz. Technology Development, Demand Creation, Pilot Projects, and Charging Infrastructure
- **NATrIP:** Setting up of R&D centres at a total cost of USD 388 Mn (7 R&D centres - Chennai, Manesar, Indore, Raebareli, Silchar, Ahmednagar, Pune).
- **Automotive Mission Plan (AMP) (2016-2026):** To accelerate the advancement of India as an Auto Hub AMP 2026 to see an increase in net exports by 40% Top 3 in the world in auto engineering, manufacturing and exports by 2026 Over 10 years of AMP, skill development to add 65 Mn to the labour force (direct & indirect)
- **BS VI Norms:** Enforceable from April 2020, they will curb rising air pollution levels (India to jump from BS IV to BS VI), NOx limit to be 80 mg/km
- **Voluntary Vehicle Fleet Modernisation Program:** Aimed at replacing the old, polluting medium and heavy vehicles with fuel efficient vehicles.
- **Benefits to sellers:**
 - Reduction in GST at the time of purchase of the new vehicle
 - Fair value for scrap, as well as discounts from automobile manufacturers. On average, will reduce the cost of a new vehicle for the buyer by 15%
- **GST:** One nation, one tax. To simplify taxation (tax filing) for business operations and logistics.

(Source: Invest India Automobiles & Auto Components Report July 2021)

Agricultural Machinery & Tractors Sector

Agricultural Machinery mainly consists of Agricultural Tractors, Power Tillers, Combine Harvesters and other Agriculture Machineries & Implements. Due to negligible production of Power Tillers, Combine Harvesters and other Agricultural Machineries in India, this sector is mainly dominated by Agricultural Tractors. Indian Tractor Industry is the largest in the world (excluding sub 20 HP belt driven tractors used in China), accounting for one third of the global production. The other major tractor markets in the world are China and United States.

Indian Tractors are being exported to US and other countries like Malaysia, Turkey etc. Indian players have aggressively started exporting to African countries by bidding for government tender requirement. As such, Indian tractors are gaining acceptance in international markets. As the cost of tractors in India is cheapest in the world, there is tremendous scope for improvement of export of tractors in future.



(Source: - Annual report 2019-20, Ministry of Heavy Industries and Public Enterprises)

As a result of different programmes implemented by the Government of India over the years and equal participation from the private sector, farm mechanization has been increasing steadily over the years. This is evident from the sale of tractors and power tillers, taken as an indicator of the adoption of the mechanized means of farming, during the last five years is as follows:

Year	Tractor Sales (NOS.)	Power Tiller Sales (Nos.)
2015-16	6,26,839	48,882
2016-17	5,80,000	45,200
2017-18	7,96,873	51,680
2018-19	8,97,548	51,523
2019-20	7,85,059	46,476

(Source: - Annual Report 2020-21, Department of Agriculture, Cooperation & Farmers' Welfare)

Commercial Vehicles

India was the seventh largest manufacturer of commercial vehicles in 2019. Overall, automobile export reached 4.77 million vehicles in FY20, growing at a CAGR of 6.94% during FY16-FY20. Two wheelers made up 73.9% of the vehicles exported, followed by passenger vehicles at 14.2%, three wheelers at 10.5% and commercial vehicles at 1.3%.

(Source: <https://www.ibef.org/industry/india-automobiles.aspx>)

Category wise production Statistics (Million Units) in the year 2018-19:

Category	Total Production	Total Sales	Total Exports	World wise ranking in manufacturing
2W	24.5	21.18	3.28	No 1
3W	1.27	0.70	0.57	No 1
4W Passenger Car	4.02	3.38	0.68	No 4
Commercial Vehicles	1.11	1.01	0.10	No 7
Total	30.9	26.27	4.63	No 4

(Source: Annual report 2019-20, Ministry of Heavy Industries and Public Enterprises)

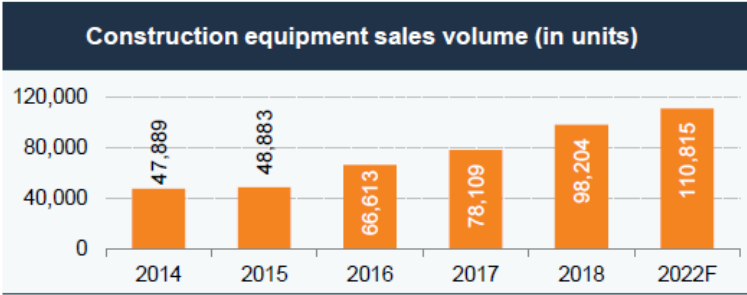
Construction Equipment

Currently, 20 large and global manufacturers and 200 small and medium manufacturers operate in the industry. The construction equipment industry's size is estimated to reach US\$ 5 billion by FY21 from around US\$ 4.3 billion in FY18.

India's Earthmoving and Construction Equipment (ECE) industry has enjoyed strong growth over the last seven years due to rapid economic development. The organised construction sector in India (for example, roads, urban infrastructure) accounts for approximately 55% of the ECE industry. Mining, irrigation and other infrastructure segments (power, railways) account for the remaining.

(Source: IBEF January 2021: Engineering and Capital Goods Report)

With infrastructure investment set to go up, demand for construction equipment will rise further. By 2022F, construction equipment sales are forecast to reach 110,815 units



(Source: IBEF March 2021: Engineering and Capital Goods Report)



OUR BUSINESS

Some of the information in the following section, especially information with respect to our plans and strategies, contains forward-looking statements involve risks, assumptions, estimates and uncertainties. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. This section should be read in conjunction with the sections "Forward Looking Statements", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Information" on pages 15, 20, 146, and 74 respectively of this Draft Letter of Offer. Unless otherwise stated or unless the context requires otherwise, the financial information used in this section is derived from our Audited Financial Statements for the Fiscals 2021 or 2020 and Unaudited Financial Results for the quarter ended June 30, 2021 subjected to Limited Reviewed by the Statutory Auditors of the Company. Unless stated otherwise, industry and market data used in this section has been obtained or derived from publicly available information as well as industry publications, other sources.

Overview

Our Company was incorporated in the year 1971 by late Dr. Raunaq Singh. We had commenced production at our first manufacturing facility at Mumbra, Maharashtra in the year 1974. For better geographical reach and increased production capacities, we laid the foundation stone of our second manufacturing facility located at Faridabad, Haryana in the year 1998 and began manufacturing at this facility from the year 2000 onwards. With a view to further expand our manufacturing capacities, while maintaining an optimum size for each individual facility, we established our third manufacturing facility at Lonand, Satara, Maharashtra and commenced manufacturing activities there from the year 2014 onwards.

We work under the guidance of Mr. Surinder Paul Kanwar, Chairman & Managing Director, who has an experience of more than 45 years in the gears and automotive industry. Subject to the overall supervision and control of our Board of Directors, Mr. Kanwar oversees all the business operations along with a team of senior management personnel who assist him in carrying out his functions. Mr. Kanwar has been instrumental in evolving our business operations, growth and future prospects.

We have been engaged in the manufacturing business since 1974 and have since expanded our product portfolio to a broad spectrum of products including ring gears and pinions, transmission gears and shafts, differential gears, gear boxes, automotive clutch and components, turbo chargers and components, driveline products, axle shafts, fly wheel assemblies & rings, propeller shaft components, U-J cross, steering components, differential cages, steel wheel rims, sealed quench furnaces, pusher continuous gas carburising furnace, other heat treating equipment, etc.

While India remains the primary market, our Company is steadily growing its exports to North America, European market and some other countries. Our customer list includes some of the prominent players in the domestic automobile industry and some key players in the international markets in the tractors, trucks, construction equipment, buses and utility vehicle segments.

Our Company is a global supplier of automotive gears and automotive components. We manufacture a wide range of gears such as ring gears and pinions, transmission gears and shafts, differential gears, gear boxes majorly for the automotive industry. To keep pace with technology, we have invested in high end dry cut hobbing machines, dry cut bevel gear cutting machines as well as testing facilities. We also provide marketing service to our group company for marketing of its automotive components.

Our business operations and products primarily cater to the business-to-business segment. We maintain direct contact with majority of our customers which allows us to better understand the technical needs of our customers and also their future requirements. We have in-house teams which look after the marketing. We also sell some of our products through dealers located at different parts of the country.

Our revenues from operations for the quarter ended June 30, 2021, Fiscals 2021 and 2020 were ₹ 16,467.54 Lakhs,



₹ 50,302.79 Lakhs and ₹ 46,311.98 Lakhs respectively. Our EBITDA for the quarter ended June 30, 2021, Fiscals 2021 and 2020 were ₹ 1,913.00 Lakhs, ₹ 3,664.15 Lakhs and ₹ 2,776.34 Lakhs respectively. Our profit/ (loss) after tax for the quarter ended June 30, 2021, Fiscals 2021 and 2020 were ₹ 639.00 Lakhs, ₹ (770.07) Lakhs and ₹ (1,877.78) Lakhs respectively. For further details, please refer to the section titled “Financial Information” on page 74 of this Draft Letter of Offer.

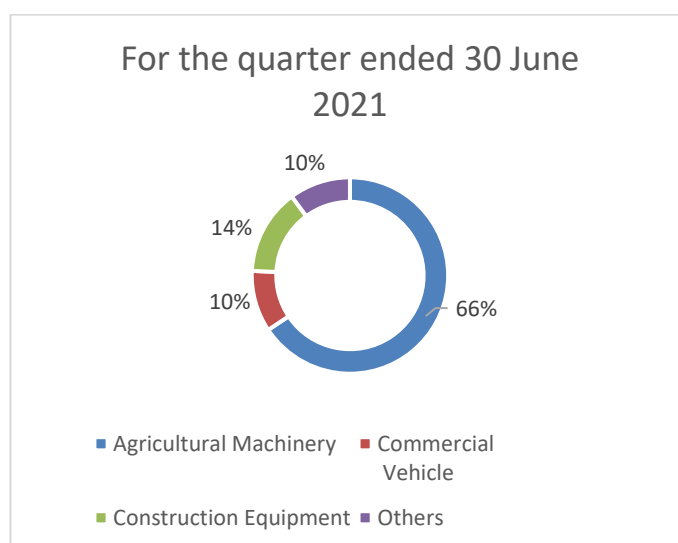
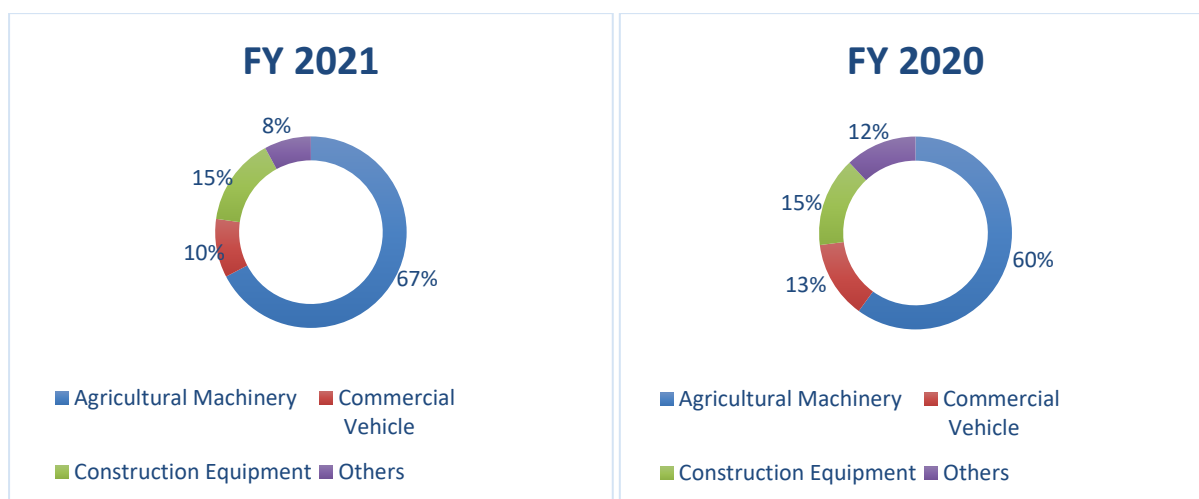
Revenue Break-up

Our revenue break-up for the quarter ending June 30, 2021 and financial years ending March 31, 2021 and 2020 is as follows:

Particulars	Quarter ended June 30, 2021	Fiscal 2021	Fiscal 2020
Domestic	9,892.69	34,755.68	30,926.81
Exports	6,574.85	15,547.11	15,385.17
Total	16,467.54	50,302.79	46,311.98

(₹ in Lakhs)

Sector-wise Revenue





Products

We are engaged in the manufacturing of variety of gears for heavy, medium and light duty commercial vehicles, buses, tractors, construction equipment, utility vehicles, forklift trucks, cooling towers, etc. Our manufacturing business can be broadly categorised into the following segments:

- Gears
- Automotive Components
- Furnaces

Gears

A gear is a machine component having teeth of specific profile which is used to transmit mechanical power from one shaft to another shaft by successively engaging its teeth. Gear trains are one of the most used method of mechanical power transmission in the machine without slippage. Most of the gears are in circular in nature.

A gear drive has three main functions: to increase/ decrease mechanical power from the driving equipment (motor) to the driven equipment, to increase/ reduce the speed generated by the motor, and/ or to change the direction of the rotating shafts either at parallel axis or at an angle.

We manufacture a diverse set of Bevel (hypoid/ spiral) Gears, Straight Bevel (Differential) Gears, Transmission Gears and Shafts, complete automotive transmissions, gearbox sub-assemblies and differential assemblies.



Crown Wheel and Pinion



Transmission Gears and Shafts



Straight Bevel Parts



Differential Assembly

Automotive Components

Various sub-sectors of the automobile component industry in India are engine parts, drive transmission and steering parts, body and chassis, suspension and braking parts, equipment, electrical parts and others such as fan belts, die-casting and sheet metal parts. With a view to capitalize on our distribution network, we started supplies of automotive parts which includes automotive clutch and components, turbo chargers and components, driveline products, axle shafts, fly wheel assemblies & rings, propeller shaft components, U-J Cross, steering components, differential cages, steel wheel rims among others. We manufacture these products at our facility located at Faridabad, Haryana.



Clutch Components



Turbo Charger Core & Rotor



Axle Shaft



Fly Wheel Assembly



Ceramic Button



Fly Wheel Rings



Differential Cage



Cover Assemblies



Propeller Shaft Components



Turbo Charger Kit



U-J Cross

Furnaces

Furnace is a device in which heat is generated by combustion or other means and applied for processing/ production. Historically, the furnace developed out of the fireplace and stove, following the availability of coal for heating. Furnaces apply the heat directly to material in the course of being processed or produced, as in steel production. Our Furnace Division builds a variety of heat treatment furnaces like sealed quench furnace, continuous gas carburisers, rotary furnaces or other tailor-made heating treatment equipment for our customers. We also undertake reconditioning of old furnaces on behalf of our customers.

Sealed Quench Furnaces: Sealed Quench Furnaces have revolutionized the heat treatment industry in the last few decades due to its versatility, easy integration in automatic treatment lines, providing flexibility of metallurgical processes, product mix and layout, with maximum quality heat treatment in terms of reliability, predictability and repetitiveness. These furnaces can be used for Annealing, Isothermal Annealing, Austempering/ Bainitic Hardening, Carbonitriding, Carburising, Case hardening, Ferritic Nitro carburizing, Martempering, Normalizing and Carbon Restoration.

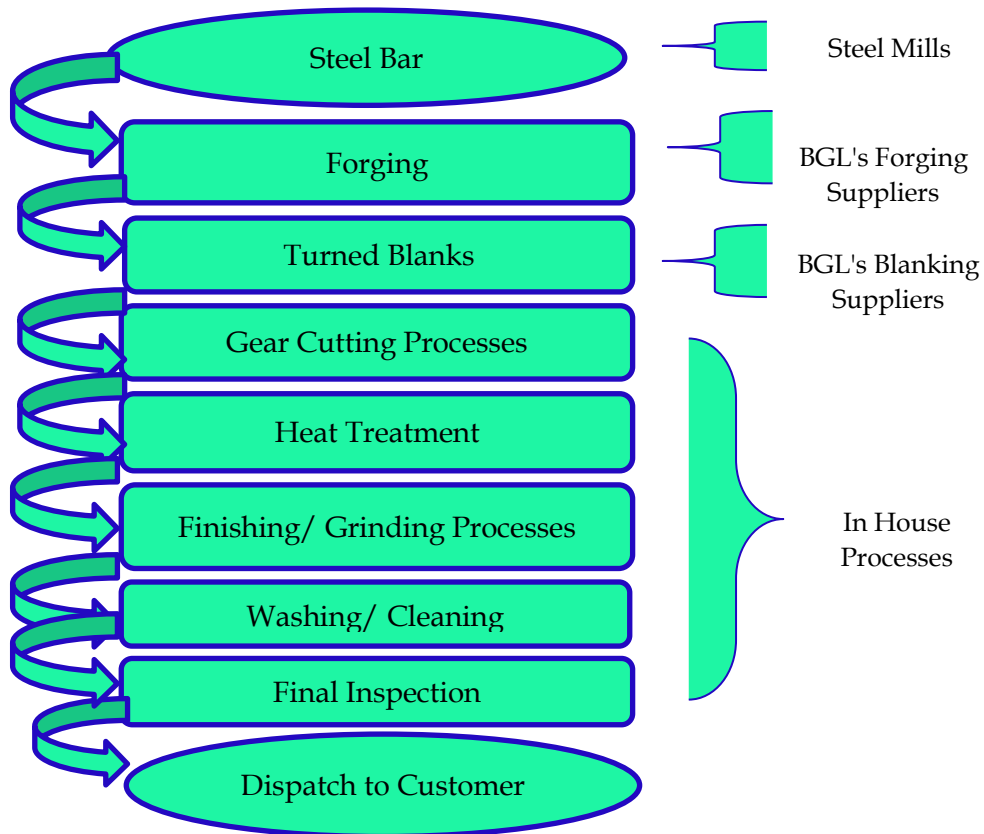


Pusher Continuous Gas Carburising Lines: Pusher type furnaces for gas carburizing are very economical in high production plants due to their continuous operation and their high performance. Gas carburizing pusher type plants are suitable for gas carburizing or carbonitriding with following direct hardening in oil, high pressure gas quenching or in combination with a press hardening. For distortion-sensitive press hardening pieces there is also the possibility of cooling them down slowly after gas carburizing in a gas cooling sluice.

Other Heat Treating Equipments: We also offer Endothermic Gas Generators, Rotary Hearth Atmosphere Hardening, Conveyor Furnaces Lines and other Heat Treating Equipment tailored to meets customers' requirements.

Manufacturing Process

Automotive Gears



Strengths

Established Brand

We have a legacy of more than four decades in the auto component industry wherein we manufacture diverse products under the categories of gears, automotive components and furnaces. “BGL” is a recognised brand name in this industry in India and overseas. We have demonstrated strong brand equity and benefit from the extensive experience in manufacturing of automotive gears, in-depth understanding of the customers’ needs and long-standing relations with our customers.



Experienced Leadership and Management Team

We are led by an experienced Promoter Mr. Surinder Paul Kanwar who acts as the Chairman and Managing Director. Mr. Surinder Paul Kanwar has an experience of over 45 years in the auto component industry. Our Company is professionally managed by strong management team having diverse experience with continuing long-term association with the Company. Their industry experience has enabled us to anticipate and address market trends, manage and grow our operations including expanding globally, enhance our manufacturing capabilities, leverage customer relationships, innovate continuously and respond to changes in customer preferences. For various strategic initiatives, the Company is advised by Board members and a team of full-time advisors with notable credentials. We will continue to leverage on the experience of our management team and their understanding of the auto component industry in order to take advantage of current and future market opportunities.

Strategically located manufacturing facilities with proximity to raw materials

We operate from three manufacturing facilities located at (i) Mumbra, Maharashtra; (ii) Lonand, Satara, Maharashtra and (iii) Faridabad, Haryana. Our facilities are located to cater to our customer base which is concentrated in northern and western regions of India. Our manufacturing facilities are strategically located in proximity to our raw material sources, which reduces inward freight costs and results in lower cost of production.

Focus on Technology

We place significant emphasis on improving our production processes, improving the quality of our present products, creating new products and making production processes of our customers more efficient and sustainable through our effective products. Our production efforts are driven by customer needs, in terms of meeting specific requirements that our direct customers communicate to us prior to commencement of manufacturing of our products.

Quality standards and Assurance

Quality Assurance and Quality Control are integral part of our manufacturing operations. We believe that quality is an ongoing process of building and sustaining relationships. Owing to the expertise of our experienced and trained team all the products are manufactured strictly as per the standard laid down by our customers and regulatory bodies. Our commitment of supplying quality products is complemented by our industry knowledge. All three of our manufacturing facilities have been certified by the Bureau Veritas for Quality Management System in accordance with the requirements of IATF 16949.

Long standing relationship with our customers

Our Company has a good customer base both in domestic and export market. Over a period of time, our Company has built-up a track record of manufacturing and marketing quality products along with ensuring timely completion of orders. Our long-standing relationship with our customers to whom we supply the diverse products is a testimonial for the quality of our products. We have consistently added new customers across the globe who we continue to give us repeat orders.

Strategies

Enhanced focus on efficiency, cost and return on capital

We intend to continue to improve the efficiency of our operations, reduce costs, improve margins and enhance the efficiency of capital employed thereby increase the return on our capital, while still focusing on sustainable growth.

We will continue to leverage technology for better demand planning and replenishment activities. Through this,



we expect to increase sales, improve margins, reduce costs and also reduce our overall inventory levels. We believe our focus on costs, network efficiency and asset turns will help us improve our profitability and return on capital employed.

Increase export share by adding new clients

We intend to increase the share of export in our revenues by adding new customers and expanding our product portfolio. Having a wide product portfolio and an established brand presence with long standing legacy in existing products provides confidence to new customers to engage with our Company.

Plant automation to improve productivity

We intend to automate our process of manufacturing to reduce human intervention and thus decreasing the scope of human error which in turn will lead to higher efficiency and production output.

Move towards greater product diversification

We intend to diversify our portfolio in automotive and construction equipment segments and thereby reducing our dependence from the agricultural segment. We are also foraying into unexplored product types such as laser welded products, machining of lengthier shafts, hydraulic parts etc. Identifying and developing new products and product categories is a continuous exercise that the management team engages into as we believe that the market opportunity is immense for high quality products in the Indian and global markets.

Plant & Machinery

All our manufacturing units are equipped with various machinery, technology and equipment for the purpose of effectively carrying out our manufacturing processes.

Our Major Customers

Our top 5 customers have contributed more than 50% of the total revenue from operations for the Fiscals 2021 and 2020.

Utilities

Power and fuel

Our manufacturing facilities in Mumbra and Lonand receive their power supply from Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL) and our Faridabad facility receives its power supply from Haryana Dakshin Haryana Bijli Vitran Nigam (DHBVN), to carry out the manufacturing process. In addition to the above, we also rely on Petroleum Natural Gas for a significant portion of our power requirement. We use Propane and Liquefied Petroleum Gas in the manufacturing process. All our manufacturing units have back up diesel power generation units to supply power for certain critical manufacturing process during power shutdown.

Water

The water requirement at Mumbra and Lonand facilities is met by supply from Maharashtra Industrial Development Corporation and third-party water suppliers and for our Faridabad facility, it is met by bore-well and third-party water suppliers.

Capacity Installed and Capacity Utilisation

The number of gears and automotive components being manufactured at any plant at a given point of time depend upon the size and type of the gears/ components being manufactured. Therefore, capacity of any plant is not



ascertainable.

Collaborations

We are currently having technical collaboration with AFC-Holcroft, USA for technical knowledge and know-how for AFC-H design heat treat equipment.

Marketing

Our business operations and products primarily cater to the business-to-business segment. We maintain direct contact with majority of our customers which allows us to not only better understand the technical needs of our customers but also their future requirements. We have in-house teams which look after the marketing. We also sell some of our products through dealers located at different parts of the country.

Insurance

We have purchased insurance in order to manage the risk of losses from potentially harmful events, including insurance policy covering fire, damage to buildings, plant and machinery, stocks (raw materials and finished goods), vehicles, directors' and officers' liability insurance policy and policy covering damage to stocks at vendor locations. These insurance policies are renewed periodically to ensure that the coverage is adequate. Our insurance covers all our manufacturing facilities and offices.

Intellectual Property

We have obtained 6 trademarks which are registered in India, including for the "BGL" brand and logo of our Company under Class 12 of the Trade Marks Act, 1999. All the trademarks are registered in the name of the Company. We also have copyright for "Bharat Gears' Geared for Life" registered in India under the Copyright Act, 1957 in the name of the Company.

Properties

Our Registered Office and the Faridabad plant located at 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad – 121 003, Haryana, India is held by us on a leasehold basis. Our Corporate Office located at 14th Floor, Hoechst House, Nariman Point, Mumbai – 400 021, Maharashtra and two of our manufacturing facilities at Mumbra, Maharashtra and Lonand, Satara, Maharashtra are held by us on ownership basis. We further have branch offices situated at 1009, Surya Kiran Building, 19, Kasturba Gandhi Marg, New Delhi - 110 001 and G-6, Ground Floor 1, Crooked Lane, Kolkata – 700 069, West Bengal taken on lease basis.



OUR MANAGEMENT

Board of Directors

The Articles of Association of our Company provides that our Company shall have not less than four and not more than fifteen Directors on our Board, unless otherwise determined by our Company in a general meeting.

As on the date of this Draft Letter of Offer, our Company has seven (7) Directors out of which one (1) is a Chairman and Managing Director, one (1) is Joint Managing Director, one (1) is a Non-Executive Director and Four (4) are Non-Executive Independent Directors.

The following table sets forth details regarding the Board of Directors as on the date of this Draft Letter of Offer.

Sr. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships/ partnerships/ trusteeships/ proprietorship
1.	<p>Mr. Surinder Paul Kanwar</p> <p><i>Designation:</i> Chairman and Managing Director</p> <p><i>Date of Birth:</i> July 28, 1952</p> <p><i>Date of first Appointment:</i> September 29, 1982</p> <p><i>Address:</i> A-3, Greater Kailash - I, New Delhi 110048</p> <p><i>Occupation:</i> Business</p> <p><i>Nationality:</i> Indian</p> <p><i>Date of expiration of the current term of office:</i> September 30, 2025</p> <p><i>DIN:</i> 00033524</p>	69	<p><i>Other Directorships</i></p> <ol style="list-style-type: none"> 1. Raunaq EPC International Limited 2. Cliplok Simpak (India) Private Limited 3. Xlerate Driveline India Limited 4. Vibrant Reality Infra Private Limited (formerly known as Vibrant Finance and Investment Private Limited) 5. Ultra Consultants Private Limited
2.	<p>Mr. Sameer Kanwar</p> <p><i>Designation:</i> Joint Managing Director</p> <p><i>Date of Birth:</i> December 24, 1977</p> <p><i>Date of first Appointment:</i> February 01, 2002</p> <p><i>Address:</i> H-34/1, DLF Phase-1, Gurugram – 122 001, Haryana</p> <p><i>Occupation:</i> Business</p> <p><i>Nationality:</i> Canadian</p>	43	<p><i>Other Directorships</i></p> <ol style="list-style-type: none"> 1. Raunaq EPC International Limited 2. Nexus Driveline India Private Limited 3. Samreet Investment and Management Consultancy Private Limited <p><i>Other Partnerships</i></p> <ol style="list-style-type: none"> 1. Akasa Design Studio LLP



Sr. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships/ partnerships/ trusteeships/ proprietorship
	<p><i>Date of expiration of the current term of office:</i> May 31, 2024</p> <p><i>DIN:</i> 00033622</p>		
3.	<p>Mr. Wolfgang Rudolf Schilha</p> <p><i>Designation:</i> Non-Executive Independent Director</p> <p><i>Date of Birth:</i> March 14, 1951</p> <p><i>Date of first Appointment:</i> July 26, 2007</p> <p><i>Address:</i> 88069 Tettngang Flurstrasse 18 DE, Germany</p> <p><i>Occupation:</i> Professional</p> <p><i>Nationality:</i> German</p> <p><i>Date of expiration of the current term of office:</i> Five (5) years upto the 49th AGM of the Company in the calendar year 2021</p> <p><i>DIN:</i> 00374415</p>	70	<p>Other Directorships</p> <p>NIL</p>
4.	<p>Mr. Rakesh Chopra</p> <p><i>Designation:</i> Non-Executive Independent Director</p> <p><i>Date of Birth:</i> October 17, 1950</p> <p><i>Date of first Appointment:</i> January 25, 2007</p> <p><i>Address:</i> C-204, Sarvodaya Enclave, New Delhi, 110017</p> <p><i>Occupation:</i> Professional</p> <p><i>Nationality:</i> Indian</p> <p><i>Date of expiration of the current term of office:</i> Five (5) years upto the 53rd AGM of the Company in the calendar year 2025</p> <p><i>DIN:</i> 00032818</p>	70	<p>Other Directorships</p> <ol style="list-style-type: none"> 1. Minda Corporation Limited 2. GPR Enterprises Private Limited 3. Pragma Holdings Private Limited 4. Cleantec Infra Private Limited 5. Kempty Cottages Private Limited <p>Trusteeships</p> <ol style="list-style-type: none"> 1. Indraprastha Cancer Society



Sr. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships/ partnerships/ trusteeships/ proprietorship
5.	<p>Mr. Virendra Kumar Pargal</p> <p><i>Designation:</i> Non-Executive Independent Director</p> <p><i>Date of Birth:</i> February 05, 1933</p> <p><i>Date of first Appointment:</i> January 24, 2002</p> <p><i>Address:</i> Flat No. 16, Ganga Jamuna, 17th Road, Santacruz West, Mumbai – 400 054, Maharashtra</p> <p><i>Occupation:</i> Professional</p> <p><i>Nationality:</i> Indian</p> <p><i>Date of expiration of the current term of office:</i> Five (5) years upto the 53rd AGM of the Company in the calendar year 2025</p> <p><i>DIN:</i> 00076639</p>	88	<p><i>Other Directorships</i></p> <p>NIL</p>
6.	<p>Ms. Hiroo Suresh Advani</p> <p><i>Designation:</i> Non-Executive Independent Director</p> <p><i>Date of Birth:</i> March 4, 1945</p> <p><i>Date of first Appointment:</i> January 30, 2014</p> <p><i>Address:</i> 403, Shivala, Sobani Road, Colaba, Mumbai - 400 005, Maharashtra</p> <p><i>Occupation:</i> Professional</p> <p><i>Nationality:</i> Indian</p> <p><i>Date of expiration of the current term of office:</i> Five (5) years upto the 52nd AGM of the Company in the calendar year 2024</p> <p><i>DIN:</i> 00265233</p>	76	<p><i>Other Directorships</i></p> <p>NIL</p>
7.	<p>Mr. Nagar Venkatraman Srinivasan</p> <p><i>Designation:</i> Non-Executive Director</p>	77	<p><i>Other Directorships</i></p> <p>NIL</p>



Sr. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships/ partnerships/ trusteeships/ proprietorship
	<p>Date of Birth: April 04, 1944</p> <p>Date of first Appointment: November 03, 2017</p> <p>Address: B-904, Usha Nagar CHS Ltd, Bhandup West, Mumbai - 400 078, Maharashtra</p> <p>Occupation: Professional</p> <p>Nationality: Indian</p> <p>Date of expiration of the current term of office: One (1) year upto the 49th AGM of the Company in the calendar year 2021</p> <p>DIN: 00879414</p>		

Relationship between our Directors:

None of the directors are related to each other in terms of the definition of 'relative' under Section 2 (77) of the Companies Act, except as set out below:

Name	Relationship
Mr. Surinder Paul Kanwar - Mr. Sameer Kanwar	Father – Son

Brief Biographies of Directors:

Mr. Surinder Paul Kanwar, Chairman and Managing Director

Mr. Surinder Paul Kanwar (69 years) is the Chairman & Managing Director of our Company. A Commerce graduate from Delhi University, Mr. Surinder Paul Kanwar is experienced and has in-depth knowledge of the core business of the Company i.e. Automotive Gears. He has exposure in all business verticals 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 of Directors.

He has been associated with Late Dr. Raunaq Singh Group since 1975. He has also worked at various managerial positions in various Raunaq Group Companies viz. BST Manufacturing Limited (Bharat Steel Tubes Limited), Raunaq EPC International Limited (Raunaq International Limited), Raunaq & Company Pvt. Ltd., to name a few. Mr. S. P. Kanwar is on the board of our Company since September 29, 1982. He is the Chairman and Managing Director since October 29, 2002. He is also the Chairman & Managing Director of Raunaq EPC International Limited, a company engaged in engineering and consulting business.

Mr. Sameer Kanwar, Joint Managing Director

Mr. Sameer Kanwar (43 years) is a third-generation entrepreneur. As Executive Director-Strategic Planning of Bharat Gears Limited, he has spearheaded the Business Operations of the Faridabad plant of the Company. He holds a Bachelor of Arts Degree from York University, Canada. He received two years training in the areas of Planning, Finance and Control at ZF Friedrichshafen AG, Germany. He has overall experience and exposure in



Marketing, Purchase and Management. Mr. Sameer Kanwar is the Joint Managing Director of the Company since June 01, 2008.

Mr. Wolfgang Rudolf Schilha, Non-Executive Independent Director

Mr. Wolfgang Rudolf Schilha (70 years) is a Non-Executive Independent Director of our Company. He was a member of the Board of Directors since February 26, 1986 as a representative of ZF Friedrichshafen AG, Germany, the foreign collaborators of our Company. He retired from ZF Germany as the “Executive Vice President, International Strategic Projects” of the Commercial Vehicle division of ZF, after having managed Truck and Bus Transmission Sales, ZF Corporate Worldwide Service Network and up to June 2013 the strategic business unit Bus Driveline Technology at ZF. He was also the Chairman of ZF Drivetech (Suzhou) Ltd. in Suzhou, PR China, ZF Beiben Drivetech Company Ltd. Chongqing PRC and Chairman of the Supervisory Board of ZF Hungaria Kft. in Eger, Hungary. He has international exposure on various facets of Auto Industry as a whole including Gear Technology. He is having expertise in the area of sales, marketing and service.

Mr. Rakesh Chopra, Non-Executive Independent Director

Mr. Rakesh Chopra (70 years) is a Non-Executive Independent Director of our Company. He has been associated with the Company since more than a decade. He is a qualified Chartered Accountant (England & Wales) and an MBA graduate from Cranfield University, U.K. He has spearheaded various industry groups at top management levels including Escorts till September 2006. He has experience of around 48 years. Apart from our Company he is a director and Audit Committee Chairman in Minda Corporation Limited, director in G.P.R. Enterprises Pvt. Ltd., Kempt Cottages Pvt. Ltd. and Pragma Holdings Pvt. Ltd. He is also Founder member and Chairman of Indraprastha Cancer Society.

Mr. Virendra Kumar Pargal, Non-Executive Independent Director

Mr. Virendra Kumar Pargal (88 years) is a Non-Executive Independent Director of our Company since January 22, 2002. Mr. Pargal is a qualified Chartered Engineer and Member of The Institution of Engineering and Technology, England. He started his career with intensive training in Roots Group (Manufacturers of Humber-Hillman range of motor vehicles) of United Kingdom and thereafter played a significant role in development & manufacturing of advanced machine tools. In India, he has a distinguished spell with Mahindra & Mahindra Limited, serving at various senior level positions.

Ms. Hiroo Suresh Advani, Non-Executive Independent Director

Ms. Hiroo Suresh Advani (76 years) is a Non-Executive Independent Director of the Company since January 30, 2014. She is a post graduate in Arts. She has over 45 years of work experience in the field of Trade Finance, Project Finance, Corporate Banking, Technology Upgradation Programme (TUF) etc. in various organisations viz. Reserve Bank of India, Industrial Development Bank of India, Export Import Bank of India (EXIM Bank) etc. She has also served as Nodal officer of EXIM Bank for CDR Cell and represented EXIM Bank for TUF meetings Ministry of Textiles, GOI. She worked as Chief General Manager with EXIM Bank till 2005 and subsequently upon retirement, she served as Adviser in EXIM Bank till March 2009.

Mr. Nagar Venkatraman Srinivasan, Non-Executive Director

Mr. Nagar Venkatraman Srinivasan (77 years) is a Non-Executive Director of our Company since November 3, 2017. He is a graduate in Mechanical Engineering. He has done MS in Industrial Engineering from University of Illinois and he is an MBA from Graduate School of Business from the University of Pittsburgh in USA. He has experience of around 50 years. Having started his career with Larsen & Toubro Limited, Mr. Srinivasan joined Bharat Gears Limited in the year 1976. Over the years he served at various senior level positions in materials, manufacturing and general management. He retired from the company, after a long stint of 33 years, as Corporate Business Head having overall responsibility of all the operations of the Company. He continues to be associated with the company as Technical and Management Advisor.



Past Directorships in listed companies

None of the Directors is or were a director of any listed company during the last five years preceding the date of filing of the Draft Letter of Offer, whose shares have been or were suspended from being traded on the BSE or the NSE, during the term of their directorship in such company.

None of the Directors is or was a director of any listed company during the last ten years preceding the date of filing of the Draft Letter of Offer, which has been or was delisted from any recognised stock exchange in India during the term of their directorship in such company.

