



38th Annual Report
2009-2010

































BHARAT GEARS LIMITED

Geared for life

Customer

BGL products are trusted by reputed companies in India and around the world for years for quality and service.

| | | | | | | | |
|---|-----------------------------|---|---------------------------|---|------------------------------|---|---|
|  | Ashok Leyland |  | Godrej |  | Mahindra & Mahindra |  | TATA Motors |
|  | Axles India |  | Hero Motors |  | Mahindra Sona |  | GE Aviation LLC, USA |
|  | Carraro-India, Italy, China |  | Hindustan Hardy Spicer |  | New Holland Fiat India Ltd. |  | Toyota Kirloskar Auto Parts |
|  | CLAAS-India, France |  | Hyva India |  | Paharpur Cooling Towers Ltd. |  | Transaxle Manufacturing of America, (TMA) USA |
|  | Dana Corporation, USA |  | JCB-India, UK |  | SAME Deutz - Fahr |  | Voltas |
|  | EATON USA |  | JDCW, USA |  | Spicer India |  | ZF China |
|  | ELGI Equipments |  | JDEPL-India |  | Swaraj Mazda | Agriking Tractors & Equipments | |
|  | Escorts |  | JOHN DEERE Iberica, Spain |  | TAFE | | |

BGL Automotive Components



Contents



PRODUCT RANGE

- Bevel Ring Gears and Pinion
- Differential Gears and Spiders
- Transmission Gears and Shafts
- PTO assemblies
- Heat treatment Furnaces

QUALITY CERTIFICATIONS

- ISO/TS 16949:2002 (Both Plants)
- ISO 14001(Faridabad plant)

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Dealer Network



| | |
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| ★ | Sales Office |
| ■ | Sales Office & Godowns |
| ▲ | 8 Dealers |
| ● | 38 Distributor Network |



Mr. Surinder P. Kanwar
Chairman & Managing Director

Chairman's Message

June 28, 2010

Dear Shareholders,

In 2009-10, the global economy was in recovery mode. The financial crisis and liquidity crunch in the aftermath of the collapse of Lehman Brothers in September 2008 had resulted in a sharp slowdown in economic activities across the world. Most of the advanced countries continued to register negative or very low GDP growth in the first half of 2009-10. In fact, IMF estimates suggest that world output fell by 0.8% in 2009.

The second half of 2009-10 saw some early signs of revival. Financial markets have stabilised and there was an increase in capital flows especially to emerging economies like China and India., USA registered moderate growth in numbers in the first quarter of 2010. However, the condition of western European countries still remains a cause for concern.

Bharat Gears produces and sells automotive gears primarily for commercial vehicles, farm machines and construction equipments both in India and abroad. Given the macro-economic conditions, export markets continued to be sluggish for most of the year. There was however a silver lining towards the end of the year with exports picking up primarily to USA. The Indian automobile market revived much faster and we at Bharat Gears leveraged the opportunity well.

Agriculture, in India, continues to thrive. This was also helped by Government support in terms of credit. Consequently, the secular growth trend in sale of farm machinery like tractors picked up in the second half of 2009-10. During the same time there has been a significant revival in demand from commercial vehicles (CV). For some years now, CVs in India were witnessing single digit growth. In 2009-10, CV production increased by over 35%. Much of this is a result of the stress on infrastructure development. I strongly believe that if India has to maintain a growth rate of over 8%, it has to continue to invest in developing commensurate physical infrastructure. And, in many ways the next wave of growth in the country will be led by infrastructure. Such scale of infrastructure development throws up a large increase in need for transportation, and hence CV demand.

In this business environment, your Company's performance in 2009-10 has been satisfactory. Here are the numbers:

- Net Sales/ Income from operations increased by 3% to Rs.246 crore
- Profit before interest, other income and tax or operating profits increased by 44% to Rs.18.2 crore
- Net Profits increased by 51% to Rs.6.1 crore
- Earnings per Share (EPS) increased from Rs.4.86 in 2008-09 to Rs.7.54 in 2009-10

What is important to note is that for a considerable part of the year, demand was subdued. Consequently, there were no major gains in terms of top-line growth. However, profits have increased significantly. This is a reflection of the success achieved in implementing initiatives on internal improvements.

In my message to you in last year's Annual Report, I had highlighted on the special focus being put into cost reduction and efficiency improvements. At my level there is regular stress at making these a part of Bharat Gears culture. And, the results in 2009-10 do suggest we have made a good beginning on this front. Having said so, I believe these are ongoing processes and need to be continuously focused on to create a world-class organisation.

Some creditable facts on these fronts were:

- Employee costs to net sales ratio reduced from 17.4% in 2008-09 to 16.2% in 2009-10
- Power and fuel costs to net sales ratio reduced from 8.6% in 2008-09 to 8% in 2009-10
- Other operating costs to net sales ratio reduced from 20.1% in 2008-09 to 17.6% in 2009-10

In another important development, it gives me pleasure in reporting that the wage settlement with workers in Mumbra was achieved in the last quarter of 2009-2010. More importantly, it was achieved very amicably and across the Company there is a single-track focus on improving efficiencies both of manpower and machines. And, this objective emanates right from us at the top of the management to the workers manning machines.

Both our plants participated in the TQM clusters set up by the Automotive Component Manufacturers' Association (ACMA). We remain committed to all measures at improving work systems. Our technology up-gradation plan is being pursued in a focused manner.

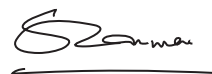
Another important aspect of our business that needs mention is the effective utilisation of capacity. While overall, there was not much growth in net sales in 2009-10, it has to be understood that sales in the second half of 2009-10 was much higher than in the first half. In an uncertain demand environment, a commendable feature of our operations in the second half was the ability to plan and optimally utilise capacity to service the increased demand without making any investments in machinery. Going forward, we are investing in capacity in a graded manner with a focus on enhancing our capabilities in core gear manufacturing processes.

I have great faith in the Indian economy. And, demand will be good in India in the near future. While exports to Europe will be low for some time, there are opportunities in other countries and US demand is slowly reviving. In the last two years, facing a downturn we have looked within the Company and made several internal improvements. These are the building blocks of our future.

We need to continue to focus on these blocks - our processes, on our technology, on our human skills and our spirit of teamwork to emerge as an internationally competitive company. Costs have to be micro managed, quality standards have to be adhered to across process chains, product development times and speed to market needs to be continuously improved. This internal strength will be the most important element of our competitiveness in the global market where we are focused on reaching out to new customers.

The performance in 2009-10 gives confidence in our ability to meet our longer term growth oriented vision. But, this is just the beginning. And, while we remain optimistic, we are aware of the challenging road that lies ahead.

Let me take this opportunity to thank our partners and customers for their cooperation, and to all our employees for their motivation and hard work. And, I extend my heartiest gratitude to you, the shareholders, for your continued faith in the Company.



Surinder P. Kanwar
Chairman & Managing Director



Board of Directors



Names in Order from left to Right Standing

- Mr. Sameer Kanwar**
Joint Managing Director
- Mr. W. R. Schilha**
Non-Executive Director
- Mr. S. G. Awasthi**
Non-Executive Independent Director
- Mr. V. K. Pargal**
Non-Executive Independent Director
- Mr. Rakesh Chopra**
Non-Executive Independent Director

Names in Order from left to Right Sitting

- Dr. Ram S. Tarneja**
Non-Executive Independent Director
- Mr. Surinder P. Kanwar**
Chairman & Managing Director
- Mr. N. J. Kamath**
Non-Executive Independent Director



Core Management Team



Mr. Milind Pujari
Chief Financial Officer



Mr. Sameer Kanwar
Joint Managing Director



Mr. P. C. Kothari
Head-Finance & Accounts



Mr. B. L. Pansare
Location Head (Faridabad)



Mr. Naresh Verma
Corporate Head-HR



Mr. B.P. Shah
Head-Operations (Mumbra)



Mr. K.K. Deshpande
Head-OE (Marketing & Business Development)



Mr. Jagdeep Singh
Business Head-After Market



Mr. Sanjeev Kumar Mital
Head-Material & Central Purchase

Company Information

AUDIT COMMITTEE

Dr. Ram S. Tarneja *Chairman*
Mr. V. K. Pargal
Mr. N. J. Kamath
Mr. Rakesh Chopra

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

Mr. N. J. Kamath *Chairman*
Mr. Sameer Kanwar
Mr. Rakesh Chopra

REMUNERATION COMMITTEE

Mr. N. J. Kamath *Chairman*
Dr. Ram S. Tarneja
Mr. V. K. Pargal

REVIEW COMMITTEE

Mr. Surinder P. Kanwar
Mr. V.K. Pargal
Mr. Sameer Kanwar
Mr. N. V. Srinivasan

EXECUTIVE COMMITTEE

Mr. Sameer Kanwar
Mr. B. L. Pansare
Mr. B. P. Shah
Mr. Jagdeep Singh
Mr. K. K. Deshpande
Mr. Milind Pujari
Mr. Naresh Verma
Mr. P. C. Kothari
Mr. S. K. Mital

AUDITORS

Deloitte Haskins & Sells
12, Dr. Annie Besant Road,
Opposite Shiv Sagar Estate,
Worli, Mumbai - 400018

CHIEF FINANCIAL OFFICER

Mr. Milind Pujari

COMPANY SECRETARY

Mr. Ashish Pandey (Till June 4, 2010)
Mr Prashant Khattry (W.e.f June 7, 2010)

BANKERS

IDBI Bank Limited
Export Import Bank of India
State Bank of India
Bank of Baroda
Indian Overseas Bank
The Federal Bank Limited

REGISTRAR & TRANSFER AGENT

M/s Link Intime India Pvt. Ltd.
A-40, IInd Floor, Naraina Industrial Area, Phase-II,
Near Batra Banquet Hall, New Delhi - 110 028.

REGISTERED OFFICE

20 K.M.Mathura Road, P.O.Amar Nagar,
Faridabad - 121003

CORPORATE OFFICE

14th Floor, Hoechst House, Nariman Point,
Mumbai – 400 021

PLANT LOCATIONS

- 1) Kausa Shil, Mumbra,
Distt.Thane-400612,
Maharashtra.
- 2) 20 K. M. Mathura Road,
P.O. Amar Nagar,
Faridabad - 121003,
Haryana

BRANCH OFFICE

1009, Surya Kiran Building,
19, Kasturba Gandhi Marg,
New Delhi - 110001.

NOTICE

TO THE MEMBERS OF BHARAT GEARS LIMITED

NOTICE is hereby given that the 38th Annual General Meeting (AGM) of the Members of Bharat Gears Limited will be held as under:

Day : Thursday
Date : 29th July, 2010
Time : 4:30 P.M.
Venue : Faridabad Industries Association,
FIA House, Bata Chowk,
Faridabad - 121001 (Haryana)

to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the year ended March 31, 2010 together with Reports of the Directors and Auditors thereon.
2. To declare dividend on Preference Shares.
3. To declare dividend on Equity Shares.
4. To appoint a Director in place of Mr. W. R. Schilha, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Rakesh Chopra, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Statutory Auditors for the financial year 2010-11, and fix their remuneration.

SPECIAL BUSINESS

7. To consider re-appointment of Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company and pass the following resolution as **Special Resolution**, with or without modification(s).

"RESOLVED THAT subject to approval of the Central Government, if required, and further subject to such other requisite approvals, as may be required, in this regard and pursuant to the provisions under Sections 198, 269, 309, 310, 311, 316, 317, Schedule XIII as applicable and other applicable provisions, if any, of the Companies Act, 1956 and /or any amendment thereof or any new enactment thereof, the Company hereby approves the re-appointment of Mr. Surinder P. Kanwar as Chairman & Managing Director of the Company for a further period of five (5) years with effect from 1st October, 2010 and that the remuneration, as set out in **the explanatory statement** which forms part of this Resolution, be paid to him notwithstanding that it may exceed the limits prescribed in

provisions of Sections 198, 309 and Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT notwithstanding anything contained in Sections 198, 309 and the Schedule XIII of the Act or any amendment/re-enactment thereof or any other revised / new schedule or guidelines thereof, in the event of absence of profits or inadequacy of profits in any financial year, the Company hereby approves the payment of the salary, perquisites and statutory benefits (except commission), as set out in **the explanatory statement** which forms part of this Resolution, as minimum remuneration to Mr. Surinder P. Kanwar, Chairman & Managing Director, subject to approval of the Central Government, if required.

RESOLVED FURTHER THAT in absence of the Central Government approval for payment of remuneration to Mr. Surinder P. Kanwar exceeding the limits prescribed in Section 198, 309 and Schedule XIII of the Companies Act, 1956, as amended from time to time, he shall be entitled to draw remuneration within the limits as prescribed in Section 198, 309 and Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Directors and the Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds and things and to sign all such documents, papers and writings as may be necessary to give effect to the above resolution."

By Order of the Board



Prashant Khattry
Group Head (Legal)
& Company Secretary

Place: Faridabad

Dated: June 28, 2010

NOTES:

- i. **A Member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint one or more proxies to attend and vote on a poll instead of himself / herself and the proxy need not be a Member of the Company. The instrument appointing proxy (ies) must, however, be received at the Registered Office of the Company not less than forty-eight hours before commencement of the Meeting.**
- ii. **NO GIFTS OR COUPONS SHALL BE DISTRIBUTED AT THE MEETING.**
- iii. Members/Proxies are requested to submit the enclosed Attendance Slip duly filled in and signed at the entrance of the venue for attending the Meeting. Members who hold shares in dematerialized form are requested to mention their Client ID and DP ID details and those who hold shares in physical form are requested to write Folio number in the attendance slip. **No Attendance Slip shall be issued at the Meeting.**

- iv. The Register of Members and the Share Transfer Books of the Company shall remain closed from July 23, 2010 to July 29, 2010 (both days inclusive) for determining the names of Members eligible for dividend on Equity Shares, if declared at the Meeting.
- v. Dividend on the Equity Shares, if declared at the Meeting, will be paid to the Members whose names appear in the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company or its Registrars on July 23, 2010.

In respect of shares held in electronic form, the dividend will be paid to those 'beneficiaries' whose names appear on the statements of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose, at the end of the business hours on July 23, 2010. No income tax shall be deducted at the source from the dividend amount.
- vi. The Non Resident Indian Shareholders are requested to inform the Company immediately about:
 - (a) The change in residential status on return to India for permanent settlement.
 - (b) The particulars of NRO Bank Account in India, if not furnished earlier.
- vii. Members are requested to intimate their dividend mandates like bank account number, type and bank addresses in which they intend to deposit the warrants. The banks details can also be printed on the warrants to avoid any incidence of fraudulent encashment.

The change in address, nomination etc, if any, to be effective must reach to the Registrar & Transfer Agent or the Registered Office of the Company by July 15, 2010.
- viii. Electronic Clearance System (ECS) is presently available at certain locations specified by Reserve Bank of India and/or State Bank of India. To avoid risk of loss and /or fraudulent encashment, members are requested to avail ECS facility where dividends are directly and promptly credited in electronic form to their respective bank accounts.
- ix. The documents referred to in the accompanying Notice and the Annual Report are open for inspection at the Registered Office of the Company during the office hours between 11.00 A. M. and 1.00 P.M. on all working days except Sundays up to the date of the Meeting and shall also be available at the venue.
- x. Members seeking any further clarification/information relating to the Annual Accounts are requested to write at the Registered Office of the Company at least ONE WEEK before the date of the Meeting i. e. on or before July 23, 2010 to enable the management to keep the information ready at the Meeting.
- xi. Pursuant to Section 205C of the Companies Act, 1956, the unclaimed dividend till the financial year 1999-2000 has been transferred to the Investor Education and Protection Fund. There is no unclaimed/unpaid dividend, which is required to be transferred to Investor Education & Protection Fund.
- xii. The shares of the Company are compulsorily traded in demat mode. Hence, the Members who are still holding physical share certificates are advised that it is in their own interest to dematerialize their shareholding to avail benefits of dematerialization viz. easy liquidity, electronic transfer, savings in stamp duty and prevention of forgery.
- xiii. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the Share Certificate to M/s Link Intime India Pvt. Ltd., Registrar & Transfer Agent for consolidation into a single folio.
- xiv. As a measure of economy, copies of the Annual Report shall not be distributed at the Meeting, therefore Members are requested to bring their own copies.
- xv. Members are requested to bring the Admission Slip duly filled in and hand over the same at the entrance of the Meeting Hall.
- xvi.
 - (a) Members who hold shares in electronic form are requested to notify any change in their particulars like change in address, etc., to their respective Depository Participants immediately.
 - (b) Members who hold shares in physical form are requested to notify any change in their particulars like change in address, etc. to the Registrar.
- xvii. Members may please note that Securities and Exchange Board of India (SEBI) has made Permanent Account Number (PAN) as the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transactions. SEBI has also mandated that for securities market transactions and off market/private transactions involving transfer of shares in physical form, it shall be necessary for the transferee(s) to furnish a copy of PAN card to Company/Share Transfer Agent for registration of such transfer of shares.
- xviii. Corporate members are requested to send a duly certified copy of the Board Resolution/Power of Attorney authorizing their representative to attend and vote at the Annual General Meeting.
- xix. For security reasons, no article/baggage will be allowed at the venue of the meeting. The members/attendees are strictly requested not to bring any article/baggage etc. at the venue of the meeting.

By Order of the Board



Prashant Khattry
Group Head (Legal)
& Company Secretary

Place : Faridabad
Dated : June 28, 2010

Explanatory Statement

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

ITEM NO.7.

The appointment of Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company, is expiring on 30th September, 2010.

Mr. Surinder P. Kanwar has been affiliated with the Company as a member of the Board of Directors since the year 1982 and from then the Company has been taking the advantage of his guidance and supervision. Because of his sustained efforts, the Company has been sustaining upward growth pattern and has achieved success in creating a brand image in the Automotive Parts Industry.

During the present tenure of Mr. Surinder P. Kanwar, Chairman & Managing Director, the Company has registered growth as detailed below:

(Rs. in Crores.)

| Particulars | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|-------------|---------|---------|---------|---------|---------|
| Turnover | 191.16 | 232.39 | 271.55 | 267.45 | 268.5 |
| PBT | 4.87 | 11.72 | 14.74 | 5.50 | 9.63 |
| PAT | 3.98 | 8.79 | 10.08 | 4.04 | 6.14 |

During its recent past, the Company has been able to strengthen its customer base from Off highway industry.

Mr. Surinder P. Kanwar, is also the Chairman & Managing Director of Raunaq International Limited from where he is drawing a token remuneration of Rupee One (Re. 1/-) per month only.

In appreciation of contributions and continuing commendable leadership of Mr. Surinder P. Kanwar, Chairman & Managing Director, the Board has proposed to re-appoint him at the following remuneration for five (5) years w.e.f 1st October, 2010 notwithstanding the fact that such remuneration may exceed limits specified in Sections 198, 309 and Schedule XIII of the Companies Act, 1956.

A) Basic Salary:

Rs. 12,75,000 per month in the grade of Rs. 12,75,000-3,25,000-25,75,000.

B) Perquisites:

In addition to the aforesaid salary, he shall be entitled to perquisites (including housing, medical and other benefits) equivalent to 1/3rd of his basic salary.

The total value of the aforesaid perquisites (including housing, medical and other benefits), wherever applicable, shall be computed as per the provisions of Income Tax Act, 1961 read with the applicable Income Tax Rules, as amended from time to time, and for the time being in force.

In case of absence of any such Rule(s), the value of the said perquisites shall be computed at the actual cost incurred.

C) Commission:

In addition to the above salary and perquisites (including housing, medical and other benefits), commission not exceeding @ 3% of the Net Profits of the Company, in any year computed in the manner laid down under Sections 198, 309, 349 and 350 and other applicable provisions of the Companies Act, 1956, may also be paid, as may be determined by the Board of Directors, based on the Net Profits of the Company.

D) Other terms:

1. He shall be entitled to re-imbursement of actual out-of-pocket expenses incurred in connection with the business of the Company.
2. He shall be entitled to re-imbursement of entertainment expenses incurred for the business of the Company.
3. As long as he functions as Chairman & Managing Director, he shall not be paid any sitting fees to attend any meeting of the Board and/or Committee thereof.
4. He shall be entitled to earned/privileged leave as per the Rules of the Company.
5. He shall be entitled to telephone facility as per Company's policy.

The Chairman & Managing Director shall also be eligible for the following perquisites, which are not included in the computation of ceiling remuneration specified in the said Section II Part II of Schedule XIII of the Companies Act, 1956:

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

The Members are again informed that the proposed remuneration as set out above is expected to exceed the limits prescribed in Sections 198, 309 and Schedule XIII of the Companies Act, 1956 and hence it is subject to the approval of the Central Government and further, subject to such other approvals, as may be required, in this regard. The proposed remuneration of Mr. Surinder P. Kanwar, Chairman & Managing Director, has also been recommended by the Remuneration Committee and approved by the Board of Directors in their respective meetings held on 26th May, 2010 and 27th May 2010.

The above details may also be treated as an abstract of terms and conditions pursuant to Section 302 of the Act.

The Board of Directors recommends the Special Resolution as set out at Item No. 7 of the Notice, for approval of the Members.

INSPECTION OF DOCUMENTS

All resolutions passed in this regard are available for inspection by the Members of the Company, at its Registered Office, during the office hours between 11.00 A.M. to 1.00 P.M., on all working days except Sundays up to the date of the Annual General Meeting and shall also be available at the venue of the Meeting.

NATURE OF INTEREST IN THE RESOLUTION

Except Mr. Surinder P. Kanwar, himself and his son, Mr. Sameer Kanwar, Joint Managing Director, no other Director is concerned or interested in the passing of the above resolution as set out in Item No.7 of the Notice.

By Order of the Board



Prashant Khattry
Group Head (Legal)
& Company Secretary

Place : Faridabad
Dated : June 28, 2010

STATEMENT OF PARTICULARS
(PURSUANT TO SCHEDULE-XIII OF THE COMPANIES ACT, 1956,)
MR. SURINDER P. KANWAR, CHAIRMAN & MANAGING DIRECTOR

I GENERAL INFORMATION

| Sl.No | Particulars/Subject | Information |
|--------------|--|--|
| 1. | Nature of industry | Manufacture of Automobile Gears. |
| 2. | Date or expected date of commencement of commercial production. | 15 th January, 1972 |
| 3. | In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. | N.A |
| 4. | Financial performance based on given indicators | In the financial year 2009-2010, the Company made turnover of Rs. 268.50 Crores and profit before tax (PBT) Rs. 9.63 Crores. Whereas in the financial year ended 31 st March 2009, the Company registered turnover of 267.45 Crores and PBT of Rs. 5.50 Crores. Thus the company has been on the upward trend and improving decently. The Company declared and paid all the accumulated dividends to the preference shareholders and paid equity dividend @10% for the financial years 2007-08, 2008-09 and @ 12% for the financial year 2009-10. The position of Company is likely to improve further in the current year. |
| 5. | Export performance and net foreign exchange collections | During the financial year ended 31 st March 2010, Export of goods on FOB basis: Rs. 28.49 Crores (Previous Year Rs. 45.11 Crores). Other export earnings: Rs. 0.41 Crore (Previous Year Rs. 3.33 Crores). |
| 6. | Foreign Investments or collaborators, if any. | No such investment or collaboration except minor shareholding of Non Resident Indians. |