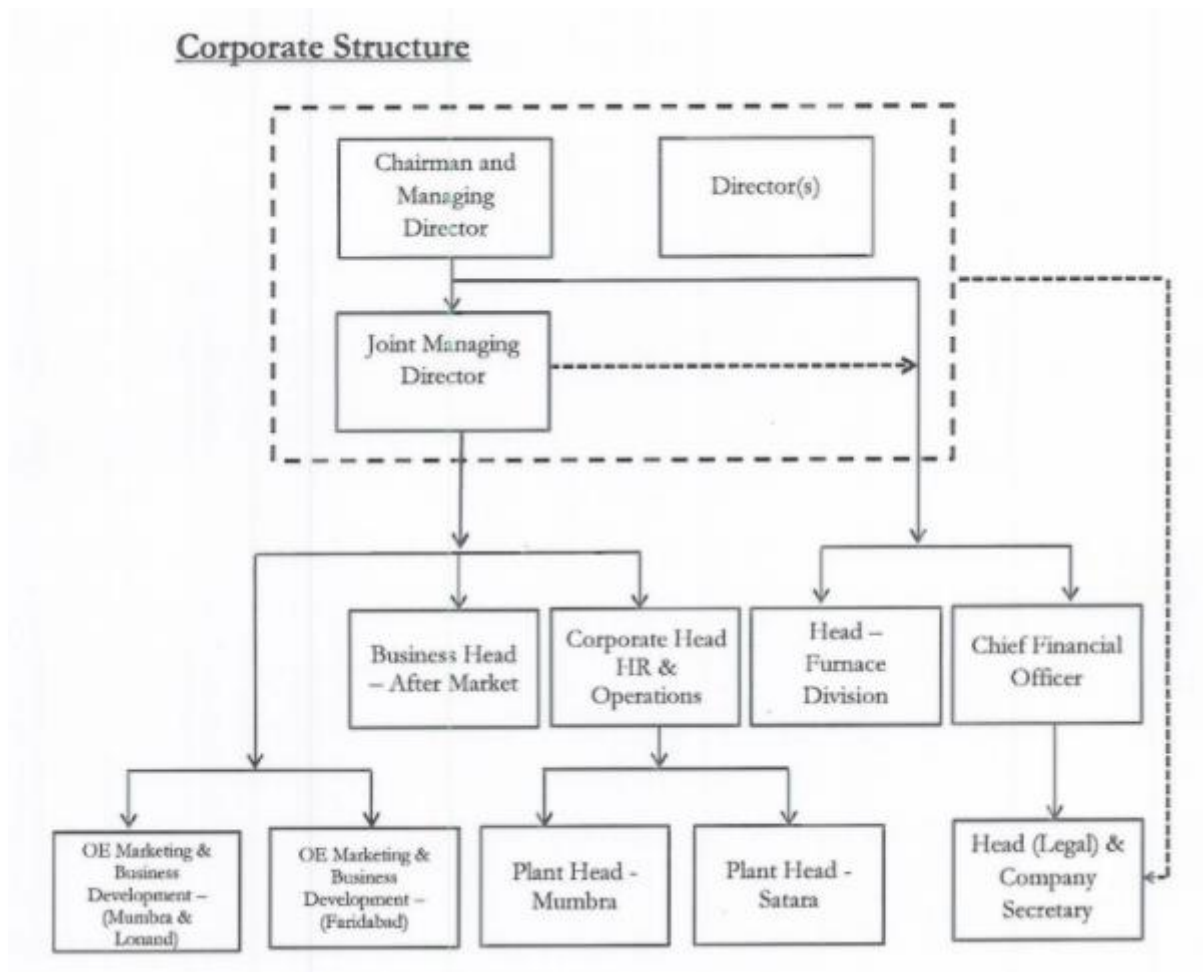
Other confirmations

Our Company has not entered into any service contracts with our Directors, which provide for benefits upon termination of their directorship.

We confirm that as on the date of this Draft Letter of Offer, there are no arrangements or understanding with the major shareholders, customers, suppliers or others, pursuant to which any of our Directors were appointed on the Board of Directors as a member of the senior management.

Management Organisation Structure

The corporate structure of our Company is as under:




Our Key Managerial Personnel

In addition to our Managing Director and Joint Managing Director, whose details have been provided under paragraph above titled '*Brief Profile of our Directors*', set forth below are the details of our Key Managerial Personnel as on the date of filing of this Draft Letter of Offer:

Name	Designation
Mr. Milind Pujari	Chief Financial Officer
Mr. Prashant Khattry	Head (Legal) – Company Secretary & Compliance Officer

In addition to the persons named above, the following are the Senior Management Personnel of our Company:

Name	Designation
Mr. Jagdeep Singh Sachdeva	Business Head – After Market
Mr. Naresh Verma	Corporate Head – HR & Operations
Mr. Vivek Pai	Head – Furnace Division

Relationship among Key Management Personnel and among Key Management Personnel and Directors

Other than as described below, our Key Management Personnel are neither related to each other nor related to any of the Directors:

Name	Relationship
Mr. Surinder Paul Kanwar - Mr. Sameer Kanwar	Father – Son

**SECTION VII – FINANCIAL INFORMATION****FINANCIAL STATEMENTS**

Particulars	Page No.
Independent Auditor's Report on the Audited Financial Statements	75 to 84
Audited Financial Statements for the Year Ended March 31, 2021	85 to 140
Unaudited Financial Results for the quarter ended June 30, 2021	141 to 144



INDEPENDENT AUDITOR'S REPORT

To the Members of Bharat Gears Limited

Report on the Audit of the Ind AS Financial Statements Opinion

We have audited the accompanying Ind AS financial statements of Bharat Gears Limited ("the Company"), which comprise the Balance sheet as at March 31 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Ind AS financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Ind AS financial statements.


Bharat Gears Limited

 Independent Auditor's Report on the Ind AS Financial Statements for the year ended March **31, 2021**

Key audit matter	How our audit addressed the key audit matter
A. Assessment of recoverability of deferred tax asset (as described in note 2.17 and 32C to the financial statements)	
<p>As at March 31, 2021, the Company has recognized deferred tax asset (net) of Rs.1013.50 lakhs, on unabsorbed depreciation and other deductible temporary differences.</p> <p>The deferred tax asset is recognized to the extent it is reasonably certain that sufficient taxable profits will be available in the future against which unabsorbed depreciation and other deductible temporary differences can be utilized. This involves significant management judgment and estimation given that recognition is based on assumptions such as likely timing and level of future taxable profits based on management projections which are further affected by expected future market and economic conditions.</p> <p>Accordingly, the same has been considered as a key audit matter.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> - We obtained management's assessment of recognition of deferred tax asset and the assumptions made in determining the likelihood of recoverability of deferred tax asset through generation of sufficient future taxable profits; - We verified the computation of the amounts recognized as deferred tax asset; - We verified management's assumptions used in determining the cashflow forecasts and the timing of the realisability of deferred tax asset based on Company's tax position and forecast of taxable profits. - We assessed the disclosures made in the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the Ind AS financial statements and our auditor's report thereon.

Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133

**Bharat Gears Limited****Independent Auditor's Report on the Ind AS Financial Statements for the year ended March 31, 2021**

of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or

**Bharat Gears Limited****Independent Auditor's Report on the Ind AS Financial Statements for the year ended March 31, 2021**

conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Ind AS financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

**Bharat Gears Limited**

Independent Auditor's Report on the Ind AS Financial Statements for the year ended March 31, 2021

- (a) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (b) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 31.1(i) to the Ind AS financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

Sd/-

per Aruna Kumaraswamy

Partner

Membership Number: 219350

UDIN: 21219350AAAAAU3513

Place of Signature: Mumbai

Date: June 11, 2021

**Bharat Gears Limited****Independent Auditor's Report on the Ind AS Financial Statements for the year ended March 31, 2021**

Annexure 1 referred to in paragraph 1 to Report on Other Legal and Regulatory Requirements of our report of even date

Re: Bharat Gears Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deeds provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings, are held in the name of the Company as at the balance sheet date. Immovable properties of land and buildings whose title deeds have been pledged as security for loans taken by the Company are held in the name of the Company based on the confirmations directly received by us from lenders. In respect of immovable property of land that has been taken on lease and building constructed thereon, the lease agreement is in the name of the Company, where the Company is the lessee in the agreement. However, in case of freehold land at one of the locations, as disclosed in Note 5(A) to the Ind AS financial statements, the Company observed that the area and name mentioned in the records of the Government does not match with the Indenture of Conveyance, for which the Company has initiated necessary action for correction.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
 - (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
 - (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
 - (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
 - (vi) 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 148(1) of the Companies Act, 2013, related to the manufacture of certain products of the Company, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

**Bharat Gears Limited****Independent Auditor's Report on the Ind AS Financial Statements for the year ended March 31, 2021**

- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, customs duty, goods and service tax, and cess and other statutory dues have generally been regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, customs duty, goods and service tax and cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, goods and service tax, customs duty, value added tax and cess which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and based on explanations provided to us, the Company has not defaulted in repayment of dues to a financial institution or banks. The Company has not taken any loan or borrowing from the government or by way of debentures.
- (ix) According to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a Nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the Ind AS financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.



Bharat Gears Limited

Independent Auditor's Report on the Ind AS Financial Statements for the year ended March **31, 2021**

- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

Sd/-

per Aruna Kumaraswamy

Partner

Membership Number: 219350

UDIN: 21219350AAAAAU3513

Place of Signature: Mumbai

Date: June 11, 2021



S R B C & COLLP

Chartered Accountants

Bharat Gears Limited

Independent Auditor's Report on the Ind AS Financial Statements for the year ended March 31, 2021

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF BHARAT GEARS LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to Ind AS financial statements of Bharat Gears Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to these Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to these Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls with reference to Ind AS financial statements included obtaining an understanding of internal financial controls with reference to these Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to these Ind AS financial statements.

**Bharat Gears Limited**

Independent Auditor's Report on the Ind AS Financial Statements for the year ended March **31, 2021**

Meaning of Internal Financial Controls with Reference to these Ind AS Financial Statements

A company's internal financial controls with reference to Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Ind AS Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to Ind AS financial statements and such internal financial controls with reference to Ind AS financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

Sd/-

per Aruna Kumaraswamy

Partner

Membership Number: 219350

UDIN: 21219350AAAAAU3513

Place of Signature: Mumbai

Date: June 11, 2021



Bharat Gears Limited			
Balance Sheet as at 31 March, 2021			
Particulars	Notes	As at 31 March, 2021	As at 31 March, 2020
		₹ lakhs	₹ lakhs
A ASSETS			
1 Non-current assets			
(a) Property, plant and equipment	5(A)	12632.05	14450.42
(b) Capital work-in-progress		132.28	217.22
(c) Intangible assets	5(B)	106.64	127.27
(d) Right-of-use assets	5(C)	619.54	376.14
(e) Financial assets			
(i) Loans	6(A)	191.37	164.26
(ii) Others	7(A)	215.16	207.03
(f) Deferred tax assets (net)		1013.50	850.81
(g) Other non-current assets	8	358.30	360.70
Total non-current assets		15268.84	16753.85
2 Current assets			
(a) Inventories	9	9038.74	7814.76
(b) Financial assets			
(i) Trade receivables	10	10627.43	10219.27
(ii) Cash and cash equivalents	11(A)	9.82	69.20
(iii) Bank balances other than (ii) above	11(B)	557.46	651.11
(iv) Loans	6(B)	56.00	61.12
(v) Others	7(B)	544.46	273.92
(c) Current tax assets (net)	12	91.90	55.47
(d) Other current assets	13	2156.24	1503.03
Total current assets		23082.05	20647.88
Non-current asset held for sale	14	12.30	12.30
Total assets		23094.35	20660.18
		38363.19	37414.03
B EQUITY AND LIABILITIES			
1 EQUITY			
(a) Equity share capital	15(A)	930.61	930.61
(b) Other equity	15(B)	6450.67	7026.80
Total equity		7381.28	7957.41
LIABILITIES			
2 Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	16	6662.39	8230.59
(ii) Other financial liabilities	17(A)	303.61	129.77
(iii) Lease liabilities	18(A)	501.03	255.20
(b) Provisions	19(A)	435.63	461.32
(c) Other non-current liabilities	20	1958.97	1930.04
Total non-current liabilities		9861.63	11006.92
3 Current liabilities			
(a) Financial liabilities			
(i) Borrowings	21	2237.14	4224.38
(ii) Trade payables			
(A) Total outstanding dues of micro enterprises and small enterprises	22	496.85	280.57
(B) Total outstanding dues of creditors other than micro enterprises and small enterprises	22	15154.18	10625.89
(iii) Other financial liabilities	17(B)	2417.97	2597.99
(iv) Lease liabilities	18(B)	173.10	139.49
(b) Provisions	19(B)	98.70	114.26
(c) Current tax liabilities (net)	19(C)	41.39	40.15
(d) Other current liabilities	23	500.95	426.97
Total current liabilities		21120.28	18449.70
Total equity and liabilities		38363.19	37414.03
See accompanying notes to the Financial Statements			

As per our report of even date
For S R B C & CO LLP
 ICAI Firm Registration Number:- 324982E/E300003
 Chartered Accountants
Sd/-
per Aruna Kumaraswamy
Partner
 Membership No: 219350

For and on behalf of the Board of Directors of Bharat Gears Limited

Sd/-
Chairman and Managing Director

Sd/-
Joint Managing Director

Sd/-
Chief Financial Officer

Sd/-
Head (Legal) & Company Secretary

Sd/-
Directors

Date: 11 June, 2021

Date: 11 June, 2021



Bharat Gears Limited				
Statement of Profit and Loss for the year ended 31 March, 2021				
Particulars		Notes	For the year ended	For the year ended
			31 March, 2021	31 March, 2020
			₹ lakhs	₹ lakhs
1	Revenue from operations	24	50302.79	46311.98
2	Other income	25	136.81	487.58
3	Total income (1+2)		50439.60	46799.56
4	Expenses			
	(a) Cost of materials and components consumed	26(A)	25598.69	22244.83
	(b) Changes in inventories of finished goods and work-in-progress	26(B)	(702.89)	1596.53
	(c) Employee benefits expense	27	8247.45	8980.36
	(d) Finance costs	28	2266.58	2164.82
	(e) Depreciation and amortisation expense	29	2414.70	2668.73
	(f) Other expenses	30	13579.90	11626.54
	Total expenses		51404.43	49281.81
5	Profit/(Loss) before tax (3-4)		(964.83)	(2482.25)
6	Tax expense/(credit) (net)			
	(a) Current tax		-	-
	(b) Deferred tax (credit)/charge	32(C)	(226.70)	(554.61)
	(c) (Excess)/Short provision for tax relating to prior years	32(C)	31.93	(49.86)
7	Profit/(Loss) for the year (5-6)		(770.06)	(1877.78)
8	Other comprehensive income/(loss)			
	Items that will not be reclassified to profit or loss			
	- Re-measurement gain/(loss) on defined benefits obligations		127.34	(63.53)
	- Income tax effect	32(C)	(32.08)	(8.88)
	Other comprehensive income/(loss) for the year (net of tax)		95.26	(72.41)
9	Total comprehensive income/(loss) for the year (7+8)		(674.80)	(1950.19)
10	Earnings per share (Face value of ₹ 10/- each):			
	Basic and Diluted - in ₹	36	(8.27)	(20.38)
See accompanying notes to the Financial Statements				

As per our report of even date

For S R B C & CO LLP

ICAI Firm Registration Number:- 324982E/E300003

Chartered Accountants

Sd/-

per Aruna Kumaraswamy
Partner

Membership No: 219350

For and on behalf of the Board of Directors of Bharat Gears Limited

Sd/-

Chairman and Managing Director

Sd/-

Joint Managing Director

Sd/-

Chief Financial Officer

Sd/-

Head (Legal) & Company Secretary

Sd/-

Directors

Date: 11 June, 2021

Date: 11 June, 2021



Bharat Gears Limited							
Statement of Changes in Equity for the year ended 31 March, 2021							
(A) Equity share capital							
Particulars							₹ lakhs
Balance as at 01 April, 2019							814.28
Change in equity during the year:							
Rights issue of equity shares (Refer Footnote (iii) of Note 15(A))							116.33
Balance as at 31 March, 2020							930.61
Balance as at 31 March, 2021							930.61
(B) Other equity							
Particulars	Reserve and Surplus					Other comprehensive income	Total
	Capital redemption reserve	Securities premium	General reserve	Retained earnings	Equity component of liability	Remeasurements of the defined benefit obligations	
	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs	
Balance as at 01 April, 2019	588.50	1393.90	1756.45	4456.82	-	(160.48)	8035.19
Loss for the year	-	-	-	(1877.78)	-	-	(1877.78)
Other comprehensive loss (net of tax)	-	-	-	-	-	(72.41)	(72.41)
Change in equity during the year:	-	1053.98	-	-	-	-	1053.98
Rights issue of equity shares (net of share issue expenses of ₹ 51.13 lakhs) (Refer Footnote (iii) of Note 15(A))	-	-	-	-	-	-	-
Dividend paid (Re. 1 per share) (Refer Footnote (iii) of Note 15(B))	-	-	-	(93.06)	-	-	(93.06)
Dividend distribution tax (Refer Footnote (iii) of Note 15(B))	-	-	-	(19.12)	-	-	(19.12)
Balance as at 31 March, 2020	588.50	2447.88	1756.45	2466.86	-	(232.89)	7026.80
Loss for the year	-	-	-	(770.06)	-	-	(770.06)
Other comprehensive income (net of tax)	-	-	-	-	-	95.26	95.26
Addition in Equity component of liability	-	-	-	-	98.67	-	98.67
Balance as at 31 March, 2021	588.50	2447.88	1756.45	1696.80	98.67	(137.63)	6450.67

See accompanying notes to the Financial Statements

As per our report of even date

For S R B C & CO LLP

ICAI Firm Registration Number:- 324982E/E300003

Chartered Accountants

Sd/-

per Aruna Kumaraswamy

Partner

Membership No: 219350

For and on behalf of the Board of Directors of Bharat Gears Limited

Sd/-

Chairman and Managing Director

Sd/-

Joint Managing Director

Sd/-

Chief Financial Officer

Sd/-

Head (Legal) & Company Secretary

Sd/-

Directors

Date: 11 June, 2021

Date: 11 June, 2021



Bharat Gears Limited		
Statement of Cash Flows for the year ended 31 March, 2021		
Particulars	For the year ended 31 March, 2021 (₹ lakhs)	For the year ended 31 March, 2020 (₹ lakhs)
A. Cash flows from operating activities:		
Net profit/(loss) before tax	(964.83)	(2482.24)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	2414.70	2668.73
Loss on disposal of property, plant and equipment (net)	(14.64)	0.51
Finance costs	2048.21	1967.32
Interest income	(52.30)	(74.97)
Rent expenses	6.45	6.49
Employee benefits expense	7.02	7.08
Liabilities/provisions no longer required written back	(19.25)	(35.92)
Allowance for doubtful debts	11.37	-
Bad debts written off	3.36	-
Other amounts written off	49.11	58.48
Unrealised exchange gain (net)	(44.98)	(189.73)
Operating profit before working capital changes	3444.22	1925.75
Changes in working capital		
Adjustments for (increase)/decrease in operating assets:		
Inventories	(1273.09)	1534.04
Trade receivables	(365.71)	1591.17
Financial assets - loans	(39.60)	(13.40)
Financial assets - others	(278.41)	396.14
Other Assets	(658.69)	1044.50
Adjustments for increase/(decrease) in operating liabilities:		
Trade payables	4751.62	(722.22)
Other financial liabilities	168.69	184.30
Other current and non-current liabilities	230.25	(469.54)
Provisions	(41.25)	(102.96)
Cash generated from operations	5938.03	5367.78
Income tax paid (net)	(35.19)	(11.53)
Net cash flows from operating activities (A)	5902.84	5356.25
B. Cash flows from investing activities:		
Purchase of property, plant and equipments and intangible assets (including capital work-in-progress, capital advances)	(413.70)	(3049.30)
Proceeds from sale of property, plant and equipments	58.70	14.84
Bank balances not considered as cash and cash equivalents (net)	93.65	26.00
Interest received	36.67	60.80
Net cash flows used in investing activities (B)	(224.68)	(2947.66)
C. Cash flows from financing activities:		
Proceeds from rights issue of equity shares (net of share issue expenses of ₹ 51.13 lakhs)	-	1170.30
Proceeds from long-term borrowings	-	2500.00
Unsecured loan from Director	200.00	-
Repayment of long-term borrowings	(1782.56)	(2116.01)
Net increase/(decrease) in short-term borrowings	(1920.25)	(1305.67)
Interest paid	(1904.19)	(1875.93)
Dividends paid	(3.07)	(95.20)
Dividend distribution tax paid	-	(19.13)
Payment of lease liabilities	(260.48)	(249.73)
Net cash flows from/(used in) financing activities (C)	(5670.55)	(1991.37)
Net (decrease)/increase in cash and cash equivalents (A+B+C)	7.61	417.22
Cash and cash equivalents at the beginning of the year	(2234.93)	(2652.15)
Cash and cash equivalents at the end of the year (Refer Note 11(C))	(2227.32)	(2234.93)
The above Statement of Cash Flows has been prepared under the 'indirect method' as set out in Indian Accounting Standard 7 'Statement of Cash Flows'		
See accompanying notes to the Financial Statements		

As per our report of even date

For S R B C & CO LLP

ICAI Firm Registration Number:- 324982E/E300003

Chartered Accountants

Sd/-

per Aruna Kumaraswamy
Partner

Membership No: 219350

For and on behalf of the Board of Directors of Bharat Gears Limited

Sd/-

Chairman and Managing Director

Sd/-

Joint Managing Director

Sd/-

Chief Financial Officer

Sd/-

**Head (Legal) & Company
Secretary**

Sd/-

Directors

Date: 11 June, 2021

Date: 11 June, 2021



Bharat Gears Limited Notes to the Financial Statements for the year ended 31 March, 2021
Note 1 Corporate information
Particulars
<p>Bharat Gears Limited is a public limited company domiciled in India and is incorporated under the provisions of Companies Act, 1956 on 23 December, 1971. The registered office of the Company is located at 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad, Haryana -121003. The Company has three manufacturing locations; two in the state Maharashtra at Mumbra, Thane and Lonand, Satara and one in the state of Haryana at Faridabad. Its shares are listed on two recognised stock exchanges in India. The Company is primarily engaged in the Automotive Gears business and all other activities revolving around the same.</p> <p>The financial statements were approved by the Board of Directors and authorised for issue on 11 June, 2021.</p>

Bharat Gears Limited Notes to the Financial Statements for the year ended 31 March, 2021								
Note 2 Significant accounting policies								
Particulars								
<table border="1"> <thead> <tr> <th style="text-align: center;">Note</th> <th style="text-align: center;">Particulars</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> 2.1 Basis of preparation: </td> <td> <p>The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time by the Companies (Indian Accounting Standards) Rules, 2016 and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III), as applicable to the financial statements.</p> <p>The financial statements have been prepared on a historical cost basis. Certain financial assets and liabilities are measured at fair value as explained in accounting policy of fair value measurement and financial instruments below.</p> <p>The accounting policies adopted for preparation and presentation of financial statement have been consistently applied.</p> <p>The financial statements are presented in Indian Rupees (₹) which is also the Company's functional currency. All values are rounded to nearest lakhs with two decimal except when otherwise indicated.</p> </td> </tr> <tr> <td style="vertical-align: top;"> 2.2 Current versus non-current classification: </td> <td> <p>Based on the nature of products/activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as twelve months for the purpose of classification of its assets and liabilities as current and non-current.</p> <p>The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.</p> <p>Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.</p> </td> </tr> <tr> <td style="vertical-align: top;"> 2.3 Foreign currencies: </td> <td> <p>Transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.</p> <p>At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognised in the Statement of Profit and Loss in the period in which they arise.</p> <p>Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.</p> <p>In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. 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Bharat Gears Limited
Notes to the Financial Statements for the year ended 31 March, 2021

Note 2 Significant accounting policies

Note	Particulars
2.4	<p>Fair value measurement:</p> <p>Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value for measurement and/or disclosure in these financial statements is determined on such a basis.</p> <p>All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, which are described as follows:</p> <p>Level 1 inputs</p> <p>Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions. If an entity holds a position in a single asset or liability and the asset or liability is traded in an active market, the fair value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.</p> <p>Level 2 inputs</p> <p>Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.</p> <p>Level 2 inputs include:</p> <ul style="list-style-type: none"> -quoted prices for similar assets or liabilities in active markets -quoted prices for identical or similar assets or liabilities in markets that are not active -inputs other than quoted prices that are observable for the asset or liability, for example-interest rates and yield curves observable at commonly quoted interval -implied volatilities -credit spreads -inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs') <p>Level 3 inputs</p> <p>Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.</p> <p>For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.</p>



Bharat Gears Limited Notes to the Financial Statements for the year ended 31 March, 2021											
Note 2 Significant accounting policies											
Note	Particulars										
2.5	<p>Property, plant and equipment:</p> <p>Capital work in progress, Property, plant and equipment is stated at cost of acquisition or construction, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes financing cost relating to borrowed funds attributable to the construction or acquisition of qualifying tangible assets upto the date the assets are ready for use.</p> <p>For Property, plant and equipment and Intangible assets existing as at 01 April, 2016 i.e. date of transition to Ind AS, the Company has used previous GAAP carrying values as deemed cost as permitted by Ind AS 101- First time adoption. Accordingly, the net written down value as per previous GAAP as at 01 April, 2016 has been considered as deemed cost under Ind AS.</p> <p>When an item of property, plant and equipment is scrapped or otherwise disposed off, the cost and related depreciation are removed from the books of account and resultant profit or loss, if any, is reflected in the Statement of Profit and Loss.</p> <p>Depreciation on property, plant and equipment has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013.</p> <p>Estimated useful lives of the assets are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Buildings</td> <td style="text-align: right;">: 3 - 60 years</td> </tr> <tr> <td>Plant and equipments (owned/ on lease)</td> <td style="text-align: right;">: 15 years</td> </tr> <tr> <td>Office equipments</td> <td style="text-align: right;">: 3 - 6 years</td> </tr> <tr> <td>Furniture and fixtures</td> <td style="text-align: right;">: 8 -10 years</td> </tr> <tr> <td>Vehicles</td> <td style="text-align: right;">: 8 years</td> </tr> </table> <p>The residual values, estimated useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.</p>	Buildings	: 3 - 60 years	Plant and equipments (owned/ on lease)	: 15 years	Office equipments	: 3 - 6 years	Furniture and fixtures	: 8 -10 years	Vehicles	: 8 years
Buildings	: 3 - 60 years										
Plant and equipments (owned/ on lease)	: 15 years										
Office equipments	: 3 - 6 years										
Furniture and fixtures	: 8 -10 years										
Vehicles	: 8 years										
2.6	<p>Intangible assets:</p> <p>Intangible assets (i.e. computer software) are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.</p> <p>Computer software are amortised on straight line basis over the estimated useful life of 6 years.</p> <p>Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.</p>										
2.7	<p>Inventories:</p> <p>Inventories are valued at the lower of cost and net realisable value, except for scrap which is valued at net realisable value.</p> <p>Cost comprises of material cost and expenditure incurred in normal course of business in bringing inventories to its location and includes, where applicable, appropriate overheads.</p> <p>Material cost is arrived at on weighted average basis.</p> <p>Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.</p>										



Bharat Gears Limited	
Notes to the Financial Statements for the year ended 31 March, 2021	
Note 2 Significant accounting policies	
Note	Particulars
2.8	<p>Impairment of non-financial assets:</p> <p>At the end of each reporting period, the Company assesses whether there is any indication that an asset or a group of assets (cash generating unit) may be impaired. If any such indication exists, the recoverable amount of the asset or cash generating unit is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.</p> <p>Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted at their present value using the pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.</p> <p>If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Profit and Loss.</p> <p>When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the Statement of Profit and Loss.</p>
2.9	<p>Non-current assets held for sale:</p> <p>Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. The criteria for held for sale classification is regarded met only when the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary for such sale and its sale is highly probable.</p> <p>Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the Balance Sheet.</p> <p>Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.</p>
2.10	<p>Cash and cash equivalents:</p> <p>Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.</p> <p>For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.</p>
2.11	<p>Financial instruments:</p> <p>A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when a Company becomes a party to the contractual provisions of the instruments.</p> <p>(i) Initial recognition and measurement:</p> <p>Financial assets and financial liabilities are recognized when a Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the Statement of Profit and Loss.</p> <p>(ii) Subsequent measurement of financial assets:</p> <p>All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.</p>



Bharat Gears Limited Notes to the Financial Statements for the year ended 31 March, 2021	
Note 2 Significant accounting policies	
Note	Particulars
	<p>(iii) Derecognition of financial assets: The Company derecognises a financial asset when and only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the Statement of Profit and Loss if such gain or loss would have otherwise been recognised in the Statement of Profit and Loss on disposal of that financial asset.</p>
	<p>(iv) Impairment of financial assets: The Company applies the expected credit loss model for recognising impairment loss on financial assets. The Company follows 'simplified approach' for recognition of impairment loss allowance. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.</p>
	<p>(v) Subsequent measurement of financial liabilities: All the financial liabilities are subsequently measured at amortised cost using the effective interest rate method or at fair value through profit and loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.</p>
	<p>(vi) Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.</p>
2.12	<p>Provisions and contingencies: Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are based on best estimate of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).</p> <p>Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.</p> <p>Contingent liability is disclosed in the case of:</p> <ul style="list-style-type: none"> - a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; - a present obligation arising from past events, when no reliable estimate is possible; - a possible obligation arising from past events, unless the probability of outflow of resources is remote. A contingent asset is disclosed where an inflow of economic benefits is probable. <p>Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.</p>



Bharat Gears Limited Notes to the Financial Statements for the year ended 31 March, 2021	
Note 2 Significant accounting policies	
Note	Particulars
2.13	<p>A contingent asset is disclosed where an inflow of economic benefits is probable.</p> <p>Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.</p> <p>Revenue recognition:</p> <p>Revenue from contracts with customers : The Company derives revenues primarily from sale of automotive gears, automotive components, construction of industrial furnaces and tooling development.</p> <p>Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.</p> <p>(a) Sale of goods and rendering of services: Revenue from sale of goods and rendering of services including export benefits thereon are recognised at the point in time when control of the goods or services are transferred to the customer, generally on delivery of goods or rendering of services.</p> <p>(b) Construction contracts: Revenue from contracts for construction of furnaces, where performance obligation is satisfied over a period of time, is recognised on the percentage of completion method based on the stage of completion determined with reference to the contract costs incurred up to the year end and the estimated total costs of the contracts. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.</p> <p>(c) Tooling development income: Net income, if any, from development of tools is recognised at the point of time when performance obligation i.e. development of tool, is complete.</p> <p>Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, price concessions and incentives, if any.</p> <p>The Company disaggregates revenues from contracts with customers based on the type of goods or services provided to customers , the geographical region and the timing of transfer of goods and services.</p> <p>Contract balances</p> <p>The Company classifies the right to consideration in exchange for deliverables as either a receivable or as contract asset. Revenues in excess of invoicing are classified as contract assets while invoicing in excess of revenue are classified as contract liabilities. A receivable is a right to consideration that is unconditional upon passage of time.</p> <p>A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised.</p> <p>Trade receivables and contract assets are presented net of impairment.</p> <p>Interest income</p> <p>Interest income is recorded on time proportion basis using the effective interest rate (EIR).</p>



Bharat Gears Limited Notes to the Financial Statements for the year ended 31 March, 2021	
Note 2 Significant accounting policies	
Note	Particulars
2.14	<p>Retirement and other employee benefits:</p> <p>(i) Retirement benefit costs and long term compensated absences Payment to defined contribution retirement benefit plans i.e. recognised provident fund and superannuation fund are recognised as an expense when employees have rendered service entitling them to the contributions.</p> <p>Company's liability towards gratuity, compensated absences and terminal ex-gratia is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the return of plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income (OCI) in the period in which they occur. Remeasurement recognised in the other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the defined benefit liability or asset. Defined benefit costs are categorised as follows:</p> <ul style="list-style-type: none"> • service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements); • net interest expense or income; and • remeasurement <p>The Company presents the first two components of defined benefit costs in the Statement of Profit and Loss in the line item "Employee benefits expense". Curtailment gains and losses are accounted for as past service cost.</p> <p>The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.</p> <p>(ii) Other employee benefits A liability is recognized for benefits accruing to the employees in respect of wages and salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange of that service.</p> <p>Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange of related service.</p> <p>Voluntary retirement scheme payouts are recognised as an expense in the period in which they are incurred.</p>
2.15	<p>Borrowing costs:</p> <p>Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.</p>



Bharat Gears Limited	
Notes to the Financial Statements for the year ended 31 March, 2021	
Note 2 Significant accounting policies	
Note	Particulars
2.16	<p>Leases:</p> <p>The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration</p> <p>Company as a Lessee</p> <p>The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.</p> <p>i) Right of use Assets:</p> <p>The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.</p> <p>If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.</p> <p>The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.8 Impairment of non-financial assets.</p> <p>ii) Lease Liabilities:</p> <p>At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.</p> <p>In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.</p> <p>iii) Short-term leases and leases of low-value assets:</p> <p>The Company applies the short-term lease recognition exemption to its short-term leases of property, plant & equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.</p>



Bharat Gears Limited
Notes to the Financial Statements for the year ended 31 March, 2021

Note 2 Significant accounting policies

Note	Particulars
2.17	<p>Taxes on income: Income tax expense represents the sum of the tax currently payable and deferred tax.</p> <p>(a) Current income tax: Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Current income tax relating to items recognised outside the Statement of Profit or Loss are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant taxpaying units intend to settle the asset and liability on a net basis.</p> <p>(b) Deferred tax: Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax relating to items recognised outside profit or loss is recognised outside profit and loss (either in other comprehensive income or in equity).</p>
2.18	<p>Earnings per share: Basic earnings per share is calculated by dividing the net profit/(loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of shares outstanding during the year is adjusted for events such as bonus issue that have changed the number of shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit/(loss) for the year attributable to equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.</p>



Bharat Gears Limited Notes to the Financial Statements for the year ended 31 March, 2021 Note 3 Use of estimates and judgements	
Particulars	
<p>The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which results are known/materialised.</p> <p>In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:</p> <ul style="list-style-type: none"> (i) Property, plant and equipment - Refer Notes 2.5 & 5(A) (ii) Intangible assets - Refer Notes 2.6 & 5(B) (iii) Other Equity - Refer Note 15(B) (iv) Non current borrowings - Refer Note 16 (v) Revenue from Contracts with customers - Refer Notes 2.13 & 24 (vi) Retirement and other employee benefits - Refer Notes 2.14 & 34 (vii) Taxes on income - Refer Notes 2.17 & 32 (viii) Leases - Refer Note 33 (ix) Estimation of uncertainties relating to the global health pandemic from COVID-19 - Refer Note 43 	

Bharat Gears Limited Notes to the Financial Statements for the year ended 31 March, 2021 Note 4 Changes in accounting policies and disclosure	
Note	Particulars
4	<p>Changes in accounting policies and disclosure:</p> <p>Recent Pronouncements issued but not yet effective: The amendments to standards and disclosure requirements that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards and disclosure requirements, if applicable when they become effective.</p> <p>Amendments to Schedule III of Companies Act, 2013 (as amended): The Ministry of Corporate Affairs ("MCA") through a notification dated 24 March, 2021, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from 01 April, 2021. The key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:</p> <p>Balance Sheet:</p> <ul style="list-style-type: none"> (i) Lease liabilities should be separately disclosed under the head 'financial liabilities', duly distinguished as current or non-current. (ii) Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period. (iii) Specified format for disclosure of shareholding of promoters. (iv) Specified format for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development. (v) If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used. (vi) Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc. <p>Statement of profit and loss:</p> <ul style="list-style-type: none"> (i) Additional disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency specified under the head 'additional information' in the notes forming part of the financial statements. <p>The amendments are extensive, and the Company will evaluate the same to give effect to them as required by law.</p>



Bharat Gears Limited										
Notes to the Financial Statements for the year ended 31 March, 2021>Note										
No. 5(A) - Property, plant and equipment										
(₹ lakhs)										
Description of assets	Land - freehold @	Buildings **	Plant and equipment - owned	Plant and equipment - on lease \$	Office equipment - owned \$\$	Office equipment - Lease	Furniture and fixtures	Vehicles	Leasehold improvement	Total
I. At Cost or deemed cost:										
Balance as at 01 April, 2019	659.81	2753.43	15459.92	176.18	374.88	55.74	414.93	13.10	0.09	19908.08
Additions	-	1099.95	1356.39	-	52.90	-	47.12	5.71	-	2562.07
Disposals	-	(4.64)	(13.19)	-	(0.54)	-	(0.94)	-	-	(19.31)
Adjustment (Refer Note 33)	-	-	-	-	-	(55.74)	-	-	-	(55.74)
Balance as at 31 March, 2020	659.81	3848.74	16803.12	176.18	427.24	-	461.11	18.81	0.09	22395.10
Additions	-	33.20	355.65	-	11.72	-	1.01	-	-	401.58
Disposals	-	-	(136.23)	-	(2.35)	-	(2.55)	-	-	(141.13)
Balance as at 31 March, 2021	659.81	3881.94	17022.54	176.18	436.61	0.00	459.57	18.81	0.09	22655.55
II. Depreciation / impairment										
Balance as at 01 April, 2019	-	362.57	4697.58	121.09	181.49	0.90	160.46	1.75	-	5525.84
Depreciation charge for the year	-	134.89	2135.31	37.61	59.12	-	54.88	1.88	-	2423.69
Eliminated on disposal of assets	-	(0.68)	(2.56)	-	(0.12)	-	(0.59)	-	-	(3.95)
Adjustment (Refer Note 33)	-	-	-	-	0.00	(0.90)	-	-	-	(0.90)
Balance as at 31 March, 2020	-	496.78	6830.33	158.70	240.49	-	214.75	3.63	-	7944.68
Depreciation charge for the year	-	158.72	1893.13	9.27	62.71	-	49.93	2.13	-	2175.89
Eliminated on disposal of assets	-	-	(92.96)	-	(1.99)	-	(2.12)	-	-	(97.07)
Balance as at 31 March, 2021	-	655.50	8630.50	167.97	301.21	-	262.56	5.76	-	10023.50
Net book value (I-II)										
Balance as at 31 March, 2021	659.81	3226.44	8392.04	8.21	135.40	-	197.01	13.05	0.09	12632.05
Balance as at 31 March, 2020	659.81	3351.96	9972.79	17.48	186.75	-	246.36	15.18	0.09	14450.42
<p>(@) Includes certain area of freehold land having a Net book value of ₹127.13 lakhs (As at 31 March, 2020: ₹ 127.13 lakhs), where the name mentioned in the records of the Government do not match with the indenture of conveyance available with the Company in respect of such land. The Company has initiated necessary action for correction.</p> <p>** Buildings include 10 shares of ₹ 50/- each in Venkatesh Premises Co-operative Society Ltd. - Total ₹ 500 /- (As at 31 March, 2020: ₹ 500/-).</p> <p>(\$)</p> <p>(\$\$) Includes Computers and miscellaneous equipment.</p>										



Note No. 5(B) - Intangible Assets		(₹ lakhs)				
Description of assets	Computer software acquired					
I. At Cost or deemed cost:						
Balance as on 01 April, 2019	284.74					
Additions	10.76					
Disposals	-					
Balance as at 31 March, 2020	295.50					
Additions	7.72					
Disposals	-					
Balance as at 31 March, 2021	303.22					
II. Amortisation						
Balance as on 01 April, 2019	134.86					
Amortisation expense for the year	33.37					
Balance as at 31 March, 2020	168.23					
Amortisation expense for the year	28.35					
Balance as at 31 March, 2021	196.58					
Net book value (I-II)						
Balance as at 31 March, 2021	106.64					
Balance as at 31 March, 2020	127.27					
Note 5(C) - Right-of-use assets						
Description of assets	Land	Buildings	Vehicles	Office equipment@	Total	
I. At present value of lease liability						
Balance as at 01 April, 2019 (present value of lease liability)	2.91	394.18	88.30	55.74	541.13	
Additions	-	90.32	-	-	90.32	
Termination	-	(57.09)	-	-	(57.09)	
Balance as at 31 March, 2020	2.91	427.41	88.30	55.74	574.36	
Additions	-	377.72	76.14	-	453.86	
Termination	-	-	-	-	-	
Balance as at 31 March, 2021	2.91	805.13	164.44	55.74	1028.22	
II. Depreciation / impairment						
Balance as at 01 April, 2019	-	-	-	0.90	0.90	
Depreciation charge for the period	0.06	150.14	50.85	10.62	211.67	
Eliminated on termination	-	(14.35)	-	-	(14.35)	
Balance as at 31 March, 2020	0.06	135.79	50.85	11.52	198.22	
Depreciation charge for the period	0.06	151.44	48.37	10.59	210.46	
Eliminated on termination	-	-	-	-	-	
Balance as at 31 March, 2021	0.12	287.23	99.22	22.11	408.68	
Net book value (I-II)						
Balance as at 31 March, 2021	2.79	517.90	65.22	33.63	619.54	
Balance as at 31 March, 2020	2.85	291.62	37.45	44.22	376.14	
@The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases under Ind AS 17. The requirements of Ind AS 116 were applied to these leases from 01 April, 2019.						
Footnote:						
(i) For details of Property, plant and equipment charged as security for borrowings Refer Note 16 & Note 21 For						
(ii) details of Right-of-use assets Refer Note 33.						