II. INFORMATION ABOUT THE APPOINTEE

| Sl.No | Particulars/Subject | Information |
|--------------|---------------------------------|---|
| 1. | Back ground Details | Mr. Surinder P. Kanwar has been affiliated with the Company as a member of the Board of Directors since the year 1982 and from then the Company has been taking the advantage of his guidance and supervision. Because of his sustained efforts, the Company has shown an upward growth pattern and has achieved success in creating a brand image in the Automotive Parts Industry. The Central Government approved the appointment and remuneration of Mr. Surinder P. Kanwar, which are expiring on 30 th September 2010. He is also the Chairman & Managing Directors of Raunaq International Limited from where he is drawing a token remuneration of Rupee One (Re. 1) per month only. |
| 2. | Past remuneration | As per the Central Government approval Mr. Surinder P Kanwar is entitled for Rs. 1.60 Crores for the period from 1 st October, 2008 to 30 th September, 2009 and Rs. 1.79 Crores for the period from 1 st October, 2009 to 30 th September, 2010. |
| 3. | Recognition or awards | During the tenure of Mr. Surinder P. Kanwar, the Company has been awarded number of times. |
| 4. | Job profile and his suitability | The Shareholders and Board of Directors have bestowed Mr. Surinder P. Kanwar with substantial powers of the management subject to the supervision and control of professional Board of Directors. Under his superior effort and pragmatic leadership, the Company has progressed steadily since his appointment. In view of his enriched experience, appreciable contribution and enlarged leadership, the Board proposes the reappointment of Mr. Surinder P. Kanwar, Chairman & Managing Director, for a further period of 5 years w.e.f. 1 st October, 2010 to 30 th September, 2015, as per the details stated in explanatory statement of Item No. 7 of the Notice. |

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|--|--|
| 5. Remuneration proposed | Salary, other perquisites and other terms as fully set out in the explanatory statement of item no. 7 of the Notice. |
| 6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person. | The proposed remuneration is comparative with the remuneration being paid to the Chairman & Managing Director of the Companies of the same size in the industry. |
| 7. Pecuniary relationship directly or indirectly with the company personnel, if any | Mr. Surinder P. Kanwar, Chairman & Managing Director and Mr. Sameer Kanwar, Joint Managing Director, are the two Whole time Directors (WTDs) in the Company and both are related as father and son. The WTDs do not have, direct and indirect, any pecuniary transactions with the Company which is prejudicial to the interest of the Company. Except the WTDs, no other director or relative is having any material pecuniary relationships with the Company. During the period ended on 31 st March, 2010, related party transaction amounted to Rs.1.65 Crores (FY 2008-09: Rs. 1.73 Crores). The WTDs also drew their remunerations in the period amounting to Rs. 2.34 Crores (FY 2008-09:Rs. 1.70 Crores). The Company discloses the related party transactions annually in the books of accounts of the Company. The Audit Committee discusses and approves such transactions every quarter. The Board of Directors duly approves the related party transactions and in the opinion of Board of Directors of the Company, none of the transactions is prejudicial to the interest of the Company. |

III. OTHER INFORMATION

Sl.No Particulars/Subject

Information

- | | |
|---|--|
| 1. Reason of loss or inadequate profits | In the Financial Year ended 31 st March 2009 and for the period ended 31 st March 2010, the Company made profit before tax of Rs. 5.50 Crores and Rs. 9.63 Crores respectively. The proposed remuneration exceeds the limits of Schedule XIII of the Companies Act, 1956. There is no loss in the Company. Performance during the financial year ended 31 st March, 2010 was affected due to lower offtake from Export Customers due to continuing recessionary trends in European and US markets |
| 2. Steps taken or proposed to be taken | <p>The Company has adopted the following measures to improve the profitability:-</p> <ul style="list-style-type: none"> -Modernisation of existing facilities to improve over all operating efficiency and gear up for catering to higher demand from OEMs. -Widening of customer base and better market penetration, especially in overseas market. -Conscious effort to develop products/customers base in alternate market segments. -Technology upgradation by way of investing in state of the art machinery to meet stringent quality requirements of customers. -Focus on significant improvements in operating costs. -Cost control in all areas. -Deeper penetration in the replacement market in India & abroad. -Improvement in OE & Export Sales. -Improving the quality to make products competitive in Indian & Overseas markets. |
| 3. Expected increase in the productivity and profits in measurable terms. | The Company has set a target of around Rs. 325 Crores turnover for the current year 2010-11. The Projected cash profit for the period is Rs. 30 Crores and net profit of Rs. 13 Crores. |

Brief Resume of the Directors to be re-appointed at the forthcoming Annual General Meeting in pursuant to Clause 49 IV(G) of the Listing Agreement.

1. Mr. Rakesh Chopra

Mr. Rakesh Chopra, born on October 17, 1950, is a qualified Chartered Accountant (England & Wales) and an MBA from Cranfield University, U.K. He had been spearheading various industry groups at top levels including Escorts Limited. He has rich experience of around 33 years. He is director in Fairfield Atlas Limited. He is also holding directorship in G.P.R. Enterprises Pvt. Limited, Kempty Cottages Pvt. Limited and Gaurav Farms Pvt. Limited.

As on May 27, 2010, he does not hold any share in the Company.

Particulars of Chairmanship/Membership of Committees of Board of Public Limited Companies held by Mr. Rakesh Chopra as on March 31, 2010

| S.No. | Name of the Company | Designation & Committee Memberships |
|-------|-------------------------|-------------------------------------|
| 1 | Fairfield Atlas Limited | Member-Audit Committee |
| 2 | Fairfield Atlas Limited | Member-Remuneration Committee |

2. Mr. Wolfgang Rudolf Schilha

Mr. Wolfgang Rudolf Schilha (59 years) had been a director on the Board of the Company since 26th February, 1986 as a representative of ZF Friedrichshafen AG, Germany, the erstwhile Foreign Collaborator. However, after withdrawal of his nomination from the Board, Mr. Schilha has been appointed as a regular director of the Company w.e.f 26.07.2007 in his personal capacity. Mr. Schilha, in Tettnang, Germany, is a graduate of Business Administration. He is the senior vice president, member of the executive board at ZF Commercial vehicle driveline division. He is head of marketing, service and aftermarket as well as head of strategy, business unit "Bus Driveline Technology". He is also the Chairman of ZF Drivetrain (Suzhou) Limited in Suzhou, PR, China. He is immensely experienced and has international exposure on various facets of auto industry as a whole including gear technology. He is having expertise in the area of sales, marketing and service.

As on May 27, 2010, he does not hold any share in the Company.

Particulars of Chairmanship/Membership of Committees of Board of Public Limited Companies held by Mr. Wolfgang Rudolf Schilha as on March 31, 2010

| S.No. | Name of the Company | Designation & Committee Memberships |
|-------|---------------------|-------------------------------------|
| 1 | - | - |

DIRECTORS' REPORT

To The Members

The Directors have pleasure in submitting 38th Annual Report together with Audited Accounts of your Company for the year ended on 31st March 2010.

| Financial Results | (Rupees/Crores) | |
|--|------------------------------------|------------|
| | Financial year ended 31.03.2010 | 31.03.2009 |
| Sales and other income (gross) | 268.50 | 267.45 |
| Profit before interest other finance charges and depreciation | 27.75 | 23.07 |
| Finance Interest & other finance charges | 8.56 | 7.74 |
| Depreciation | 9.55 | 9.83 |
| Profit before tax | 9.64 | 5.50 |
| Less: Current tax/deferred tax/fringe benefit tax(net) | 3.49 | 1.46 |
| Profit after tax | 6.15 | 4.04 |
| Add: Balance brought forward from previous year | 4.54 | 2.16 |
| Profit available for appropriation | 10.69 | 6.20 |
| Appropriations | | |
| Proposed Dividend | | |
| - Preference | 0.21 | 0.21 |
| - Equity | 0.94 | 0.78 |
| Tax on distributed profits | 0.19 | 0.17 |
| Transferred to General Reserve | 0.50 | 0.50 |
| Balance carried to Balance Sheet | 8.85 | 4.54 |

DIVIDEND

The Directors recommended dividend of Rs. 10 per share on preference shares for the year ended 31st March 2010, which will attract dividend tax of Rs.0.03 crores. The Directors also recommended dividend of Rs.1.20 per equity share on 7817833 equity shares of the Company, which will attract dividend tax of Rs.0.16 crores. The total payout will be Rs. 1.15 crores and tax thereon Rs.0.19 crores.

FINANCE

During the year under review, the Company has made scheduled repayments of Rs.9.49 Crores of term loans to Financial Institutions and Banks. Further disbursements from the banks, of Rs.1.85 Crores have been received to finance acquisition of additional plant and machinery.

Adequate provisions are being made to part finance capital expenditure planned in FY 2010-11 by way of term loans/leasing, in order to add further manufacturing capacity and also to induct new

technology to meet quality parameters as required by the customers for their products.

Notwithstanding recessionary conditions in first half of the year, there was a modest growth of 1% in our sales as compared to previous year in last six months.

EBIDTA was higher at 10.33% vis-à-vis 8.62% compared to previous year, mainly on account of improved operating efficiencies and cost control measures. Profit before tax was higher at Rs. 9.64 Crores as against Rs. 5.50 Crores in the previous year. After provision for tax (net of deferred tax credit of Rs. 0.80 Crores) of Rs. 3.49 Crores, net profit after tax is at Rs. 6.15 Crores as against Rs. 4.04 Crores for the previous year.

Your Company is well positioned to meet the higher demand from OEMs as well as meet the stringent quality requirements. Tighter control on inventories and receivables in coming months shall result in optimum utilization of working capital facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMY AND MARKET OVERVIEW

The slow down in several sectors of Indian economy that started in the fiscal year 2008-09 following the Global economic downturn resulted in the GDP growth rate of the country dropping down to 6.7% from near 9% in the earlier years. Though the impact of the down turn was less pronounced in India, some of the new investments were deferred and the output fell. The good news however, has been the speed of economic revival in India, which was faster than most people expected. The government's action including fiscal stimulus last year helped the economy to gain momentum. As per the current estimates, the economy is set to record a GDP growth rate of 7.2% in the fiscal year 2009-10.

In India's macro fundamentals together with it's domestic demand led model of economic growth looks promising. As a result of this, the GDP growth rate for the next couple of years is expected to exceed 8%. This augurs well for our industry.

BGL has maintained it's position as the leading suppliers of Gear components for the LCV/ Medium/Heavy Commercial Vehicles, Utility Vehicles, Construction Equipments and for the Agricultural Tractors in India.

(a) INDUSTRY STRUCTURE & DEVELOPMENTS IN THE INDUSTRY:

The Indian automotive industry comprises the following product segments.

- Passenger Vehicles (UV & MPV)
- Commercial vehicles (HCV, MCV, and LCV)
- Cars
- Two wheelers and Three wheelers
- Tractors
- Off-highway vehicles and other mobile construction equipment.

TRACTOR INDUSTRY:

In the growth of GDP, agriculture sector has played a prominent role which has given substantial growth to tractor industry. The tractor sales have recorded an increase of almost 30% y-o-y.

As the Indian economy is no longer in recession, the monsoon prospects being good, this augurs well for tractor industry thus for our business where tractor industry is a substantial contributor to our Company's total turnover.

COMMERCIAL VEHICLE INDUSTRY:

The overall Commercial Vehicles segment registered positive growth at 38.39% during April 2009 - March 2010 as compared to the same period last year. Segment wise Medium & Heavy Commercial Vehicles (M&HCVs) registered growth at 25.58% Light Commercial Vehicles grew at 40.66%.

All manufacturers in this sector are making additional investment to increase their capacity for the current range of vehicles and simultaneously rapidly developing new models.

Your company plans to increase its market share in this segment.

PASSENGER VEHICLES:

Passenger Vehicles during 2009-2010 grew by 26% over same period last year. Segment wise, Passenger Cars grew by 24.75 percent, Utility Vehicles grew by 21.95 percent and Multi Purpose Vehicles grew by 37.05 percent in this period. Various players have introduced new models in this segment. This trend is expected to continue in the coming year.

(b) OPPORTUNITIES AND THREATS:

The International vehicle manufacturers are focusing on India as a source for component supply. They are now manufacturing their global models in India concurrently with their manufacture elsewhere, so that ancillary sources developed in India can meet their requirements in India and other locations in the world.

Your company has already started capacity expansion/modernization programme to meet the increased demand from across the automobile industry and started initiatives to optimise utilization of available capacities.

Prices of raw material have continued to behave in a volatile manner, putting pressure on margins.

(c) OUTLOOK:

On account of heavy growth in domestic markets from October'09 BGL achieved a positive growth of 3.25% in net sales for the year FY2009-10.

Exports of your Company were affected due to continuation of global recession in Europe & USA. Our exports have dropped by 33% y-o-y.

However, for the year 2010-11, your Company expects to achieve better export turnover.

With revival of automobile industry & our recent collaboration with AFC-Holcraft USA, your Company expects furnace business to show positive growth.

(d) RISKS & CONCERNS:

The Company is exposed to the following risks. However, the Company has braced itself to take adequate precautions to mitigate these risks.

- a. Foreign currency risks
- b. Raw material prices
- c. Availability and cost of capital for capital expenditure

(e) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company maintains adequate internal control systems, which ensures proper recording of all transactions of its operations.

Independent firm of chartered accountants carry out internal audit of the Company. Internal audit is carried out at periodic intervals to ensure that the Company's internal control systems are adequate and complied with.

Both plants of the Company continue to be certified under ISO/TS16949. Faridabad plant is also certified under ISO/14001.

(f) DEVELOPMENTS IN HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Industrial relations at both plants continued to be satisfactory.

41 Employees under the Voluntary Retirement Scheme separated from the Company at the cost of Rs. 1.37 crores.

Employees' headcount at the end of the year was 1227.

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

FIXED DEPOSITS

During the year under review, the Company did not accept any fixed deposits. In terms of Section, 205C of the Companies Act 1956, the deposit and interest thereon, which remains unclaimed for a period of seven years from the date when it became due is required to be deposited with the Investor Education and Protection Fund established under the Companies Act, 1956. During the year, there was no amount required to be transferred to Investor Education and Protection Fund.

CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of Corporate Governance. The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of this Report.

The requisite Certificate of Compliance from Statutory Auditors, M/s Deloitte Haskins & Sells, confirming compliance with the conditions of Corporate Governance, is attached to this Report.

DIRECTORS

In accordance with Section 256 of the Companies Act, 1956 and the Articles of Association of your Company Mr. W.R.Schilha and Mr. Rakesh Chopra, Directors retire by rotation and being eligible; offer themselves for re-appointment at the ensuing Annual General Meeting.

The brief resumes of the Directors proposed to be re-appointed are given in the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that, -

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2010 and of the profits of the Company for the period ended on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts have been prepared on a going concern basis.

PARTICULARS OF EMPLOYEES

Information regarding employees in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is given in Annexure 'A' to the Directors' Report.

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

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

AUDITORS

The Statutory Auditors, M/s Deloitte Haskins & Sells, Chartered Accountants (DHS), hold office until the conclusion of the forthcoming Annual General Meeting. The Board recommends for their re-appointment as Statutory Auditors of the Company for the year 2010-11. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

AUDITORS' REPORT

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

COST AUDIT

M/s. M.K. Kulshrestha & Associates, Cost Accountants, conducted the audit of the cost records of both the plants of the Company for the year ended 31st March 2009. Further, the Company has proposed their appointment subject to the Central Government approval, as Cost Auditors for auditing the Cost records of both the plants of the Company for the year ended 31st March 2010.

SECRETARIAL AUDIT

As per the directive of the Securities and Exchange Board of India (SEBI), M/s Ajay Garg & Associates, Company Secretaries, Faridabad, undertakes a Secretarial Audit on quarterly basis. The audit is aimed at reconciliation of total shares held in CDSL, NSDL and in physical form with the admitted, issued and listed capital of the company.

The Secretarial Audit Reports as submitted by the Auditor on quarterly basis were forwarded to the Bombay Stock Exchange, Mumbai and the National Stock Exchange of India Limited, Mumbai, where the original shares of the Company are listed.

LISTING OF SHARES

The equity shares of the Company are listed on the Bombay Stock Exchange, Mumbai and National Stock Exchange of India Limited, Mumbai.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors



Place : Mumbai
Dated : May 27, 2010

Surinder P. Kanwar
Chairman and Managing Director

BHARAT GEARS LIMITED
Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies
(Particulars of Employees) Rules, 1975 as amended up to date and Forming Part
of the Directors' Report for the year ended March 31, 2010

Annexure-'A'

| Sl. No. | Name | Age (in Years) | Qualification | Designation | Date of Commencement of Employment | Years of Experience | Remuneration (Rs. in Lacs) | Particulars of Last Employment |
|---|--------------------|----------------|---------------------------------------|------------------------------|------------------------------------|---------------------|----------------------------|--|
| A. Employed throughout the year ended 31st March, 2010 & were in receipt of Remuneration aggregating not less than Rs. 24,00,000/- per annum. | | | | | | | | |
| 1. | Surinder P. Kanwar | 57 | B.Com | Chairman & Managing Director | 01.10.1990 | 35 | 164.06 | Managing Director BST Mfg. Ltd. |
| 2. | Sameer Kanwar | 33 | B.A. (Eco.) | Joint Managing Director | 01.02.2002 | 10 | 69.60 | Management Trainee ZF (AG) Germany |
| 3. | Jagdeep Singh | 53 | B.A. (Eng.) | Business Head | 09.12.1991 | 33 | 25.56 | Regional Manager Escorts Limited |
| B. Employed for the part of the year ended 31st March, 2010 & were in receipt of Remuneration aggregating not less than Rs. 2,00,000/- per month | | | | | | | | |
| 3. | N.V.Srinivasan | 66 | BE Mech, MBA (USA) MS Ind Engg. (USA) | Corporate Business Head | 16.01.1976 | 41 | 35.53 | Head of Works Study & Data Processing Larsen & Toubro Ltd. |

NOTES :

01. Remuneration includes Salary, Allowances, Ex-gratia, Co's Contribution to Provident & Superannuation Funds, and Value of other perquisites on the basis of Income Tax Act, 1961.
02. Except Mr. Sameer Kanwar, Joint Managing Director, who is a relative of Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company, none of the employee is related to any of the Director of the Company.
03. All the appointments except that of Mr. Surinder P. Kanwar & Mr. Sameer Kanwar are Non-Contractual.

For and on behalf of the Board of Directors



Place : Mumbai
Date : May 27, 2010

Surinder P. Kanwar
Chairman & Managing Director

Annexure-'B'

Report on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo and forming part of Directors' Report for the year ended 31st March, 2010.

A. Conservation of energy

- a) Energy conservation measures taken:

Energy saving is being achieved by installation of Roof top Turbo ventilators (50 nos) driven on natural wind energy to improve shop ventilation & reduction of exhaust fan population. Electrical circuit of 70 % machines is modified to stop hydraulic motor if machine is not in operation for more than 10 minutes.

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

All the HPMV / HPSV type streetlights were replaced with energy efficient CFL type lamps. Old DC motors are being replaced with energy efficient AC motors & Variable Frequency Drive.

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

To encourage electrical consumers to maintain Unity Power Factor, MSEB, the power utility Company for Mumbra plant gives an incentive of 7% of the energy charge. We are continuing to avail of this discount over last twelve months.

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

-----Not Applicable-----

B. Technology Absorption

- e) Efforts made in technology absorption are as per Form B of the Annexure

(Form - B)

Form for disclosure of particulars with respect to absorption

Research and Development (R & D)

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

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

Technology Absorption, adaptation and innovation.

1. Efforts in brief, made towards technology absorption, adaptation and innovation.

The Company has invested in acquiring an advance dry cutting technology for producing Bevel and Spur/Helical gears.

All related cutting, checking and cutter assembly machines along with advance software for producing Bevel gears are arranged in closed loop system.

Gears produced under this new dry cutting technology are with very accuracy and are being used in noise sensitive and high power transmission applications.
2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.

Benefits accrue to the Company in terms of enhancement in capabilities to deliver high volume demand with enhancement of productivity, quality and consistency.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:
 - a) Technology imported

Not Applicable
 - b) Year of import

Not Applicable
 - c) Has technology been fully absorbed

Not Applicable
 - d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.

Not Applicable

C. Foreign Exchange Earnings and Outgo:

- f) Activities relating to exports; initiatives taken to increase export; development of new export markets for products and services; and export plans.
- Fresh orders have been received from existing customers for new products developed for them. Couple of new customers in US market have been added. These customers have a big potential for future growth of the Company.
- g) **Total foreign exchange used and earned.**

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

| | 2009-2010 | 2008-2009 |
|-------------------------------|-----------|-----------|
| Foreign Exchange Earned | 2889.33 | 4844.10 |
| Foreign Exchange used | 631.91 | 1645.60 |
| Net Foreign Exchange earnings | 2257.42 | 3198.50 |

(Rs. In Lacs)

For and on behalf of the Board of Directors



Surinder P. Kanwar
Chairman & Managing Director

Place: Mumbai
Date: May 27, 2010

CORPORATE GOVERNANCE REPORT
For the Year ended March 31, 2010
(Pursuant to Clause 49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

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

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

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

2. BOARD OF DIRECTORS

Your Company has an optimum combination of Executive and Non-Executive Independent Directors on the Board. As on March 31, 2010, the Board consists of 8 members, the Chairman of the Board is an Executive Director and more than half of the strength of the Board consists of Non-Executive Independent Directors. All Non-Executive Independent Directors bring a wide range of expertise and experience to the Board. The Board believes that the current size of the Board is appropriate based on the Company's present requirements.

A. Board's definition of Independent Director

Independent Director shall mean Non-Executive Director of the Company who:

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

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

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

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

Table-1

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

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

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

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

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

E Mr. V. K. Pargal is also a Director on the Board of Pargal Consultants Pvt. Ltd (PCPL), which is providing consultancy service to the Company in its professional capacity. Professional fees paid to PCPL for the year 2009-2010 is Rs. 1,08,000/-. The Board is of the opinion that such payments in the context of overall expenditure by the Company, is not significant and does not affect his independence. Mr. V.K. Pargal is holding 100 shares of the Company.

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

B. Board Meetings

During the financial year 2009-10, Five (5) Board Meetings were held on the following dates. The gap between any two meetings was not more than four (4) months as mandated in Clause 49 of the Listing Agreement: -

- 04th May, 2009;
- 26th May, 2009;
- 31st July, 2009;
- 31st October, 2009 and
- 28th January, 2010

C. Information supplied to the Board

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

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

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

3. BOARD COMMITTEES

A. Audit Committee

I. Constitution and Composition

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

Table 2

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

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

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

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

II. Audit Committee Meetings

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

- 25th May, 2009;
- 30th July, 2009;
- 30th October, 2009 and
- 28th January, 2010.

III. Terms of reference

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

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

- ii. Recommending the appointment/removal of external auditors, nature and scope of audit, fixation of audit fee and payment of fees for any other service rendered by external auditors;
- iii. Reviewing with the management, the quarterly, half yearly and annual financial statements before submission to the Board with particular reference to;
 - a. Matters required to be included in the Director's Responsibility Statement pursuant to clause (2AA) of Section 217 of the Companies Act, 1956;
 - b. Changes, if any, in accounting policies and practices and the reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by the management;
 - d. Compliance with listing and other legal requirements relating to financial statements;
 - e. Disclosure of any related party transactions;
- iv. Reviewing with the management, the performance of the internal and external auditors, the internal audit reports and the reports of the external auditors;
- v. Reviewing the adequacy and effectiveness of internal audit function, the internal control system of the Company, compliance with the Company's policies and applicable laws and regulations;
- vi. Discussion with the internal auditors on any significant findings and follow up thereon;
- vii. Discussion with the Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- viii. Reviewing the Company's financial and risk management policies;
- ix. To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- x. To review the functioning of the Whistle Blower mechanism existing in the Company.

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

B. Remuneration Committee

1. Constitution and Composition

In terms of the non-mandatory requirement of Clause 49 of the Listing Agreement, and Schedule XIII of the Companies Act, 1956, the

"Remuneration Committee" was constituted on 22nd April, 2002. The said Committee has been empowered to consider, approve and recommend the remuneration of the Whole Time Director/Managing Director. The Remuneration Committee constitutes of following three directors. **Table 3** gives the details: -

Table 3

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

During the year, one meeting of the Committee was convened on 4th May, 2009 and majority of the members of committee attended it.