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 6 Financial assets - Loans			
(A) Non-current			
	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
	Loans and advances to employees Unsecured, considered good	191.37	164.26
	Total	191.37	164.26
(B) Current			
	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
	Loans and advances to employees Unsecured, considered good	56.00	61.12
	Total	56.00	61.12



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 7 Financial assets - Others			
(A) Non-current			
	Particulars	As at 31 March, 2021	As at 31 March, 2020
		₹ lakhs	₹ lakhs
	Security deposits (Refer Footnote below) Unsecured, considered good	215.16	207.03
	Total	215.16	207.03
Footnote:			
Security deposits include ₹ 48.11 lakhs (As at 31 March, 2020: ₹ 44.42 lakhs) due from directors and ₹ 2.14 lakhs (As at 31 March, 2020: ₹ 1.90 lakhs) due from a private limited company, in which directors of the Company are directors.			
(B) Current			
	Particulars	As at 31 March, 2021	As at 31 March, 2020
		₹ lakhs	₹ lakhs
	Unsecured, considered good		
(a)	Security deposit (Refer Footnote (i) below) Interest accrued on deposits	39.65	52.51
(b)	Contract assets (Refer Note 37(A)) (Includes amount due from a related party ₹ 27.76 lakhs (As at 31 March, 2020 : ₹ 38.52 lakhs) - Services rendered to Xlerate Driveline India Limited (XDIL))	4.03	4.05
(c)	Others (Refer Footnote (ii) below)	325.04	38.52
(d)	Total	175.74	178.84
		544.46	273.92
Footnotes:			
(i)	Security deposits include ₹ 2.50 lakhs (As at 31 March, 2020: ₹ 2.26 lakhs) due from a private limited company, in which directors of the Company are directors.		
(ii)	Others include ₹ 24.24 lakhs (As at 31 March, 2020: ₹ 22.23 lakhs) due from private limited companies, in which directors of the Company are directors.		



Bharat Gears Limited
Notes to the Financial Statements for the year ended 31 March, 2021
Note 8 Other non-current assets

	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
	Unsecured, considered good		
(a)	Capital advances	12.76	27.92
(b)	Prepaid expenses	68.07	50.64
(c)	Contract Assets - Prepaid tooling expenses (Refer Note 37(A))	237.21	241.88
(d)	Others	40.26	40.26
	Total	358.30	360.70



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 9 Inventories			
	Particulars	As at 31 March, 2021	As at 31 March, 2020
		₹ lakhs	₹ lakhs
(a)	Raw materials and components:		
	Automotive gears	1613.06	1249.08
	Automotive components	50.19	71.15
		1663.25	1320.23
(b)	Work-in-progress:		
	Automotive gears	3659.59	2792.90
(c)	Finished goods:		
	Automotive gears	1510.61	1663.43
	Automotive components	191.20	202.18
		1701.81	1865.61
(d)	Stores and spares	641.25	551.25
(e)	Loose tools	1361.49	1275.52
(f)	Scrap	11.35	9.25
	Total	9038.74	7814.76
(i)	Footnotes:		
	The cost of inventories recognized as an expense includes ₹ 259.58 lakhs (Year ended 31 March, 2020: ₹ 313.37 lakhs) in respect of write-down (net) of inventory to net realisable value and provision for slow and non moving inventory.		
(ii)			
(iii)	The mode of valuation of inventories has been stated in Note 2.7		
	For details of inventories provided as security for borrowings Refer Note 21 and Footnote (ii) of Note 16)		



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 10 Trade receivables			
	Particulars	As at 31 March, 2021	As at 31 March, 2020
		₹ lakhs	₹ lakhs
	Other trade receivables		
	Unsecured, considered good	10647.07	10239.62
	Less: Provision for expected credit loss	19.64	20.35
	Total	10627.43	10219.27
Footnotes:			
(i)	Trade receivables include ₹ 2.77 lakhs (As at 31 March, 2020: ₹ 44.77 lakhs) due from Companies, in which directors of the Company are directors.		
(ii)	The Company is primarily engaged in manufacturing and selling of Automotive Gears and Components. Credit period varies from customer to customer. Average credit period is 30 - 90 days in respect of export customers and 30 - 60 days from the date of receipt of goods in respect of domestic customers. No interest is recovered on trade receivables for payments received after due date.		
(iii)	As at 31 March, 2021, the Company had 5 customers (As at 31 March, 2020: 4 customers) that owed the Company more than ₹ 500 lakhs each and accounted for approximately 48.64% of all the receivables outstanding (As at 31 March, 2020: 46.19%).		
(iv)	The Company maintains an allowance for impairment of receivables accounts based on ageing of customer receivables, overdues and historical experience of collections from customer(s).		
Movement of impairment of trade receivable (including allowance for doubtful debts):			
	Particulars	₹ lakhs	
	Balance as at 31 March, 2019	37.81	
	Add: Created during the year	- 17.46	
	Less: Released during the year		
	Balance as at 31 March, 2020	20.35	
	Add: Created during the year	11.37	
	Less: Released during the year	12.08	
	Balance as at 31 March, 2021	19.64	



Bharat Gears Limited				
Notes to the Financial Statements for the year ended 31 March, 2021				
Note 11 Cash and cash equivalents and other bank balances				
(A) Cash and cash equivalents				
	Particulars	As at	As at	
		31 March, 2021	31 March, 2020	
		₹ lakhs	₹ lakhs	
(a)	Cash on hand	5.48	5.43	
(b)	Balances with banks:			
	- In current accounts	4.34	60.48	
	- Others	-	3.29	
	Total	9.82	69.20	
(B) Other bank balances				
	Particulars	As at	As at	
		31 March, 2021	31 March, 2020	
		₹ lakhs	₹ lakhs	
(a)	In earmarked accounts (Refer Footnote below)			
	- Unpaid dividend accounts	3.09	6.16	
(b)	Balances held as margin money or security against borrowings, guarantees and other commitments	554.37	644.95	
	Total	557.46	651.11	
	Footnote:			
	Balances with banks which have restrictions on utilisation.			
(C) For the purpose of Statement of Cash flows, cash and cash equivalents comprise of the following:				
	Particulars	As at	As at	
		31 March, 2021	31 March, 2020	
		Ind AS	Ind AS	
		₹ lakhs	₹ lakhs	
	Cash and cash equivalents as above	9.82	69.20	
	Loans repayable on demand - from banks (Refer Note 21)	(2237.14)	(2304.13)	
	Total	(2227.32)	(2234.93)	
(D) Changes in liabilities arising from financing activities:				
	Particulars	Lease liabilities	Borrowing - Non	Borrowing -
		(Refer Note 18)	current	current
		₹ lakhs	₹ lakhs	₹ lakhs
	Balance as at 01 April, 2019	55.03	10159.79	3225.92
	Acquisition (net)	532.97	-	-
	Cash Flow (net)	(249.73)	383.99	(1305.67)
	Others	56.42	(1.58)	-
	Balance as at 31 March, 2020	394.69	10542.20	1920.25
	Acquisition	453.86	-	-
	Cash Flow (net)	(260.48)	(1582.56)	(1920.25)
	Others	86.06	(61.22)	-
	Balance as at 31 March, 2021	674.13	8898.42	-



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 12 Current tax assets			
	Particulars	As at 31 March, 2021	As at 31 March, 2020
		₹ lakhs	₹ lakhs
	Advance income tax Unsecured, considered good	91.90	55.47
	Total	91.90	55.47

Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 13 Other current assets			
	Particulars	As at 31 March, 2021	As at 31 March, 2020
		₹ lakhs	₹ lakhs
	Unsecured, considered good		
(a)	Prepaid expenses	134.78	133.91
(b)	Advances to suppliers	156.80	183.38
(c)	Balances with government authorities		
	(i) VAT credit receivable	24.19	45.13
	(ii) Goods and Services Tax receivable	1169.16	573.66
(d)	Export incentives receivable	473.71	386.78
(e)	Others	197.60	180.17
	Total	2156.24	1503.03

Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 14 Non-current asset held for sale			
	Particulars	As at 31 March, 2021	As at 31 March, 2020
		₹ lakhs	₹ lakhs
	Freehold Land (Refer Note 42)	12.30	12.30
	Total	12.30	12.30



Bharat Gears Limited
Notes to the Financial Statements for the year ended 31 March, 2021

Note 15 (A) Equity share capital

	Particulars	As at 31 March, 2021		As at 31 March, 2020	
		Number of shares	₹ lakhs	Number of shares	₹ lakhs
(a)	Authorised Equity shares of ₹ 10 each Cumulative redeemable convertible or non convertible preference shares of ₹ 100 each	20000000 1500000	2000.00 1500.00	20000000 1500000	2000.00 1500.00
	Total	21500000	3500.00	21500000	3500.00
(b)	Issued, Subscribed and paid up Equity shares of ₹ 10 each, fully paid up, outstanding at the end of the year	9306095	930.61	9306095	930.61
	Total	9306095	930.61	9306095	930.61
(c)	Reconciliation of the equity shares outstanding at the beginning and at the end of the reporting period: Opening balance Add: Rights issue of equity shares (Refer Footnote (iii) below) Closing balance	9306095 - 9306095	930.61 - 930.61	8142833 1163262 9306095	814.28 116.33 930.61
	Footnotes:				
(i)	The Company has only one class of Equity shares having a face value of ₹ 10/- each. Every member shall be entitled to be present, and to speak and vote and upon a poll the voting right of every member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company. The Company in General Meeting may declare dividends to be paid to members according to their respective rights. While no dividends shall exceed the amount recommended by the Board, the Company in General Meeting may declare a smaller dividend.				
(ii)	In the event of liquidation of the Company, the holders of Equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.				
(iii)	In accordance with terms of approval of Board of Directors at their meeting held on 09 October, 2018, the Company on 10 May, 2019 allotted 11,63,262 equity shares at a Price of ₹ 105 per share (including premium of ₹ 95 per share) to existing shareholders on rights issue. Pursuant to this allotment, the securities premium stands increased by ₹ 1053.98 lakhs net of share issue expenses of ₹ 51.13 lakhs.				
(iv)	Details of shares held by each shareholder holding more than 5% shares:				
	Class of shares/Name of shareholder	As at 31 March, 2021		As at 31 March, 2020	
		Number of shares held	Percentage of shares held	Number of shares held	Percentage of shares held
	Equity shares				
	Surinder Paul Kanwar	3367570	36.19	3367570	36.19
	Ultra Consultants Private Limited	1411109	15.16	1411109	15.16



Bharat Gears Limited
Notes to the Financial Statements for the year ended 31 March, 2021

Note 15 (B) Other equity

	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
(a)	Capital redemption reserve	588.50	588.50
(b)	Securities premium (Refer Footnote (iii) of Note 15(A))	2447.88	2447.88
(c)	General reserve	1756.45	1756.45
(d)	Retained earnings	1696.80	2466.86
(e)	Equity component of liability	98.67	-
(f)	Other comprehensive income	(137.63)	(232.89)
	Total	6450.67	7026.80

Footnotes:

(i) **Description of nature and purpose of reserve**

(a) **Capital redemption reserve:**

Capital redemption reserve was created pursuant to the redemption of preference shares issued in earlier years. The capital redemption reserve may be applied by the Company, in paying up unissued shares of the Company to be issued to shareholders of the Company as fully paid bonus shares.

(b) **Securities premium:**

Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premium received on those shares shall be transferred to "Securities premium". The Company may issue fully paid-up bonus shares to its members out of balance lying in securities premium and the Company can also use this reserve for buy-back of shares.

(c) **General reserve:**

General Reserve is created out of the profits earned by the Company by way of transfer from surplus in the Statement of Profit and Loss. The Company can use this reserve for payment of dividend and issue of fully paid-up shares.

(d) **Equity component of liability:**

The Company has obtained an interest free unsecured loan of ₹ 200 lakhs from a promoter director in accordance with the terms and conditions as stated in the agreement dated 15 February, 2021 signed with the lender. The liability is accounted at amortised cost and the difference between the liability and the amortised cost amounting to ₹ 98.67 lakhs is included as additional capital contribution and disclosed under "Other Equity". The Loan is repayable on demand only post satisfaction of dues of the existing lender and accordingly discounting has been considered over such period of repayment of the original loan from the lenders.

(ii) The disaggregation of changes in each type of reserve, retained earnings and other comprehensive income are disclosed in Statement of Changes in Equity.

(iii) The details of dividend are as under:

Declared & Paid:

Particulars	As at	As at
	31 March, 2021	31 March, 2020
		₹ lakhs
Dividend paid @ ₹ Nil per share (31 March, 2020: ₹ 1.00 per share)	-	93.06
Dividend distribution tax thereon @ 20.555%	-	19.13
Total	-	112.19



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 16 Non current borrowings			
	Particulars	As at 31 March, 2021	As at 31 March, 2020
		₹ lakhs	₹ lakhs
(a)	Term loans - Secured		
	From banks (Refer Footnotes (i))	-	82.87
	Less: Current maturities of long-term debts (Refer Note 17(B) (a))	-	82.87
		-	-
	From others (Refer Footnotes (ii) and (iii))	8797.09	10459.33
	Less: Current maturities of long-term debts (Refer Note 17(B) (a))	2236.03	2228.74
		6561.06	8230.59
(b)	Loan from Director - Unsecured (Refer Footnote (i)(d) of Note 15(B))	101.33	-
	Total	6662.39	8230.59
Footnotes:			
(i)	Term loans from banks: Rupee loan from HDFC Bank Limited: ₹ Nil (As at 31 March, 2020: ₹ 82.87 lakhs): Secured by exclusive charge on office premises situated at Nariman Point, Mumbai.		
(ii)	Term loans from others: Rupee loan from KKR India Financial Services Limited: ₹ 6329.62 lakhs (As at 31 March, 2020: ₹ 7998.86 lakhs): Facility I - Secured by first pari passu charge created on Fixed Assets of the Company located at Mumbra plant, Faridabad plant and Satara plant. Repayable in quarterly installments commencing from 31 March, 2019 and carries an interest rate of 13.35% p.a.p.m. ₹ 2467.47 lakhs (As at 31 March, 2020: ₹ 2460.47 lakhs): Facility II - Secured by first pari passu charge over movable and immovable fixed assets of the Company located at Mumbra plant, Faridabad plant and Satara plant, and by charge over the current assets of the Company which rank second subject & subservient to charges created in favour of borrowings referred to in Footnote of Note 21. Repayable in quarterly installments will commence from 30 June, 2022 and carries an interest rate of 13.35% p.a.p.m.		
(iii)	Rupee loan referred in footnote (ii) above, is also guaranteed by a Director of the Company.		



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 17 Other financial liabilities			
(A) Non-current			
	Particulars	As at 31 March, 2021	As at 31 March, 2020
		₹ lakhs	₹ lakhs
	Voluntary retirement scheme	303.61	129.77
	Total	303.61	129.77
(B) Current			
	Particulars	As at 31 March, 2021	As at 31 March, 2020
		₹ lakhs	₹ lakhs
(a)	Current maturities of long-term debts (Refer Note 16):		
	From banks	-	82.87
	From others	2236.03	2228.74
(b)	Interest accrued but not due on borrowings	10.58	0.92
(c)	Unpaid dividends (Refer Footnote below)	3.09	6.16
(d)	Other payables:		
	(i) Payables on purchase of property, plant and equipment	55.78	160.28
	(ii) Others	112.49	119.02
	Total	2417.97	2597.99
Footnote:			
The figures reflect the position as at the year end. The actual amount to be transferred to the Investor Education and Protection Fund in this respect shall be determined on the due date.			



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 18 Lease liabilities			
(A) Non-current			
	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
(a)	Land	2.91	2.91
(b)	Buildings	453.72	196.96
(c)	Vehicles	19.56	19.37
(d)	Office equipment	24.84	35.96
	Total	501.03	255.20
(B) Current			
	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
(a)	Land	-	-
(b)	Buildings	111.85	109.19
(c)	Vehicles	50.12	20.27
(d)	Office equipment	11.13	10.03
	Total	173.10	139.49
Footnote:			
For details on lease agreements Refer Note 33.			



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 19 Provisions			
(A) Non-current			
	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
	Employee benefits:		
(i)	Compensated absences	410.84	433.06
(ii)	Other employee benefits (Terminal Ex-gratia) (Refer Note 34(B))	24.79	28.26
	Total	435.63	461.32
(B) Current			
	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
	Employee benefits:		
(i)	Compensated absences	79.35	88.28
(ii)	Other employee benefits (Terminal Ex-gratia) (Refer Note 34(B))	5.44	5.35
		84.79	93.63
(b)	Provision for warranty (Refer Note 37(B))	13.91	20.63
		13.91	20.63
	Total	98.70	114.26
(C) Current tax liabilities (net)			
	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
	Provision for tax (net of advance tax ₹ 658.11 lakhs (As at 31 March, 2020: ₹ 659.35 lakhs))	41.39	40.15
	Total	41.39	40.15



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 20 Other non-current liabilities			
	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
(a)	Contract liabilities (Refer Note 37(A))	321.65	214.43
(b)	Provision for gratuity (net) (Refer Note 34(B))	1637.32	1715.61
	Total	1958.97	1930.04

Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 21 Current borrowings			
	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
	Loans repayable on demand		
	From banks - Secured (Refer Footnote below) (Includes funded interest of ₹ Nil (As at 31 March,2020: ₹ 22.71 lakhs))	2237.14	2304.13
	From others - Unsecured	-	1920.25
	Total	2237.14	4224.38
	Footnote:		
	Loans repayable on demand from banks are secured by hypothecation of stocks of raw materials, stock in process, semi finished and finished goods, loose tools, general stores and book debts and all other moveables, both present and future, and by joint mortgage created for all immoveable properties of the Company located at Mumbra, Faridabad and Satara plants together with all buildings, plant and machinery thereon which rank second subject and subservient to charges created in favour of loans referred to in footnote (ii) of Note 16.		



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 22 Trade Payables			
	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
	Total outstanding dues of micro enterprises and small enterprises (including acceptances) (Refer Note 31.2)	496.85	280.57
	Total outstanding dues of trade payables other than micro enterprises and small enterprises (including acceptances):		
	Others	15151.18	10604.67
	Related parties	3.00	21.22
	Total	15651.03	10906.46
Footnote:			
Trade payables are non-interest bearing and generally have a payment terms of 30 to 120 days.			

Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 23 Other current liabilities			
	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
(a)	Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Goods and Services Tax etc.)	181.02	151.40
(b)	Contract liabilities (Refer Note	37.27	94.24
(c)	37(A))Trade/security deposits	3.75	23.75
(d)	Provision for gratuity (net) (Refer Note 34(B))	277.80	156.47
(e)	Others	1.11	1.11
	Total	500.95	426.97



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 24 Revenue from operations			
	Particulars	For the year ended 31 March, 2021	For the year ended 31 March, 2020
		₹ lakhs	₹ lakhs
I	Revenue from contracts with customers:		
(a)	Sale of products (Refer Footnotes (i)(a), (ii)(a) & (v) below)	48981.43	44678.98
(b)	Services rendered (Refer Footnotes (i)(b) & (ii)(b) & (v) below)	122.43	494.65
	Total - Revenue from contracts with customers	49103.86	45173.63
II	Other operating revenues (Refer Footnote (iii) below)	1198.93	1138.35
	Revenue from operations (I+II)	50302.79	46311.98
Footnotes:			
	Particulars	For the year ended 31 March, 2021	For the year ended 31 March, 2020
		₹ lakhs	₹ lakhs
(i)	Goods and services transferred at a point in time		
(a)	Sale of products comprises:		
	<u>Manufactured goods:</u>		
	- Automotive gears (Includes processing charges ₹ 458.41 lakhs (Year ended 31 March, 2020: ₹ 392.97 lakhs))	46003.70	40803.63
	- Automotive components	2144.37	2341.62
	- Tooling development	407.88	356.59
(b)	Services rendered	92.87	154.40
(ii)	Goods and services transferred over time (Refer Footnote (iv) below)		
(a)	Sale of products comprises:		
	- Industrial furnaces	425.48	1177.14
(b)	Services rendered	29.56	340.25
	Total - Revenue from contracts with customers	49103.86	45173.63
(iii)	Other operating revenues comprises:		
	- Sale of scrap	346.58	347.67
	- Export incentives (Refer Footnote (vi) below)	595.95	644.78
	- Liabilities / provisions no longer required written back	19.25	35.92
	- Miscellaneous income	237.15	109.98
	Total - Other operating revenues	1198.93	1138.35
(iv)	Revenue from contracts is recognized as stated in Note 2.13(b)		
(v)	For disaggregation of revenue by geography Refer Note 38(b) - Segment information		
(vi)	Merchandise Exports from India Scheme (MEIS) has been replaced by Remission of Duties and Taxes on Exported Products scheme (RoDTEP) w.e.f. 01 January, 2021. The Company is eligible for claim under the new scheme, however pending Government notification on rates, Company has not accrued income in respect of new scheme for the period 01 January, 2021 to 31 March, 2021.		
(vii)	Reconciliation of revenue recognised with contracted price:		
	Particulars	For the year ended 31 March, 2021	For the year ended 31 March, 2020
		₹ lakhs	₹ lakhs
	Revenue as per contracted price	49681.47	46440.77
	Adjustments for:		
	Sales return, volume discount, price incentive, price variation, others	577.61	1267.14
	Revenue from contracts with customers	49103.86	45173.63



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 25 Other income			
	Particulars	For the year ended 31 March, 2021	For the year ended 31 March, 2020
		₹ lakhs	₹ lakhs
(a)	Interest income (Refer Footnote (i) below)	52.30	74.96
(b)	Net gain on foreign currency transactions and translation	56.64	398.89
(c)	Other non-operating income (Refer Footnote (ii) below)	27.87	13.73
	Total	136.81	487.58
Footnotes:			
	Particulars	For the year ended 31 March, 2021	For the year ended 31 March, 2020
		₹ lakhs	₹ lakhs
(i)	Interest income comprises :		
	Interest on financial assets at amortised cost:		
	- On bank deposits	0.06	10.25
	- On margin money with banks	36.44	39.70
	- On security deposits and loans	15.65	15.83
	to employeesOthers	0.15	0.15
	Interest on income tax refund	-	9.03
	Total - Interest income	52.30	74.96
(ii)	Other non-operating income comprises:		
	Rent	8.58	8.55
	Profit on sale of property, plant and equipment	19.29	5.18
	Total - Other non-operating income	27.87	13.73



Bharat Gears Limited		
Notes to the Financial Statements for the year ended 31 March, 2021		
Note 26(A) Cost of material and components consumed		
Particulars	For the year ended 31 March, 2021	For the year ended 31 March, 2020
	₹ lakhs	₹ lakhs
Opening stock	1320.23	1337.01
Add: Purchases	25941.71	22228.05
	27261.94	23565.06
Less: Closing stock	1663.25	1320.23
Cost of materials and components consumed	25598.69	22244.83
Material and components consumed comprises:		
Forgings	23873.62	19727.84
Automotive components	1498.66	1589.84
Others	226.41	927.15
Total	25598.69	22244.83
Note 26(B) Changes in inventories of finished goods and work-in-progress		
Particulars	For the year ended 31 March, 2021	For the year ended 31 March, 2020
	₹ lakhs	₹ lakhs
<u>Inventories at the end of the year:</u>		
Finished goods	1701.81	1865.61
Work-in-progress	3659.59	2792.90
	5361.40	4658.51
<u>Inventories at the beginning of the year:</u>		
Finished goods	1865.61	3099.46
Work-in-progress	2792.90	3155.58
	4658.51	6255.04
Net (increase)/decrease	(702.89)	1596.53



Bharat Gears Limited
Notes to the Financial Statements for the year ended 31 March, 2021

Note 27 Employee benefits expense

	Particulars	For the year ended 31 March, 2021	For the year ended 31 March, 2020
		₹ lakhs	₹ lakhs
	Salaries and wages (Refer Footnote below)	6823.13	7483.08
	Contributions to provident and other funds	364.67	579.51
	Gratuity expenses	247.35	242.54
	Staff welfare expenses	812.30	675.23
	Total	8247.45	8980.36
Footnote:			
Includes Voluntary retirement scheme expense of ₹ 195.12 lakhs (for the year ended 31 March, 2020: ₹ 144.60 lakhs).			

Bharat Gears Limited
Notes to the Financial Statements for the year ended 31 March, 2021

Note 28 Finance costs

	Particulars	For the year ended 31 March, 2021	For the year ended 31 March, 2020
		₹ lakhs	₹ lakhs
	(a) Interest expense on:		
	(i) Borrowings	1914.91	1691.52
	(ii) Others		
	- Discounting charges	26.03	197.13
	- Interest on delayed payment to micro and small enterprises	42.05	19.14
	- Lease liabilities	86.06	56.42
	- Others	21.21	3.11
	(b) Other borrowing costs (Bank and other financing charges)	176.32	197.50
	Total	2266.58	2164.82



Bharat Gears limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 29 Depreciation and amortisation expense			
	Particulars	For the year ended	For the year ended
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
	Depreciation of tangible assets	2175.89	2423.69
	Depreciation of right-of-use assets	210.46	211.67
	Amortisation of intangible assets	28.35	33.37
	Total	2414.70	2668.73



Bharat Gears Limited		
Notes to the Financial Statements for the year ended 31 March, 2021		
Note 30 Other expenses		
Particulars	For the year ended	For the year ended
	31 March, 2021	31 March, 2020
	₹ lakhs	₹ lakhs
Consumption of stores and spare parts	1340.45	1274.19
Consumption of loose tools	1555.96	1198.24
Consumption of packing materials	1019.66	796.07
Processing charges	2392.99	1435.86
Power and fuel	3400.85	3382.61
Rent including lease rentals (Refer Note 33(C))	193.00	178.74
Repairs and maintenance:		
- Buildings	46.26	136.28
- Machinery	458.24	375.50
- Others	781.42	777.27
Travelling, conveyance and car expenses	227.60	464.50
Freight, forwarding and other charges	1115.14	446.48
Auditors' remuneration (Refer Footnote (i) below)	34.55	33.34
Bad debts written off	3.36	-
Loss on disposal of property, plant and equipment	4.65	5.69
Allowance for doubtful debts	11.37	-
Miscellaneous expenses (Refer Footnote (ii) below)	994.40	1121.77
Total	13579.90	11626.54
Footnotes:		
(i) Auditors' remuneration (net of GST):		
Particulars	For the year ended	For the year ended
	31 March, 2021	31 March, 2020
	₹ lakhs	₹ lakhs
As auditors:		
- Statutory audit	19.60	17.00
- Limited review	12.27	12.00
- Corporate Governance	1.00	2.00
In other capacity:		
- For certification (Refer note below)	1.25	-
Reimbursement of expenses	0.43	2.34
Total	34.55	33.34
Excludes certification charges paid to statutory auditors in relation to issue of equity shares ₹ Nil (for the year ended 31 March, 2020: ₹ 2.50 lakhs - debited to securities premium).		
(ii) Includes ₹ 24.23 lakhs incurred on Corporate Social Responsibility expenditure (for the year ended 31 March, 2020: ₹ 3.60 lakhs) (Refer Note 41).		



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 31 Additional information to the financial statements			
Note	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
31.1	Contingent liabilities and commitments(to the extent not provided for)		
(i)	Contingent liabilities: Claims against the Company not acknowledged as debt: 1. In respect of Employees: (i) The Company has filed an appeal in the Bombay High Court against the order passed by Third Labour Court on issue of back wages and reinstatement of 11 employees. (ii) In respect of claim of permanency of services and/or back wages (less subsistence allowance paid, if any) filed by set of temporary/permanent workmen before the Industrial Court, Thane/Labour Court/ Bombay High Court. 2. Others: (i) The Company's appeal is pending before the Bombay High Court against the order passed by Central Government Industrial Tribunal, on issue of provident fund dues on subsistence allowance. (ii) The Company's appeal is pending before Central Government Industrial Tribunal against the order passed by Regional Provident Fund Commissioner, on issue of provident fund dues on difference of wages of certain employees. Future ultimate outflow of resources embodying economic benefits in respect of these matters is uncertain as it depends on financial outcome of judgements/decisions on the matters involved.	40.26 Not ascertainable 1.27 0.87	40.26 Not ascertainable 1.27 0.87
(ii)	Commitments: Estimated amount of contracts remaining to be executed on capital account and not provided for(net of capital advances): Property, plant and equipment Intangible assets	86.31 - 86.31	114.75 0.57 115.32
31.2	Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006		
	Particulars	As at 31 March, 2021	As at 31 March, 2020
		₹ lakhs	₹ lakhs
	(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	496.85	280.57
	(ii) Principal amount remaining unpaid beyond 45 days to any supplier as at the end of the accounting year	231.00	87.04
	(iii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
	(iv) The amount of principal paid beyond the appointed day	1833.72	1402.95
	(v) The amount of interest due and payable for the year	42.05	19.14
	(vi) The amount of interest accrued and remaining unpaid at the end of the accounting year	61.19	19.14
	(vii) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-
	The information disclosed above in respect of principal and/or interest due to Micro and Small Enterprises has been determined on the basis of information available with the Company and confirmations/informations received from the suppliers for registration under the Micro, Small and Medium Enterprises Development Act, 2006. This has been relied upon by the auditors.		



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 32 Income tax			
(A) Major components of income tax expense:			
Note	Particulars	For the year ended	For the year ended
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
(a)	Statement of Profit and Loss:		
(i)	Current income tax:		
	- In respect of current year	-	-
	- In respect of prior years	-	(49.86)
(ii)	Deferred tax:		
	Relating to origination and reversal of temporary differences:		
	- In respect of current year	(226.70)	(554.61)
	- In respect of prior years	31.93	-
	Total tax expense recognised in Statement of Profit and Loss	(194.77)	(604.47)
(b)	Other comprehensive income (OCI):		
	Deferred tax - Remeasurement of the defined benefits obligations	32.08	8.88
	Total tax expense recognised in other comprehensive income	32.08	8.88
(B) Reconciliation of income tax expense and the accounting profit multiplied by Company's domestic tax rate:			
	Particulars	For the year ended	For the year ended
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
	Profit before tax	(964.83)	(2482.25)
	Applicable tax rate (Refer footnote below)	25.168%	25.168%
	Computed tax expense	(242.83)	(624.73)
	Effect of expenses that is non-deductible in determining taxable profit	16.68	7.61
	Effect of change in tax rate	-	61.01
	Adjustments in respect of current/deferred income tax of previous years	31.93	(49.86)
	Others	(0.55)	1.50
	Income tax expense recognised in Statement of Profit or Loss	(194.77)	(604.47)
	Effective tax rate	20.187%	24.352%
Footnote:			
The Company has elected to exercise option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the			
Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has re-measured its deferred tax assets basis the rate prescribed in the said section. The full impact of this change has been recognised in the financial statements for the year ended 31 March, 2020.			



Bharat Gears Limited				
Notes to the Financial Statements for the year ended 31 March, 2021				
Note 32 (C) Deferred tax				
Particulars	For the year ended 31 March, 2021			
	Balance as at 31 March, 2020	Recognised in		Balance as at 31 March, 2021
	₹ lakhs	Profit and loss	OCI	₹ lakhs
Tax effect of items constituting deferred tax liabilities:				
Property, plant and equipment & intangible assets	334.06	(124.52)	-	209.54
Lease rent	1.22	(0.91)	-	0.31
Others	27.14	(9.42)	-	17.72
(A)	362.42	(134.85)	-	227.57
Tax effect of items constituting deferred tax assets:				
Provision for compensated absences, gratuity and other employee benefits	532.71	34.31	-	567.02
Other disallowances under Section 43B of the Income-tax Act, 1961	84.92	(9.22)	-	75.70
Unabsorbed depreciation	423.21	(3.80)	-	419.41
Payments made under Voluntary Retirement Scheme	69.87	28.97	-	98.84
Remeasurement of defined benefits obligations	78.12	-	(32.08)	46.04
Lease	4.67	9.07	-	13.74
Others	19.73	0.59	-	20.32
(B)	1213.23	59.92	(32.08)	1241.07
Deferred tax liabilities/(assets) (net)	(850.81)	(194.77)	32.08	(1013.50)
Particulars	For the year ended 31 March, 2020			
	Balance as at 31 March, 2019	Recognised in		Balance as at 31 March, 2020
	₹ lakhs	Profit and loss	OCI	₹ lakhs
Tax effect of items constituting deferred tax liabilities:				
Property, plant and equipment & intangible assets	624.93	(290.87)	-	334.06
Lease rent	25.41	(24.19)	-	1.22
Others	37.13	(9.99)	-	27.14
(A)	687.47	(325.05)	-	362.42
Tax effect of items constituting deferred tax assets:				
Provision for compensated absences, gratuity and other employee benefits	727.53	(194.82)	-	532.71
Other disallowances under Section 43B of the Income-tax Act, 1961	84.67	0.25	-	84.92
Unabsorbed depreciation	-	423.21	-	423.21
Payments made under Voluntary Retirement Scheme	80.06	(10.19)	-	69.87
Remeasurement of defined benefits obligations	87.00	-	(8.88)	78.12
Lease	0.07	4.60	-	4.67
Others	13.21	6.51	-	19.73
(B)	992.54	229.56	(8.88)	1213.23
Deferred tax liabilities/(assets) (net)	(305.07)	(554.61)	8.88	(850.81)
Footnote:				
Recognition of deferred tax assets is based on the Company's present estimates and business plans as per which the future taxable profits will be generated against which deferred tax will be realized.				