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

C. Shareholders'/Investors' Grievance Committee

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

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

Table -4

| Sl. No. | Name of Member | Designation | No. of meetings held/ attended |
|---------|-------------------|-------------|--------------------------------|
| 1. | Mr. N. J. Kamath | Chairman | 1/1 |
| 2. | Mr. Rakesh Chopra | Member | 1/0 |
| 3. | Mr. Sameer Kanwar | Member | 1/1 |

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

1. Shareholders'/Investors' Grievance Committee meetings

During the financial year 2009-10, the Committee met one (1) time on 25th May, 2009 and 80 Letters/Requests/Complaints were received from the shareholders till 31st March, 2010; and were replied/resolved to the satisfaction of the shareholders. All the requests for transfers and transmissions have been duly acted upon and no such request was pending as on 31st March, 2010.

II. Sub-Committee

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

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

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

4. COMPLIANCE OFFICER

Mr. Ashish Pandey, Company Secretary has been the Compliance Officer of the Company.

5. DIRECTORS

Re-appointment of existing Non-Executive Rotational Directors.

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Mr. Rakesh Chopra and Mr. W.R. Schilha being 1/3rd of the rotational directors, are liable to retire at the forthcoming Annual General Meeting and being eligible for re-appointment, have shown their willingness to be re-appointed. The Board recommends their re-appointment.

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

Table-5

SL. No. Particulars of Directors

1 Mr. Rakesh Chopra, Director

Brief Resume: Mr. Rakesh Chopra, born on October 17, 1950, is a qualified Chartered Accountant (England & Wales) and an MBA from Cranfield University, U.K. He had been spearheading various industry groups at top levels including Escorts. He has rich experience of around 33 years. He is director in Fairfield Atlas Limited. He is also having directorship in G.P.R. Enterprises Pvt. Limited, Kemptoy Cottages Pvt. Limited and Gaurav Farms Pvt. Limited. He does not hold any share in the Company.

2 Mr. Wolfgang Rudolf Schilha, Director

Brief Resume: Mr. Wolfgang Rudolf Schilha (59 years) had been a director on the Board of the Company since 26th February, 1986 as a representative of ZF Friedrichshafen AG, Germany, the erstwhile Foreign Collaborator. However, after withdrawal of his nomination from the Board, Mr. Schilha has been appointed as regular director of the Company w.e.f 26.07.2007 in his personal capacity. Mr. Schilha, in Tettnang, Germany, is a graduate

of Business Administration. He is the senior vice president, member of the executive board at ZF Commercial vehicle driveline division. He is head of marketing, service and aftermarket as well as head of strategy, business unit "Bus Driveline Technology". He is also the chairman of ZF Driveline (Suzhou) Limited in Suzhou, PR, China. He is immensely experienced and has international exposure on various facets of auto industry as a whole including gear technology. He is having expertise in the area of sales, marketing and service. He does not hold any share in the Company.

6. GENERAL BODY MEETINGS

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

Annual General Meetings

| Financial Year | Venue | Date & Time | Special resolution(s) passed |
|----------------|--|--------------------------|---|
| 2008-2009 | Faridabad Industries Association, FIA House, Bata Chowk, Faridabad- 121001 (Haryana) | 31.07.2009 11:00 A.M. | No |
| 2007-2008 | Municipal Auditorium, N.I.T., Faridabad-121001 (Haryana) | 31.07.2008 11:00 A.M. | Yes A. Increase in remuneration of Mr. Surinder P. Kanwar, Chairman & Managing Director, for period of 2 years B. Revision in terms of appointment of Mr. Sameer Kanwar, Executive Director C. Appointment of Mr. Sameer Kanwar as Joint Managing Director D. Early redemption of preference shares |
| 2006-2007 | Municipal Auditorium, N.I.T., Faridabad-121001 (Haryana) | 26.07.2007 11:30 A.M. | Yes Re-appointment of Mr. Sameer Kanwar as Executive Director |

Extra-ordinary General Meetings

| Financial Year | Venue | Date & Time | Special resolution(s) passed |
|----------------|--|--------------------------|---|
| 2009-2010 | Hotel Mahalakshmi Palace, 68, Neelam Bata Road, N.I.T., Faridabad-121001 (Haryana) | 29.05.2009 11:30 A.M. | Yes A. Approval of increase in remuneration of Mr. Surinder P. Kanwar, Chairman & Managing Director B. Approval of remuneration of Mr. Sameer Kanwar as Joint Managing Director |

There are no special resolution passed during 2009-2010 through postal ballot and no special resolution is proposed to be conducted through postal ballot.

7. DISCLOSURES

A. Basis of Related Party Transactions

During the year 2009 – 2010, there were no material individual transactions with related parties, which are not in normal course of business or are not on an arm's length basis. The statements in summary form of transactions with related parties in the ordinary course of business are placed periodically before the Audit Committee for its consideration and review. All disclosures related to financial and commercial transactions where directors are interested are provided to the Board, and the interested directors do not participate in the discussion nor do they vote on such matters. The details of the related party transactions during the year are given in the Notes to Accounts. (Refer Note no. 17 of Notes to Accounts).

B. Disclosure of Accounting Treatment in preparation of Financial Statements

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

C. Compliance by the Company

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

D. Whistle Blower

The Company has laid down a complete whistle blower policy, which is available at the Company's website www.bharatgears.com. During the year, no unethical behavior has been reported. Further, the Company has not denied any personnel access to the Audit Committee and it will provide protection to whistle blower, if any, from adverse personnel action.

E. Remuneration of Directors for 2009-2010

(Rs. in lacs)

| Name of Members | Sitting Fees | Salaries and Perquisites | Total |
|------------------------|--------------|--|---------------|
| Mr. N. J. Kamath | 0.55 | Nil | 0.55 |
| Mr. V. K. Pargal | 0.40 | Nil | 0.40 |
| Dr. Ram S. Tarneja | 0.50 | Nil | 0.50 |
| Mr. W. R. Schilha | 0.20 | Nil | 0.20 |
| Mr. S. G. Awasthi | 0.20 | Nil | 0.20 |
| Mr. Rakesh Chopra | 0.25 | Nil | 0.25 |
| Sub-Total (A) | | | 2.10 |
| Mr. Surinder P. Kanwar | Nil | <ul style="list-style-type: none"> Salary 108.00 Contribution to provident and other funds (*) 29.16 Monetary value of perquisites (**) 26.90 | 164.06 |
| Mr. Sameer Kanwar | Nil | <ul style="list-style-type: none"> Salary and allowances 51.90 Contribution to provident and other funds (*) 11.75 Monetary value of perquisites (**) 05.95 | 69.60 |
| Sub-Total (B) | | | 233.66 |
| Grand Total | | | 235.76 |

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

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

The Company has obtained requisite approvals from the Central Government for paying the remuneration to Mr. Surinder P. Kanwar, Chairman & Managing Director and Mr. Sameer Kanwar, Joint Managing Director.

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

F. CEO/CFO certification

Certificate from Mr. Surinder P. Kanwar, Chairman and Managing Director and Mr. Milind Pujari, Chief Financial Officer in terms of Clause 49 (V) of the Listing Agreements with the Stock Exchanges for the financial year ended 31st March, 2010 was placed before the Board of Directors of the Company in its meeting held on 27th May, 2010.

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

• Code of Business Conduct and Ethics

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

• Code of Conduct for Prevention of Insider Trading

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

• Social Responsibility

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

H. Mandatory Requirements

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

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

L Non-Mandatory Requirements

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

J. Means of Communication

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

| Financial Results | Name(s) of Newspapers | Date(s) of Publication |
|---|--|--|
| Quarter/ Year ended 31 st March, 2009 | The Financial Express, Jansatta (Hindi) | 27 th May, 2009 28 th May, 2009 |
| Quarter ended 30 th June, 2009 | The Financial Express, Jansatta (Hindi) | 1 st August, 2009 |
| Quarter/Half Year ended 30 th September, 2009 | The Financial Express, Jansatta (Hindi) | 2 nd November, 2009 |
| Quarter ended 31 st December, 2009 | The Economic Times, Navbharat Times (Hindi) | 30 th January, 2010 |

In addition to the above, the quarterly/ half yearly and the annual financial results and official releases, if any, are also displayed on the Company's official website i.e. www.bharatgears.com for the information of all the shareholders. The Company is registered under EDIFAR (Electronic Data Information Filing and Retrieval) site of SEBI www.sebi.gov.in. The Company has been posting online, the quarterly/half-yearly and annual financial results, shareholding pattern, along with full version of Corporate Governance Report, Annual Report and other requisite material information on www.sebiedifar.nic.in.

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

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

8. GENERAL SHAREHOLDERS' INFORMATION

A. Annual General Meeting Details:

The forthcoming AGM of the Company shall be held at 4.30 P.M on Thursday, the 29th day of July, 2010 at Faridabad Industries Association, FIA House, Bata Chowk, Faridabad-121001 (Haryana).

B. Financial Year:

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

C Date of Book Closure:

23rd July, 2010 to 29th July, 2010 (both days inclusive)

D Dividend Payment Date:

The dividend warrants will be posted on or after 29th July, 2010.

E Listing on Stock Exchanges and Stock Code:

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

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

The Annual Listing Fees for the year 2010-2011 have been paid in advance to the aforesaid Stock Exchanges.

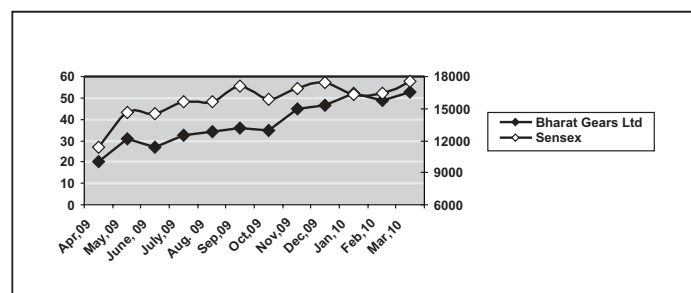
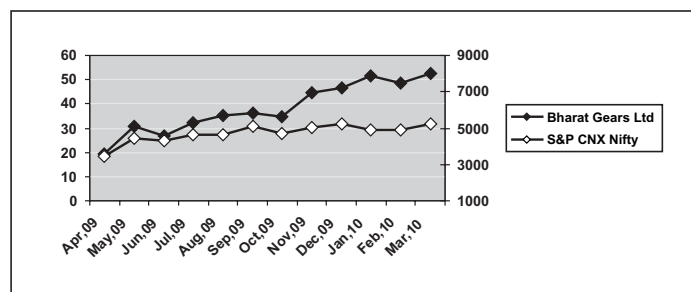
F. Market Price Data:

High and Low prices during each month of Financial Year 2009-2010 on National Stock Exchange of India Limited and Bombay Stock Exchange Limited are as under:

The Closing Price represents the price on the last trading day of each month of Financial Year 2009-2010.

| Month | High (Rs.) | | Low (Rs.) | | Closing (Rs.) | |
|-----------|------------|-------|-----------|-------|---------------|-------|
| | NSE | BSE | NSE | BSE | NSE | BSE |
| April | 22.00 | 21.80 | 15.25 | 16.50 | 19.40 | 19.95 |
| May | 34.00 | 34.00 | 19.10 | 19.40 | 30.80 | 30.95 |
| June | 35.00 | 34.25 | 25.15 | 25.00 | 27.00 | 27.15 |
| July | 38.80 | 38.30 | 23.80 | 24.10 | 32.15 | 32.40 |
| August | 41.70 | 42.60 | 32.10 | 32.00 | 35.00 | 34.00 |
| September | 37.00 | 37.45 | 32.75 | 32.45 | 36.35 | 35.70 |
| October | 37.80 | 37.35 | 33.40 | 33.05 | 34.50 | 34.50 |
| November | 47.40 | 45.80 | 32.30 | 33.00 | 44.60 | 44.60 |
| December | 49.40 | 49.50 | 44.00 | 44.00 | 46.65 | 46.40 |
| January | 64.80 | 64.50 | 46.60 | 46.25 | 51.65 | 51.90 |
| February | 57.20 | 56.95 | 47.25 | 47.60 | 48.45 | 49.00 |
| March | 57.65 | 57.00 | 47.70 | 48.95 | 52.75 | 52.95 |

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

a. BHARAT GEARS' PRICES VERSUS SENSITIVITY AT BSE (SENSEX)**b. BHARAT GEARS' PRICES VERSUS S & P CNX NIFTY****G. Registrar and Transfer Agent, Share Transfer System:**

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

H. Shareholding pattern of the Company as per category of shareholders as on March 31, 2010.

| | Category | No. of Shares Held | %age of Shareholding |
|-----------|---|--------------------|----------------------|
| A | Promoters' holding | | |
| | 1. Promoters | | |
| | - Indian Promoters | 24,67,532 | 31.56 |
| | - Foreign Promoters | - | - |
| | 2. Persons acting in Concert | 16,62,213 | 21.26 |
| B. | Non-Promoters' Holding | | |
| | 3. Institutional Investors | | |
| | a. Mutual Funds and Unit Trust of India | 3,300 | 0.04 |
| | b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions /Non -Govt. Institutions) | 2,01,487 | 2.58 |
| | c. Foreign Institutional Investor | 50 | 0.00 |
| | 4. Others | | |
| | a. Private Corporate Bodies | 11,00,225 | 14.07 |
| | b. Indian Public | 22,87,881 | 29.27 |
| | c. Non Resident Indians / Overseas | 95,145 | 1.22 |
| | d. Any Other | - | - |
| | Total | 7817833 | 100.00 |

L Distribution of Shareholding as on March 31, 2010:

| No. of Equity Shares held | Number of Shareholders | Number of Shares | %age to total Shares |
|---------------------------|------------------------|------------------|----------------------|
| Up to 250 | 8382 | 583130 | 7.46 |
| 251 to 500 | 968 | 378715 | 4.84 |
| 501 to 1000 | 437 | 353757 | 4.53 |
| 1001 to 2000 | 213 | 322839 | 4.13 |
| 2001 to 3000 | 66 | 169677 | 2.17 |
| 3001 to 4000 | 44 | 155595 | 1.99 |
| 4001 to 5000 | 25 | 115996 | 1.48 |
| 5001 to 10000 | 37 | 282329 | 3.61 |
| 10001 and above | 38 | 5455795 | 69.79 |
| Total | 10210 | 7817833 | 100.00 |

J. Dematerialization of Shares and liquidity:

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

As on 31st March, 2010 a total of 75,43,261 equity shares of the Company of Rs. 10/- each, which form 96.49% of the paid up equity share capital, stand dematerialized.

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

K. Corporate Benefits

Dividend History:

Dividend on equity shares

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

Dividend on preference shares

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

L Plant locations:

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

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

M. Addresses for Correspondence:

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

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

For Investor assistance:-

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

N. Email for investors:

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

O. Nomination facility:

As per the provisions of the Companies Act, 1956, the shareholders may avail nomination facility in respect of their shareholding.

P. Updation of Shareholders information:

The shareholders of the Company are requested to intimate their latest residential address along with the details of their shareholding in the enclosed form. The enclosed form may either be sent to the Company at its Registered Office or be hand-delivered at the Annual General Meeting of the Company.

On Behalf of the Board of Directors



Surinder P. Kanwar
Chairman and Managing Director

Place : Mumbai
Dated : May 27, 2010

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

We have reviewed financial statements and the cash flow statement for the year 2009– 2010 and that to the best of our knowledge and belief:

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

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

- 1) Deficiencies in the design or operation of internal controls, if any, which came to our notice and the steps we have taken or propose to take to rectify these deficiencies;
- 2) Significant changes in internal control over financial reporting during the year 2009 – 2010;
- 3) Significant changes in accounting policies during the year 2009– 2010 and that the same have been disclosed in the notes to the financial statements;
- 4) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For **Bharat Gears Limited**



Milind Pujari
Chief Financial Officer



Surinder P. Kanwar
Chairman & Managing Director

Place: Mumbai
Date: May 27, 2010

COMPLIANCE WITH CODE OF CONDUCT

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

It is hereby affirmed that during the year 2009-2010, all the Directors and Senior Managerial personnel have complied with the Code of Conduct and have given a confirmation in this regard.



Ashish Pandey
Group Head (Legal) &
Company Secretary

For **Bharat Gears Limited**



Surinder P. Kanwar
Chairman & Managing Director

Place: Mumbai
Date: May 27, 2010

CERTIFICATE

To

The Members of Bharat Gears Limited

We have examined compliance of conditions of Corporate Governance by Bharat Gears Limited, for the year ended on March 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliances with the conditions of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement. It is neither an audit nor an expression of opinion on the financial statement of the Company.

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

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

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



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

Place: Mumbai
Date: May 27, 2010

AUDITORS' REPORT TO THE MEMBERS OF BHARAT GEARS LIMITED

1. We have audited the attached Balance Sheet of BHARAT GEARS LIMITED ("the Company") as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) 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;
 - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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



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

Place : Mumbai
Date : May 27, 2010

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business/ activities/result, clauses (iii), (vi), (x), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - (a) As explained to us, the inventories, except for stock lying with third parties where certificates confirming stocks have been received in respect of most of the stocks held, have been physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the Company and the nature of its business with regards to the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed

any major weaknesses in internal control system.

- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
 - (b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time except in respect of certain items of specialised nature for which comparable alternative quotations are not available and in respect of which we are unable to comment.
- (vi) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (vii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of Automotive Gears and Automotive Components and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
- (viii) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company is regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable.

- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2010 on account of disputes are given below:

| Statute | Nature of Dues | Forum where Dispute is pending | Period to which the amount relates | Amount involved (Rs. in Lakhs) |
|------------------------------------|------------------------------|--|------------------------------------|--------------------------------|
| Kerala General Sales Tax Act, 1963 | Sales Tax on Branch transfer | Deputy Commissioner (Appeals) Commercial Taxes | 2004-05 | 1,54,153 |

- (ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions.
- (x) In our opinion and according to the information and explanations given to us, the term loans taken during the year

have been applied for the purpose for which they were obtained.

- (xi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.
- (xii) To the best of our knowledge and according to the information and explanations given to us, no fraud by or on the Company has been noticed or reported during the year.

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



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

Place : Mumbai
Date : May 27, 2010

SUMMARISED BALANCE SHEET

(Rupees in lacs)

| As at 31 st March | | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| 1 Cash & Bank Balances | 694 | 459 | 740 | 429 | 569 | 505 | 594 | 431 | 308 |
| 2 Loans & Advances | 1183 | 1180 | 1121 | 1064 | 954 | 1026 | 851 | 714 | 620 |
| 3 Sundry Debtors | 5003 | 4810 | 5805 | 4933 | 3604 | 3302 | 2327 | 2134 | 2033 |
| 4 Liquid Assets (1 to 3) | 6880 | 6449 | 7666 | 6426 | 5127 | 4833 | 3772 | 3279 | 2961 |
| 5 Inventories | 3759 | 3243 | 3042 | 3111 | 2386 | 2037 | 1572 | 1312 | 1585 |
| 6 Current Assets (4+5) | 10639 | 9692 | 10708 | 9537 | 7512 | 6870 | 5344 | 4591 | 4546 |
| 7 Provisions | 978 | 925 | 1146 | 476 | 281 | 238 | 183 | 161 | 134 |
| 8 Sundry Creditors & Acceptances | 5741 | 4221 | 4884 | 4258 | 3479 | 2570 | 2346 | 2857 | 3102 |
| 9 Other current liabilities | 873 | 914 | 1040 | 965 | 619 | 726 | 737 | 875 | 1687 |
| 10 Current Liabilities (7 to 9) | 7592 | 6060 | 7070 | 5699 | 4379 | 3534 | 3266 | 3893 | 4923 |
| 11 Working Capital (6-10) | 3047 | 3632 | 3638 | 3838 | 3134 | 3336 | 2078 | 698 | (377) |
| 12 Net Fixed Assets | 5787 | 6316 | 5482 | 6110 | 6209 | 5869 | 6274 | 6823 | 7795 |
| 13 Investments | - | - | - | - | - | - | 86 | 79 | 101 |
| 14 Deferred Tax Assets/(liabilities)-net | (146) | (226) | (349) | (159) | - | - | - | - | 5 |
| 15 Capital employed (11 to 14) | 8688 | 9722 | 8771 | 9789 | 9243 | 9205 | 8438 | 7600 | 7524 |
| 16 Long Term Loans | 2565 | 3400 | 3418 | 4453 | 5468 | 5838 | 5822 | 5365 | 4323 |
| 17 Deferred Payment credits/ Finance Lease Obligations | 509 | 654 | 195 | 140 | 62 | 25 | 9 | 13 | 16 |
| 18 Long Term Debts (16 to 17) | 3074 | 4054 | 3613 | 4593 | 5529 | 5863 | 5831 | 5378 | 4339 |
| 19 Bank Overdraft | 1070 | 1629 | 1449 | 2087 | 2200 | 2132 | 1845 | 1589 | 1666 |
| 20 Fixed Deposits | - | - | - | - | - | - | - | - | 6 |
| 21 Total Debts (18 to 20) | 4144 | 5683 | 5062 | 6680 | 7729 | 7995 | 7676 | 6967 | 6011 |
| 22 Net Assets (15-21) | 4544 | 4039 | 3709 | 3109 | 1614 | 1210 | 762 | 633 | 1513 |
| 23 Share Capital | 990 | 990 | 990 | 990 | 960 | 960 | 960 | 751 | 751 |
| 24 Reserves (excluding Revaluation Reserve) | 3560 | 3080 | 2791 | 2235 | 815 | 763 | 847 | 847 | 989 |
| 25 Debit Balance in P/L A/C | - | - | - | - | - | 346 | 866 | 720 | - |
| 26 Deferred Revenue Expenditure | 6 | 31 | 72 | 116 | 161 | 167 | 180 | 245 | 227 |
| 27 Net worth (23+24-25-26) | 4544 | 4039 | 3709 | 3109 | 1614 | 1210 | 1121 | 633 | 1513 |
| 28 Gross Fixed Assets(including revaluation) | 19724 | 19753 | 17910 | 17656 | 16495 | 15797 | 15428 | 15252 | 15364 |
| 29 Total Liabilities (10+21) | 11736 | 11743 | 12132 | 12379 | 12108 | 11529 | 10942 | 10860 | 10934 |

SUMMARISED PROFIT & LOSS ACCOUNT

(Rupees in lacs)

| For the period ended 31 st March | | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| 1 Sales & Other Income | 26850 | 26745 | 27300 | 23243 | 19116 | 17160 | 11976 | 11434 | 8659 |
| 2 Raw Materials and Components (incl.Excise Duty & processing Charges) | 14394 | 14438 | 14176 | 11218 | 9400 | 8085 | 5037 | 5268 | 4277 |
| 3 Contribution (Value Added) | 12456 | 12307 | 13124 | 12025 | 9715 | 9076 | 6939 | 6166 | 4382 |
| 4 Personnel | 3985 | 4128 | 3914 | 3442 | 2936 | 2712 | 2261 | 2149 | 1794 |
| 5 Stores, Tools, Power & Fuel, Rep & Maint | 4333 | 4522 | 4607 | 4276 | 3452 | 2961 | 2013 | 1879 | 1604 |
| 6 Lease Rent | - | - | - | - | 11 | 21 | 82 | 166 | 171 |
| 7 Other expenses | 1363 | 1350 | 1355 | 1160 | 930 | 905 | 727 | 836 | 871 |
| 8 Profit before Interest & Depreciation | 2775 | 2307 | 3248 | 3147 | 2386 | 2477 | 1856 | 1136 | (58) |
| 9 Interest and other Bank charges | 857 | 774 | 815 | 966 | 970 | 1122 | 1117 | 1080 | 972 |
| 10 Profit after interest & before depreciation | 1918 | 1533 | 2433 | 2181 | 1416 | 1355 | 739 | 56 | (1030) |
| 11 Depreciation | 955 | 983 | 959 | 1009 | 929 | 919 | 885 | 913 | 835 |
| 12 Profit/(Loss) before Taxes | 963 | 550 | 1474 | 1172 | 487 | 436 | (146) | (857) | (1865) |
| 13 Deferred Tax (Charge)/ credit | (80) | (123) | 258 | 158 | - | - | - | (5) | 457 |
| 14 Taxes on Income | 425 | 340 | 230 | 130 | 33 | - | - | - | 37 |
| 15 Less: MAT set off availed | - | (106) | (53) | - | - | - | - | - | - |
| 16 Fringe Benefit Tax(FBT) | - | 35 | 31 | 24 | 56 | - | - | - | - |
| 17 FBT excess provision previous year w/back | - | - | - | (19) | - | - | - | - | - |
| 18 Adjustment for Excess/(Short) provision for earlier years | 4 | - | - | - | - | - | - | - | - |
| 19 Profit/ (Loss) after Taxes | 614 | 404 | 1008 | 879 | 398 | 436 | (146) | (862) | (1371) |