Bharat Gears Limited		
Notes to the Financial Statements for the year ended 31 March, 2021		
Note 33 Leases		
A. Following are the carrying amounts of right-of-use assets recognised and the movements during the year:		
	Description of assets	₹ lakhs
I.	Right-of-use assets	
	Balance as at 01 April, 2019 (present value of lease liability) @	541.13
	Additions	90.32
	Termination	(57.09)
	Balance as at 31 March, 2020	574.36
	Additions	453.86
	Termination	-
	Balance as at 31 March, 2021	1028.22
II.	Depreciation / impairment	
	Balance as at 01 April, 2019	0.90
	Depreciation charge for the year	211.67
	Eliminated on termination	(14.35)
	Balance as at 31 March, 2020	198.22
	Depreciation charge for the year	210.46
	Eliminated on termination	-
	Balance as at 31 March, 2021	408.68
	Net book value (I-II)	
	Balance as at 31 March, 2021	619.54
	Balance as at 31 March, 2020	376.14
	@The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases under Ind AS 17. The requirements of Ind AS 116 were applied to these leases from 1 April, 2019.	
B. Following are the carrying amounts of lease liabilities recognised and the movements during the year:		
	Description of liabilities	₹ lakhs
I.	Lease liabilities	
	Balance as at 01 April, 2019 (present value of lease liability)	541.13
	Additions	90.32
	Termination	(42.74)
	Balance as at 31 March, 2020	588.71
	Additions	453.86
	Termination	-
	Balance as at 31 March, 2021	1042.57
II.	Accretion of interest & lease payments	
	Balance as at 01 April, 2019	(0.71)
	Accretion of interest for the year	56.42
	Lease payments for the year	(249.73)
	Balance as at 31 March, 2020	(194.02)
	Accretion of interest for the year	86.06
	Lease payments for the year	(260.48)
	Balance as at 31 March, 2021	(368.44)
	Net book value (I-II)	
	Balance as at 31 March, 2021	674.13
	Current	173.10
	Non-Current	501.03
	Balance as at 31 March, 2020	394.69
	Current	139.49
	Non-Current	255.20



C. Following are the amounts recognised in Statement of Profit & Loss:	
Particulars	₹ lakhs
For the year ended 31 March, 2020:	
Depreciation expense of right-of-use assets	211.67
Interest expense on lease liabilities	56.42
Lease payments of short-term leases and low-value assets (included in other expenses) (Refer Note 30)	178.74
Total amount recognised in Statement of Profit & Loss	446.83
For the year ended 31 March, 2021:	
Depreciation expense of right-of-use assets	210.46
Interest expense on lease liabilities	86.06
Lease payments of short-term leases and low-value assets (included in other expenses) (Refer Note 30)	193.00
Total amount recognised in Statement of Profit & Loss	489.52
D. Total cash outflow for leases	
Particulars	₹ lakhs
Cash outflow for the year ended 31 March, 2020	249.73
Cash outflow for the year ended 31 March, 2021	260.48
E. The maturity analysis of lease liabilities is disclosed in Note 39.	
F. General description of the agreements:	
<p>(i) The agreements pertain to Land, Buildings, Vehicles & Office equipment.</p> <p>(ii) The lease term ranges from three to ninety-nine years.</p> <p>(iii) The agreements does not provide for transfer of assets to the Company on expiry of lease term, except in case of Office equipment.</p> <p>(iv) There are no restrictions such as those concerning dividends, additional debt and further leasing imposed by the lease agreements entered into by the Company.</p> <p>(v) Some of the agreements contain renewal clause and provide for escalation of rent on renewal. Some of the agreements provide for escalation of rent during the tenure of the agreement.</p>	



Bharat Gears Limited					
Notes to the Financial Statements for the year ended 31 March, 2021					
Note 34 Employee benefits					
Note					
(A)	Defined Contribution Plans The Company has recognised the following amounts in the Statement of Profit and Loss:				
	Particulars	For the year ended 31 March, 2021	For the year ended 31 March, 2020		
		₹ lakhs	₹ lakhs		
	- Employers' contribution to Provident Fund and Family Pension Fund	285.35	414.23		
	- Employers' contribution to Superannuation Fund	15.54	92.35		
	The above amounts are included in Contributions to provident and other funds under Note 27 Employee benefits expense.				
	<u>Defined Benefit Plans</u>				
(B)	A general description of the Employees Benefit Plans:				
	(i) <u>Gratuity (Funded)</u>				
	The Company operates a defined benefit final salary gratuity plan which covers qualifying employees. The benefit payable is the amount calculated as per the Payment of Gratuity Act, 1972 or maximum gratuity payable under the said Act, whichever is lower. The benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting. The gratuity benefits payable to the employees are based on the employee's service and last drawn salary at the time of leaving. The employees do not contribute towards this plan and the full cost of providing these benefits are met by the Company.				
	The Company has set up an income tax approved irrevocable trust fund to finance the plan liability. The trustees of the trust fund are responsible for the overall governance of the plan. The plan is funded under Group Gratuity Scheme which is administered by LIC. The Company makes annual contribution to the plan. There are no minimum funding requirements. The trustees of the gratuity fund have a fiduciary responsibility to act according to the provisions of the trust deed and rules. Since the fund is income tax approved, the Company and the trustees have to ensure that they are at all times fully compliant with the relevant provisions of the Income Tax Act and Rules.				
	The plan is of a final salary defined benefit in nature which is sponsored by the Company and hence it underwrites all the risks pertaining to the plan. In particular, there is a risk for the Company that any adverse salary growth or demographic experience or inadequate returns on underlying plan assets can result in an increase in cost of providing these benefits to employees in future. Since the benefits are lump sum in nature, the plan is not subject to any longevity risks.				
	(ii) <u>Terminal Ex-gratia (Unfunded)</u>				
	The Company has an obligation towards Terminal Ex-gratia, an unfunded defined benefit retirement plan covering eligible employees. The plan provides for lump sum payment which varies depending upon the number of completed years of service to vested employees on completion of employment. Vesting occurs upon the completion of 15 years of service. Since the benefits are lump sum in nature, the plan is not subject to any longevity risks.				
(a)	The following tables summarise the components of net benefit expense recognised in the Statement of Profit and Loss and the funded status and amounts recognised in the Balance Sheet :				
	Expense recognised in the Statement of Profit and Loss:				
	(₹ lakhs)				
	Particulars	Year ended 31 March, 2021		Year ended 31 March, 2020	
		Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia
(i)	Under Statement of Profit and Loss				
	Current service cost	120.14	1.28	114.26	1.40
	Interest on net defined benefit liability/(asset)Past service cost	127.21	2.28	128.28	2.65
		-	-	-	-
	Total expense recognised in the Statement of Profit and Loss	*247.35	**3.56	*242.54	**4.05
(ii)	Under other comprehensive income				
	Actuarial (gains)/losses				
	Due to change in demographic assumptions	-	-	0.03	(0.03)
	Due to change in financial assumptions	-	-	139.64	1.48
	Due to change in experience adjustments	(136.97)	0.46	(86.54)	0.64
	Actual return on plan assets	9.17	-	8.31	-
	Sub-total - Included in Other comprehensive income	(127.80)	0.46	61.44	2.09
	Total expense	119.55	4.02	303.98	6.14
	(* Included in Gratuity expense under Employee benefits expense in Note 27).				
	(** Included in 'Salaries and wages' under Employee benefits expense in Note 27).				



Bharat Gears Limited					
Notes to the Financial Statements for the year ended 31 March, 2021					
Note 34 Employee benefits (contd.)					
(₹ lakhs)					
Note	Particulars	As at 31 March, 2021		As at 31 March, 2020	
		Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia
(b)	Net liability recognised in the Balance Sheet :				
	Present value of defined benefit obligation	1945.67	30.23	2009.78	33.61
	Fair value of plan assets	30.55	-	137.70	-
	Funded status (deficit)	(1915.12)	(30.23)	(1872.08)	(33.61)
	Net liability recognised in the Balance Sheet accounted as below:	(1915.12)	(30.23)	(1872.08)	(33.61)
	- Other non-current liabilities (Refer Note 20(b))	(1637.32)	-	(1715.61)	-
	- Other current liabilities (Refer Note 23(d))	(277.80)	-	(156.47)	-
	- Provisions non-current (Refer Note 19(A)(ii))	-	(24.79)	-	(28.26)
	- Provisions current (Refer Note 19(B)(a)(ii))	-	(5.44)	-	(5.35)
(c)	Present value of defined benefit obligation:				
	Present value of defined benefit obligation at beginning of the year	2009.78	33.61	1888.52	34.37
	Current service cost	120.14	1.28	114.26	1.40
	Interest on defined benefit obligation Remeasurements due to:	136.57	2.28	145.73	2.65
	Actuarial loss/ (gain) arising from change in demographic assumptions	-	-	0.03	(0.03)
	Actuarial loss/ (gain) arising from change in financial assumptions	-	-	139.64	1.48
	Actuarial loss/ (gain) arising on account of experience changes	(136.97)	0.46	(86.54)	0.64
	Past service cost	-	-	-	-
	Benefits paid	(183.85)	(7.40)	(191.86)	(6.90)
	Present value of defined benefit obligation at the end of the year	1945.67	30.23	2009.78	33.61
(d)	Fair value of plan assets:				
	Opening fair value of plan assets	137.70	-	226.01	-
	Employer contributions	76.51	-	94.42	-
	Interest on plan assets	9.36	-	17.44	-
	Actual return on plan assets	(9.17)	-	(8.31)	-
	Benefits paid	(183.85)	-	(191.86)	-
	Closing fair value of plan assets	30.55	-	137.70	-
(e)	Movement of net liability recognised in the Balance Sheet:				
	Opening net defined benefit liability/(asset)	1872.08	33.61	1662.52	34.37
	Expense charged to Statement of Profit and Loss	247.35	3.56	242.54	4.05
	Amount recognised in other comprehensive income	(127.80)	0.46	61.44	2.09
	Employer contributions	(76.51)	(7.40)	(94.42)	(6.90)
	Closing net defined benefit liability/(asset)	1915.12	30.23	1872.08	33.61
(f)	The major categories of plan assets as a percentage of the fair value of total plan assets:				
		As at 31 March, 2021		As at 31 March, 2020	
		Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia
	Insurer managed funds	100%	-	100%	-
	The plan does not invest directly in any property occupied by the Company nor in any financial securities issued by the Company.				



Bharat Gears Limited					
Notes to the Financial Statements for the year ended 31 March, 2021					
Note 34 Employee benefits (contd.)					
(g)	The principal assumptions used in determining defined benefits obligations:				
		As at 31 March, 2021		As at 31 March, 2020	
		Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia
(i)	Financial assumptions:				
	Discount rate	6.80%	6.80%	6.80%	6.80%
	Salary escalation	7.00%		7.00%	
(ii)	Demographic assumptions:				
	Retirement age:				
	For Mumbra employees	60 years		60 years	
	For Faridabad and Lonand employees	58 years		58 years	
	Attrition rate:				
	Age Banks - 21 - 44	2.00%		2.00%	
	Age Banks - 44 & above	1.00%		1.00%	
	Mortality tables	Indian Assured Lives Mortality (2012-14) Ult table		Indian Assured Lives Mortality (2012-14) Ult table	
The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.					
The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.					
Sensitivity analysis:					
(h)	Gratuity is a lump sum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The key actuarial assumptions to which the benefit obligation results are particularly sensitive to are discount rate and future salary escalation rate. The following table summarizes the impact in percentage terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 50 basis points.				
		Year ended 31 March, 2021		Year ended 31 March, 2020	
		Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia
	Discount rate				
	Impact of increase in 50 bps on defined benefits obligations	-4.04%	-2.42%	-4.00%	-2.51%
	Impact of decrease in 50 bps on defined benefits obligations	4.39%	2.56%	4.34%	2.64%
	Salary escalation				
	Impact of increase in 50 bps on defined benefits obligations	4.28%	-	4.22%	-
	Impact of decrease in 50 bps on defined benefits obligations	-3.98%	-	-3.95%	-
These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analysis.					
Funding arrangements & policy:					
(i)	The money contributed by the Company to the fund to finance the liabilities of the plan has to be invested. The trustees of the plan have outsourced the investment management of the fund to an insurance company. The insurance company in turn manages these funds as per the mandate provided to them by the trustees and the asset allocation which is within the permissible limits prescribed in the insurance regulations. Due to the restrictions in the type of investments that can be held by the fund, it is not possible to explicitly follow an asset-liability matching strategy to manage risk actively.				
There is no compulsion on the part of the Company to fully pre fund the liability of the Plan. The Company's philosophy is to fund the benefits based on its own liquidity and tax position as well as level of under funding of the plan.					
The expected contribution payable to the plan next year is ₹ 277.80 lakhs.					



Bharat Gears Limited					
Notes to the Financial Statements for the year ended 31 March, 2021					
Note 34 Employee benefits (contd.)					
(j)	Maturity profile	(₹ lakhs)			
		As at 31 March, 2021		As at 31 March, 2020	
		Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia
	Expected benefits for year 1	308.35	5.44	294.17	5.35
	Expected benefits for year 2	146.26	4.30	146.99	4.48
	Expected benefits for year 3	200.81	4.46	156.08	4.42
	Expected benefits for year 4	213.97	4.95	220.07	5.06
	Expected benefits for year 5	184.70	4.00	241.07	5.47
	Expected benefits for year 6	213.35	4.62	210.12	4.37
	Expected benefits for year 7	118.56	2.03	228.36	4.73
	Expected benefits for year 8	183.42	3.25	124.23	2.05
	Expected benefits for year 9	167.88	2.54	182.55	3.09
	Expected benefits for year 10 and above	2476.75	10.64	2469.46	12.63
	The weighted average duration to the payment (years)	8.45	4.75	8.35	4.96



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 35 Related party transactions			
Note	Particulars		
(A)	As per Ind AS 24, the disclosures of transactions with the Related Parties are given below:		
	Description of relationship	Names of related parties	
	Key Management Personnel (KMP)	(i) Mr. Surinder Paul Kanwar - Chairman and Managing Director (who also has ability to exercise 'significant influence' over the Company) (ii) Mr. Sameer Kanwar – Joint Managing Director (Son of Chairman and Managing Director of the Company) (iii) Mr. Rakesh Chopra - Non Executive Independent Director (iv) Mr. Virendra Kumar Pargal - Non Executive Independent Director (v) Mr. Wolfgang Rudolf Schilha - Non Executive Independent Director (vi) Mrs. Hiroo Suresh Advani - Non Executive Independent Director (vii) Mr. N.V. Srinivasan - Non Executive Director	
	Enterprises over which KMP is able to exercise significant influence	(i) Cliplok Simpak (India) Private Limited (CSIPL) (ii) Raunaq EPC International Limited (REIL) (iii) Vibrant Reality Infra Private Limited (VRIPL) formerly known as Vibrant Finance & Investments Private Limited (VFIPL) (iv) Xlerate Driveline India Limited (XDIL)	
	Note: Related parties have been identified by the Management.		
(B)	Details of related party transactions during the year ended 31 March, 2021:		
(i)	Key Management Personnel (KMP):		
	Particulars	For the year ended 31 March, 2021 ₹ lakhs	For the year ended 31 March, 2020 ₹ lakhs
(a)	Mr. Surinder Paul Kanwar		
	- Compensation - Short term employee benefits	123.88	262.87
	- Rent paid for premises taken on lease	60.00	60.00
	- Reimbursement of maintenance charges paid for premises taken on lease	2.75	4.21
	- Unsecured loan - availed by the Company	200.00	-
	- Equity allotment - Rights issue of equity shares	-	775.58
(b)	Mr. Sameer Kanwar		
	- Compensation - Short term employee benefits	124.38	173.35
	- Rent paid for premises taken on lease	36.00	35.33
	- Reimbursement of maintenance charges paid for premises taken on lease	5.05	0.85
(c)	Mr. N.V. Srinivasan		
	- Fees for technical advisory services	16.84	23.04
	- Director's sitting fees	1.20	1.30
(d)	Mr. Rakesh Chopra		
	- Director's sitting fees	2.50	3.00
(e)	Mr. Virendra Kumar Pargal		
	- Director's sitting fees	2.20	2.30
(f)	Mr. Wolfgang Rudolf Schilha		
	- Director's sitting fees	1.00	0.60
(g)	Mrs. Hiroo Suresh Advani		
	- Director's sitting fees	2.00	2.60



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 35 Related party transactions (Contd)..			
(ii) Enterprises over which KMP is able to exercise significant influence:			
	Particulars	For the year ended	For the year ended
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
(a)	Cliplok Simpak (India) Private Limited		
	- Purchase of packing material	20.09	12.19
	- Rent income	0.64	0.62
(b)	Vibrant Reality Infra Private Limited		
	- Rent and other expenses	14.48	18.55
(c)	Raunaq EPC International Limited		
	- Rent income	4.32	7.24
(d)	Xlerate Driveline India Limited		
	- Marketing service income	92.87	154.32
	- Rent expense	11.75	11.75
	- Rent income	3.62	0.69
	- Recovery of business promotion expenses	4.61	10.35
	- Purchase of material	26.88	-
(C) Outstanding balances (excluding Ind AS fair value adjustments):			
(i) Key Management Personnel (KMP):			
	Particulars	As at 31 March, 2021	As at 31 March, 2020
		₹ lakhs	₹ lakhs
(a)	Mr. Surinder Paul Kanwar		
	Receivable	50.00	50.00
	Payable	201.40	11.68
(b)	Mr. Sameer Kanwar		
	Receivable	10.00	10.00
	Payable	0.01	5.81
(c)	Mr. N.V. Srinivasan		
	Payable	1.40	1.34
(d)	Mr. Virendra Kumar Pargal		
	Payable	-	0.09
(e)	Mr. Rakesh Chopra		
	Payable	0.19	0.18
(ii) Enterprises over which KMP is able to exercise significant influence:			
	Particulars	As at 31 March, 2021	As at 31 March, 2020
		₹ lakhs	₹ lakhs
(a)	Vibrant Reality Infra Private Limited		
	Receivable	5.00	5.00
(b)	Cliplok Simpak (India) Private Limited		
	Receivable	-	0.19
(c)	Raunaq EPC International Limited		
	Receivable	24.24	19.47
(d)	Xlerate Driveline India Limited		
	Receivable	30.53	85.86
	Payable	-	2.12


Bharat Gears Limited
Notes to the Financial Statements for the year ended 31 March, 2021

(D)	Notes:
(i)	Key Management Personnel compensation does not include provision for gratuity and leave encashment, which is determined for the Company as a whole.
(ii)	All transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances for receivables, payables are unsecured, interest free and settlement occurs in cash excluding Ind AS fair value adjustments, if any. The Company has not recorded any impairment of balances relating to amounts owed by related parties during the year ended 31 March, 2021 (31 March, 2020: ₹ Nil). The assessment is undertaken at each financial year through evaluating the financial position of the related party and the market in which the related party operates.
(iii)	Guarantee of ₹ 8867.50 lakhs, which is outstanding as on date has been provided by one of the Director against term loan from others (Refer Footnote (iii) of Note 16).

Bharat Gears Limited
Notes to the Financial Statements for the year ended 31 March, 2021
Note 36 Earnings per share

	Particulars	For the year ended 31 March, 2021	For the year ended 31 March, 2020
		₹ lakhs	₹ lakhs
	Basic and diluted:		
	Net profit/(loss) after tax for the year attributable to the equity shareholders	(770.06)	(1877.78)
	Weighted average number of equity shares (Nos.)	9306095	9211865
	Face value per share (In ₹)	10.00	10.00
	Earnings per share - Basic and diluted (In ₹)	(8.27)	(20.38)



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 37(A) Disclosure under Ind AS 115 "Revenue from Contracts with Customers"			
	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
Contact Balances:			
	Contract assets balance at the beginning of the year	280.40	592.33
	Revenue recognised during the year	979.76	1903.39
	Invoices raised during the year	511.12	2084.39
	Created/(consumed) during the year	(186.79)	(130.93)
	Contract assets balance at the end of the year (Refer Note 7(B)(c) and Note 8(c))	562.25	280.40
	Particulars	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
	Contract liabilities balance at the beginning of the year	308.67	866.02
	Revenue recognised that was included in the unearned and deferred revenue at the beginning of the year	84.39	-
	Billed in advance in terms of contract	-	84.37
	Advance received during the year	326.27	312.26
	Adjusted against invoices during the year	191.63	953.98
	Contract liabilities balance at the end of the year (Refer Note 20(a) and Note 23(b))	358.92	308.67
Note 37(B) Disclosures in pursuance of the Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets":			
	Provision for warranties	As at	As at
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
	Opening balance	20.63	10.10
	Additional provision	4.16	14.02
	Amount utilized	-	-
	Unutilized amount reversed	10.88	3.49
	Closing balance (Refer Note 19(B)(b))	13.91	20.63
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.			



Bharat Gears Limited
Notes to the Financial Statements for the year ended 31 March, 2021

Note 38 Segment information

	Particulars		
(a)	The Company is primarily engaged in the Automotive Gears business and all other activities revolving around the same. Information reported to and evaluated regularly by the Chief Operational Decision Maker (CODM) i.e. Chairman and Managing Director for the purpose of resource allocation and assessing performance focuses on the business as a whole. Accordingly, there is no other separate reportable segment as defined by Ind AS 108 "Operating Segments".		
(b)	Disaggregation of revenue by geography:		
	The revenue of the Company from the external customers are attributed to (i) the Company's country of domicile i.e. India and (ii) all foreign countries in total from which the Company derives revenue. Details are as follows:		
	(i) Revenue from contracts with customers:		
	Particulars	For the year ended 31 March, 2021	For the year ended 31 March, 2020
		₹ lakhs	₹ lakhs
	India	33556.75	29788.46
	Outside India:		
	USA	7977.38	9334.88
	Mexico	1608.09	1405.06
	Spain	3272.86	1689.17
	Other countries	2688.78	2956.06
	Total	49103.86	45173.63
	(ii) Other operating revenue:		
	Particulars	For the year ended 31 March, 2021	For the year ended 31 March, 2020
		₹ lakhs	₹ lakhs
	India	1198.93	1138.35
	Total	1198.93	1138.35
	All the non-current assets of the Company are located in India.		
(c)	Information about major customers having revenue amounting to 10% or more of the Company's revenue from contracts with customers		
(d)	Particulars	For the year ended 31 March, 2021	For the year ended 31 March, 2020
		₹ lakhs	₹ lakhs
	Customer A	15117.81	12079.58
	No other customer individually contributed 10% or more to the Company's revenue from contracts with customers for the current year ended 31 March, 2021 and previous year ended 31 March, 2020.		



Bharat Gears Limited			
Notes to the Financial Statements for the year ended 31 March, 2021			
Note 39 Financial Instruments			
I	Capital management		
	The Company manages its capital to ensure that the Company will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity.		
	The Company manages its capital structure and makes adjustments in the light of changes in economic conditions and the requirements of the financials covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The capital structure is monitored on the basis of net debt to equity and maturity profile of the overall debt portfolio of the Company.		
		31 March, 2021	31 March, 2020
		₹ lakhs	₹ lakhs
	Short term borrowing and current portion of long term borrowing	4473.17	6535.99
	Long term borrowing	6662.39	8230.59
	Total borrowing	11135.56	14766.58
	Less:- Cash and cash equivalents including other bank balances	564.19	714.15
	Net debt	A 10571.37	14052.43
	Total shareholders' equity as reported in Balance Sheet	B 7381.28	7957.41
	Total capital and debt	(A+B) 17952.65	22009.84
	In order to achieve the overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest bearing loans and borrowings that define capital structure requirements.		
	No changes were made in the objectives, policies and processes for managing capital during the year(s) ended 31 March, 2021 and 31 March, 2020.		
II	Financial Risk Management Framework		
	The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. In order to manage the aforementioned risks, the Company operates a risk management policy and a program that performs close monitoring of and responding to each risk factors.		
(A)	Credit risk		
	Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.		
(i)	Trade receivables		
	Customer credit risk is managed by the Company subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on payment performance over the period of time and wherever required a detailed financial analysis. Outstanding customer receivables are regularly monitored. As at 31 March, 2021, the Company had 5 customers (As at 31 March, 2020: 4 customers) that owed the Company more than ₹ 500 lakhs each and accounted for approximately 48.64% of all the receivables outstanding (As at 31 March, 2020: 46.19%).		
	An impairment analysis is performed at each reporting date. The Company does not hold collateral as security.		
(ii)	Financial instruments and cash deposits		
	Credit risk from balances with banks and financial institutions is managed by the Company in accordance with the Company's policy. The credit risk is limited because counter parties are banks/institutions with high credit ratings.		
(B)	Liquidity risk		
(i)	Liquidity risk management		
	The Company manages liquidity risk by maintaining adequate reserves, banking facilities/borrowings and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.		



Bharat Gears Limited						
Notes to the Financial Statements for the year ended 31 March, 2021						
Note 39 - Financial instruments (contd)..						
(ii)	<p>Maturities of financial liabilities</p> <p>The following table detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amount disclosed in the table have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table include both interest and principal cash flows.</p>					
	Less than 1 Year	1-3 Years	3-5 Years	5 Years and above	Total	Carrying amount
	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs	₹ lakhs
Non-derivative financial liabilities						
31 March, 2021						
Fixed interest rate instruments	-	129.77	173.84	-	303.61	303.61
Variable interest rate instruments	5010.57	4975.00	1126.50	500.00	11612.07	11541.66
Lease liabilities	244.56	276.01	132.84	338.84	992.25	674.13
Non-interest bearing	15325.54	-	-	200.00	15525.54	15426.87
Total	20580.67	5380.78	1433.18	1038.84	28433.47	27946.27
31 March, 2020						
Fixed interest rate instruments	-	-	129.77	-	129.77	129.77
Variable interest rate instruments	6854.93	5032.00	2269.00	-	15155.93	15048.07
Lease liabilities	178.15	248.38	38.85	1000.00	481.07	394.69
Non-interest bearing	10911.35	-	-	15.69	10911.35	10911.35
Total	17944.43	5280.38	2437.62	1015.69	26678.12	26483.88
Interest rate sensitivity:						
<p>The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating variable rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used for the purpose of sensitivity analysis.</p> <p>If interest rates had been 100 basis points higher/lower and all other variables held constant, the Company's loss for the year ended 31 March, 2021 would increase/decrease by ₹ 113.48 lakhs (loss for the year ended 31 March, 2020: decrease/increase by ₹ 148.97 lakhs). This is mainly attributable to the Company's exposure to interest rate on its variable rate borrowings.</p> <p>The amounts included above for variable interest rate instruments for both non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.</p>						



Bharat Gears Limited																																																	
Notes to the Financial Statements for the year ended 31 March, 2021																																																	
Note 39 - Financial instruments (contd)..																																																	
(iii)	Financing arrangements																																																
	The Company had access to following undrawn borrowing facilities at the end of the reporting period:																																																
		As at		As at																																													
		31 March, 2021		31 March, 2020																																													
		₹ lakhs		₹ lakhs																																													
	From banks:																																																
	Fund based:																																																
	Cash credit/packing credit																																																
	- Expiring within one year		1762.86		1832.61																																												
	- Expiring beyond one year		-		-																																												
	Term loan (Emergency Credit Line Guarantee Scheme)		519.00		-																																												
	- Expiring within one year		519.00		-																																												
	- Expiring beyond one year		-		-																																												
	Sales invoice financing		-		1458.05																																												
	- Expiring within one year		-		1458.05																																												
	- Expiring beyond one year		-		-																																												
	Non -fund based - letter of credit/bank guarantees		316.18		818.00																																												
	- Expiring within one year		316.18		818.00																																												
	- Expiring beyond one year		-		-																																												
	From others:																																																
	Term loan (Emergency Credit Line Guarantee Scheme)		2100.00		-																																												
	- Expiring within one year		2100.00		-																																												
	- Expiring beyond one year		-		-																																												
	Factoring facilities		-		421.70																																												
	- Expiring within one year		-		421.70																																												
	- Expiring beyond one year		-		-																																												
(C)	Market risk																																																
	Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.																																																
(i)	Currency risk																																																
	The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's exposure to currency risk relates primarily to the Company's operating activities and borrowings when transactions are denominated in a different currency from the Company's functional currency.																																																
	The Company manages its foreign currency risk by effective monitoring movement in foreign currency rates and seeks to minimize the effect of currency risk by using non derivative financing instrument to hedge risk exposures.																																																
	The carrying amounts of the Company's unhedged foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:																																																
	<table border="1"> <thead> <tr> <th rowspan="2">Particulars</th> <th rowspan="2">Currency</th> <th colspan="2">In foreign currency</th> <th colspan="2">₹ lakhs</th> </tr> <tr> <th>As at 31 March, 2021</th> <th>As at 31 March, 2020</th> <th>As at 31 March, 2021</th> <th>As at 31 March, 2020</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Receivable</td> <td>USD</td> <td>55,29,047.35</td> <td>29,47,468.85</td> <td>4042.01</td> <td>2230.05</td> </tr> <tr> <td>EURO</td> <td>12,84,414.77</td> <td>9,80,036.70</td> <td>1101.17</td> <td>808.75</td> </tr> <tr> <td>JPY</td> <td>16,15,000.00</td> <td>-</td> <td>10.67</td> <td>-</td> </tr> <tr> <td>Payables</td> <td>USD</td> <td>1,87,093.34</td> <td>1,00,278.17</td> <td>136.79</td> <td>75.88</td> </tr> </tbody> </table>						Particulars	Currency	In foreign currency		₹ lakhs		As at 31 March, 2021	As at 31 March, 2020	As at 31 March, 2021	As at 31 March, 2020	Receivable	USD	55,29,047.35	29,47,468.85	4042.01	2230.05	EURO	12,84,414.77	9,80,036.70	1101.17	808.75	JPY	16,15,000.00	-	10.67	-	Payables	USD	1,87,093.34	1,00,278.17	136.79	75.88											
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	Foreign currency sensitivity																																																
	The following table demonstrates the sensitivity in the USD, Euro and other currencies to the functional currency of the Company, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of the monetary assets and liabilities including currency derivatives.																																																
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Particulars	Change in currency exchange rate	Effect on profit before tax		Effect on equity																																													
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	- 5%	(0.53)	-	(0.40)	-																																												
(ii)	Interest rate risk																																																
	Refer comment given above in maturities of financial liabilities under liquidity risk.																																																
(iii)	Raw material price risk																																																
	The Company does not have significant risk in raw material price variations. In case of any variation in price, the same is passed on to customers through appropriate adjustment to selling prices.																																																



Bharat Gears Limited					
Notes to the Financial Statements for the year ended 31 March, 2021					
Note 40 Fair value					
Particulars					
A	Fair value measurement:				
	All the financial assets and financial liabilities of the Company are carried at amortised cost.				
B	The management assessed that the fair value of financial instruments such as trade receivables, cash and cash equivalents, other bankbalances, other financial assets (except security deposits and loans and advances to employees), trade payables and other current financial liabilities (except current maturities of long term debts) approximate their carrying value largely due to the short-term maturities of these instruments.				
	Fair value hierarchy:				
Quantitative disclosure fair value measurement hierarchy:					
Particulars	As at 31 March, 2021		As at 31 March, 2020		Fair value hierarchy
	₹ lakhs Carrying value	₹ lakhs Fair value	₹ lakhs Carrying value	₹ lakhs Fair value	
Assets for which fair values are disclosed:					
Loans and advances to employees	247.37	247.37	225.38	225.38	Level 2
Security deposits	254.81	254.81	259.54	259.54	Level 2
Liabilities for which fair values are disclosed:					
Borrowings	8898.42	8898.42	10542.20	10542.20	Level 2
Other non-current financial liabilities	303.61	303.61	129.77	129.77	Level 2
Fair value of loans and advances to employees, security deposits and borrowings are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and maturities.					

Bharat Gears Limited						
Notes to the Financial Statements for the year ended 31 March, 2021						
Note 41 Corporate social responsibility						
Particulars						
The Ministry of Corporate Affairs has notified Section 135 of the Companies Act, 2013, on Corporate Social Responsibility (CSR) with effect from 01 April, 2014. As per the provisions of the said Section, the aggregate amount of ₹ 25.86 lakhs was required to be spent on CSR activities by the Company (for the year ended 31 March, 2021 - ₹ 2.75 lakhs, for the year ended 31 March, 2020 - ₹ 17.97 lakhs and for the year ended 31 March, 2019 - ₹ 5.14 lakhs). During the year, the Company has incurred an amount of ₹ 24.23 lakhs (for the year ended 31 March, 2020 : ₹ 3.60 lakhs) on CSR activities (Refer Footnote (ii) of Note 30). Further, ₹ 3.60 lakhs incurred for the year ended 31 March 2020 have been paid in cash during the year. On an aggregate the Company has spent ₹ 27.83 lakhs (for the year ended 31 March, 2020 : ₹ 3.60 lakhs) on CSR activities.						
Particulars	For the year ended 31 March, 2021			For the year ended 31 March, 2020		
	₹ lakhs			₹ lakhs		
	In Cash	Yet to be paid in cash	Total	In Cash	Yet to be paid in cash	Total
(i) Construction/acquisition of any asset	-	-	-	-	-	-
(ii) On purposes other than (i) above	24.23	-	24.23	-	3.60*	3.60
* Paid in cash during the current year						



Bharat Gears Limited	
Notes to the Financial Statements for the year ended 31 March, 2021	
Note 42 Acquisition of land by Government authorities	
Particulars	
	<p>Thane Municipal Corporation (TMC) is in the process of acquiring certain portion of Company's land at Mumbra plant for proposed road widening project(s). The exact area of such acquisition shall be determined after actual survey of land; which is still pending. The said acquisition does not impact the operations of the Company adversely. Meanwhile, the Company has taken up the matter with TMC for suitable compensation in lieu of such acquisition. The impacted land has been classified as non-current asset held for sale.</p> <p>The Company has also lodged a compensation claim for cost relating to shifting/re-locating/reconstruction of the facilities/structures/utilities, set up on that land. The aforesaid compensation claims are yet to be finalized by the Government Authorities. Pending finalisation of the compensation claim, the Company has not recognized the same in the financial statements. However, the Company has written off the related assets/utilities impacted by the aforesaid acquisition in the Statement of Profit and Loss for the year ended 31 March, 2019.</p>

Bharat Gears Limited	
Notes to the Financial Statements for the year ended 31 March, 2021	
Note 43 Estimation of uncertainties relating to the global health pandemic from COVID-19	
Particulars	
	<p>The Company's operations have been impacted by the unprecedented COVID-19 pandemic which resulted in an interruption to the production due to the nationwide lockdown in the initial part of this year. The Company has incurred loss before tax during the current year amounting to ₹ 964.83 lakhs, primarily owing to lower volumes in the initial months of the year due to COVID-19 pandemic, finance costs and depreciation.</p> <p>The Company has been sanctioned additional facility under 'Emergency Credit Line Guarantee Scheme (ECLGS)' by the lenders and the management has adopted several cost reduction measures to maintain sufficient operational cashflows to ensure uninterrupted fulfilment of its orders from customers.</p> <p>Based on management's assessment of market conditions supported by revival of demand by the OEMs, steady growth in revenue and in light of the additional facility being sanctioned, the management is confident of recovering the carrying value of its assets as at 31 March, 2021 and meeting its liabilities as they fall due. The carrying value of current and non-current assets are based on the internal and external sources of information indicators of economic forecasts existing as at the date of approval of these financial statements.</p> <p>The estimates used for assessing the carrying value of assets and liabilities at 31 March, 2021 during the COVID-19 pandemic may undergo a change as these are dependent on the continuing impact of the pandemic on the economy and automotive sector and the Company will continue to monitor and address any material changes and its consequent impact on its business, if any.</p>

Bharat Gears Limited	
Notes to the Financial Statements for the year ended 31 March, 2021	
Note 44 The Code on Social Security	
Particulars	
	<p>Government of India's Code for Social Security 2020 (the 'Code') received assent from the President in September, 2020. However, the date from when the Code will become applicable and the Rules have not yet been notified. The Company will assess the impact of the Code and account for the same once the effective date and the rules are notified.</p>
As per our report of even date	
For S R B C & CO LLP ICAI Firm Registration Number:- 324982E/E300003 Chartered Accountants	For and on behalf of the Board of Directors of Bharat Gears Limited
<i>Sd/-</i> per Aruna Kumaraswamy Partner Membership No: 219350	<i>Sd/-</i> Chairman and Managing Director
	<i>Sd/-</i> Joint Managing Director
	<i>Sd/-</i> Chief Financial Officer
	<i>Sd/-</i> Head (Legal) & Company Secretary
	<i>Sd/-</i> Directors
Date: 11 June, 2021	Date: 11 June, 2021



**STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30,
2021**

Independent Auditor’s Review Report on the Quarterly Unaudited Financial Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

**Review Report to
The Board of Directors
Bharat Gears Limited**

1. We have reviewed the accompanying statement of unaudited financial results of Bharat Gears Limited (the “Company”) for the quarter ended June 30, 2021 (the “Statement”) attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the “Listing Regulations”).
2. This Statement, which is the responsibility of the Company’s Management and approved by the Company’s Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) “Interim Financial Reporting” prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standards (‘Ind AS’) specified under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

Sd/-
per Aruna Kumaraswamy
Partner
Membership Number: 219350

UDIN: 21219350AAAABC6551
Place of Signature: Mumbai
Date: August 12, 2021



BHARAT GEARS LIMITED CIN: L29130HR1971PLC034365 Registered Office: 20 K. M. Mathura Road, P. O. Amar Nagar, Faridabad - 121003 (Haryana)					
STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE, 2021 (₹ in lakhs)					
	Particulars	Quarter ended			Previous year ended
		30.06.2021	31.03.2021	30.06.2020	31.03.2021
		(Unaudited)	(Audited) Refer note 7	(Unaudited)	(Audited)
1	Revenue from operations (Refer note 4)	16,468	17,403	4,926	50,303
2	Other income (Refer note 5)	153	(7)	50	137
3	Total income (1+2)	16,621	17,396	4,976	50,440
4	Expenses				
	(a) Cost of materials and components consumed	8,554	9,533	1,967	25,599
	(b) Changes in inventories of finished goods and work-in-progress	(727)	(706)	704	(703)
	(c) Employee benefits expense (Refer note 6)	2,554	2,323	1,471	8,247
	(d) Finance costs	489	480	548	2,267
	(e) Depreciation and amortisation expense	578	581	626	2,415
	(f) Other expenses	4,313	4,861	1,202	13,580
	Total expenses	15,761	17,072	6,518	51,405
5	Profit/(loss) before tax (3-4)	860	324	(1,542)	(965)
6	Tax expense				
	1. Current tax	60	-	-	-
	2. Deferred tax	161	15	(228)	(227)
	3. (Excess)/Short provision for tax relating to prior years	-	32	-	32
7	Net profit/(loss) for the period (5-6)	639	277	(1,314)	(770)
8	Other comprehensive income/(loss)				
	(i) Items that will not be reclassified to profit or loss	42	165	(13)	127
	(ii) Income tax relating to items that will not be reclassified to profit or loss	(11)	(59)	3	(32)
9	Total comprehensive income/(loss) for the period (7+8)	670	383	(1,324)	(675)
10	Paid-up equity share capital (Face value ₹ 10/- per share)	931	931	931	931
11	Other equity (excluding revaluation reserve)				6450
12	Earnings per share [face value of ₹ 10/- each (* not annualised)] Basic and diluted (₹)	*6.87	*2.98	*(14.12)	(8.27)


BHARAT GEARS LIMITED

CIN: L29130HR1971PLC034365

Registered Office: 20 K. M. Mathura Road, P. O. Amar Nagar, Faridabad - 121003 (Haryana)

Notes:

- The above Unaudited Financial Results have been reviewed and recommended by the Audit Committee and have been approved by the Board of Directors at their respective meetings held on 12 August, 2021.
- The statutory auditors of the Company have carried out limited review of the aforesaid Unaudited Financial Results.
- The Company is primarily engaged in the Automotive Gears business and all other activities revolving around the same. As such there is no other separate reportable segment as defined by Ind AS 108 - "Operating Segments".
- Merchandise Exports from India Scheme (MEIS) has been replaced by Remission of Duties and Taxes on Exported Products scheme (RoDTEP) w.e.f. 01 January, 2021. The Company is eligible for claim under the new scheme, however pending Government notification on rates, Company has not accrued income in respect of new scheme for the period 01 January, 2021 to 30 June, 2021.