BHARAT GEARS LIMITED
BALANCE SHEET AS AT 31ST MARCH , 2010

| | Schedule | As at 31 st March, 2010 (Rs. lacs) | As at 31 st March, 2009 (Rs. lacs) |
|--|----------|---|---|
| I. Sources of funds : | | | |
| (1) SHAREHOLDERS' FUNDS | | | |
| Share capital | 1 | 990.28 | 990.28 |
| Reserves and surplus | 2 | 4226.82 | 3760.56 |
| | | 5217.10 | 4750.84 |
| (2) LOAN FUNDS | | | |
| Secured loans | 3 | 3634.46 | 5029.44 |
| Finance lease obligations | | 508.58 | 654.40 |
| | | 4143.04 | 5683.84 |
| (3) DEFERRED TAX LIABILITIES (NET) (Note 20 of Schedule 18) | | | |
| | | 145.53 | 225.53 |
| | Total | 9505.67 | 10660.21 |
| II. Application of funds : | | | |
| (1) FIXED ASSETS | | | |
| Gross block | 4 | 19723.73 | 19753.24 |
| Less : Depreciation / Amortisation | | 13472.83 | 12924.78 |
| Net block | | 6250.90 | 6828.46 |
| Capital work in progress | | 190.18 | 146.43 |
| Advances on capital account | | 12.47 | 21.79 |
| | | 6453.55 | 6996.68 |
| (2) CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Inventories | 5 | 3758.51 | 3243.05 |
| Sundry debtors | 6 | 5003.03 | 4809.82 |
| Cash and bank balances | 7 | 693.54 | 459.39 |
| Other current assets | 8 | 138.44 | 123.18 |
| Loans and advances | 9 | 1044.61 | 1057.07 |
| | | 10638.13 | 9692.51 |
| Less :CURRENT LIABILITIES AND PROVISIONS | | | |
| Current liabilities | 10 | 6613.81 | 5135.00 |
| Provisions | 11 | 977.86 | 924.58 |
| | | 7591.67 | 6059.58 |
| Net current assets | | 3046.46 | 3632.93 |
| (3) MISCELLANEOUS EXPENDITURE | | | |
| (To the extent not written off or adjusted) | | 5.66 | 30.60 |
| (Note 15 of Schedule 18) | | | |
| | Total | 9505.67 | 10660.21 |
| NOTES TO THE ACCOUNTS | 18 | | |

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Joint Managing Director

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

U.M.NEOGI
Partner

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Chief Financial Officer

Place : Mumbai
Date : May 27, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

| | Schedule | Year Ended 31 st March, 2010 (Rs. lacs) | Year Ended 31 st March, 2009 (Rs. lacs) |
|---|----------|--|--|
| Sales including processing charges (gross) | | 26363.90 | 26053.17 |
| Less : Excise duty | | 1739.93 | 2215.49 |
| Sales including processing charges (net) | | 24623.97 | 23837.68 |
| Other income | 12 | 486.26 | 692.14 |
| TOTAL INCOME | | 25110.23 | 24529.82 |
| EXPENDITURE | | | |
| Cost of materials | 13 | 12054.37 | 11265.61 |
| Payments to and provisions for employees | 14 | 3984.56 | 4127.77 |
| Other expenses | 15 | 6296.55 | 6829.27 |
| Interest and other financing charges | 16 | 856.54 | 773.82 |
| Depreciation / Amortisation | 17 | 955.31 | 983.06 |
| PROFIT BEFORE TAX | | 962.90 | 550.29 |
| Provision for tax | | | |
| - Current tax | | 425.00 | 339.62 |
| - Less : MAT set off availed | | - | (105.62) |
| - Deferred tax (net) | | (80.00) | (123.00) |
| - Fringe benefit tax (FBT) | | - | 35.00 |
| - Adjustment for Excess/(Short) provision for earlier years | | 3.74 | - |
| | | 348.74 | 146.00 |
| PROFIT AFTER TAX | | 614.16 | 404.29 |
| Add:Balance brought forward from the previous year | | 454.23 | 215.80 |
| PROFIT AVAILABLE FOR APPROPRIATION | | 1068.39 | 620.09 |
| APPROPRIATIONS | | | |
| Proposed dividends | | | |
| - Preference | | 20.85 | 20.85 |
| - Equity | | 93.81 | 78.18 |
| Tax on distributed profits | | 19.04 | 16.83 |
| Transferred to general reserve | | 50.00 | 50.00 |
| Balance carried to balance sheet | | 884.69 | 454.23 |
| | | 1068.39 | 620.09 |
| Basic and diluted earnings per share (in Rs.) | | 7.54 | 4.86 |
| Face value of equity share | | 10.00 | 10.00 |
| (Note 19 of Schedule 18) | | | |
| NOTES TO THE ACCOUNTS | 18 | | |

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Joint Managing Director

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

U.M.NEOGI
Partner

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Chief Financial Officer

Place : Mumbai
Date : May 27, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| | For the Year Ended 31 st March, 2010 (Rs. Lacs) | For the Year Ended 31 st March, 2009 (Rs. Lacs) |
|--|---|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | |
| Net profit before tax | 962.90 | 550.29 |
| Adjustments for : | | |
| - Depreciation / Amortisation | 955.31 | 983.06 |
| - Unrealised exchange loss / (gain) (net) | (52.89) | 109.53 |
| - Profit on sale of fixed assets(net) | (34.27) | (13.57) |
| - Interest income | (30.26) | (32.60) |
| - Interest and bill discounting charges | 602.60 | 686.19 |
| Operating profit before working capital changes | 2403.39 | 2282.90 |
| Adjustments for : | | |
| - Inventories | (515.46) | (201.24) |
| - Trade and other receivables | (147.33) | 688.30 |
| - Trade and other payables/Provisions | 1435.26 | (719.21) |
| - Miscellaneous expenditure | 24.94 | 41.07 |
| Cash generated from operations | 3200.80 | 2091.82 |
| - Income taxes including Fringe Benefit Tax paid (net of refunds) | (530.03) | (385.97) |
| Net cash from operating activities | 2670.77 | 1705.85 |
| B. CASH FLOW FROM INVESTING ACTIVITIES : | | |
| Purchase of fixed assets | (446.15) | (1270.22) |
| Sale of fixed assets | 71.95 | 330.46 |
| Interest received (inclusive of tax deducted at source Rs. 3.20 lacs; (previous year: Rs 5.88 lacs)) | 30.75 | 30.70 |
| Fixed Deposits with bank not readily convertible in cash (Net) | (7.54) | (11.31) |
| Net cash used in investing activities | (350.99) | (920.37) |
| C. CASH FLOW FROM FINANCING ACTIVITIES : | | |
| Proceeds from long term borrowings | 185.19 | 1,516.55 |
| Repayment of long term borrowings | (949.25) | (1723.16) |
| Equity dividend paid (including tax on distributed profits (Rs.13.29 lacs; (previous year : Rs. 13.29 lacs)) | (89.57) | (89.63) |
| Preference dividend paid { including tax on distributed profits (Rs.3.54 lacs; (previous year : Rs 32.90 lacs)) | (24.39) | (226.50) |
| Increase / (Decrease) in cash credits and packing credits | (559.60) | 208.00 |
| Payments to Investor Education and Protection Fund | - | (0.02) |
| Lease rent paid | (145.82) | (98.21) |
| Interest and bill discounting charges paid | (509.73) | (664.22) |
| Net cash used in financing activities | (2093.17) | (1077.19) |
| Net increase / (decrease) in cash & cash equivalents (A+B+C) | 226.61 | (291.71) |
| Cash & cash equivalents at the beginning of the year. | 343.20 | 634.91 |
| Cash and cash equivalents at the end of the year.(see note 2) | 569.81 | 343.20 |
| | 226.61 | (291.71) |

Notes :

1. The cash flow is based on and derived from the accounts of the company for the year ended 31st March, 2010 and 31st March, 2009.

2. Cash and cash equivalents comprise of :

| | | |
|---------------------------|--------|--------|
| Cash on hand | 6.51 | 5.38 |
| Cheques on hand | 66.35 | 13.06 |
| With scheduled banks : | | |
| On current accounts | 199.23 | 144.20 |
| On margin accounts | 297.72 | 180.56 |
| On fixed deposit accounts | 123.73 | 116.19 |
| | 693.54 | 459.39 |

Less : Fixed deposits with bank not readily convertible in cash

| | | |
|--|--------|--------|
| | 123.73 | 116.19 |
|--|--------|--------|

Cash and cash equivalents at the end of the year

| | | |
|--|--------|--------|
| | 569.81 | 343.20 |
|--|--------|--------|

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

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Joint Managing Director

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

U.M.NEOGI
Partner

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Chief Financial Officer

Place : Mumbai

Date : May 27, 2010

SCHEDULES FORMING PART OF THE BALANCE SHEET

| (1) SHARE CAPITAL | | As at 31st March, 2010 (Rs. lacs) | As at 31st March, 2009 (Rs. lacs) |
|------------------------------|---|---|---|
| Authorised | | | |
| 1,00,00,000 | Equity shares of Rs.10 each | 1000.00 | 1000.00 |
| 15,00,000 | Cumulative redeemable convertible or non-convertible preference shares of Rs.100 each | 1500.00 | 1500.00 |
| | | 2500.00 | 2500.00 |
| Issued and Subscribed | | | |
| 78,17,833 | Equity shares of Rs.10 each fully paid up [Of the above 28,750 equity shares have been issued pursuant to the scheme of amalgamation of the erstwhile Universal Steel & Alloys Limited (USAL) with the company, for consideration other than cash] | 781.78 | 781.78 |
| 2,08,500 | 10% Cumulative redeemable non - convertible preference shares of Rs.100 each, fully paid up [Issued pursuant to a Corporate Debt Restructuring scheme for consideration other than cash] (Refer note below) | 208.50 | 208.50 |
| | | 990.28 | 990.28 |

Note :

Series VI, VII & VIII aggregating Rs.208.50 lacs were allotted on 29th September, 2003 in respect of the present value of 50% of the differential interest on account of reduction in interest rate on the term loans as per the Corporate Debt Restructuring scheme and are redeemable at par in two equal annual installments on 31st March, 2011 and 31st March, 2012.