The income recognised based on MEIS for the quarter ended 30 June, 2021, 31 March, 2021 and for the quarter ended 30 June, 2020 is ₹ Nil, ₹ Nil and ₹ 52 lakhs respectively.

- Other income includes:

(₹ in lakhs)

Particulars	Quarter ended			Previous year ended
	30.06.2021	31.03.2021	30.06.2020	31.03.2021
	(Unaudited)	(Audited) Refer note 7	(Unaudited)	(Audited)
Net exchange gain	136	(32)	34	57

- Employee benefits expense includes:

(₹ in lakhs)

Particulars	Quarter ended			Previous year ended
	30.06.2021	31.03.2021	30.06.2020	31.03.2021
	(Unaudited)	(Audited) Refer note 7	(Unaudited)	(Audited)
Voluntary retirement scheme expense	25	-	129	195

- The figures of the quarter ended 31 March, 2021 are the balancing figures between audited figures in respect of the full financial year and the unaudited published year-to-date figures upto 31 December, 2020, which were subjected to limited review by statutory auditors.

**BHARAT GEARS LIMITED**

CIN: L29130HR1971PLC034365

Registered Office: 20 K. M. Mathura Road, P. O. Amar Nagar, Faridabad - 121003 (Haryana)

8. The Company has considered the possible impact of COVID-19 pandemic on its operations, liquidity position and recoverability of its asset balances at 30 June, 2021 based on the internal and external information up to the date of approval of these financial results. The impact of COVID-19 may be different from that estimated as at the date of approval of these financial results and management will continue to monitor any material changes arising due to the impact of this pandemic on financial and operational performance of the Company and take necessary measures to address the situation.
9. The Company had lodged a compensation claim with the Mumbai Metropolitan Region Development Authority (MMRDA) in earlier years in respect of costs incurred towards shifting/re-location of facilities situated on the Company's land acquired by the Authority towards proposed road widening projects. Subsequent to the quarter end, the Company has received relevant approvals from the authorities sanctioning the compensation amounting to ₹ 514 lakhs and has also incurred costs in relation to the same resulting in a net income of ₹ 360 lakhs (gross of tax impact). Accordingly, the compensation claim will be accounted in the quarter ended 30 September, 2021.
10. Government of India's Code for Social Security 2020 (the 'Code') received assent from the President in September, 2020. However, the date from when the Code will become applicable and the Rules have not yet been notified. The Company will assess the impact of the Code and account for the same once the effective date and the rules are notified.
11. Previous period's figures have been regrouped/reclassified wherever necessary.

For and on behalf of the Board of Directors

Date: 12 August, 2021
Sd/-
SURINDER PAUL KANWAR
Chairman & Managing Director



ACCOUNTING RATIOS

Following are the Key Accounting Ratios for the Financial year ended March 31, 2021 and for the three (3) months period ended June 30, 2021

Particulars	Quarter ended June 30, 2021	Financial Year ended March 31, 2021
Earnings Per Share (EPS) (Basic and Diluted) (₹)	6.87 [#]	(8.27)
Return on Net Worth (%)	7.94 [#]	(10.43)
Net Asset Value per Share (₹)	86.52	79.32
EBITDA (₹ in Lakhs)	1,913	3,664
EBITDA (%)	11.52	7.27

Not Annualised

Formula:

- Earnings Per Share (₹):** Net Profit after tax for the year attributable to Equity Shareholders divided by weighted average no of equity shares outstanding during the period.
- Return on Net Worth (%):** Net Profit after tax for the year attributable to Equity Shareholders divided by Net Worth at the end of the period multiplied by 100.
- Net Asset Value Per Share (₹):** Net Assets as at the year end/ quarter end divided by total number of equity shares outstanding at the end of the period.
- EBITDA (₹ in Lakhs):** Profit before tax plus finance costs plus depreciation and amortisation expense less interest income.
- EBITDA (%):** [EBITDA/ (Revenue-Interest Income)] * 100



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our Unaudited Financial Results for the quarter ended June 2021 and Audited Financial Statement for the year ended March 31, 2021 prepared in accordance with the provisions under the Companies Act, 2013 and Ind AS, including the notes and schedules thereto, included in the section titled "Financial Information" on page 74. You should also read the section titled "Risk Factors" on page 20, which discusses a number of factors and contingencies that could impact our financial condition and results of operations, and the section titled "Our Business" on page 59, which presents important information about our business.

Unless otherwise specified in this section or unless the context otherwise requires, the following discussion is based on our Unaudited Financial Results for the quarter ended June 2021 and Audited Financial Statement for the year ended March 31, 2021 and financial information for the year ended March 31, 2020 which is derived from the comparatives of the Audited Financial Statement for the year ended March 31, 2021 and in relevant parts, on internally prepared statistical information available to our management and publicly available information.

Our fiscal year ends on March 31 of each year, so all references to a particular "fiscal year" and "Fiscal" are to the twelve (12) month period ended March 31 of that fiscal year. Unless otherwise specified, all amounts in this section are stated on a consolidated basis. In this section, any reference to "we", "us" or "our" is to Bharat Gears Limited.

Overview of our Business

Our Company was founded in the year 1971 by late Dr. Raunaq Singh. We had commenced our first manufacturing facility at Mumbra, Maharashtra in the year 1974. For better geographical reach and increased production capacities, we laid the foundation stone of our second manufacturing facility located at Faridabad, Haryana in the year 1998 and began manufacturing at this facility from the year 2000 onwards. With a view to further expand our manufacturing capacities, while maintaining an optimum size for each individual facility, we established our third manufacturing facility at Lonand, Satara, Maharashtra and commenced manufacturing activities there from the year 2014 onwards.

We have been engaged in the manufacturing business since 1974 and have expanded our product portfolio from manufacturing of gears to a broad spectrum of products including ring gears and pinions, transmission gears and shafts, differential gears, gear boxes, automotive clutch and components, turbo chargers and components, driveline products, axle shafts, fly wheel assemblies & rings, propeller shaft components, U-J cross, steering components, differential cages, steel wheel rims, sealed quench furnaces, pusher continuous gas carburising furnace, other heat treating equipment, etc.

Significant Developments after March 31, 2021

To our knowledge and belief, no circumstances other than those disclosed in this Draft letter of offer have arisen since the date of the last financial statements contained in this Draft letter of offer which materially affect or is likely to affect, the trading and profitability of our company, or the value of our assets or our ability to pay material liabilities within the next 12 months

Factors that may affect results of the Operations

The following important factors could cause actual results to differ materially from the expectations include among others:

- Impact of COVID-19 on our results of operations and financial condition
- General economic and business conditions;
- Increasing competition in the industry;
- Changes in laws and regulations that apply to the industry;
- Changes in fiscal, economic or political conditions in India.

Significant Accounting Policies



For disclosure of our Significant Accounting policies as at and for the year ended March 31, 2021, as required by Ind AS 1 and other applicable standards, see section titled “Financial Information” on page 74.

Change in Accounting Policies

There has been no change in the accounting policies during the FY 2020-2021.

Reservations, Qualifications and Adverse Remarks

There are no reservations or qualifications or adverse remarks in the auditors’ report for FY 2020-21.

Summary of the Results of Operations

The following discussion on the financial operations and performance should be read in conjunction with the financial results of the company.

(Amount ₹ in Lakhs)

Particulars	Quarter Ended	For the Financial Year	
	June 2021	March 2021	March 2020
Revenue from Operations	16,468	50,303	46,312
Other income	153	137	488
Total Income	16,621	50,440	46,800
Cost of Material Consumed	8,554	25,599	22,245
Changes in inventories of finished goods and stock-in-trade	(727)	(703)	1,597
Employee benefits expenses	2,554	8,247	8,980
Finance costs	489	2,267	2,165
Depreciation and amortization expenses	578	2,415	2,669
Other expenses	4,313	13,580	11,626
Total Expenses	15,761	51,405	49,282
Profit/ (Loss) before Tax	860	(965)	(2,482)
Tax expense			
Current Tax	60	-	-
Deferred Tax	161	(227)	(555)
(Excess)/Short provision for tax relating to prior years	-	32	(50)
Profit After Tax	639	(770)	(1,877)
Other Comprehensive Income/(loss)			
(i) items that will not be reclassified to P&L	42	127	(64)
(ii) income tax relating to items that will not be reclassified to profit and loss	(11)	(32)	(9)
Total Comprehensive Income	670	(675)	(1,950)

1. **Revenue:** Our income consists of revenue from operations only:
 - Revenue from Operations: Our major revenues are derived from manufacture and sale of Automotive Gears, Automotive Components, Tooling development and sale of Industrial Furnaces.
2. **Expenses:** Our expenses are divided into Expenditure on Material Consumed, Employee Benefit expenses, Finance cost, Depreciation and Other Expenses:
 - Material Consumed: The cost included in consumption of material largely towards consumption of Forgings and Automotive components.



- Employee Benefit Expenses: The employee costs are towards Salaries and wages, contributions to provident and other funds, gratuity expenses and staff welfare expenses.
- Depreciation: It consists of depreciation on building, plant & office equipment, vehicles and furniture & fixtures, intangible assets and Right-of-use assets.
- Finance Cost: Finance cost includes interest expenses on borrowings, discounting charges, lease liabilities, interest on delayed payment to micro and small enterprises etc
- Other expenses: Includes expenses towards power and fuel, processing charges, consumption of stores and spare parts, loose tools and packing material, expenses towards freight & forwarding etc.

Financial Year 2021 compared to Financial Year 2020

Total Income

Revenue from Operations - Total income increased by 8.62% to ₹50,303 Lakhs for the Financial Year 2021 from ₹46,312 Lakhs for the Financial Year 2020, primarily due to low revenue generated in FY2020 on account of slow-down of automotive industry. Offtake from customers was robust in FY21 post relaxation of lockdown measures implemented by Government of India. This helped Company to generate higher revenue in FY2021 in spite of Q1 being a washout.

Expenditure

Cost of Material Consumed- With the increase in the revenue from operation as compared to the previous year, the cost of material consumed has also increased by 15.08% to ₹25,599 Lakhs for the Financial year 2021 from ₹22,245 Lakhs for the Financial Year 2020.

Employee Expenses – Employee benefit expenses have decreased by 8.16% to ₹8,247 Lakhs for the Financial Year 2021 from ₹8,980 Lakhs for the Financial Year 2020, due to cost optimization measures implemented by the Company to ease the impact of uncertain & unpredictable economic condition caused by the COVID-19 pandemic

Finance Cost - Finance costs increased by 4.72% to ₹ 2,267 Lakhs for the Financial Year 2021 from ₹ 2,165 Lakhs for the Financial Year 2020 due to increase in interest rate of long term loan which is linked with performance of the Company & increase in interest on fund based working capital limits because of higher utilization of funds as compared to FY2020.

Depreciation & amortization Cost- Depreciation and amortization have decreased by 9.52% to ₹ 2,415 Lakhs for the Financial Year 2021 from ₹ 2,669 Lakhs for the Financial Year 2020, because in FY2021 there was no major addition to Property, Plant & equipment, capex of only ₹ 324 lakhs was incurred.

Other Expenses – Other expenses have increased to ₹13,580 Lakhs for the Financial Year 2021 from ₹ 11,626 Lakhs for the Financial Year 2020, mainly on account of higher production volumes in FY2021 as compared to FY2020

Net Profit/ Loss: Our Company's operations have been impacted by the unprecedented COVID-19 pandemic which resulted in an interruption to the production due to the nationwide lockdown in the initial part of FY 2020-21. The Company has incurred loss before tax during the current year amounting to ₹ 964.83 lakhs, primarily owing to lower volumes in the initial months of the year due to COVID-19 pandemic, finance costs and depreciation. The net loss for the year has decreased by 58.98% to ₹ 770 Lakhs for the Financial Year 2021 from ₹ 1,877 Lakhs for the Financial Year 2020.

Significant Factors affecting our results of Operations

Impact of Covid

Due to the COVID-19 pandemic, operations at our manufacturing facility were temporary suspended in the month



of April 2020 owing to the lockdown imposed by the Government, and operations were subsequently resumed in a phased manner from May 2020. Further, in the first quarter of Fiscal 2022 there were market disruptions due to restrictions imposed by State Governments on account of COVID-19 and our third-party transportation providers' operations were also closed during the lockdown imposed by the Government which impacted our revenues.

An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:

- 1) **Seasonality of Business** – Auto industry sales and production are highly cyclical and depend on general economic conditions and other factors, including intensity of monsoon, consumer spending and preferences, as well as changes in interest rate levels, consumer confidence and fuel costs.
- 2) **Cyclical demand** – The auto industry is cyclical in nature and any fall in demand from Original Equipment Manufacturers will adversely affect our sales and results of operations.
- 3) **Unusual or infrequent events or transactions** - There have been no other events or transactions that, to our knowledge, may be described as “unusual” or “infrequent”.
- 4) **Significant economic/regulatory changes that materially affected or are likely to affect income from continuous operations** - Our business includes manufacturing of wide range of gears which can get materially affected with the change in regulatory environment & general economic conditions in the market we operate.
- 5) **Known trends or uncertainties** - To our knowledge, there are no other known factors, which we expect to have a material adverse impact on our revenues or income from continuing operations.
- 6) **Future relationship between costs and revenues** - There are no known factors affecting the future relationship between expenditure and income that will have a material adverse impact on the operations and finances of our Company.
- 7) **Dependence on a single or few customers** – Our business is concentrated among relatively few significant customers. Our top five customers have contributed majority of our revenues from operations for the financial year ended March 31, 2021. Any loss of business from one or more of them may adversely affect our revenues and profitability.
- 8) **Technology** - The OEMs being major players rely on quality supplies with superior efficiency and technical knowhow. They are updated with market changes on the technology front and keep updating their products with the changing needs. The Company being the supplier to these OEMs, is exposed to the risk of being technologically obsolete and may lose customers if it fails to upgrade timely with the technology demand.
- 9) **Market** - The Company is a supplier to three end-user industries mainly automobile, farm equipment and construction, which are highly responsive to macro-economic modifications. Any market slowdown/shutdown may impact its business.
- 10) **Raw material** - Input costs for raw materials is a primary cost for BGL. Example of such input being alloy steel. Any supply change and price fluctuation for raw material may have a major impact on the business of the Company.
- 11) **Financial** - The Company faces the risk of erratic forex movement, interest rates, credit availability and liquidity.
- 12) **Product quality** - The Company is a leading supplier to OEMs who must abide to strict compliances and norms with quality and technical standards for components used as raw materials. The Company must ascertain high precision and quality in their products to maintain their reputation and profitability.
- 13) **Human Resource** - BGL, being a manufacturing concern deals in precision components and recruiting and retaining skilled manpower is its prime focus. Operations of the Company may be affected due to non-availability of human resource or high rates of attrition.



SECTION VIII - LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND DEFAULTS

Our Company is subject to various legal proceedings from time to time, primarily arising in the ordinary course of business. There is no outstanding litigation which has been considered material in accordance with our Company's 'Policy for Determination of Materiality', framed in accordance with Regulation 30 of the SEBI Listing Regulations, and accordingly, there is no such outstanding litigation involving our Company that requires disclosure in this Draft Letter of Offer. However, solely for the purpose of the Issue, the following outstanding litigations have been disclosed in this section of this draft Letter of Offer, to the extent applicable: if (a) the aggregate amount involved in such individual litigation exceeds 0.1% of the revenues from operations of our Company as per the last audited financial statements, or INR 50,00,000/- (Rupees Fifty Lakhs only), whichever is higher; or (b) any such litigation wherein the monetary liability is not quantifiable but which is expected to have an adverse impact on the operations of our Company ("**Materiality Threshold**").

Except as disclosed below, there are no outstanding litigation with respect to (i) issues of moral turpitude or criminal liability on the part of our Company; (ii) material violations of statutory regulations by our Company; (iii) economic offences where proceedings have been initiated against our Company; (iv) any pending matters, which if they result in an adverse outcome, would materially and adversely affect our operations or our financial position.

Pre-litigation notices received by our Company from third-parties (excluding notices pertaining to any offence involving issues of moral turpitude, criminal liability, material violations of statutory regulations or proceedings related to economic offences) shall not be evaluated for materiality until such time our Company is impleaded as defendant in litigation proceedings before any judicial forum.

A. **Proceedings involving moral turpitude or criminal liability on the part of our Company**

NIL

B. **Litigation involving economic offences where proceedings have been initiated against our Company**

NIL

C. **Proceedings involving economic offences initiated against our Company**

NIL

D. **Litigation involving an amount above the Materiality Threshold**

1.1 Civil

- 1.1.1 A Petition for Ejectment (CIN RA-25-2014/ Institution No. 32-RA) was filed on October 13, 2012 against our Company, Universal Steel and Alloys Limited, Aravali Printers & Publishers Pvt. Ltd and M/s Amit Exporters having office at Sarai Khawaja, Faridabad (collectively "**Respondents**" therein) by Arya Pratinidhi Sabha, Haryana before the Hon'ble Civil Judge Senior Division, Faridabad, Haryana under section 13 of the Haryana Urban (Control of Rent Eviction) Act, 1973. The said petition was filed for eviction of the Respondents from the demised premises admeasuring about 44 Kanal situated within the revenue estate of village Sarai Khawaja, Tehsil and District Faridabad now known as Gurukul Inderprastha Industrial Estate Sarai Khawaja. By an order dated October 17, 2018, the Hon'ble Civil Judge Senior Division, Faridabad, Haryana has held *inter alia* that all the Respondents are liable to be evicted from the demised premises on account of sub-lease/ transfer of leasehold rights by our Company in favour of Aravali Printers & Publishers Pvt. Ltd and M/s Amit Exporters which amounts to alienation without permission of the petitioner and is a valid ground for eviction. Our Company has filed an appeal (RA No. 43 of 2018) on November 19, 2018 and the other respondent, Aravali Printers & Publishers Pvt. Ltd has filed an appeal (RA No. 45 of 2018) on November 20, 2018 under section 15 of the Haryana



Urban (Control of Rent Eviction) Act, 1973 before the court of Ld. District Judge (Appellate Authority) challenging the aforesaid order dated October 17, 2018. By an order dated November 19, 2018, the Hon'ble Appellate Authority has admitted the appeal and stayed the operations of impugned ejection order dated October 17, 2018. The matter is currently pending before the Hon'ble Appellate Authority.

- 1.1.2 By a judgment dated October 12, 2015 passed in rent petition (RBT No. 14 of 2012) filed by Arya Pratinidhi Sabha, Haryana against our Company and Universal Steel and Alloys Limited (collectively "Respondents" therein), the Rent Controller, Faridabad, Haryana has allowed the petition and directed the Respondents to vacate the demised premises (being land bearing rect. No. 19m, Killa No. 22(6-0), 23(6-0), Rect No. 28 Killa No. 2(8-0), 3(8-0), 8(8-0), 13(8-0) total admeasuring 44 kanals situated within the revenue estate of village Sarai Khawaja, Tehsil & Dist. Faridabad now known as Gurukul Indraprastha Industrial Estate, Saria Khawaja, Faridabad) within three months. An Application dated September 21, 2016, has been filed by our Company before the Rent Controller, Faridabad, Haryana under Order IX Rule 13 read with Section 151 of the Code of Civil Procedure, 1908 for setting aside the ex-parte decree dated October 12, 2015 wherein our Company has prayed *inter alia* that the ex-parte decree dated October 12, 2015 be set aside and be permitted to contest and defend the matter on its merits. Our Company has also filed an Application dated September 21, 2016 under section 151 CPC for stay of operation of the ex-parte decree dated October 12, 2015 wherein it has been prayed *inter alia* to stay the execution of the decree dated October 12, 2015 till the decision of the Application under Order IX Rule 13 read with Section 151 of the Code of Civil Procedure, 1908. By a judgment dated January 9, 2020 the Civil Judge (Junior. Division.) Faridabad in RP 51 of 2018 has dismissed the application under Order 9 Rule 13 read with Section 151 of the Code of Civil Procedure, 1908 for setting aside ex-parte decree dated 12.10.2015.

Our Company has on February 03, 2020 filed an appeal (RA No. 6 of 2020) under section 15 of the Haryana Urban (Control of Rent and Eviction) Act, 1973 before the court of Ld. District Judge (Appellate Authority) challenging the aforesaid judgment dated January 9, 2020. By an order dated February 03, 2020, the Hon'ble Appellate Authority has admitted the appeal which is pending before the Hon'ble Appellate Authority.

Further, an Execution Petition (EXE No. 101 of 2020) has been filed on March 2, 2020 by Arya Pratinidhi Sabha, Haryana against our Company and Universal Steel and Alloys Limited (collectively "Respondents" therein) in the Court of Civil Judge Senior Division, Faridabad, Haryana for the execution of judgment dated January 9, 2020 however, our Company has not been served with copy of the same till date.

- 1.1.3 Our Company & Anr. have filed a writ petition (No. 1998 of 2018) on January 30, 2017 against the Sub-Divisional Officer, Thane and Ors. before the Hon'ble High Court at Bombay under Article 226 of the Constitution of India. The said petition has been filed *inter alia* to declare that the subject property bearing Survey no. 99/1, 99/2 and 99/3 of village Kausa, Mumbra and Survey no. 138/1 of village Shil in Thane district is not private forest as defined under section 2(f) of the Maharashtra Private Forest (Acquisition) Act, 1975; that the Company is the absolute owner of the subject property without any right, title, claim or interest of the State of Maharashtra under Maharashtra Private Forest (Acquisition) Act, 1975 and; to set aside any kind of proceedings in respect of the subject property under the provisions of Maharashtra Private Forest (Acquisition) Act, 1975. The aforesaid property which is the subject matter of the dispute (admeasuring in aggregate 89,031 sq. mtrs. or thereabouts) forms about 65% of total factory land situated at Mumbra, Maharashtra facility. The matter is currently pending before the Hon'ble High Court at Bombay.
- 1.1.4 A Special Civil Suit (No. 400034 of 2009) has been filed on January 27, 2009 by our Company and IFFCO Tokio General Insurance Co. Ltd. (collectively "**Plaintiffs**" therein) against Hamburg Sud, a German company & Others before the Hon'ble Civil Judge Senior Division, Panvel. In the said suit, the plaintiffs have prayed that an order and decree be passed directing the defendants to pay (jointly and/or severally) to the Plaintiffs a sum of ₹10,42,82,234/- (Rupees Ten Crores Forty-Two Lakhs Eighty-Two Thousand Two Hundred and Thirty-Four Only) together with interest @ 18% per annum from the date of filing the present suit till payment and/or realization thereof and to declare that clause 19 of the bill of lading no. SUDUR89993262001 dated April 3, 2008 is unenforceable and null and void and non-est. Since our Company has been paid a sum of ₹ 10,42,82,234/- by IFFCO Tokio General Insurance Co.



Ltd. towards full and final settlement of our claim, the final outcome of this suit will not have any financial implication on our Company. The matter is currently pending before Hon'ble Civil Judge Senior Division, Panvel.

1.2 Labour Cases

1.2.1 The Hon'ble Industrial Court, Thane in Complaint ULP No 238 of 2019 and vide ad - interim order dated December 20, 2019 restrained our Company from terminating the employment of certain workers without following due process of law and removing machinery from Mumbra plant. Based on our Company's representation, the Hon'ble Industrial Court vide orders dated February 12, 2020 and September 02, 2020 has permitted our Company to transfer certain machineries subject to our undertaking that the machines shall be brought back within one month of the public transport including local trains being started in MMR region, post the Covid-19 pandemic. The matter is pending before the said Court.

1.2.2 Our Company has on July 11, 2011, filed a writ petition (No. 3670 of 2014) against the Workmen represented by Association of Engineering Workers and Mr. G.G. Balachandra, Presiding Officer & Judge of Third Labour Court, Thane before the Hon'ble High Court of Bombay. The said petition has been filed *inter alia* to seek the issuance of a writ in the nature of certiorari or any other appropriate writ, order or direction calling for records and proceedings in Reference (IDA) No. 315 of 2002 and after verifying and ascertaining the legality and correctness thereof to quash and set aside the Award dated September 13, 2010 and the order dated February 12, 2010 passed by the Third Labour Court, Thane. As per the Award dated September 13, 2010, the Third Labour Court, Thane has awarded *inter alia* that 10 workmen (as specified therein) be reinstated with 30% backwages and continuity of services with effect from August 10, 2001 and another workman, Mr. M.S. Rane be given 30% back wages for the period between August 10, 2001 till the date of superannuation and he is also entitled for relief of continuity of service till the date of superannuation. The Hon'ble Bombay High Court by an order dated 5th March, 2012 ordered an interim stay in the Petition filed by the Management, subject to the entire amount of 30% back wages being deposited in the Court. Our Company has deposited an amount of ₹ 40,25,663/- (Rupees Forty Lakhs Twenty-Five Thousand Six Hundred and Sixty-Three only) towards 30% of back wages. The matter is currently pending before the Hon'ble High Court at Bombay.

Two cross writ petitions (No. 10186 of 2011 and No. 6306 of 2011) have been filed against the Company by the Workmen represented by Association of Engineering Workers and Mr. Prakash Dalvi respectively for *inter alia* seeking to quash and set aside the Award dated September 13, 2010 passed by the Third Labour Court, Thane.

Further, a complaint (ULP) No. 65 of 2011 has been filed by the Association of Engineering Workers before the Industrial Court, Thane against our Company alleging the manner in which the award passed by Labour Court, Thane Reference (IDA) No. 315 of 2002 is being implemented by the Company. By an order dated September 28, 2017, the Industrial Court, Thane has allowed application Exh.U-10 and directed our Company to produce certain documents of the employees. Our Company has filed a writ petition (No. WP/5998/2019 (Stamp No. 13136 Of 2018)) before the Hon'ble Bombay High Court against the said order dated September 28, 2017. The matter is pending before the said Court.

1.2.3 A Reference (IT) (No. 100003/2012) has been referred by the Government on January 18, 2012 for adjudication to the Industrial Court, Thane under section 12(5) of the Industrial Dispute Act, 1947. By an order dated April 23, 2012, the Industrial Court, Thane has *inter alia* directed the Company to employ the concerned workmen, depending on availability of work and also in case a permanent employee goes on leave, the said workmen should be given work and modified the ad-interim order dated March 19, 2012. The matter is currently pending before the Industrial Court, Thane.

MATERIAL DEVELOPMENTS SINCE THE DATE OF THE LAST AUDITED ACCOUNTS



To our knowledge no circumstances have arisen since the date of the latest audited balance sheet i.e. March 31, 2021, which materially and adversely affect or are likely to affect our operations, performance, prospects or profitability, or the value of our assets or our ability to pay material liabilities.



GOVERNMENT AND OTHER APPROVALS

In order to operate our business, we require various approvals and/or licenses under various laws, rules and regulations. Our Company has received the necessary consents, licenses, registrations, permissions and approvals from the Government of India and various governmental agencies and other statutory and/or regulatory authorities required to undertake this Issue and carrying on our present business activities. Our Company undertakes to obtain all material approvals and licenses and permissions required to operate our present business activities. Unless otherwise stated, these approvals and licenses are valid as of the date of this Draft Letter of Offer and in case of licenses and approvals which have expired; we have either made application for renewal or are in the process of making an application for renewal.

Except for the following, no further material approvals from any governmental or regulatory authority are pending to undertake the Issue or continue its business activities.

I. Material approvals for which applications have been made by our Company, but are currently pending grant:

NIL

II. Material approvals for which renewal applications have been made by our Company:

- (a) Renewal of license to store 8300 kgs of Propane gas at Mumbra facility from the Petroleum & Explosives Safety Organisation, Ministry of Commerce and Industry under the Indian Explosives Act, 1884.
- (b) Renewal of license to import and store 30 KL Petroleum of Class B at Mumbra facility from the Petroleum & Explosives Safety Organisation, Ministry of Commerce and Industry under the Indian Explosives Act, 1884.
- (c) Renewal of Consent to Operate Mumbra facility from the Maharashtra Pollution Control Board under the Water (Prevention & Control of Pollution) Act, 1974, the Air (Prevention & Control of Pollution) Act, 1981 and the Hazardous and Other Wastes (Management & Transboundary Movement) Rules, 2016.
- (d) Renewal of license for storage of petroleum products, cutting oil and saw dust at our manufacturing facility at Mumbra, Maharashtra from Thane Municipal Corporation under the Bombay Provisional Municipal Corporations Act, 1949.
- (e) Renewal of business license for Mumbra facility under the Bombay Provisional Municipal Corporations Act, 1949.

III. Material approvals which have expired and for which renewal applications are yet to be made by our Company

NIL

IV. Material approvals required for which no application has been made by our Company

NIL



OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue of Equity Shares to the Eligible Equity Shareholders is being made in accordance with:

- a. the resolution passed by our Board of Directors under Section 62 and other provisions of the Companies Act 2013, at its meeting held on August 12, 2021;
- b. In-principle approval from BSE dated [●] and NSE dated [●]; and

The Board of Directors or Committee thereof in their meeting held on [●] have determined the Issue Price as ₹ [●] per Rights Equity Share and the Rights Entitlement as [●] Rights Equity Share(s) for every [●] Equity Share(s) held on the Record Date. The Issue Price has been arrived at in consultation with the Lead Manager to the Issue.

Prohibition by SEBI or RBI or other governmental authorities

Our Company, the Promoters, the members of the Promoter Group, the Directors, persons in control of our Company and persons in control of the Promoter as well as its directors have not been debarred from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other regulatory or governmental authority.

The companies with which our Promoters, our Directors or the persons in control of our Company are or were associated as promoter, directors or persons in control have not been debarred from accessing the capital market under any order or direction passed by SEBI or any other regulatory or governmental authority.

Neither our Company, our Promoters nor our Directors are or have been classified as a wilful defaulter by a bank or financial institution or a consortium thereof in accordance with the guidelines on wilful defaulters issued by RBI.

Neither our Promoters nor our Directors are declared as Fugitive Economic Offenders.

None of our Directors are associated with the securities market in any manner.

None of our Directors hold or have held directorships in the last five (5) years in a listed company whose shares have been suspended from being traded on the BSE or the NSE, during the term of their directorship in such company.

None of our Directors hold or have held directorships in the last ten (10) years in a listed company whose shares have been delisted from any recognised stock exchange in India during the term of their directorship in such company.

Compliance with Regulation 61 and 62 of the SEBI ICDR Regulations

Our Company is in compliance with the conditions specified in Regulations 61 and 62 of the SEBI ICDR Regulations, to the extent applicable. Further, in relation to compliance with Regulation 62(1)(a) of the SEBI ICDR Regulations, our Company undertakes to make an application to BSE and NSE for listing of the Rights Equity Shares to be issued pursuant to this Issue. BSE is the Designated Stock Exchange for the Issue.

Eligibility for the Issue

Our Company is eligible to make this Rights Issue in terms of Chapter III of SEBI ICDR Regulations. Our Company is in compliance with the provisions specified in Clause (1) of Part B of Schedule VI of the SEBI ICDR Regulations as explained below:

1. Our Company has been filing periodic reports, statements and information with the BSE and NSE in compliance with the Listing Agreement and/ or the provisions of the Listing Regulations, as applicable for the last one year immediately preceding the date of filing of this Draft Letter of Offer with the Board.
2. The reports, statements and information referred to in sub-clause (a) above are available on the website of BSE & NSE.



3. Our Company has an investor grievance handling mechanism which includes meeting of the Stakeholders' Relationship Committee at frequent intervals, appropriate delegation of powers by our Board of Directors as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

As our Company satisfies the conditions specified in Clause (1) of Part B of Schedule VI of SEBI ICDR Regulations, and given that the conditions specified in Clause (3) of Part B of Schedule VI of SEBI ICDR Regulations are not applicable to our Company, the disclosures in this Letter of Offer are in terms of Clause (4) of Part B of Schedule VI of the SEBI ICDR Regulations.

DISCLAIMER CLAUSE OF SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT LETTER OF OFFER. THE LEAD MANAGER, KEYNOTE FINANCIAL SERVICES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DRAFT LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER, KEYNOTE FINANCIAL SERVICES LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED [●], 2021 WHICH READS AS FOLLOWS:

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION, THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**
 - (a) THE DRAFT LETTER OF OFFER FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS WHICH ARE MATERIAL TO THE ISSUE;**
 - (b) ALL THE MATERIAL LEGAL REQUIREMENTS RELATING TO THE ISSUE AS SPECIFIED BY SEBI, THE GOVERNMENT OF INDIA AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
 - (c) THE MATERIAL DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956 AND COMPANIES ACT, 2013, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AND OTHER APPLICABLE LEGAL REQUIREMENTS.**



3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH SEBI AND THAT UNTIL DATE SUCH REGISTRATION IS VALID.
4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS – NOT APPLICABLE
5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAVE BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER – NOT APPLICABLE.
6. WE CERTIFY THAT REGULATION 15 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS' CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION(S) HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER – NOT APPLICABLE.
7. WE UNDERTAKE THAT SUB-REGULATION (3) OF REGULATION 14 AND CLAUSE (C) AND (D) OF SUB-REGULATION (9) OF REGULATION 25 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITOR'S CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE ISSUE – NOT APPLICABLE.
8. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE CREDITED/ TRANSFERRED IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 40(3) OF THE COMPANIES ACT, 2013 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE DRAFT LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. – NOT APPLICABLE. THIS BEING A RIGHTS ISSUE, SECTION 40(3) OF THE COMPANIES ACT 2013 IS NOT APPLICABLE. FURTHER, TRANSFER OF MONIES RECEIVED PURSUANT TO THE ISSUE SHALL BE RELEASED TO THE COMPANY AFTER FINALISATION OF THE BASIS OF ALLOTMENT IN COMPLIANCE WITH REGULATION 90 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED.
9. WE CERTIFY THAT THE EXISTING BUSINESS AS WELL AS ANY NEW BUSINESS OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED FALL WITHIN THE "MAIN OBJECTS" IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE COMPANY AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED IN LAST 10 YEARS ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION. - COMPLIED TO THE EXTENT APPLICABLE
10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO RECEIVE THE SHARES IN DEMAT OR PHYSICAL MODE. - COMPLIED WITH



11. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:

- (a) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY; AND
- (b) AN UNDERTAKING FROM THE COMPANY THAT IT SHALL COMPLY WITH ALL DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY SEBI FROM TIME TO TIME.

12. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018 WHILE MAKING THE ISSUE. – NOTED FOR COMPLIANCE

13. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US INCLUDING IN REALATION TO THE BUSINESS OF THE COMPANY, THE RISK IN RELATION TO THE BUSINESS, EXPERIENCE OF THE PROMOTERS AND THAT THE RELATED PARTY TRANSACTIONS ENTERED INTO FOR THE PERIOD DISCLOSED IN THE DRAFT LETTER OF OFFER HAVE BEEN ENTERED INTO BY THE ISSUER IN ACCORDANCE WITH APPLICABLE LAWS. - COMPLIED WITH

14. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY -COMPLIED WITH

THE FILING OF THE DRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 34 OR SECTION 36 OF THE COMPANIES ACT, 2013 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCE AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT LETTER OF OFFER.

Caution

Disclaimer clauses from our Company and the Lead Manager

Our Company and the Lead Manager accept no responsibility for statements made otherwise than in this Draft Letter of Offer or in any advertisement or other material issued by us or by any other persons at our instance and anyone placing reliance on any other source of information would be doing so at her/ his own risk.

Our Company and the Lead Manager shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer with SEBI.

No dealer, salesperson or other person is authorised to give any information or to represent anything not contained in the Draft Letter of Offer. You must not rely on any unauthorised information or representations.

This Draft Letter of Offer is an offer to sell only the Equity Shares and rights to purchase the Equity Shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in the Draft Letter of Offer is current only as of its date.

Investors who invest in the Issue will be deemed to have represented to us and Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares, and are relying on independent advice/ evaluation



as to their ability and quantum of investment in the Issue.

Disclaimer with respect to jurisdiction

The Draft Letter of Offer has been prepared under the provisions of Indian laws and the applicable rules and regulations thereunder. Any disputes arising out of the Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, India only.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue will be BSE.

Disclaimer Clause of BSE

As required, a copy of the Draft Letter of Offer has been submitted to the BSE. The Disclaimer Clause as intimated by the BSE to us, post scrutiny of the Draft Letter of Offer, shall be included in the Letter of Offer prior to filing with the Stock Exchange.

Disclaimer Clause of NSE

As required, a copy of the Draft Letter of Offer has been submitted to the NSE. The Disclaimer Clause as intimated by the NSE to us, post scrutiny of the Draft Letter of Offer, shall be included in the Letter of Offer prior to filing with the Stock Exchange.

Filing

This Draft Letter of Offer has been filed with the BSE and NSE. On receipt of the in-principle approval from the Stock Exchanges, the final Letter of Offer will be filed with Stock Exchanges and will be submitted to SEBI for information and dissemination purpose as per the provisions of the SEBI ICDR Regulations.

Selling Restrictions

The distribution of the Draft Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by the legal requirements prevailing in those jurisdictions. Persons into whose possession the Draft Letter of Offer may come are required to inform them about and observe such restrictions. We are making this Issue of Equity Shares on a rights basis to our Eligible Equity Shareholders and will dispatch the Letter of Offer/Abridged Letter of Offer and Application Form to the Eligible Equity Shareholders who have provided an Indian address.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Draft Letter of Offer is filed with SEBI for observations. Accordingly, the rights or Rights Equity Shares may not be offered or sold, directly or indirectly, and the Draft Letter of Offer may not be distributed in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction.

Receipt of the Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer or Application Form will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, under those circumstances, the Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer or Application Form must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of the Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer or Application Form should not, in connection with the issue of the rights or Rights Equity Shares, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If the Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer or Application Form is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Rights Equity Shares or the rights referred to in the Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer or Application Form.

Neither the delivery of the Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer or Application Form nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as at any time subsequent to this date.

**IMPORTANT INFORMATION FOR INVESTORS – ELIGIBILITY AND TRANSFER RESTRICTIONS**

As described more fully below, there are certain restrictions regarding the rights and Equity Shares that affect potential investors. These restrictions are restrictions on the ownership of Rights Equity Shares by such persons following the offer.

The rights and the Rights Equity Shares have not been and will not be registered under the Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) (“U.S. Persons”) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The rights and the Rights Equity Shares have not been and will not be registered, listed or otherwise qualified in any jurisdiction outside India and may not be offered or sold, and bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Until the expiry of 40 days after the commencement of the Issue, an offer or sale of rights or Rights Equity Shares within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the Securities Act.

Eligible Investors

The rights or Rights Equity Shares are being offered and sold only to persons who are outside the United States and are not U.S. Persons, nor persons acquiring for the account or benefit of U.S. Persons, in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offer and sales occur. All persons who acquire the rights or Equity Shares are deemed to have made the representations set forth immediately below.

Rights Equity Shares and Rights Offered and Sold in this Issue

Each purchaser acquiring the rights or Rights Equity Shares, by acceptance of the Letter of Offer, Abridged Letter of Offer or Application Form will be deemed to have acknowledged, represented to and agreed with us and the Lead Manager that it has received a copy of the Letter of Offer, Abridged Letter of Offer or Application Form and such other information as it deems necessary to make an informed investment decision and that:

- (a) the purchaser is authorised to consummate the purchase of the rights or Rights Equity Shares in compliance with all applicable laws and regulations;
- (b) the purchaser acknowledges that the rights and Rights Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and, accordingly, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (c) the purchaser is purchasing the rights or Rights Equity Shares in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the Securities Act;
- (d) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the rights or Rights Equity Shares, is a non-U.S. Person and was located outside the United States at each time (i) the offer was made to it and (ii) when the offer for such rights or Rights Equity Shares was originated, and continues to be a non-U.S. Person and located outside the United States and has not purchased such rights or Rights Equity Shares for the account or benefit of any U.S. Person or any person in the United States or entered into any arrangement for the transfer of such rights or Rights Equity Shares or any economic interest therein to any U.S. Person or any person in the United States;
- (e) the purchaser is not an affiliate of our Company or a person acting on behalf of an affiliate;
- (f) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such rights or Rights Equity Shares, or any economic interest therein, such rights or Rights Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (i) outside the United States in



an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act; and (ii) in accordance with all applicable laws, including the securities laws of the states of the United States. The purchaser understands that the transfer restrictions will remain in effect until we determine, in its sole discretion, to remove them, and confirms that the proposed transfer of the rights or Rights Equity Shares is not part of a plan or scheme to evade the registration requirements of the Securities Act;

- (g) the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any “directed selling efforts” as defined in Regulation S under the Securities Act in the United States with respect to the rights or the Rights Equity Shares;
- (h) the purchaser understands that such rights or Rights Equity Shares (to the extent they are in certificated form), unless we determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

- (i) the purchaser agrees, upon a proposed transfer of the rights or the Rights Equity Shares, to notify any purchaser of such rights or Rights Equity Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the rights or Rights Equity Shares being sold;
- (j) we will not recognise any offer, sale, pledge or other transfer of such rights or Rights Equity Shares made other than in compliance with the above-stated restrictions; and
- (k) the purchaser acknowledges that our Company, the Lead Manager, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such rights or Rights Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of such rights or Rights Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.
- (l) each person in a Member State of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) who receives any communication in respect of, or who acquires any rights or Rights Equity Shares under, the offers contemplated in the Letter of Offer, Abridged Letter of Offer and CAFs will be deemed to have represented, warranted and agreed to and with Lead Manager and our Company that in the case of any rights or Rights Equity Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive;
- (m) the rights or Rights Equity Shares acquired by it in the placement have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Lead Manager has been given to the offer or resale; or
- (n) where rights or Rights Equity Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those rights or Rights Equity Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an “offer of Equity Shares to the public” in relation to any of the rights or Rights Equity Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and the rights or Rights Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the rights or Rights Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.



Listing

The existing Equity Shares are listed on BSE and NSE. We have made an application to BSE and NSE for obtaining in-principle approval in respect of the Rights Equity Shares. We will apply to BSE and NSE for listing and trading of the Rights Equity Shares.

If the permission to deal in and an official quotation of the securities is not granted by the Stock Exchange on the expiry of 15 days from the Issue Closing Date, we shall forthwith repay, without interest, all monies received from applicants in pursuance of the Letter of Offer.

We will issue and dispatch Allotment advice/share certificates/ demat credit and/ or letters of regret along with refund order or credit the Allotted Equity Shares to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date.

If such money is not repaid beyond eight days after our Company becomes liable to repay it, i.e., the date of refusal of an application for such a permission from a Stock Exchange, or on expiry of 15 days from the Issue Closing Date in case no permission is granted, whichever is earlier, then our Company and every Director who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest as per applicable law.

Consents

Consents in writing of the Directors, the Lead Manager, the Legal Advisor, the Registrar to the Issue and the Bankers* to the Issue to act in their respective capacities have been obtained and such consents have not been withdrawn up to the date of this Draft Letter of Offer.

Further, M/s. Madan & Associates, Chartered Accountants, has given their written consent vide their letter dated August 20, 2021 for inclusion of their name and report appearing in this Draft Letter of Offer and such consents have not been withdrawn up to the date of this Draft Letter of Offer.

Expert

Except as stated below, our Company has not obtained any expert opinions:

Our Company has received a written consent from M/s. Madan & Associates, Chartered Accountants to include their name as required under Section 26(1) of the Companies Act, 2013 read with the SEBI ICDR Regulations, and as an “expert”, as defined under Section 2(38) of the Companies Act 2013, to the extent in respect of their report dated August 26, 2021 on the ‘Statement of Possible Special Tax Benefits’ included in this Draft Letter of Offer and such consent has not been withdrawn as on the date of this Draft Letter of Offer. However, they should not be construed as “experts” as defined under U.S. Securities Act, 1933.

Issue Related Expenses

The Issue related expenses consist of fees payable to the Lead Manager, Legal Counsel, processing fee to the SCSBs, Registrars to the Issue, printing and stationery expenses, advertising expenses and all other incidental and miscellaneous expenses for listing the Rights Equity Shares on the Stock Exchanges. Our Company will need approximately ₹ [●] Lakhs towards these expenses, a break-up of the same is as follows:

(₹ in Lakhs)

Activity	Estimated Expense	% of Total Expenses	As a % of Issue size
Fee payable to the Lead Manager	[●]	[●]	[●]
Fee payable to the Registrar	[●]	[●]	[●]
Fee to the legal advisors, other professional service providers and statutory fee	[●]	[●]	[●]
Fee payable to regulators, including depositories, Stock Exchanges and SEBI	[●]	[●]	[●]
Advertising, marketing expenses, shareholder outreach, etc.	[●]	[●]	[●]

* Consent will be obtained before filing of Letter of Offer



Activity	Estimated Expense	% of Total Expenses	As a % of Issue size
Printing and distribution of issue stationery	[•]	[•]	[•]
Other expenses (including miscellaneous expenses and stamp duty)	[•]	[•]	[•]
Total estimated issue expenses (excluding taxes)	[•]	100.00	[•]

Investor Grievances and Redressal System

We have adequate arrangements for the redressal of investor complaints in compliance with the corporate governance requirements under the Listing Regulations. Additionally, we have been registered with the SEBI Complaints Redress System (“SCORES”) as required by the SEBI Circular no. CIR/OIAE/2/2011 dated June 3, 2011. Consequently, investor grievances are tracked online by us.

The share transfer and dematerialisation for us is being handled by Link Intime India Private Limited, Registrar and Share Transfer Agent, which is also the Registrar to the Issue. Letters are filed category wise after being attended to. All investor grievances received by us have been handled by the Registrar and Share Transfer agent in consultation with the Compliance Officer.

Our Stakeholders’ Relationship Committee comprises of Mr. Rakesh Chopra, Mr. Surinder Paul Kanwar, Mr. Sameer Kanwar and Mr. Nagar Venkatraman Srinivasan. Our Stakeholders’ Relationship Committee oversees the reports received from the Registrar and Share Transfer agent and facilitates the prompt and effective resolution of complaints from our shareholders and investors.

Investor Grievances arising out of the Issue

The investor grievances arising out of the Issue will be handled by Link Intime India Private Limited, the Registrar to the Issue. The Registrar will have a separate team of personnel handling post-Issue correspondences only.

All grievances relating to the Issue may be addressed to the Registrar to the Issue or the SCSB in case of ASBA Applicants giving full details such as folio no./ demat account no., name and address, contact telephone/ mobile numbers, email id of the first applicant, number of Rights Equity Shares applied for, Application Form serial number, amount paid on application and the name of the bank/ SCSB and the branch where the Application Form was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the Renouncee should be furnished.

The average time taken by the Registrar for attending to routine grievances will be within 30 days from the date of receipt of complaints. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to attend to them as expeditiously as possible. We undertake to resolve the Investor grievances in a time bound manner.

Registrar to the Issue

LINKIntime

Link Intime India Private Limited

C101, 247 Park, LBS Marg,

Vikhroli (West),

Mumbai 400 083

Tel: +91 22 4918 6200

Fax: +91 22 4918 6060

E-mail: bharatgears.rights@linkintime.co.in

Website: www.linkintime.co.in

Contact Person: Ms. Shanti Gopalkrishnan

SEBI Registration No.: INR000004058

Investors may contact the Compliance Officer in case of any pre-Issue/post -Issue related problems such as non-receipt of Allotment advice/share certificates/demat credit/refund orders etc. The contact details of the Compliance Officer are as follows:

**Head (Legal) – Company Secretary & Compliance Officer****Mr. Prashant Khattry**

20 K.M. Mathura Road, P.O. Amar Nagar,

Faridabad - 121 003, Haryana

E-mail: prashant.khattry@bglindia.com

Status of outstanding investor complaints

As on the date of the DLOF, there were nil outstanding investor complaints.

Changes in Statutory Auditors during the last three years

There has been no change in the statutory auditors in the last 3 years.

Minimum Subscription

The objects of the Issue involve financing other than the financing of capital expenditure for a project. Further, our Promoters and Promoter Group have undertaken that they will subscribe fully to the extent of their rights entitlement and that they shall not renounce their rights (except to the extent of renunciation by any of them in favour of any other Promoter or member of the Promoter Group) subject to the aggregate shareholding of our Promoters and Promoter Group being compliant with the minimum public shareholding requirements under the SCRR and the SEBI Listing Regulations. Accordingly, minimum subscription criteria are not applicable to the Issue.



SECTION IX – OFFERING INFORMATION

TERMS OF THE ISSUE

This section is for the information of the Investors proposing to apply in this Issue. Investors should carefully read the provisions contained in this Draft Letter of Offer, Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form, before submitting the Application Form. Our Company and the Lead Managers are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Draft Letter of Offer and Letter of Offer. Investors are advised to make their independent investigation and ensure that the Application Form is accurately filled up in accordance with instructions provided therein and this Draft Letter of Offer and Letter of Offer. Unless otherwise permitted under the SEBI ICDR Regulations read with the SEBI Relaxation Circulars, Investors proposing to apply in this Issue can apply only through ASBA or by mechanism as disclosed in this Draft Letter of Offer or Letter of Offer.

Investors are requested to note that application in this Issue can only be made through ASBA or by R-WAP facility. Further, this R-WAP facility in addition to ASBA, are onetime relaxations made available by SEBI in view of the COVID 2019 and shall not be a replacement of the existing process under the SEBI ICDR regulations. For guidance on the application process through R-WAP and resolution of difficulties faced by investors, you are advised to read the frequently asked question (FAQ) on the website of the registrar at www.linkintime.co.in.

This Issue is proposed to be undertaken on a rights basis and is subject to the terms and conditions contained in this Draft Letter of Offer, Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, and the Memorandum of Association and the Articles of Association of our Company, the provisions of the Companies Act, 2013, the FEMA, the FEMA Rules, the SEBI ICDR Regulations, the SEBI Listing Regulations and the guidelines, notifications, circulars and regulations issued by SEBI, the Government of India and other statutory and regulatory authorities from time to time, approvals, if any, from RBI or other regulatory authorities, the terms of the Listing Agreements entered into by our Company with Stock Exchanges and the terms and conditions as stipulated in the Allotment Advice.

• DISPATCH AND AVAILABILITY OF ISSUE MATERIALS

In accordance with the SEBI ICDR Regulations, the SEBI Relaxation Circulars, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent/ dispatched only to the Eligible Equity Shareholders who have provided Indian address. In case such Eligible Equity Shareholders have registered their e-mail address, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent only to their registered e-mail address and in case such Eligible Equity Shareholders have not registered their e-mail address, then the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them. This Letter of Offer will be provided to those who make a request in this regard.

Further, this Draft Letter of Offer and Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided Indian address and who have made a request in this regard. In case such Eligible Equity Shareholders have registered their e-mail address, the Draft Letter of Offer and Letter of Offer will be sent only to their registered e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Draft Letter of Offer and Letter of Offer will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

Investors can access this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer and the Application Form (provided that the Eligible Equity Shareholder is eligible to subscribe for the Equity Shares under applicable laws) on the websites of:

- our Company at www.bharatgears.com;
- the Registrar at www.linkintime.co.in;
- the Lead Manager at www.keynoteindia.net;
- the Stock Exchanges at www.bseindia.com and www.nseindia.com; and



- the Registrar's web-based application platform at www.linkintime.co.in ("R-WAP").

Eligible Equity Shareholders can also obtain the details of their respective Rights Entitlements from the website of the Registrar (*i.e.*, www.linkintime.co.in) by entering their DP ID and Client ID or Folio Number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date) and PAN. The link for the same shall also be available on the website of our Company (*i.e.*, www.bharatgears.com).

Further, our Company along with the Lead Manager will undertake all adequate steps to reach out to the Eligible Equity Shareholders who have provided their Indian address through other means, as may be feasible. In light of the current COVID-19 situation, our Company, the Lead Manager and the Registrar will not be liable for non-dispatch of physical copies of Issue Materials, including the Letter of Offer, the Abridged Letter of Offer, the Entitlement Letter and the Application Form attributable to the non-availability of the e-mail addresses of Eligible Equity Shareholders or electronic transmission delays or failures, or if the Application Forms or the Entitlement Letters are delayed or misplaced in transit.

Please note that neither our Company nor the Registrar nor the Lead Manager shall be responsible for non-dispatch of physical copies of Issue materials, including this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form or delay in the receipt of this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form attributable to non-availability of the e-mail addresses of Eligible Equity Shareholders or electronic transmission delays or failures, or if the Application Forms or the Rights Entitlement Letters are delayed or misplaced in the transit.

The distribution of this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer, the Rights Entitlement Letter and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India is restricted by legal requirements prevailing in those jurisdictions. No action has been, or will be, taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that this Draft Letter of Offer and Letter of Offer is being filed with SEBI and the Stock Exchanges. Accordingly, the Rights Entitlements and Equity Shares may not be offered or sold, directly or indirectly, and this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form or any Issue related materials or advertisements in connection with this Issue may not be distributed, in any jurisdiction, except in accordance with and as permitted under the legal requirements applicable in such jurisdiction. Receipt of this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form (including by way of electronic means) will not constitute an offer, invitation to or solicitation by anyone in any jurisdiction or in any circumstances in which such an offer, invitation or solicitation is unlawful or not authorised or to any person to whom it is unlawful to make such an offer, invitation or solicitation. In those circumstances, this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form must be treated as sent for information only and should not be acted upon for making an Application and should not be copied or re-distributed.

Accordingly, persons receiving a copy of this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form should not, in connection with the issue of the Equity Shares or the Rights Entitlements, distribute or send this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form in or into any jurisdiction where to do so, would, or might, contravene local securities laws or regulations or would subject our Company or its affiliates or the Lead Managers or their respective affiliates to any filing or registration requirement (other than in India). If this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form is received by any person in any such jurisdiction, or by their agent or nominee, they must not seek to make an Application or acquire the Rights Entitlements referred to in this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form. Any person who makes an application to acquire Rights Entitlements and the Equity Shares offered in the Issue will be deemed to have declared, represented and warranted that such person is authorized to acquire the Rights Entitlements and the Equity Shares in compliance with all applicable laws and regulations prevailing in such person's jurisdiction and India, without requirement for our Company or our affiliates or the Lead Manager or its respective affiliates to make



any filing or registration (other than in India).

- **PROCESS OF MAKING AN APPLICATION IN THE ISSUE**

- **In accordance with Regulation 76 of the SEBI ICDR Regulations, the SEBI Rights Issue Circulars and the ASBA Circulars, all Investors desiring to make an Application in this Issue are mandatorily required to use either the ASBA process or the R-WAP (instituted only for resident Investors in this Issue, in the event the Investors are not able to utilize the ASBA facility for making an Application despite their best efforts). Investors should carefully read the provisions applicable to such Applications before making their Application through ASBA or using the R-WAP.**

The Application Form can be used by the Eligible Equity Shareholders as well as the Renouncees, to make Applications in this Issue basis the Rights Entitlement credited in their respective demat accounts or demat suspense escrow account, as applicable. For further details on the Rights Entitlements and demat suspense escrow account, see “*Credit of Rights Entitlements in demat accounts of Eligible Equity Shareholders*” beginning on page 181 of this Draft Letter of Offer.

Please note that one single Application Form shall be used by Investors to make Applications for all Rights Entitlements available in a particular demat account or entire respective portion of the Rights Entitlements in the demat suspense escrow account in case of resident Eligible Equity Shareholders holding shares in physical form as on Record Date and applying in this Issue, as applicable. In case of Investors who have provided details of demat account in accordance with the SEBI ICDR Regulations, such Investors will have to apply for the Equity Shares from the same demat account in which they are holding the Rights Entitlements and in case of multiple demat accounts, the Investors are required to submit a separate Application Form for each demat account.

Investors may apply for the Equity Shares by submitting the Application Form to the Designated Branch of the SCSB or online/ electronic Application through the website of the SCSBs (if made available by such SCSB) for authorising such SCSB to block Application Money payable on the Application in their respective ASBA Accounts. The Eligible Equity Shareholders who have not received the Application Form can download the Form available at the websites of the Registrar, Stock Exchanges, Lead Manager or the Company and submit the filled Form at Designated Branch of the SCSB.

Investors are also advised to ensure that the Application Form is correctly filled up stating therein:

- the ASBA Account (in case of Application through ASBA process) in which an amount equivalent to the amount payable on Application as stated in the Application Form will be blocked by the SCSB; or
- the requisite internet banking or UPI details (in case of Application through R-WAP, which is available only for resident Investors).

Applicants should note that they should very carefully fill-in their depository account details and PAN in the Application Form or while submitting application through online/ electronic Application through the website of the SCSBs (if made available by such SCSB) and R-WAP. Please note that incorrect depository account details or PAN or Application Forms without depository account details shall be treated as incomplete and shall be rejected. For details see “- Grounds for Technical Rejection” on pages 177. Our Company, the Lead Manager, the Registrar and the SCSBs shall not be liable for any incomplete or incorrect demat details provided by the Applicants.

Additionally, in terms of Regulation 78 of the SEBI ICDR Regulations, Investors may choose to accept the offer to participate in this Issue by making plain paper Applications. Please note that SCSBs shall accept such applications only if all details required for making the application as per the SEBI ICDR Regulations are specified in the plain paper application and that Eligible Equity Shareholders making an application in this Issue by



way of plain paper applications shall not be permitted to renounce any portion of their Rights Entitlements. For details, see “- *Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process*” beginning on page 171.

- ***Options available to the Eligible Equity Shareholders***

The Rights Entitlement Letter will clearly indicate the number of Equity Shares that the Eligible Equity Shareholder is entitled to.

If the Eligible Equity Shareholder applies in this Issue, then such Eligible Equity Shareholder can:

- apply for its Equity Shares to the full extent of its Rights Entitlements; or
- apply for its Equity Shares to the extent of part of its Rights Entitlements (without renouncing the other part); or
- apply for Equity Shares to the extent of part of its Rights Entitlements and renounce the other part of its Rights Entitlements; or
- apply for its Equity Shares to the full extent of its Rights Entitlements and apply for additional Equity Shares; or
- renounce its Rights Entitlements in full.

- ***Making of an Application through the ASBA process***

An Investor, wishing to participate in this Issue through the ASBA facility, is required to have an ASBA enabled bank account with an SCSB, prior to making the Application. Investors desiring to make an Application in this Issue through ASBA process, may submit the Application Form in physical mode to the Designated Branches of the SCSB or online/electronic Application through the website of the SCSBs (if made available by such SCSB) for authorizing such SCSB to block Application Money payable on the Application in their respective ASBA Accounts.

Investors should ensure that they have correctly submitted the Application Form and have provided an authorisation to the SCSB, *via* the electronic mode, for blocking funds in the ASBA Account equivalent to the Application Money mentioned in the Application Form, as the case may be, at the time of submission of the Application.

Self-Certified Syndicate Banks

For the list of banks which have been notified by SEBI to act as SCSBs for the ASBA process, please refer to <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34>.

Please note that subject to SCSBs complying with the requirements of the SEBI circular bearing reference number CIR/CFD/DIL/13/2012 dated September 25, 2012, within the periods stipulated therein, Applications may be submitted at the Designated Branches of the SCSBs. Further, in terms of the SEBI circular bearing reference number CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making Applications by SCSBs on their own account using ASBA facility, each such SCSB should have a separate account in its own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making an Application in this Issue and clear demarcated funds should be available in such account for such an Application.

The Lead Manager, our Company, its directors, its employees, affiliates, associates and their respective directors and officers and the Registrar shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc., in relation to Applications accepted by SCSBs, Applications uploaded by SCSBs, Applications accepted but not uploaded by SCSBs or Applications accepted and uploaded without blocking funds in the ASBA



Accounts.

Do's for Investors applying through ASBA:

- Ensure that the details about your Depository Participant, PAN and beneficiary account are correct and the beneficiary account is activated as the Equity Shares will be Allotted in the dematerialized form only.
- Ensure that the Applications are submitted with the Designated Branch of the SCSBs and details of the correct bank account have been provided in the Application.
- Ensure that there are sufficient funds (equal to {number of Equity Shares (including additional Equity Shares) applied for} X {Application Money of Equity Shares}) available in ASBA Account mentioned in the Application Form before submitting the Application to the respective Designated Branch of the SCSB.
- Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the Application Form, in the ASBA Account, of which details are provided in the Application Form and have signed the same.
- Ensure that you have a bank account with an SCSB providing ASBA facility in your location and the Application is made through that SCSB providing ASBA facility in such location.
- Ensure that you receive an acknowledgement from the Designated Branch of the SCSB for your submission of the Application Form in physical form or plain paper Application.
- Ensure that the name(s) given in the Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Application Form and the Rights Entitlement Letter.

Don'ts for Investors applying through ASBA:

- Do not submit the Application Form after you have submitted a plain paper Application to a Designated Branch of the SCSB or *vice versa*.
- Do not send your physical Application to the Lead Managers, the Registrar, the Escrow Collection Bank(s) (assuming that such Escrow Collection Bank is not an SCSB), a branch of the SCSB which is not a Designated Branch of the SCSB or our Company; instead submit the same to a Designated Branch of the SCSB only.
- Do not instruct the SCSBs to unblock the funds blocked under the ASBA process upon making the Application.
- Do not submit Application Form using third party ASBA account.
- ***Making of an Application through the Registrar's Web-based Application Platform ("R-WAP") process***

In accordance with SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 6, 2020 read with SEBI circular SEBI/HO/CFD/DIL1/CIR/P/2020/136 dated July 24, 2020, SEBI circular SEBI/HO/CFD/DIL1/CIR/P/2021/13 dated January 19, 2021, and SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/552 dated April 22, 2021, a separate web based application platform, i.e., the R- WAP facility (accessible at www.linkintime.co.in), has



been instituted for making an Application in this Issue by resident Investors. Further, R-WAP is only an additional option and not a replacement of the ASBA process and R-WAP facility should be utilized only in the event that Investors are not able to utilize the ASBA facility for making an Application despite their best efforts.

At the R-WAP, resident Investors can access and submit the online Application Form in electronic mode using the R-WAP. Resident Investors, making an Application through R-WAP, shall make online payment using internet banking or UPI facility. Prior to making an Application, such Investors should enable the internet banking or UPI facility of their respective bank accounts and such Investors should ensure that the respective bank accounts have sufficient funds.

Set out below is the procedure followed using the R-WAP:

- Prior to making an Application using the R-WAP facility, the Investors should enable the internet banking or UPI facility of their respective bank accounts and the Investors should ensure that the respective bank accounts have sufficient funds. If the funds available in the relevant bank account is less than the total amount payable on submission of online Application Form, such Application shall be rejected. Please note that R-WAP is a non-cash payment mechanism in accordance with the SEBI Relaxation Circulars.
- Resident Investors should visit R-WAP (accessible at www.linkintime.co.in) and fill the online Application Form available on R-WAP in electronic mode. Please ensure that you provide correct DP ID, Client ID, PAN along with all other details sought for while submitting the online Application Form.
- Non-resident Investors are not eligible to apply in this Issue through R-WAP.
- Investors should ensure that Application process is verified through the e-mail/ phone/ mobile number or other means as applicable. Post due verification, Investors can obtain details of their respective Rights Entitlements and apply in this Issue by filling-up the online Application Form which, among others, will require details of total number of Equity Shares to be applied for in the Issue. Please note that the Application Money will be determined based on number of Equity Shares applied for.
- Investors who are Renounees should select the category of 'Renounee' at the application page of R- WAP and provide DP ID, Client ID, PAN and other required demographic details for validation. The Renounees shall also be required to provide the required Application details, such as total number of Equity Shares applied for in the Issue.
- The Investors shall make online payment using internet banking or UPI facility from their own bank account only. Such Application Money will be adjusted for either Allotment or refund. Applications made using payment from third party bank accounts will be rejected.
- Verification, if any, in respect of Application through Investors' own bank account, shall be done through the latest beneficial position data of our Company containing Investor's bank account details, beneficiary account details provided to the depository, cancelled cheque for joint holder verification and such other industry accepted and tested methods for online payment.
- The Application Money collected through Applications made on the R-WAP will be credited to the Escrow Account opened by our Company with the Escrow Collection Bank(s).

For guidance on the Application process through R-WAP and resolution of difficulties faced by the Investors, the Investors are advised to carefully read the frequently asked questions,



visit the online/ electronic dedicated investor helpdesk (www.linkintime.co.in) or call helpline number +91 22 4918 6200.

PLEASE NOTE THAT ONLY RESIDENT INVESTORS CAN SUBMIT AN APPLICATION USING THE R-WAP. R-WAP FACILITY WILL BE OPERATIONAL FROM THE ISSUE OPENING DATE. OUR COMPANY, THE REGISTRAR AND THE LEAD MANAGER SHALL NOT BE RESPONSIBLE IF THE APPLICATION IS NOT SUCCESSFULLY SUBMITTED OR REJECTED DURING THE BASIS OF ALLOTMENT ON ACCOUNT OF FAILURE TO BE IN COMPLIANCE WITH THE SAME. FOR RISKS ASSOCIATED WITH THE R-WAP PROCESS, SEE “RISK FACTORS - THE R-WAP PAYMENT MECHANISM FACILITY PROPOSED TO BE USED FOR THIS ISSUE MAY BE EXPOSED TO RISKS, INCLUDING RISKS ASSOCIATED WITH PAYMENT GATEWAYS” ON PAGE 34.

Do's for Investors applying through R-WAP:

- Ensure that the details of the correct bank account have been provided while making payment along with submission of the Application.
- Ensure that there are sufficient funds (equal to {number of Equity Shares (including additional Equity Shares) applied for} X {Application Money of Equity Shares}) available in the bank account through which payment is made using the R-WAP.
- Ensure that you make the payment towards your Application through your bank account only and not use any third-party bank account for making the payment.
- Ensure that you receive a confirmation e-mail or confirmation through other applicable means on successful transfer of funds.
- Ensure you have filled in correct details of PAN, Folio number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date), DP ID and Client ID, as applicable and all such other details as may be required.
- Ensure that you receive an acknowledgement from the R-WAP for your submission of the Application.

Don'ts for Investors applying through R-WAP:

- Do not apply from bank account of third parties.
- Do not apply if you are a non-resident Investor.
- Do not apply from non-resident account.
- Do not apply if you are holding shares in physical mode and not informed your demat detail to RTA.
- ***Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process***

An Eligible Equity Shareholder in India who is eligible to apply under the ASBA process may make an Application to subscribe to this Issue on plain paper in case of non-receipt of Application Form as detailed above. In such cases of non-receipt of the Application Form through e-mail or physical delivery (where applicable) and the Eligible Equity Shareholder not being in a position to obtain it from any other source may make an Application to subscribe to this Issue on plain paper with the same details as per the Application Form that is available on the website of the Registrar, Stock Exchange or the Lead Manager. An Eligible Equity Shareholder shall submit the plain paper Application to the Designated Branch of the SCSB for authorising such SCSB to block Application Money in the said



bank account maintained with the same SCSB. Applications on plain paper will not be accepted from any Eligible Equity Shareholder who has not provided an Indian address or is a U.S. Person or in the United States.

Please note that the Eligible Equity Shareholders who are making the Application on plain paper shall not be entitled to renounce their Rights Entitlements and should not utilize the Application Form for any purpose including renunciation even if it is received subsequently.

PLEASE NOTE THAT THE APPLICATION ON PLAIN PAPER CANNOT BE SUBMITTED THROUGH R-WAP.

The Application on plain paper, duly signed by the Eligible Equity Shareholder including joint holders, in the same order and as per specimen recorded with his/ her/ their bank, must reach the office of the Designated Branch of the SCSB before the Issue Closing Date and should contain the following particulars:

- Name of our Company, being Bharat Gears Limited;
- Name and address of the Eligible Equity Shareholder including joint holders (in the same order and as per specimen recorded with our Company or the Depository);
- DP and Client ID;
- Except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to this Issue;
- Number of Equity Shares held as on Record Date;
- Allotment option – only dematerialised form;
- Number of Equity Shares entitled to;
- Number of Equity Shares applied for within the Rights Entitlements;
- Number of additional Equity Shares applied for, if any (applicable only if entire Rights Entitlements have been applied for);
- Total number of Equity Shares applied for;
- Total amount paid at the rate of ₹ [●] per Equity Share;
- Details of the ASBA Account such as the SCSB account number, name, address and branch of the relevant SCSB;
- In case of non-resident Eligible Equity Shareholders making an application with an Indian address, details of the NRE/ FCNR/ NRO account such as the account number, name, address and branch of the SCSB with which the account is maintained;
- Authorisation to the Designated Branch of the SCSB to block an amount equivalent to the Application Money in the ASBA Account;
- Signature of the Eligible Equity Shareholder (in case of joint holders, to appear in the same sequence and order as they appear in the records of the SCSB);



- An approval obtained from any regulatory authority, if required, shall be obtained by the Eligible Equity Shareholders and a copy of such approval from any regulatory authority, as may be required, shall be sent to the Registrars and
- All such Eligible Equity Shareholders are deemed to have accepted the following:

“I/ We understand that neither the Rights Entitlements nor the Equity Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the “United States”), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. I/ we understand the Equity Shares referred to in this application are being offered and sold (i) in offshore transactions outside the United States in compliance with Regulation S under the U.S. Securities Act (“Regulation S”) to existing shareholders who are non-U.S. Persons and located in jurisdictions where such offer and sale of the Equity Shares is permitted under laws of such jurisdictions and (ii) within the United States or to U.S. Persons that are “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act) (“U.S. QIB”) pursuant to the private placement exemption set out in Section 4(a)(2) of the U.S. Securities Act, that are also “qualified purchasers” (as defined under the United States Investment Company Act of 1940, as amended) (“QPs”) in reliance upon section 3(c)(7) of the U.S. Investment Company Act. I/we understand that the Issue is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlements for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlements in the United States. I/ we confirm that I am/ we are (a) not in the United States and a non-U.S. Person and eligible to subscribe for the Equity Shares under applicable securities laws, (b) complying with laws of jurisdictions applicable to such person in connection with the Issue, and (c) understand that neither the Company, nor the Registrar, the Lead Managers or any other person acting on behalf of the Company will accept subscriptions from any person, or the agent of any person, who appears to be, or who the Company, the Registrar, the Lead Managers or any other person acting on behalf of the Company have reason to believe is in the United States or is outside of India and ineligible to participate in this Issue under the securities laws of their jurisdiction.

I/ We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation. I/ We satisfy, and each account for which I/ we are acting satisfies, (a) all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of my/our residence, and (b) is eligible to subscribe and is subscribing for the Equity Shares and Rights Entitlements in compliance with applicable securities and other laws of our jurisdiction of residence.

I/we hereby make the representations, warranties, acknowledgments and agreements set forth in the section of the Letter of Offer titled “Notice to Overseas Investors” beginning on page 11.

I/ We understand and agree that the Rights Entitlements and Equity Shares may not be reoffered, resold, pledged or otherwise except in an offshore transaction in accordance with Regulation S to a person outside the United States and not reasonably known by the transferor to be a U.S. Person by pre-arrangement or otherwise (including, for the avoidance of doubt, a bona fide sale on the NSE or the BSE).

I/ We acknowledge that we, the Lead Managers, its affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.”

In cases where Multiple Application Forms are submitted for Applications pertaining to Rights Entitlements credited to the same demat account or in demat suspense escrow account, as applicable, including cases where an Investor submits Application Forms along with a plain paper Application, such Applications shall be liable to be rejected.



Investors are requested to strictly adhere to these instructions. Failure to do so could result in an Application being rejected, with our Company, the Lead Manager and the Registrar not having any liability to the Investor. The plain paper Application format will be available on the website of the Registrar at www.linkintime.co.in.

Our Company, the Lead Manager and the Registrar shall not be responsible if the Applications are not uploaded by the SCSB or funds are not blocked in the Investors' ASBA Accounts on or before the Issue Closing Date.

- ***Making of an Application by Eligible Equity Shareholders holding Equity Shares in physical form***

Please note that in accordance with Regulation 77A of the SEBI ICDR Regulations read with the SEBI Rights Issue Circulars, the credit of Rights Entitlements and Allotment of Equity Shares shall be made in dematerialised form only. Accordingly, Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date and desirous of subscribing to Equity Shares in this Issue are advised to furnish the details of their demat account to the Registrar or our Company at least two Working Days prior to the Issue Closing Date, to enable the credit of their Rights Entitlements in their respective demat accounts at least one day before the Issue Closing Date.

Prior to the Issue Opening Date, the Rights Entitlements of those Eligible Equity Shareholders, among others, who hold Equity Shares in physical form, and whose demat account details are not available with our Company or the Registrar, shall be credited in a demat suspense escrow account opened by our Company.

Eligible Equity Shareholders, who hold Equity Shares in physical form as on Record Date and who have opened their demat accounts after the Record Date, shall adhere to following procedure for participating in this Issue:

- The Eligible Equity Shareholders shall send a request letter to the Registrar regarding updating of demat account detail containing the name(s), address, e-mail address, contact details, DPID- CLID along with copy of self-attested PAN and self-attested client master sheet of their demat account, copy of any one share certificate either by e-mail at bharatgears.rights@linkintime.co.in whose subject line should be "BHARAT GEARS LIMITED RIGHTS ISSUE DEMAT ACCOUNT UPDATION OF FOLIO NO.-(mention folio no.)" or by post, speed post, courier, or hand delivery so as to reach to the Registrar no later than two Working Days prior to the Issue Closing Date;
- The Registrar shall, after verifying the details of such demat account, transfer the Rights Entitlements of such Eligible Equity Shareholders to their demat accounts at least one day before the Issue Closing Date;
- The remaining procedure for Application shall be same as set out in "*Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process*" beginning on page 171.

Resident Eligible Equity Shareholders who hold Equity Shares in physical form as on the Record Date will not be allowed to renounce their Rights Entitlements in the Issue. However, such Eligible Equity Shareholders, where the dematerialized Rights Entitlements are transferred from the suspense escrow demat account to the respective demat accounts within prescribed timelines, can apply for additional Equity Shares while submitting the Application through ASBA process or using the R-WAP.

Application for Additional Equity Shares

Investors are eligible to apply for additional Equity Shares over and above their Rights Entitlements, provided that they are eligible to apply for Equity Shares under applicable law and they have applied for all the Equity Shares forming part of their Rights Entitlements without renouncing them in whole or in part. Where the number of additional Equity Shares



applied for exceeds the number available for Allotment, the Allotment would be made as per the Basis of Allotment finalised in consultation with the Designated Stock Exchange. Applications for additional Equity Shares shall be considered and Allotment shall be made in accordance with the SEBI ICDR Regulations and in the manner as set out in “- *Basis of Allotment*” beginning on page 191.

Eligible Equity Shareholders who renounce their Rights Entitlements cannot apply for additional Equity Shares. Non-resident Renounees who are not Eligible Equity Shareholders cannot apply for additional Equity Shares.

Additional general instructions for Investors in relation to making of an Application

- Please read this Draft Letter of Offer and the Letter of Offer carefully to understand the Application process and applicable settlement process.
- Please read the instructions on the Application Form sent to you. Application should be complete in all respects. The Application Form found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form are liable to be rejected. The Application Form must be filled in English.
- In case of non-receipt of Application Form, Application can be made on plain paper mentioning all necessary details as mentioned under the section “*Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process*” on page 171.
- Applications should be (i) submitted to the Designated Branch of the SCSB or made online/ electronic through the website of the SCSBs (if made available by such SCSB) for authorising such SCSB to block Application Money payable on the Application in their respective ASBA Accounts, or (ii) filled on the R-WAP. Please note that on the Issue Closing Date, (i) Applications through ASBA process will be uploaded until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchanges, and (ii) the R-WAP facility will be available until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchanges.
- Applications should not be submitted to the Banker(s) to the Issue or Escrow Collection Bank(s) (assuming that such Escrow Collection Bank is not an SCSB), our Company or the Registrar or the Lead Manager.
- All Applicants, and in the case of Application in joint names, each of the joint Applicants, should mention their PAN allotted under the Income-tax Act, irrespective of the amount of the Application. Except for Applications on behalf of the Central or the State Government, the residents of Sikkim and the officials appointed by the courts, Applications without PAN will be considered incomplete and are liable to be rejected. With effect from August 16, 2010, the demat accounts for Investors for which PAN details have not been verified shall be “suspended for credit” and no Allotment and credit of Equity Shares pursuant to this Issue shall be made into the accounts of such Investors.
- Ensure that the demographic details such as address, PAN, DP ID, Client ID, bank account details and occupation (“**Demographic Details**”) are updated, true and correct, in all respects. Investors applying under this Issue should note that on the basis of name of the Investors, DP ID and Client ID provided by them in the Application Form or the plain paper Applications, as the case may be, the Registrar will obtain Demographic Details from the Depository. Therefore, Investors applying under this Issue should carefully fill in their Depository Account details in the Application. These Demographic Details would be used for



all correspondence with such Investors including mailing of the letters intimating unblocking of bank account of the respective Investor and/or refund. The Demographic Details given by the Investors in the Application Form would not be used for any other purposes by the Registrar. Hence, Investors are advised to update their Demographic Details as provided to their Depository Participants. **The Allotment Advice and the e-mail intimating unblocking of ASBA Account or refund (if any) would be e-mailed to the address of the Investor as per the e-mail address provided to our Company or the Registrar or Demographic Details received from the Depositories. The Registrar will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent Equity Shares are not Allotted to such Investor. Please note that any such delay shall be at the sole risk of the Investors and none of our Company, the SCSBs, Registrar or the Lead Manager shall be liable to compensate the Investor for any losses caused due to any such delay or be liable to pay any interest for such delay. In case no corresponding record is available with the Depositories that match three parameters, (a) names of the Investors (including the order of names of joint holders), (b) DPID, and (c) Client ID, then such Application Forms are liable to be rejected.**

- By signing the Application Forms, Investors would be deemed to have authorised the Depositories to provide, upon request, to the Registrar, the required Demographic Details as available on its records.
- For physical Applications through ASBA at Designated Branches of SCSB, signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in any such language or thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Investors must sign the Application as per the specimen signature recorded with the SCSB.
- Investors should provide correct DP ID and Client ID while submitting the Application. Such DP ID and Client ID/ Folio number should match the demat account details in the records available with Company and/or Registrar, failing which such Application is liable to be rejected. Investor will be solely responsible for any error or inaccurate detail provided in the Application. Our Company, the Lead Manager, SCSBs or the Registrar will not be liable for any such rejections.
- In case of joint holders and physical Applications through ASBA process, all joint holders must sign the relevant part of the Application Form in the same order and as per the specimen signature(s) recorded with the SCSB. In case of joint Applicants, reference, if any, will be made in the first Applicant's name and all communication will be addressed to the first Applicant.
- All communication in connection with Application for the Equity Shares, including any change in contact details of the Eligible Equity Shareholders should be addressed to the Registrar prior to the date of Allotment in this Issue quoting the name of the first/ sole Applicant, DP ID and Client ID and Application Form number, as applicable. In case of any change in contact details of the Eligible Equity Shareholders, the Eligible Equity Shareholders should also send the intimation for such change to the respective depository participant, or to our Company or the Registrar in case of Eligible Equity Shareholders holding Equity Shares in physical form.
- Investors are required to ensure that the number of Equity Shares applied for by them do not exceed the prescribed limits under the applicable law.
- Do not apply if you are ineligible to participate in this Issue under the securities laws applicable to your jurisdiction.



- Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- Avoid applying on the Issue Closing Date due to risk of delay/ restrictions in making any physical Application.
- Do not pay the Application Money in cash, by money order, pay order or postal order.
- Do not submit multiple Applications.
- No investment under the FDI route (i.e any investment which would result in the investor holding 10% or more of the fully diluted paid-up equity share capital of the Company or any FDI investment for which an approval from the government was taken in the past) will be allowed in the Issue unless such application is accompanied with necessary approval or covered under a pre-existing approval from the government. It will be the sole responsibility of the investors to ensure that the necessary approval or the pre-existing approval from the government is valid in order to make any investment in the Issue. The Lead Managers and our Company will not be responsible for any allotments made by relying on such approvals.
- An Applicant being an OCB is required not to be under the adverse notice of RBI and in order to apply for this issue as a incorporated non-resident must do so in accordance with the FDI Circular 2020 and Foreign Exchange Management (Non-Debt Instrument) Rules, 2019.

- ***Grounds for Technical Rejection***

Applications made in this Issue are liable to be rejected on the following grounds:

- DP ID and Client ID mentioned in Application does not match with the DP ID and Client ID records available with the Registrar.
- Details of PAN mentioned in the Application does not match with the PAN records available with the Registrar.
- Sending an Application to our Company, the Lead Manager, Registrar, Escrow Collection Bank(s) (assuming that such Escrow Collection Bank is not a SCSB), to a branch of a SCSB which is not a Designated Branch of the SCSB.
- Insufficient funds are available in the ASBA Account with the SCSB for blocking the Application Money.
- Funds in the ASBA Account whose details are mentioned in the Application Form having been frozen pursuant to regulatory orders.
- Account holder not signing the Application or declaration mentioned therein.
- Submission of more than one Application Form for Rights Entitlements available in a particular demat account.
- Multiple Application Forms, including cases where an Investor submits Application Forms along with a plain paper Application.
- Submitting the GIR number instead of the PAN (except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts).
- Applications by persons not competent to contract under the Indian Contract Act, 1872, except Applications by minors having valid demat accounts as per the Demographic Details provided by the Depositories.



- Applications by SCSB on own account, other than through an ASBA Account in its own name with any other SCSB.
- Applications submitted to anyone other than the Designated Branches of the SCSB or using R-WAP
- Application Forms which are not submitted by the Investors within the time periods prescribed in the Application Form and the Letter of Offer.
- Physical Application Forms not duly signed by the sole or joint Investors, as applicable.
- Application Forms accompanied by stock invest, outstation cheques, post-dated cheques, money order, postal order or outstation demand drafts.
- If an Investor is (a) debarred by SEBI; or (b) if SEBI has revoked the order or has provided any interim relief then failure to attach a copy of such SEBI order allowing the Investor to subscribe to their Rights Entitlements.
- Applications which: (i) appears to our Company or its agents to have been executed in, electronically transmitted form or dispatched from the United States (other than from persons in the United States who are U.S. QIBs and QPs) or other jurisdictions where the offer and sale of the Equity Shares is not permitted under laws of such jurisdictions; (ii) does not include the relevant certifications set out in the Application Form, including to the effect that the person submitting and/or renouncing the Application Form is (a) both a U.S. QIB and a QP, if in the United States or a U.S. Person or (b) outside the United States and is a non-U.S. Person, and in each case such person is eligible to subscribe for the Equity Shares under applicable securities laws and is complying with laws of jurisdictions applicable to such person in connection with this Issue; and our Company shall not be bound to issue or allot any Equity Shares in respect of any such Application Form.
- Applications which have evidence of being executed or made in contravention of applicable securities laws.
- Application from Investors that are residing in U.S. address as per the depository records (other than from persons in the United States who are U.S. QIBs and QPs).
- Applications under the R-WAP process are liable to be rejected on the following grounds (in addition to above applicable grounds including in relation to insufficient funds available in the opted bank account):
 - Applications by non-resident Investors.
 - Payment from third party bank accounts.

- ***Multiple Applications***

In case where multiple Applications are made using same demat account, such Applications shall be liable to be rejected. A separate Application can be made in respect of Rights Entitlements in each demat account of the Investors and such Applications shall not be treated as multiple applications. Further supplementary Applications in relation to further Equity Shares with/ without using additional Rights Entitlement will not be treated as multiple application. A separate Application can be made in respect of each scheme of a mutual fund registered with SEBI and such Applications shall not be treated as multiple applications. For details, see “- Procedure for Applications by Mutual Funds” on page 180.

In cases where Multiple Application Forms are submitted, including cases where (a) an Investor submits Application Forms along with a plain paper Application or (b) multiple plain paper Applications (c) or multiple applications on R-WAP as well as through ASBA,



such Applications shall be treated as multiple applications and are liable to be rejected, other than multiple applications submitted by any of our Promoter or members of the Promoter Group to meet the minimum subscription requirements applicable to this Issue as described in under “*Intention and extent of participation by our Promoter*” on page 44.

- ***Procedure for Applications by certain categories of Investors***

Procedure for Applications by FPIs

In terms of applicable FEMA Rules and the SEBI FPI Regulations, investments by FPIs in the Equity Shares is subject to certain limits, *i.e.*, the individual holding of an FPI (including its investor group (which means multiple entities registered as foreign portfolio investors and directly and indirectly having common ownership of more than 50% of common control)) shall be below 10% of our post- Issue Equity Share capital. In case the total holding of an FPI or investor group increases beyond 10% of the total paid-up Equity Share capital of our Company, on a fully diluted basis or 10% or more of the paid-up value of any series of debentures or preference shares or share warrants that may be issued by our Company, the total investment made by the FPI or investor group will be re-classified as FDI subject to the conditions as specified by SEBI and RBI in this regard and our Company and the investor will also be required to comply with applicable reporting requirements.

FPIs are permitted to participate in this Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time. FPIs who wish to participate in the Issue are advised to use the Application Form for non-residents. Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 21 of the SEBI FPI Regulations, an FPI may issue, subscribe to or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by an FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons registered as Category I FPI under the SEBI FPI Regulations; (ii) such offshore derivative instruments are issued only to persons who are eligible for registration as Category I FPIs (where an entity has an investment manager who is from the Financial Action Task Force member country, the investment manager shall not be required to be registered as a Category I FPI); (iii) such offshore derivative instruments are issued after compliance with ‘know your client’ norms; and (iii) compliance with other conditions as may be prescribed by SEBI.

An FPI issuing offshore derivative instruments is also required to ensure that any transfer of offshore derivative instruments issued by or on its behalf, is carried out subject to inter alia the following conditions:

- such offshore derivative instruments are transferred only to persons in accordance with the SEBI FPI Regulations; and
- prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred to are pre-approved by the FPI.

No investment under the FDI route will be allowed in the Issue unless such application is accompanied with necessary approval or covered under a pre-existing approval.

Procedure for Applications by AIFs, FVCIs, VCFs and FDI route

The SEBI VCF Regulations and the SEBI FVCI Regulations prescribe, among other things, the investment restrictions on VCFs and FVCIs registered with SEBI. Further, the SEBI AIF Regulations prescribe, among other things, the investment restrictions on AIFs.

As per the SEBI VCF Regulations and SEBI FVCI Regulations, VCFs and FVCIs are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by VCFs or FVCIs will not be accepted in this Issue. Further, venture capital funds



registered as Category I AIFs, as defined in the SEBI AIF Regulations, are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by venture capital funds registered as category I AIFs, as defined in the SEBI AIF Regulations, will not be accepted in this Issue. Other categories of AIFs are permitted to apply in this Issue subject to compliance with the SEBI AIF Regulations. Such AIFs having bank accounts with SCSBs that are providing ASBA in cities/ centres where such AIFs are located are mandatorily required to make use of the ASBA facility or using R-WAP (available only for residents). Otherwise, applications of such AIFs are liable for rejection.

No investment under the FDI route (i.e any investment which would result in the investor holding 10% or more of the fully diluted paid-up equity share capital of the Company or any FDI investment for which an approval from the government was taken in the past) will be allowed in the Issue unless such application is accompanied with necessary approval or covered under a pre-existing approval from the government. It will be the sole responsibility of the investors to ensure that the necessary approval or the pre-existing approval from the government is valid in order to make any investment in the Issue. The Lead Manager and our Company will not be responsible for any allotments made by relying on such approvals.

Procedure for Applications by NRIs

Investments by NRIs are governed by the FEMA Rules. Applications will not be accepted from NRIs that are ineligible to participate in this Issue under applicable securities laws.

As per the FEMA Rules, an NRI or Overseas Citizen of India (“OCI”) may purchase or sell capital instruments of a listed Indian company on repatriation basis, on a recognised stock exchange in India, subject to the conditions, *inter alia*, that the total holding by any individual NRI or OCI will not exceed 5% of the total paid-up equity capital on a fully diluted basis or should not exceed 5% of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all NRIs and OCIs put together will not exceed 10% of the total paid-up equity capital on a fully diluted basis or shall not exceed 10% of the paid-up value of each series of debentures or preference shares or share warrants. The aggregate ceiling of 10% may be raised to 24%, if a special resolution to that effect is passed by the general body of the Indian company.

Further, in accordance with press note 3 of 2020, the FDI Policy has been recently amended to state that all investments by entities incorporated in a country which shares land border with India or where beneficial owner of an investment into India is situated in or is a citizen of any such country (“**Restricted Investors**”), will require prior approval of the Government of India. It is not clear from the press note whether or not an issue of the Rights Equity Shares to Restricted Investors will also require prior approval of the Government of India and each Investor should seek independent legal advice about its ability to participate in the Issue. In the event such prior approval has been obtained, the Investor shall intimate our Company and the Registrar about such approval within the Issue Period.

Procedure for Applications by Mutual Funds

A separate application can be made in respect of each scheme of an Indian mutual fund registered with SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made.

Procedure for Applications by Systemically Important Non-Banking Financial Companies (“NBFC-SI”)

In case of an Application made by NBFC-SI registered with RBI, (a) the certificate of registration issued by RBI under Section 45IA of RBI Act, 1934 and (b) net worth certificate from its statutory auditors or any independent chartered accountant based on the last audited financial statements is required to be attached to the Application.

Last date for Application

The last date for submission of the duly filled in the Application Form or a plain paper



Application is [●], *i.e.*, Issue Closing Date. Our Board or any committee thereof may extend the said date for such period as it may determine from time to time, subject to the Issue Period not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date).

If the Application Form is not submitted with an SCSB and the Application Money is not blocked with the SCSB or if the Application Form is not accepted at the R-WAP, on or before the Issue Closing Date or such date as may be extended by our Board or any committee thereof, the invitation to offer contained in the Letter of Offer shall be deemed to have been declined and our Board or any committee thereof shall be at liberty to dispose of the Equity Shares hereby offered, as set out in “- *Basis of Allotment*” beginning on page 191.

Please note that on the Issue Closing Date, (i) Applications through ASBA process will be uploaded until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchanges, and (ii) the R-WAP facility will be available until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchanges.

Please ensure that the Application Form and necessary details are filled in. In place of Application number, Investors can mention the reference number of the e-mail received from Registrar informing about their Rights Entitlement or last eight digits of the demat account. Alternatively, SCSBs may mention their internal reference number in place of application number.

Withdrawal of Application

An Investor who has applied in this Issue may withdraw their Application at any time during Issue Period by approaching the SCSB where application is submitted or sending the e-mail withdrawal request to bharatgears.rights@linkintime.co.in with subject line “BHARAT GEARS LIMITED RIGHTS ISSUE WITHDRAWN OF APPLICATION DPID-CLID (mention DPID- DLID) in case of Application through R-WAP facility. However, no Investor, whether applying through ASBA facility or R-WAP facility, may withdraw their Application post the Issue Closing Date.

Disposal of Application and Application Money

No acknowledgment will be issued for the Application Money received by our Company. However, the Designated Branches of the SCSBs receiving the Application Form will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each Application Form and the R-WAP platform would generate an electronic acknowledgment to the Eligible Equity Shareholders upon submission of the Application.

Our Board reserves its full, unqualified and absolute right to accept or reject any Application, in whole or in part, and in either case without assigning any reason thereto.

In case an Application is rejected in full, the whole of the Application Money will be unblocked in the respective ASBA Accounts, in case of Applications through ASBA or refunded to the Investors in the same bank account through which Application Money was received, in case of an application using the R-WAP facility. Wherever an Application is rejected in part, the balance of Application Money, if any, after adjusting any money due on Equity Shares Allotted, will be refunded/ unblocked in the respective bank accounts from which Application Money was received/ ASBA Accounts of the Investor within a period of 15 days from the Issue Closing Date. In case of failure to do so, our Company shall pay interest at such rate and within such time as specified under applicable law.

For further instructions, please read the Application Form carefully.

- **CREDIT OF RIGHTS ENTITLEMENTS IN DEMAT ACCOUNTS OF ELIGIBLE EQUITY SHAREHOLDERS**
 - ***Rights Entitlements***



As your name appears as a beneficial owner in respect of the issued and paid-up Equity Shares held in dematerialised form or appears in the register of members of our Company as an Eligible Equity Shareholder in respect of our Equity Shares held in physical form, as on the Record Date, you may be entitled to subscribe to the number of Equity Shares as set out in the Rights Entitlement Letter.

Eligible Equity Shareholders can also obtain the details of their respective Rights Entitlements from the website of the Registrar (*i.e.*, www.linkintime.co.in) by entering their DP ID and Client ID or Folio Number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date). The link for the same shall also be available on the website of our Company (*i.e.*, www.bharatgears.com).

In this regard, our Company has made necessary arrangements with NSDL and CDSL for crediting of the Rights Entitlements to the demat accounts of the Eligible Equity Shareholders in a dematerialized form. A separate ISIN for the Rights Entitlements has also been generated which is [●]. The said ISIN shall remain frozen (for debit) until the Issue Opening Date. The said ISIN shall be suspended for transfer by the Depositories post the Issue Closing Date.

Additionally, our Company will submit the details of the total Rights Entitlements credited to the demat accounts of the Eligible Equity Shareholders and the demat suspense escrow account to the Stock Exchange after completing the corporate action. The details of the Rights Entitlements with respect to each Eligible Equity Shareholders can be accessed by such respective Eligible Equity Shareholders on the website of the Registrar after keying in their respective details along with other security control measures implemented thereat.

Rights Entitlements shall be credited to the respective demat accounts of Eligible Equity Shareholders before the Issue Opening Date only in dematerialised form. Further, if no Application is made by the Eligible Equity Shareholders of Rights Entitlements on or before Issue Closing Date, such Rights Entitlements shall get lapsed and shall be extinguished after the Issue Closing Date. No Equity Shares for such lapsed Rights Entitlements will be credited, even if such Rights Entitlements were purchased from market and purchaser will lose the premium paid to acquire the Rights Entitlements. Persons who are credited the Rights Entitlements are required to make an Application to apply for Equity Shares offered under Rights Issue for subscribing to the Equity Shares offered under Issue.

If Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date, have not provided the details of their demat accounts to our Company or to the Registrar, they are required to provide their demat account details to our Company or the Registrar not later than two Working Days prior to the Issue Closing Date, to enable the credit of the Rights Entitlements by way of transfer from the demat suspense escrow account to their respective demat accounts, at least one day before the Issue Closing Date. Such Eligible Equity Shareholders holding shares in physical form can update the details of their respective demat accounts on by sending a request letter with signature of all shareholders along with self attested copy of pan card, copy of aadhar card/ driving licence/ voter id/ passport, copy of any one share certificate and copy of client master to the Registrar at [●]. Such Eligible Equity Shareholders can make an Application only after the Rights Entitlements is credited to their respective demat accounts.

In accordance with Regulation 77A of the SEBI ICDR Regulations read with the SEBI Rights Issue Circulars, the credit of Rights Entitlements and Allotment of Equity Shares shall be made in dematerialized form only. Prior to the Issue Opening Date, our Company shall credit the Rights Entitlements to (i) the demat accounts of the Eligible Equity Shareholders holding the Equity Shares in dematerialised form; and (ii) a demat suspense escrow account (namely, [●] Demat Escrow Account") opened by our Company, for the Eligible Equity Shareholders which would comprise Rights Entitlements relating to (a) Equity Shares held in the account of the IEPF authority, if any; or (b) the demat accounts of the Eligible Equity Shareholder which are frozen or the Equity Shares which are lying in the unclaimed suspense account (including those pursuant to Regulation 39 of the SEBI Listing Regulations) or details of which are unavailable with our Company or with the Registrar on the Record Date; or (c) Equity Shares held by Eligible Equity Shareholders



holding Equity Shares in physical form as on Record Date where details of demat accounts are not provided by Eligible Equity Shareholders to our Company or Registrar; or (d) credit of the Rights Entitlements returned/ reversed/ failed; or (e) the ownership of the Equity Shares currently under dispute, including any court proceedings, if any; or (f) Non-institutional equity shareholders in the United States.

Eligible Equity Shareholders are requested to provide relevant details (such as copies of self-attested PAN and client master sheet of demat account etc., details/ records confirming the legal and beneficial ownership of their respective Equity Shares) to our Company or the Registrar not later than two Working Days prior to the Issue Closing Date, i.e., by [●] to enable the credit of their Rights Entitlements by way of transfer from the demat suspense escrow account to their demat account at least one day before the Issue Closing Date, to enable such Eligible Equity Shareholders to make an Application in this Issue, and this communication shall serve as an intimation to such Eligible Equity Shareholders in this regard. Such Eligible Equity Shareholders are also requested to ensure that their demat account, details of which have been provided to our Company or the Registrar account is active to facilitate the aforementioned transfer. Eligible Equity Shareholders holding Equity Shares in physical form can update the details of their demat accounts on the website of the Registrar (i.e., www.linkintime.co.in). Such Eligible Equity Shareholders can make an Application only after the Rights Entitlements is credited to their respective demat accounts

Eligible Equity Shareholders can obtain the details of their Rights Entitlements from the website of the Registrar (i.e., www.linkintime.co.in) by entering their DP ID and Client ID or Folio Number (in case of Eligible Equity Shareholders holding Equity Shares in physical form) and PAN. The link for the same shall also be available on the website of our Company

- **RENUNCIATION AND TRADING OF RIGHTS ENTITLEMENT**

- ***Renouncees***

All rights and obligations of the Eligible Equity Shareholders in relation to Applications and refunds pertaining to this Issue shall apply to the Renouncee(s) as well.

- ***Renunciation of Rights Entitlements***

This Issue includes a right exercisable by Eligible Equity Shareholders to renounce the Rights Entitlements credited to their respective demat account either in full or in part.

The renunciation from non-resident Eligible Equity Shareholder(s) to resident Indian(s) and *vice versa* shall be subject to provisions of FEMA Rules and other circular, directions, or guidelines issued by RBI or the Ministry of Finance from time to time. However, the facility of renunciation shall not be available to or operate in favour of an Eligible Equity Shareholder being an erstwhile OCB unless the same is in compliance with the FEMA Rules and other circular, directions, or guidelines issued by RBI or the Ministry of Finance from time to time.

The renunciation of Rights Entitlements credited in your demat account can be made either by sale of such Rights Entitlements, using the secondary market platform of the Stock Exchanges or through an off-market transfer.

- ***Procedure for Renunciation of Rights Entitlements***

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts, either in full or in part (a) by using the secondary market platform of the Stock Exchanges (the “**OnMarket Renunciation**”); or (b) through an off-market transfer (the “**Off Market Renunciation**”), during the Renunciation Period. The Investors should have the demat Rights Entitlements credited/ lying in his/her own demat account prior to the renunciation. The trades through On Market Renunciation and Off Market Renunciation will be settled by transferring the Rights Entitlements through the



depository mechanism.

Investors may be subject to adverse foreign, state or local tax or legal consequences as a result of trading in the Rights Entitlements. Investors who intend to trade in the Rights Entitlements should consult their tax advisor or stock-broker regarding any cost, applicable taxes, charges and expenses (including brokerage) that may be levied for trading in Rights Entitlements.

Please note that the Rights Entitlements which are neither renounced nor subscribed by the Investors on or before the Issue Closing Date shall lapse and shall be extinguished after the Issue Closing Date.

The Lead Manager and our Company accept no responsibility to bear or pay any cost, applicable taxes, charges and expenses (including brokerage), and such costs will be incurred solely by the Investors.

- *On Market Renunciation*

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts by trading/ selling them on the secondary market platform of the Stock Exchanges through a registered stock-broker in the same manner as the existing Equity Shares of our Company.

In this regard, in terms of provisions of the SEBI ICDR Regulations and the SEBI Rights Issue Circulars, the Rights Entitlements credited to the respective demat accounts of the Eligible Equity Shareholders shall be admitted for trading on the Stock Exchanges under [●] subject to requisite approvals. Prior to the Issue Opening Date, our Company will obtain the approval from the Stock Exchanges for trading of Rights Entitlements. No assurance can be given regarding the active or sustained On Market Renunciation or the price at which the Rights Entitlements will trade. The details for trading in Rights Entitlements will be as specified by the Stock Exchanges from time to time.

The Rights Entitlements are tradable in dematerialized form only. The market lot for trading of Rights Entitlements is one Rights Entitlements.

The On Market Renunciation shall take place only during the Renunciation Period for On Market Renunciation, *i.e.*, from [●] to [●] (both days inclusive).

The Investors holding the Rights Entitlements who desire to sell their Rights Entitlements will have to do so through their registered stock-brokers by quoting the [●] and indicating the details of the Rights Entitlements they intend to trade. The Investors can place order for sale of Rights Entitlements only to the extent of Rights Entitlements available in their demat account.

The On Market Renunciation shall take place electronically on secondary market platform of BSE under automatic order matching mechanism and on 'T+2 rolling settlement basis', where 'T' refers to the date of trading. The transactions will be settled on trade-for-trade basis. Upon execution of the order, the stock-broker will issue a contract note in accordance with the requirements of the Stock Exchanges and the SEBI.

- *Off Market Renunciation*

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts by way of an off-market transfer through a depository participant. The Rights Entitlements can be transferred in dematerialised form only.

Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renounees on or prior to the Issue Closing



Date to enable Renounees to subscribe to the Equity Shares in the Issue.

The Investors holding the Rights Entitlements who desire to transfer their Rights Entitlements will have to do so through their depository participant by issuing a delivery instruction slip quoting the [●], the details of the buyer and the details of the Rights Entitlements they intend to transfer. The buyer of the Rights Entitlements (unless already having given a standing receipt instruction) has to issue a receipt instruction slip to their depository participant. The Investors can transfer Rights Entitlements only to the extent of Rights Entitlements available in their demat account.

The instructions for transfer of Rights Entitlements can be issued during the working hours of the depository participants.

The detailed rules for transfer of Rights Entitlements through off-market transfer shall be as specified by the NSDL and CDSL from time to time.

Rights Entitlements Eligible Equity Shareholders whose names appear as a beneficial owner in respect of the Equity Shares held in dematerialised form or appears in the register of members of our Company as an equity shareholder in respect of our Equity Shares held in physical form, as on the Record Date, are entitled to subscribe to the number of Rights Equity Shares as set out in the Entitlement Letter. The Registrar will email an Entitlement Letter along with the Abridged Letter of Offer and the Application Form to all Eligible Equity Shareholders who have provided an Indian address to our Company or who are located in jurisdictions where the offer and sale of the Rights Equity Shares is permitted under laws of such jurisdictions, which will contain details of their Rights Entitlements based on their shareholding as on the Record Date. Eligible Equity Shareholders can also obtain the details of their respective Rights Entitlements from the website of the Registrar (i.e., www.linkintime.co.in) by entering their DP ID and Client ID or Folio Number (in case of Eligible Equity Shareholders holding Equity Shares in physical form) and PAN. The link for the same shall also be available on the website of our Company (i.e., www.bharatgears.com). Rights Entitlements shall be credited to the respective demat accounts of Eligible Equity Shareholders before the Issue Opening Date only in dematerialised form. If Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date, have not provided the details of their demat accounts to our Company or to the Registrar, they are required to provide their demat account details to our Company or the Registrar not later than two Working Days prior to the Issue Closing Date, to enable the credit of the Rights Entitlements by way of transfer from the demat suspense escrow account to their respective demat accounts, at least one day before the Issue Closing Date. Such Eligible Equity Shareholders holding Equity Shares in physical form can update the details of their demat accounts on the website of the Registrar (i.e., www.linkintime.co.in). Such Eligible Equity Shareholders can make an Application only after the Rights Entitlements are credited in their demat accounts.). Our Company is undertaking this Issue on a rights basis to the Eligible Equity Shareholders and will send/dispatch the Abridged Letter of Offer, the Entitlement Letter, the Application Form and other issue material (“Issue Materials”) only to such Eligible Equity Shareholders who have provided an Indian address to our Company and who are located in jurisdictions where the offer and sale of the Rights Equity Shares is permitted under laws of such jurisdictions. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Issue Materials will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address then Issue Materials will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them. Further this Letter of Offer will be provided, only through email by the Registrar on behalf of our Company or the Lead Manager to the Eligible Equity Shareholders who have provided their Indian addresses to our Company and in each case who make a request in this regard. In case the Eligible Equity Shareholders have provided their valid e-mail address,



the Letter of Offer will be sent only to their valid e-mail address and in case the Eligible Equity Shareholders have not provided their e-mail address, then the Letter of Offer will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them. For more details, please see the chapter titled “Notice to Overseas Investors” on page 11

- **MODE OF PAYMENT**

All payments against the Application Forms shall be made only through (i) ASBA facility; or (ii) internet banking or UPI facility if applying through R-WAP. The Registrar will not accept any payments against the Application Forms, if such payments are not made through ASBA facility or internet banking or UPI facility if applying through R-WAP.

In case of Application through the ASBA facility, the Investor agrees to block the entire amount payable on Application with the submission of the Application Form, by authorizing the SCSB to block an amount, equivalent to the amount payable on Application, in the Investor’s ASBA Account. The SCSB may reject the application at the time of acceptance of Application Form if the ASBA Account, details of which have been provided by the Investor in the Application Form does not have sufficient funds equivalent to the amount payable on Application mentioned in the Application Form. Subsequent to the acceptance of the Application by the SCSB, our Company would have a right to reject the Application on technical grounds as set forth in this Draft Letter of Offer.

After verifying that sufficient funds are available in the ASBA Account details of which are provided in the Application Form, the SCSB shall block an amount equivalent to the Application Money mentioned in the Application Form until the Transfer Date. On the Transfer Date, upon receipt of intimation from the Registrar, of the receipt of minimum subscription and pursuant to the finalization of the Basis of Allotment as approved by the Designated Stock Exchange, the SCSBs shall transfer such amount as per the Registrar’s instruction from the ASBA Account into the Allotment Account(s) which shall be a separate bank account maintained by our Company, other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act, 2013. The balance amount remaining after the finalisation of the Basis of Allotment on the Transfer Date shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the respective SCSB.

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003- 04 dated November 5, 2003, the stockinvest scheme has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

Mode of payment for Resident Investors

All payments on the Application Forms shall be made only through ASBA facility or internet banking or UPI facility if applying through R-WAP. Applicants are requested to strictly adhere to these instructions.

Mode of payment for Non-Resident Investors

As regards the Application by non-resident Investors, payment must be made only through ASBA facility and using permissible accounts in accordance with FEMA, FEMA Rules and requirements prescribed by RBI and subject to the following:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to the Income Tax Act. However, please note that conditions applicable at the time of original investment in our Company by the Eligible Equity Shareholder including repatriation shall not change and remain the same for subscription in the Issue or subscription pursuant to renunciation in the Issue.
- Subject to the above, in case Equity Shares are Allotted on a non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.



- In case of an Application Form received from non-residents, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines and rules prescribed by RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.
- Application Forms received from non-residents/ NRIs, or persons of Indian origin residing abroad for Allotment of Equity Shares shall, amongst other things, be subject to conditions, as may be imposed from time to time by RBI under FEMA, in respect of matters including Refund of Application Money and Allotment.
- In the case of NRIs who remit their Application Money from funds held in FCNR/ NRE Accounts, refunds and other disbursements, if any shall be credited to such account.
- Non-resident Renouncees who are not Eligible Equity Shareholders must submit regulatory approval for applying for additional Equity Shares.

For details of mode of payment in case of Application through R-WAP, see “- *Making of an Application through the Registrar’s Web-based Application Platform (“R-WAP”) process*” on pages 169.

- **BASIS FOR THIS ISSUE AND TERMS OF THIS ISSUE**

The Equity Shares are being offered for subscription to the Eligible Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories in respect of our Equity Shares held in dematerialised form and on the register of members of our Company in respect of our Equity Shares held in physical form at the close of business hours on the Record Date.

For principal terms of Issue such as face value, Issue Price, Rights Entitlement ratio, see “*The Issue*” beginning on page 35.

- ***Fractional Entitlements***

The Equity Shares are being offered on a rights basis to existing Eligible Equity Shareholders in the ratio of [●] (●) Equity Shares for every [●] (●) Equity Shares held as on the Record Date). As per SEBI Rights Issue Circulars, the fractional entitlements are to be ignored. However, the Eligible Equity Shareholders whose fractional entitlements are being ignored, will be given preferential consideration for the Allotment of one additional Equity Share if they apply for additional Equity Shares over and above their Rights Entitlements, if any, subject to availability of Equity Shares in this Issue post allocation towards Rights Entitlements applied for.

For example, if an Eligible Equity Shareholder holds [●] (●) Equity Shares, such Equity Shareholder will be entitled to [●] (●) Rights Equity Shares and will also be given a preferential consideration for the Allotment of one additional Rights Equity Share if such Eligible Equity Shareholder has applied for Additional Rights Equity Shares, over and above his/her Rights Entitlements, subject to availability of Rights Equity Shares in this Issue post allocation towards Rights Entitlements applied for. Further, the Eligible Equity Shareholders holding less than [●] (●) Equity Shares shall have ‘zero’ entitlement for the Rights Equity Shares. Such Eligible Equity Shareholders are entitled to apply for Additional Rights Equity Shares and will be given preference in the Allotment of one Rights Equity Share, if such Eligible Equity Shareholders apply for Additional Rights Equity Shares, subject to availability of Rights Equity Shares in this Issue post allocation towards Rights Entitlements applied for. However, they cannot renounce the same in favour of third parties

- ***Ranking***

The Equity Shares to be issued and Allotted pursuant to this Issue shall be subject to the provisions of this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, and the Memorandum of Association and the Articles of Association, the provisions of the Companies Act, 2013, FEMA, the



SEBI ICDR Regulations, the SEBI Listing Regulations, and the guidelines, notifications and regulations issued by SEBI, the Government of India and other statutory and regulatory authorities from time to time, the terms of the Listing Agreements entered into by our Company with the Stock Exchanges and the terms and conditions as stipulated in the Allotment advice. The Equity Shares to be issued and Allotted under this Issue shall rank *pari passu* with the existing Equity Shares, in all respects including dividends. In respect of the Rights Equity Shares, Investors are entitled to dividend in proportion to the amount paid up and their voting rights exercisable on a poll shall also be proportional to their respective share of the paid-up equity capital of our Company.

- ***Listing and trading of the Equity Shares to be issued pursuant to this Issue***

Subject to receipt of the listing and trading approvals, the Equity Shares proposed to be issued on a rights basis shall be listed and admitted for trading on the Stock Exchanges. Unless otherwise permitted by the SEBI ICDR Regulations, the Equity Shares Allotted pursuant to this Issue will be listed as soon as practicable and all steps for completion of necessary formalities for listing and commencement of trading in the Equity Shares will be taken within such period prescribed under the SEBI ICDR Regulations. Our Company shall apply for in-principle approval from the BSE and NSE. Our Company will further apply to the Stock Exchanges for final approvals for the listing and trading of the Equity Shares subsequent to their Allotment. No assurance can be given regarding the active or sustained trading in the Equity Shares or the price at which the Equity Shares offered under this Issue will trade after the listing thereof.

The existing Equity Shares are listed and traded on BSE and NSE (Scrip Code: 505688) under the ISIN: INE561C01019. The Equity Shares shall be credited to a temporary ISIN which will be frozen until the receipt of the final listing/ trading approvals from the Stock Exchanges. Upon receipt of such listing and trading approvals, the Equity Shares shall be debited from such temporary ISIN and credited to the existing ISIN (i.e. INE561C01019) for the Equity Shares and thereafter be available for trading.

The listing and trading of the Equity Shares issued pursuant to this Issue shall be based on the current regulatory framework then applicable. Accordingly, any change in the regulatory regime would affect the listing and trading schedule.

In case our Company fails to obtain listing or trading permission from the Stock Exchanges, our Company shall refund through verifiable means/ unblock the respective ASBA Accounts, the entire monies received/ blocked within seven days of receipt of intimation from the Stock Exchanges, rejecting the application for listing of the Equity Shares, and if any such money is not refunded/ unblocked within eight days after our Company becomes liable to repay it, our Company and every director of our Company who is an officer-in-default shall, on and from the expiry of the eighth day, be jointly and severally liable to repay that money with interest at rates prescribed under applicable law.

- ***Subscription to this Issue by our Promoter and members of the Promoter Group***

For details of the intent and extent of subscription by our Promoter and members of the Promoter Group, see “*Intention and extent of participation by our Promoter*” on page 44.

- ***Rights of Holders of Equity Shares of our Company***

Subject to applicable laws, Shareholders who have been Allotted Equity Shares pursuant to the Issue shall have the following rights:

- The right to receive dividend, if declared;
- The right to receive surplus on liquidation;
- The right to receive offers for rights shares and be allotted bonus shares, if announced;



- The right to free transferability of Equity Shares;
- The right to attend general meetings of our Company and exercise voting powers in accordance with law, unless prohibited/ restricted by law and as disclosed in the Letter of Offer; and
- Such other rights as may be available to a shareholder of a listed public company under the Companies Act, 2013, the Memorandum of Association and the Articles of Association.

- **GENERAL TERMS OF THE ISSUE**

- ***Market Lot***

The Equity Shares of our Company shall be tradable only in dematerialized form. The market lot for Equity Shares in dematerialised mode is one Equity Share.

- ***Joint Holders***

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as the joint holders with the benefit of survivorship subject to the provisions contained in our Articles of Association. In case of Equity Shares held by joint holders, the Application submitted in physical mode to the Designated Branch of the SCSBs would be required to be signed by all the joint holders (in the same order as appearing in the records of the Depository) to be considered as valid for allotment of Equity Shares offered in this Issue.

- ***Nomination***

Nomination facility is available in respect of the Equity Shares in accordance with the provisions of the Section 72 of the Companies Act, 2013 read with Rule 19 of the Companies (Share Capital and Debenture) Rules, 2014.

Since the Allotment is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be Allotted in this Issue. Nominations registered with the respective DPs of the Investors would prevail. Any Investor holding Equity Shares in dematerialised form and desirous of changing the existing nomination is requested to inform its Depository Participant.

- ***Arrangements for Disposal of Odd Lots***

The Equity Shares shall be traded in dematerialised form only and, therefore, the marketable lot shall be one Equity Share and hence, no arrangements for disposal of odd lots are required.

- ***Notices***

In accordance with the SEBI ICDR Regulations and the SEBI Relaxation Circulars, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent/ dispatched only to the Eligible Equity Shareholders who have provided Indian address. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

Further, this Draft Letter of Offer and the Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided Indian address and who have made a request in this regard. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Draft Letter of Offer and Letter of Offer will be sent only to their valid



e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then this Draft Letter of Offer and the Letter of Offer will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

All notices to the Eligible Equity Shareholders required to be given by our Company shall be published in one English language national daily newspaper with wide circulation, one Hindi language national daily newspaper with wide circulation which includes regional language newspaper. This Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer and the Application Form shall also be submitted with the Stock Exchange for making the same available on their websites.

- ***Offer to Non-Resident Eligible Equity Shareholders/ Investors***

As per Rule 7 of the FEMA Rules, RBI has given general permission to Indian companies to issue Equity Shares to non-resident Equity Shareholders including additional Equity Shares. Further, as per the Master Direction on Foreign Investment in India dated January 4, 2018 issued by RBI, non-residents may, amongst other things, (i) subscribe for additional shares over and above their Rights Entitlements; (ii) renounce the shares offered to them either in full or part thereof in favour of a person named by them; or (iii) apply for the shares renounced in their favour. Applications received from NRIs and non-residents for allotment of Equity Shares shall be, amongst other things, subject to the conditions imposed from time to time by RBI under FEMA in the matter of Application, refund of Application Money, Allotment of Equity Shares and issue of Rights Entitlement Letters/ letters of Allotment/Allotment advice. If a non-resident or NRI Investor has specific approval from RBI or any other governmental authority, in connection with his shareholding in our Company, such person should enclose a copy of such approval with the Application details and send it to the Registrar at bharatgears.rights@linkintime.co.in with subject line "BHARAT GEARS LIMITED RIGHTS ISSUE RBI APPROVAL DPID-CLID (mention DPID- CLID). It will be the sole responsibility of the investors to ensure that the necessary approval from the RBI or the governmental authority is valid in order to make any investment in the Issue and the Lead Manager and our Company will not be responsible for any such allotments made by relying on such approvals.

The Abridged Letter of Offer, the Rights Entitlement Letter and Application Form shall be sent only to the Indian addresses of the non-resident Eligible Equity Shareholders on a reasonable efforts basis, who have provided an Indian address to our Company and located in jurisdictions where the offer and sale of the Equity Shares may be permitted under laws of such jurisdictions, Eligible Equity Shareholders can access this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer and the Application Form (provided that the Eligible Equity Shareholder is eligible to subscribe for the Equity Shares under applicable securities laws) from the websites of the Registrar, our Company, the Lead Manager and the Stock Exchanges. Further, Application Forms will be made available at Registered and Corporate Office of our Company for the non-resident Indian Applicants. Our Board may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the Allotment. The Equity Shares purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriation as are applicable to the original Equity Shares against which Equity Shares are issued on rights basis.

In case of change of status of holders, i.e., from resident to non-resident, a new demat account must be opened. Any Application from a demat account which does not reflect the accurate status of the Applicant is liable to be rejected at the sole discretion of our Company and the Lead Managers.

Please note that only resident Investors can submit an Application using the R-WAP.

Please also note that pursuant to Circular No. 14 dated September 16, 2003 issued by RBI, Overseas Corporate Bodies ("OCBs") have been derecognized as an eligible class of investors and RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Any Investor being an OCB is required not to be under the adverse notice of RBI



and in order to apply for this issue as a incorporated non-resident must do so in accordance with the FDI Circular 2020 and Foreign Exchange Management (Non-Debt Instrument) Rules, 2019.

The non-resident Eligible Equity Shareholders can update their Indian address in the records maintained by the Registrar and our Company by submitting their respective copies of self-attested proof of address, passport, etc. by sending an email to bharatgears.rights@linkintime.co.in.

ALLOTMENT OF THE EQUITY SHARES IN DEMATERIALIZED FORM

PLEASE NOTE THAT THE EQUITY SHARES APPLIED FOR IN THIS ISSUE CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH OUR EQUITY SHARES ARE HELD BY SUCH INVESTOR ON THE RECORD DATE. FOR DETAILS, SEE “ALLOTMENT ADVICE OR REFUND/ UNBLOCKING OF ASBA ACCOUNTS” ON PAGE 192.

• ISSUE SCHEDULE

LAST DATE FOR CREDIT OF RIGHTS ENTITLEMENTS	[●]
ISSUE OPENING DATE	[●]
LAST DATE FOR ON MARKET RENUNCIATION OF RIGHTS ENTITLEMENTS #	[●]
ISSUE CLOSING DATE*	[●]
FINALISATION OF BASIS OF ALLOTMENT (ON OR ABOUT)	[●]
DATE OF ALLOTMENT (ON OR ABOUT)	[●]
DATE OF CREDIT (ON OR ABOUT)	[●]
DATE OF LISTING (ON OR ABOUT)	[●]

Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renounees on or prior to the Issue Closing Date.

* Our Board or a duly authorized committee thereof will have the right to extend the Issue Period as it may determine from timeto time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date). Further, no withdrawal of Application shall be permitted by any Applicant after the Issue Closing Date.

Please note that if Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date, have not provided the details of their demat accounts to our Company or to the Registrar, they are required to provide their demat account details to our Company or the Registrar not later than two Working Days prior to the Issue Closing Date, i.e., by [●], to enable the credit of the Rights Entitlements by way of transfer from the demat suspense escrow account to their respective demat accounts, at least one day before the Issue Closing Date, i.e., [●].

• BASIS OF ALLOTMENT

Subject to the provisions contained in this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, the Articles of Association and the approval of the Designated Stock Exchange, our Board will proceed to Allot the Equity Shares in the following order of priority:

- (a) Full Allotment to those Eligible Equity Shareholders who have applied for their Rights Entitlements of Equity Shares either in full or in part and also to the Renounee(s) who has or have applied for Equity Shares renounced in their favour, in full or in part.
- (b) Eligible Equity Shareholders whose fractional entitlements are being ignored, would be given preference in allotment of one additional Equity Share each if they apply for additional Equity Shares. Allotment under this head shall be considered if there are any unsubscribed Equity Shares after allotment under (a) above. If number of Equity Shares required for Allotment under this head are more than the number of Equity Shares available after Allotment under (a) above, the Allotment would be made on a fair and equitable basis



in consultation with the Designated Stock Exchange and will not be a preferential allotment.

- (c) Allotment to the Eligible Equity Shareholders who having applied for all the Equity Shares offered to them as part of this Issue, have also applied for additional Equity Shares. The Allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there are any unsubscribed Equity Shares after making full Allotment in (a) and (b) above. The Allotment of such Equity Shares will be at the sole discretion of our Board in consultation with the Designated Stock Exchange, as a part of this Issue and will not be a preferential allotment.
- (d) Allotment to Renouncees who having applied for all the Equity Shares renounced in their favour, have applied for additional Equity Shares provided there is surplus available after making full Allotment under (a), (b) and (c) above. The Allotment of such Equity Shares will be made on a proportionate basis in consultation with the Designated Stock Exchange, as a part of this Issue and will not be a preferential allotment.
- (e) Allotment to any other person, subject to applicable laws, that our Board may deem fit, provided there is surplus available after making Allotment under (a), (b), (c) and (d) above, and the decision of our Board in this regard shall be final and binding.

After taking into account Allotment to be made under (a) to (e) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed'.

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar shall send to the Controlling Branches, a list of the Investors who have been allocated Equity Shares in this Issue, along with:

- The amount to be transferred from the ASBA Account to the separate bank account opened by our Company for this Issue, for each successful Application;
- The date by which the funds referred to above, shall be transferred to the aforesaid bank account; and
- The details of rejected ASBA applications, if any, to enable the SCSBs to unblock the respective ASBA Accounts.

For Applications through R-WAP, instruction will be sent to Escrow Collection Bank(s) with list of Allottees and corresponding amount to be transferred to the Allotment Account(s). Further, the list of Applicants eligible for refund with corresponding amount will also be shared with Escrow Collection Bank(s) to refund such Applicants.

- **ALLOTMENT ADVICE OR REFUND/ UNBLOCKING OF ASBA ACCOUNTS**

Our Company will send/ dispatch Allotment advice, refund intimations (including in respect of Applications made through R-WAP facility) or demat credit of securities and/ or letters of regret, only to the Eligible Equity Shareholders who have provided Indian address. In case such Eligible Equity Shareholders have provided their valid e-mail address, Allotment advice, refund intimations (including in respect of Applications made through R-WAP facility) or demat credit of securities and/ or letters of regret will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Allotment advice, refund intimations (including in respect of Applications made through R-WAP facility) or demat credit of securities and/or letters of regret will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them; along with crediting the Allotted Equity Shares to the respective beneficiary accounts (only in dematerialised mode) or in a demat suspense account (in respect of Eligible Equity Shareholders holding Equity Shares in physical form on the Allotment Date) or issue instructions for unblocking the funds in the respective ASBA Accounts, if any, within a period of 15 days from the Issue Closing Date. In case of failure to do so, our Company and our Directors who are "officers in default" shall pay interest at 15% p.a. and such other rate as specified under applicable law from the expiry of such 15 days' period.



The Rights Entitlements will be credited in the dematerialized form using electronic credit under the depository system and the Allotment advice shall be sent, through an e-mail, to the e-mail address provided to our Company or at the address recorded with the Depository.

In case of Applications through R-WAP, refunds, if any, will be made to the same bank account from which Application Money was received. Therefore, the Investors should ensure that such bank accounts remain valid and active.

In accordance with the SEBI Circular bearing number SEBI/HO/CFD/DIL2/CIR/P/2021/552 dated April 22, 2021, in case of Applications made through the R-WAP facility, refunds, if any for unallotted or partially allotted applications shall be completed on or before T+1 day (T being the date of finalisation of Basis of Allotment).

The Rights Entitlements will be credited in the dematerialized form using electronic credit under the depository system and the Allotment Advice shall be sent, through email, to the email address provided to our Company or at the address recorded with the Depository.

In the case of non-resident Investors who remit their Application Money from funds held in the NRE or the FCNR Accounts, unblocking and/or payment of interest or dividend and other disbursements, if any, shall be credited to such accounts.

Where an Applicant has applied for additional Equity Shares in the Issue and is Allotted a lesser number of Equity Shares than applied for, the excess Application Money paid/ blocked shall be refunded/ unblocked. The unblocking of ASBA funds/ refund of monies shall be completed within such period as prescribed under the SEBI ICDR Regulations. In the event that there is a delay in making refunds beyond such period as prescribed under applicable law, our Company shall pay the requisite interest at such rate as prescribed under applicable law.

In case of Allotment to resident Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date, have paid the Application Money and have not provided the details of their demat account to the Registrar or our Company at least two Working Days prior to the Issue Closing Date, the following procedure shall be adhered to:

- (a) the Registrar shall send Allotment advice and credit the Rights Equity Shares to a demat suspense account to be opened by our Company;
- (b) within 6 (six) months from the Allotment Date, such Eligible Equity Shareholders shall be required to send a communication to our Company or the Registrar containing the name(s), Indian address, email address, contact details and the details of their demat account along with copy of self-attested PAN and self-attested client master sheet of their demat account either by post, speed post, courier, electronic mail or hand delivery;
- (c) Our Company (with the assistance of the Registrar) shall, after verification of the details of such demat account by the Registrar, transfer the Rights Equity Shares from the demat suspense account to the demat accounts of such Eligible Equity Shareholders;
- (d) In case of non-receipt of details of demat account as per (b) above, our Company shall conduct a sale of such Rights Equity Shares lying in the demat suspense account on the floor of the Stock Exchanges at the prevailing market price and remit the proceeds of such sale (net of brokerage, applicable taxes and administrative and incidental charges) to the bank account mentioned by the resident Eligible Equity Shareholders in their respective Application Forms and from which the payment for Application Money was made. In case such bank accounts cannot be identified due to any reason or bounce back from such account, our Company may use payment mechanisms such as cheques, demand drafts, *etc.* to such Eligible Equity Shareholders to remit such proceeds.
Such Rights Equity Shares may be sold over such period of time as may be required, depending on liquidity and other market conditions on the floor of the Stock Exchanges after the expiry of the period mentioned under (b) above. Therefore, such proceeds (net of brokerage, applicable taxes and administrative and incidental charges) by way of sale of such Rights Equity Shares may be higher or lower than the Application Money paid by such Eligible Equity Shareholders;
- (e) Our Company shall send reminder notices seeking the requisite details of demat account prior to expiry of time period under (b) above, in due course, to such resident Eligible Equity Shareholders who have not provided the requisite details. After expiry of time period under (b) above, our Company or the



- Registrar shall not accept any requests by such Eligible Equity Shareholders for updation of details of demat account under any circumstances, including in case of failure to sell such Rights Equity Shares;
- (f) After the consummation of the sale of Rights Equity Shares on the floor of the Stock Exchanges, our Company shall send an intimation to the respective Eligible Equity Shareholders, giving details of such sale, including the sale price and break-up of net brokerage, taxes and administrative and incidental charges; and
 - (g) If at the time of transfer of sale proceeds for default cases, the bank account from which Application Money was received is closed or non-operational, such sale proceeds will be transferred to IEPF in accordance with practice on Equity Shares and as per applicable law.
 - (h) In case the details of demat account provided by the Eligible Equity Shareholders are not of his/ her own demat account, the Rights Equity Shares shall be subject to sale process specified under (d) above.

Notes:

1. Our Company will open a separate demat suspense account to credit the Rights Equity Shares in respect of such Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date and have not provided details of their demat accounts to our Company or the Registrar, at least two Working Days prior to the Issue Closing Date. Our Company, with the assistance of the Registrar, will initiate transfer of such Rights Equity Shares from the demat suspense account to the demat account of such Eligible Equity Shareholders, upon receipt of details of demat accounts from the Eligible Equity Shareholders.
2. The Eligible Equity Shareholders cannot trade in such Rights Equity Shares until the receipt of demat account details and transfer to such Eligible Equity Shareholders' respective account.
3. There will be no voting rights against such Rights Equity Shares kept in the demat suspense account. However, the respective Eligible Equity Shareholders will be eligible to receive dividends, if declared, in respect of such Rights Equity Shares in proportion to amount paid-up on the Rights Equity Shares, as permitted under applicable laws.
4. Investors may be subject to adverse foreign, state or local tax or legal consequences as a result of buying or selling of Rights Equity Shares or Rights Entitlements. The Eligible Equity Shareholders should obtain their own independent tax and legal advice and may not rely on our Company or any of their affiliates including any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates when evaluating the tax consequences in relation to the Rights Equity Shares (including but not limited to any applicable short-term capital gains tax, or any other applicable taxes or charges in case of any gains made by such Eligible Equity Shareholders from the sale of such Rights Equity Shares).
5. **The Lead Manager, our Company, its directors, its employees, affiliates, associates and their respective directors and officers and the Registrar shall not be liable in any manner and not be responsible for acts, mistakes, errors, omissions and commissions, etc. in relation to any delay in furnishing details of demat account by such Eligible Equity Shareholders, any resultant loss to the Eligible Equity Shareholders due to sale of the Rights Equity Shares, if such details are not correct, demat account is frozen or not active or in case of non-availability of details of bank account of such Eligible Equity Shareholders, profit or loss to such Eligible Equity Shareholders due to aforesaid process, tax deductions or other costs charged by our Company, or on account of aforesaid process in any manner.**

- **PAYMENT OF REFUND**

- *Mode of making refunds*

The payment of refund, if any, including in the event of oversubscription or failure to list or otherwise would be done through any of the following modes. Please note that payment of refund in case of Applications made through R-WAP, shall be through modes under (b) to (g) below.

- (a) Unblocking amounts blocked using ASBA facility.
- (b) **NACH** – National Automated Clearing House is a consolidated system of electronic clearing service. Payment of refund would be done through NACH for Applicants having an account at one of the centres specified by RBI, where such facility has been made available. This would be subject to availability of complete bank account details including MICR code wherever applicable from the depository. The payment



of refund through NACH is mandatory for Applicants having a bank account at any of the centres where NACH facility has been made available by RBI (subject to availability of all information for crediting the refund through NACH including the MICR code as appearing on a cheque leaf, from the depositories), except where Applicant is otherwise disclosed as eligible to get refunds through NEFT or Direct Credit or RTGS.

- (c) **National Electronic Fund Transfer (“NEFT”)** – Payment of refund shall be undertaken through NEFT wherever the Investors’ bank has been assigned the Indian Financial System Code (“**IFSC Code**”), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number with the Registrar to our Company or with the Depository Participant while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.
- (d) **Direct Credit** – Investors having bank accounts with the Banker(s) to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Company.
- (e) **RTGS** – If the refund amount exceeds ₹ 2,00,000/-, the Investors have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC Code in the Application Form. In the event the same is not provided, refund shall be made through NACH or any other eligible mode. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the Investor’s bank receiving the credit would be borne by the Investor.
- (f) For all other Investors, the refund orders will be dispatched through speed post or registered post subject to applicable laws. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at par.
- (g) Credit of refunds to Investors in any other electronic manner, permissible by SEBI from time to time.

In case of Application through R-WAP, refunds, if any, will be made to the same bank account from which Application Money was received. Therefore, the Investors should ensure that such bank accounts remain valid and active.

- ***Refund payment to non-residents***

The Application Money will be unblocked in the ASBA Account of the non-resident Applicants, details of which were provided in the Application Form.

- **ALLOTMENT ADVICE OR DEMAT CREDIT OF SECURITIES**

The demat credit of securities to the respective beneficiary accounts will be credited within 15 days from the Issue Closing Date or such other timeline in accordance with applicable laws.

- ***Receipt of the Equity Shares in Dematerialized Form***

PLEASE NOTE THAT THE EQUITY SHARES APPLIED FOR UNDER THIS ISSUE CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO (A) THE SAME DEPOSITORY ACCOUNT/ CORRESPONDING PAN IN WHICH THE EQUITY SHARES ARE HELD BY SUCH INVESTOR ON THE RECORD DATE, OR (B) THE DEPOSITORY ACCOUNT, DETAILS OF WHICH HAVE BEEN PROVIDED TO OUR COMPANY OR THE REGISTRAR AT LEAST TWO



WORKING DAYS PRIOR TO THE ISSUE CLOSING DATE BY THE ELIGIBLE EQUITY SHAREHOLDER HOLDING EQUITY SHARES IN PHYSICAL FORM AS ON THE RECORD DATE.

PLEASE NOTE THAT NON-RESIDENT ELIGIBLE EQUITY SHAREHOLDERS, WHO HOLD EQUITY SHARES IN PHYSICAL FORM AS ON RECORD DATE AND WHO HAVE NOT FURNISHED THE DETAILS OF THEIR RESPECTIVE DEMAT ACCOUNTS TO THE REGISTRAR OR OUR COMPANY AT LEAST TWO WORKING DAYS PRIOR TO THE ISSUE CLOSING DATE, SHALL NOT BE ELIGIBLE TO MAKE AN APPLICATION FOR RIGHTS EQUITY SHARES AGAINST THEIR RIGHTS ENTITLEMENTS WITH RESPECT TO THE EQUITY SHARES HELD IN PHYSICAL FORM.

Investors shall be Allotted the Equity Shares in dematerialized (electronic) form. Our Company has signed an agreement dated November 22, 2000 with NSDL and an agreement dated November 28, 2000 with CDSL which enables the Investors to hold and trade in the securities issued by our Company in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

The procedure for availing the facility for Allotment of Equity Shares in this Issue in the dematerialised form is as under:

- Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as registered in the records of our Company). In case of Investors having various folios in our Company with different joint holders, the Investors will have to open separate accounts for such holdings. Those Investors who have already opened such beneficiary account(s) need not adhere to this step.
- It should be ensured that the depository account is in the name(s) of the Investors and the names are in the same order as in the records of our Company or the Depositories.
- The responsibility for correctness of information filled in the Application Form *vis-a-vis* such information with the Investor's depository participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in Application Form should be the same as registered with the Investor's depository participant.
- If incomplete or incorrect beneficiary account details are given in the Application Form, the Investor will not get any Equity Shares and the Application Form will be rejected.
- The Equity Shares will be allotted to Applicants only in dematerialized form and would be directly credited to the beneficiary account as given in the Application Form after verification or demat suspense account. Allotment advice, refund order (if any) would be sent directly to the Applicant by e-mail and, if the printing is feasible, through physical dispatch, by the Registrar but the Applicant's depository participant will provide to him the confirmation of the credit of such Equity Shares to the Applicant's depository account.
- Non-transferable Allotment advice/ refund intimation will be directly sent to the Investors by the Registrar, by e-mail and, if the printing is feasible, through physical dispatch.



- Renounees will also have to provide the necessary details about their beneficiary account for Allotment of Equity Shares in this Issue. In case these details are incomplete or incorrect, the Application is liable to be rejected.

- **IMPERSONATION**

As a matter of abundant caution, attention of the Investors is specifically drawn to the provisions of Section 38 of the Companies Act, 2013 which is reproduced below:

“Any person who makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name, shall be liable for action under Section 447.”

The liability prescribed under Section 447 of the Companies Act, 2013 for fraud involving an amount of at least ₹ 0.1 crore or 1% of the turnover of the company, whichever is lower, includes imprisonment for a term of not less than six months extending up to 10 years (provided that where the fraud involves public interest, such term shall not be less than three years) and fine of an amount not less than the amount involved in the fraud, extending up to three times of such amount. In case the fraud involves (i) an amount which is less than ₹ 0.1 crore or 1% of the turnover of the company, whichever is lower; and (ii) does not involve public interest, then such fraud is punishable with an imprisonment for a term extending up to five years or a fine of an amount extending up to ₹ 0.5 crore or with both.

In accordance with the SEBI Circular bearing number SEBI/HO/CFD/DIL2/CIR/P/2021/552 dated April 22, 2021, in case of Applications made through the R-WAP facility, refunds, if any for unallotted or partially allotted applications shall be completed on or before T+1 day (T being the date of finalisation of Basis of Allotment). The Rights Entitlements will be credited in the dematerialized form using electronic credit under the depository system and the Allotment Advice shall be sent, through email, to the email address provided to our Company or at the address recorded with the Depository.

- **UTILISATION OF ISSUE PROCEEDS**

Our Board declares that:

- (A) All monies received out of this Issue shall be transferred to a separate bank account;
- (B) Details of all monies utilized out of this Issue referred to under (A) above shall be disclosed, and continue to be disclosed till the time any part of the Issue Proceeds remains unutilised, under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised; and
- (C) Details of all unutilized monies out of this Issue referred to under (A) above, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.

- **UNDERTAKINGS BY OUR COMPANY**

Our Company undertakes the following:

- The complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily.
- All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the Equity Shares are to be listed will be taken by our Board within 12 working days from the Issue Closing date.



- The funds required for making refunds/ unblocking to unsuccessful Applicants as per the mode(s) disclosed shall be made available to the Registrar by our Company.
- Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Investor within 15 days of the Issue Closing Date, giving details of the banks where refunds shall be credited along with amount and expected date of electronic credit of refund.
- In case of refund/ unblocking of the Application Money for unsuccessful Applicants or part of the Application Money in case of proportionate Allotment, a suitable communication shall be sent to the Applicants.
- Adequate arrangements shall be made to collect all ASBA Applications and record all Applications made under the R-WAP process.
- Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
- **INVESTOR GRIEVANCES, COMMUNICATION AND IMPORTANT LINKS**
 - Please read this Draft Letter of Offer and the Letter of Offer carefully before taking any action. The instructions contained in the Application Form, Abridged Letter of Offer and the Rights Entitlement Letter are an integral part of the conditions of this Draft Letter of Offer and the Letter of Offer and must be carefully followed; otherwise the Application is liable to be rejected.
 - All enquiries in connection with this Draft Letter of Offer and the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or Application Form must be addressed (quoting the Registered Folio Number in case of Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date or the DP ID and Client ID number, the Application Form number and the name of the first Eligible Equity Shareholder as mentioned on the Application Form and super scribed “**Bharat Gears Limited – Rights Issue**” on the envelope and postmarked in India or in the e-mail) to the Registrar at the following address:

Link Intime India Private Limited
C101, 247 Park,
LBS Marg, Vikhroli (West),
Mumbai – 400 083
Tel: +91 22 4918 6200
E-mail: bharatgears.rights@linkintime.co.in
Website: www.linkintime.co.in
Contact Person: Ms. Shanti Gopalkrishnan
SEBI Registration No.: INR000004058
 - In accordance with SEBI Rights Issue Circulars, frequently asked questions and online/ electronic dedicated investor helpdesk for guidance on the Application process and resolution of difficulties faced by the Investors will be available on the website of the Registrar (www.linkintime.co.in). Further, helpline number provided by the Registrar for guidance on the Application process and resolution of difficulties is +91 22 4918 6200.
 - The Investors can visit following links for the below-mentioned purposes:
 - Frequently asked questions and online/ electronic dedicated investor helpdesk for guidance on the Application process and resolution of difficulties faced by the Investors: www.linkintime.co.in

This Issue will remain open for a minimum 15 days. However, our Board will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Closing Date).



- **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991, of the Government of India and FEMA. While the Industrial Policy, 1991, of the Government of India, prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. The Union Cabinet, as provided in the Cabinet Press Release dated May 24, 2017, has given its approval for phasing out the FIPB. Under the Industrial Policy, 1991, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Accordingly, the process for foreign direct investment (“**FDI**”) and approval from the Government of India will now be handled by the concerned ministries or departments, in consultation with the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (formerly known as the Department of Industrial Policy and Promotion) (“**DPIIT**”), Ministry of Finance, Department of Economic Affairs, FIPB section, through a memorandum dated June 5, 2017, has notified the specific ministries handling relevant sectors.

The Government has, from time to time, made policy pronouncements on FDI through press notes and press releases. The DPIIT issued the Consolidated FDI Policy Circular of 2020 (“**FDI Circular 2020**”), which, with effect from October 15, 2020, consolidated and superseded all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect as on October 15, 2020. The Government proposes to update the consolidated circular on FDI policy once every year and therefore, FDI Circular 2020 will be valid until the DPIIT issues an updated circular.

The Government of India has from time to time made policy pronouncements on FDI through press notes and press releases which are notified by RBI as amendments to FEMA. In case of any conflict, the relevant notification under Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 will prevail. The payment of inward remittance and reporting requirements are stipulated under the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 issued by RBI. The FDI Circular 2020, issued by the DPIIT, consolidates the policy framework in place as on October 15, 2020, and supersedes all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect as on October 15, 2020.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of RBI, provided that (i) the activities of the investee company falls under the automatic route as provided in the FDI Policy and FEMA and transfer does not attract the provisions of the Takeover Regulations; (ii) the non-resident shareholding is within the sectoral limits under the FDI Policy; and (iii) the pricing is in accordance with the guidelines prescribed by SEBI and RBI.

No investment under the FDI route (i.e any investment which would result in the investor holding 10% or more of the fully diluted paid-up equity share capital of the Company or any FDI investment for which an approval from the government was taken in the past) will be allowed in the Issue unless such application is accompanied with necessary approval or covered under a pre-existing approval from the government. It will be the sole responsibility of the investors to ensure that the necessary approval or the pre-existing approval from the government is valid in order to make any investment in the Issue. The Lead Managers and our Company will not be responsible for any allotments made by relying on such approvals.

Please also note that pursuant to Circular no. 14 dated September 16, 2003 issued by RBI, Overseas Corporate Bodies (“**OCBs**”) have been derecognized as an eligible class of investors and RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Any Investor being an OCB is required not to be under the adverse notice of RBI and in order to apply for this issue as a incorporated non-resident must do so in accordance with the FDI Circular 2020 and Foreign Exchange Management (Non-Debt Instrument) Rules, 2019. Further, while investing in the Issue, the Investors are deemed to have obtained the necessary approvals, as required, under applicable laws and the obligation to obtain such approvals shall be upon the Investors. Our Company shall not be under an obligation to



obtain any approval under any of the applicable laws on behalf of the Investors and shall not be liable in case of failure on part of the Investors to obtain such approvals.

The above information is given for the benefit of the Applicants/ Investors. Our Company and the Lead Manager are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Letter of Offer. Investors are advised to make their independent investigations and ensure that the number of Equity Shares applied for do not exceed the applicable limits under laws or regulations.

SECTION X – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The contracts referred to in para (A) below (not being contracts entered into in the ordinary course of business carried on by our Company) which are or may be deemed material have been entered into by our Company.

The contracts together with the documents referred to in para (B) below may be inspected at the registered office of our Company between 11.00 a.m. to 2.00 p.m. on any working day from the date of this Draft Letter of Offer until the closure of the subscription list.

A. MATERIAL CONTRACTS

1. Issue Agreement dated August 27, 2021 between our Company and Keynote Financial Services Limited, Lead Manager to the Issue;
2. Registrar Agreement dated September 06, 2021 between our Company and Link Intime India Private Limited, Registrar to the Issue;
3. Tripartite Agreement dated November 22, 2000 between our Company, National Securities Depository Ltd. (NSDL) and In-house Share Registry;
4. Tripartite Agreement dated November 28, 2000 between our Company, Central Depository Services (India) Limited (CDSL) and In-house Share Registry;
5. Bankers to the Issue Agreement dated [●] between our Company, [●] Bank Limited, Keynote Financial Services Limited and Link Intime India Private Limited.

B. DOCUMENTS FOR INSPECTION

1. Memorandum & Articles of Association of our Company;
2. Certificate of incorporation and certificate of commencement of business of our Company dated December 23, 1971 and January 5, 1972 respectively;
3. Resolution of the Board of Directors under section 62 of Companies Act, 2013 passed in its meeting dated August 12, 2021 authorizing the Issue;
4. Circular Resolution of our Board of Directors dated September 09, 2021 approving this Draft Letter of Offer;
5. Consents of the Directors, Company Secretary and Compliance Officer, Lead Manager to the Issue, Legal Advisor to the Issue, and Registrar to the Issue to include their names in this Draft Letter of Offer to act in their respective capacities;
6. Annual report of our Company for the financial year ended March 31, 2021 and the limited review report of the Unaudited Financial Results for the quarter ended June 30, 2021;
7. A statement of possible special tax benefits dated August 26, 2021 received from M/s. Madan & Associates, Chartered Accountants, regarding possible special tax benefits available to our Company and its shareholders;
8. Letters of Offer dated May 23, 2006 and March 20, 2019 pertaining to the previous Rights Issue of our Company;
9. Due Diligence Certificate dated [●] by Keynote Financial Services Ltd., Lead Manager to the Issue;
10. In-principle listing approval(s) dated [●] and [●] from BSE and NSE respectively;

Any of the contracts or documents mentioned in this Draft Letter of Offer may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the Equity Shareholders, subject to compliance with applicable law.

DECLARATION

We hereby certify and declare that all relevant provisions under the Companies Act and the rules, regulations or guidelines issued by the Government or the regulations, rules or guidelines issued by SEBI established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Offer Document is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or the rules or regulations made thereunder or guidelines issued, as the case may be. We further certify that all disclosures made in this Offer Document are true and correct.

Name	Signature
Surinder Paul Kanwar Chairman and Managing Director	Sd/-
Sameer Kanwar Joint Managing Director	Sd/-
Nagar Venkatraman Srinivasan Non-Executive Director	Sd/-
Wolfgang Rudolf Schilha Non-Executive Independent Director	Sd/-
Rakesh Chopra Non-Executive Independent Director	Sd/-
Virendra Kumar Pargal Non-Executive Independent Director	Sd/-
Hiroo Suresh Advani Non-Executive Independent Director	Sd/-
Milind Pujari <i>Chief Financial Officer</i>	Sd/-
Prashant Khattry <i>Head (Legal) – Company Secretary & Compliance Officer</i>	Sd/-

Place: Faridabad, Haryana

Date: September 09, 2021