(2) RESERVES AND SURPLUS

| | | |
|--|----------------|---------|
| Capital redemption reserve Per last balance sheet | 380.00 | 380.00 |
| Securities premium account Per last balance sheet | 924.60 | 924.60 |
| | 924.60 | 924.60 |
| Revaluation reserve Per last balance sheet | 680.93 | 695.13 |
| Less : Transferred to profit and loss account, being depreciation on amount added on revaluation of fixed assets (Schedule 17) | 14.20 | 14.20 |
| | 666.73 | 680.93 |
| General reserve Per last balance sheet | 1320.80 | 1270.80 |
| Add : Transferred from profit & loss account | 50.00 | 50.00 |
| | 1370.80 | 1320.80 |
| Balance in the profit and loss account | 884.69 | 454.23 |
| | 4226.82 | 3760.56 |

SCHEDULES FORMING PART OF THE BALANCE SHEET

| (3) SECURED LOANS | As at 31 st March, 2010 (Rs. lacs) | As at 31 st March, 2009 (Rs. lacs) |
|---|---|---|
| From Banks : | | |
| Cash credits and packing credits (note 1 below) | 1069.88 | 1629.48 |
| Rupee loan from The Federal Bank Limited (notes 2, 8 & 9 below) | 116.83 | 160.85 |
| Rupee loan from The Federal Bank Limited (notes 2 & 9 below) | 23.39 | 32.20 |
| Rupee loan from State Bank of India (notes 2 & 9 below) | 41.08 | 61.68 |
| Rupee loan from State Bank of India (note 6 below) | 100.97 | 161.70 |
| Rupee loan from Indian Overseas Bank (notes 2 & 9 below) | 24.53 | 33.77 |
| Rupee loan from The Federal Bank Limited (note 3 below) | 300.59 | 413.92 |
| Rupee loan from Bank of Baroda (notes 2 & 9 below) | 36.00 | 49.95 |
| Rupee loan from IDBI Bank Ltd (note 3 below) | 474.25 | 694.44 |
| Rupee loan from IDBI Bank Ltd (note 7 below) | 709.32 | 663.33 |
| Rupee loan from IDBI Bank Ltd (note 5 below) | 168.00 | 246.00 |
| Rupee loan from IDBI Bank Ltd (notes 2&9 below) | 136.85 | 200.39 |
| Vehicle loans from ICICI Bank Ltd. (note 4 below) | 3.43 | 13.74 |
| | 3205.12 | 4361.45 |
| From Others : | | |
| Foreign Currency loan from Export-Import Bank of India (note 3 below) | 354.01 | 550.79 |
| Foreign Currency loan from Export-Import Bank of India (notes 2 & 9 below) | 75.33 | 117.20 |
| | 429.34 | 667.99 |
| | 3634.46 | 5029.44 |

Notes :

- Cash credits and packing credits from banks are secured by hypothecation of stocks of raw materials, stock in process, semi finished and finished goods, loose tools, general stores and book debts and all other moveables both present and future and by joint mortgage created for all immovable properties of the Company located at Mumbra and Faridabad together with all buildings, plant & machinery thereon which rank second subject and subservient to charges created in favour of loans referred to in notes 2, 3, 5, 6 and 7.
- Rupee loans from The Federal Bank Limited, State Bank of India, Indian Overseas Bank, Bank of Baroda, IDBI Bank Limited and Foreign currency loan from Export Import Bank of India are secured by first mortgage and charge created on the immovable and moveable assets at Mumbra plant, on pari passu basis with loans referred to in note 5 and 7.
- Rupee loans from The Federal Bank Limited, IDBI Bank Limited and Foreign currency loan from Export Import Bank of India are secured by way of joint mortgage of land at Faridabad plant together with all buildings and structures thereon and all plant and machinery attached to the earth and by way of hypothecation of all moveable fixed assets at Faridabad plant ranking pari passu with each other and with loan referred to in note 7.
- Secured against the hypothecation of respective vehicles.
- Rupee loan from IDBI Bank Limited is secured by mortgage of immovable properties and hypothecation of moveable fixed assets located at Mumbra plant, both present and future, which ranks pari passu with charges created in respect of loans referred to in note 2 & 7.
- Rupee loan from State Bank of India is secured by a first charge by way of hypothecation of specific plant and machinery purchased out of the loan.
- Rupee loan from IDBI Bank Limited is secured by an exclusive first charge by way of Hypothecation of specific plant and machinery, spares, tools and accessories and all other specific movables, both present and future, purchased and/or to be purchased out of the loan and hypothecation of movable (save & except book debts) including movable plant and machinery, spares, tools and accessories, both present and future subject to prior charges created in respect of loans referred to in note 1 and 6 above. Also by mortgage of Company's immovable properties located at Mumbra plant and Faridabad plant together with all buildings and structures and plant and machinery thereon on pari passu basis with loans referred to in note 2, 3 and 5.
- Rupee loan from The Federal Bank Limited is also secured by mortgage of Company's office premises at Nariman Point, Mumbai.
- Rupee loans referred to in note 2 are also guaranteed by a Director of the Company aggregating Rs.454.01 lacs (previous year: Rs.656.04 lacs) (from banks: Rs.378.68 lacs; (previous year: Rs.538.84 lacs) from others: Rs.75.33 lacs; (previous year: Rs.117.20 lacs)).

SCHEDULES FORMING PART OF THE BALANCE SHEET

(4) FIXED ASSETS

(Rs.in lacs)

| Assets | Gross Block | | | | Depreciation/Amortisation | | | | Net Block | |
|---|---------------------|-----------|------------|---------------------|---------------------------|-----------------|---------------|--------------------|---------------------|---------------------|
| | As at 31.03.2009 | Additions | Deductions | As at 31.03.2010 | Upto 31.03.2009 | For the year | On Deductions | Upto 31.03.2010 | As at 31.03.2010 | As at 31.03.2009 |
| 1. Tangible Assets: | | | | | | | | | | |
| Land - Freehold | 139.43 | - | - | (*) 139.43 | - | - | - | - | 139.43 | 139.43 |
| Land - Leasehold | 581.40 | - | - | (*) 581.40 | 86.02 | 7.82 | - | 93.84 | 487.56 | 495.38 |
| Buildings and roads | 1720.14 | 28.12 | 13.37 | (*) 1734.89 | 767.89 | 48.42 | 7.02 | 809.29 | 925.60 | 952.25 |
| | | | | (**) | | | | | | |
| Leasehold improvements | 1.77 | - | - | 1.77 | 1.68 | - | - | 1.68 | 0.09 | 0.09 |
| Plant and machinery | 14966.65 | 291.64 | 375.42 | 14882.88 | 10979.28 | 717.27 | 353.31 | 11343.24 | 3539.64 | 3987.37 |
| | | | | (@) | | | | | (@) | |
| Electrical installations | 342.95 | 6.33 | - | 349.28 | 179.86 | 12.96 | - | 192.82 | 156.46 | 163.09 |
| Water supply installations | 75.06 | - | - | 75.06 | 38.11 | 3.19 | - | 41.30 | 33.76 | 36.95 |
| Furniture and fixtures | 174.85 | 35.73 | 8.11 | 202.47 | 143.43 | 6.74 | 7.76 | 142.41 | 60.06 | 31.42 |
| Computers, office and miscellaneous equipment | 647.52 | 21.53 | 28.87 | 640.18 | 532.48 | 28.33 | 26.43 | 534.38 | 105.80 | 115.04 |
| Vehicles | 42.44 | - | 20.73 | 21.71 | 27.22 | 2.69 | 14.30 | 15.61 | 6.10 | 15.22 |
| Assets acquired under finance lease | | | | | | | | | | |
| Plant and machinery | 911.13 | 20.73 | - | 931.86 | 89.79 | 108.25 | - | 198.04 | 733.82 | 821.34 |
| Vehicles | 18.10 | - | 12.64 | 5.46 | 12.85 | 3.88 | 12.64 | 4.09 | 1.37 | 5.25 |
| 2. Intangible Assets: | | | | | | | | | | |
| Computer Software - acquired | 131.80 | 25.54 | - | 157.34 | 66.17 | 29.96 | - | 96.13 | 61.21 | 65.63 |
| | 19753.24 | 429.62 | 459.14 | 19723.73 | 12924.78 | 969.51 | 421.46 | 13472.83 | 6250.90 | - |
| As at 31st March 2009 | 17909.50 | 2013.16 | 169.42 | 19753.24 | 12080.05 | 997.26 | 152.53 | 12924.78 | | 6828.46 |
| Capital work-in-progress | | | | | | | | | 190.18 | 146.43 |
| Advances on capital account | | | | | | | | | 12.47 | 21.79 |
| | | | | | | | | | 202.65 | 168.22 |
| | | | | | | | | | 6453.55 | 6996.68 |

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

| | on 31.7.84 | (#) on 30.04.85 | (#) on 25.11.97 | Total |
|------------------------|-------------------------|--------------------|--|--------|
| Land | 117.48 | 92.99 | 488.41 | 698.88 |
| Buildings & roads | 147.25 | 93.20 | 51.13 | 291.58 |
| | 264.73 | 186.19 | 539.54 | 990.46 |
| Basis of revaluation : | Current cost accounting | Not Available | Replacement cost/Current cost Accounting | |

(#) Relating to the erstwhile USAL

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

(@) Includes assets held for disposal - Gross Block as at March 31, 2010 Rs. Nil (previous Year Rs. 50.03 lacs); Net Block as at March 31, 2010 Rs. Nil (previous Year Rs. 2.51 lacs)

| | As at 31 st March, 2010 (Rs. lacs) | As at 31 st March, 2009 (Rs. lacs) |
|------------------------------|---|---|
| (5) INVENTORIES | | |
| Stores and spare parts | 375.37 | 364.48 |
| Loose tools | 703.25 | 649.09 |
| Stock-in-trade | | |
| Raw materials and components | 839.74 | 537.88 |
| Finished goods | 770.96 | 886.10 |
| Work in progress | 1067.25 | 803.15 |
| Scrap | 1.94 | 2.35 |
| | 3758.51 | 3243.05 |

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | As at 31 st March, 2010 (Rs. lacs) | As at 31 st March, 2009 (Rs. lacs) |
|--|---|---|
| (6) SUNDRY DEBTORS (UNSECURED & CONSIDERED GOOD UNLESS OTHERWISE STATED) | | |
| Debts outstanding for a period exceeding six months | | |
| Doubtful | 8.18 | 25.12 |
| others | <u>106.83</u> | <u>237.40</u> |
| | 115.01 | 262.52 |
| Other debts | 4896.20 | 4572.42 |
| | <u>5011.21</u> | <u>4834.94</u> |
| Less : Provision for doubtful debts | 8.18 | 25.12 |
| | <u><u>5003.03</u></u> | <u><u>4809.82</u></u> |
| (7) CASH AND BANK BALANCES | | |
| Cash on hand | 6.51 | 5.38 |
| Cheques on hand | 66.35 | 13.06 |
| With scheduled banks : | | |
| On current accounts [includes Rs. 0.06 lac (previous year : Rs. 0.06 lac) being unclaimed rights issue application money refundable to shareholders] | 199.23 | 144.20 |
| On margin accounts | 297.72 | 180.56 |
| On fixed deposit accounts | 123.73 | 116.19 |
| [Deposits receipts are held by IDBI Bank Limited towards redemption of preference shares]. | | |
| | <u>693.54</u> | <u>459.39</u> |
| (8) OTHER CURRENT ASSETS | | |
| Interest receivable on term deposits with banks etc. | 4.75 | 5.24 |
| Export incentive receivable | 133.69 | 117.94 |
| | <u>138.44</u> | <u>123.18</u> |
| (9) LOANS AND ADVANCES | | |
| UNSECURED AND CONSIDERED GOOD : | | |
| Advances recoverable in cash or in kind or for value to be received | 551.03 | 696.65 |
| Security deposits | 123.39 | 111.49 |
| Balances with excise authorities etc. | 155.15 | 141.14 |
| Income-tax payments less provisions | 200.83 | 72.45 |
| Fringe benefit tax payments less provisions | 14.21 | 35.34 |
| | <u>1044.61</u> | <u>1057.07</u> |
| (10) CURRENT LIABILITIES | | |
| Acceptances | 1920.49 | 935.12 |
| Sundry Creditors | | |
| (i) Total outstanding dues of Micro, Small and Medium Enterprises (Refer note 13 of Schedule 18) | 34.94 | 90.14 |
| (ii) Total outstanding dues of sundry creditors other than (i) above | 3785.50 | 3195.64 |
| Customers advances and credit balances | 746.58 | 782.86 |
| Security deposits | 13.54 | 4.58 |
| Investor Education and Protection Fund * | | |
| (a) Unpaid dividends | 3.74 | 1.84 |
| (b) Unpaid rights issue share application money | <u>0.06</u> | <u>0.06</u> |
| | 3.80 | 1.90 |
| Other current liabilities | 104.11 | 115.48 |
| Interest accrued but not due on loans | 4.85 | 9.28 |
| | <u><u>6613.81</u></u> | <u><u>5135.00</u></u> |

* The figures reflect the position as at the year end. The actual amount to be transferred to the Investor Education and Protection Fund in this respect shall be determined on the due date.

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | As at 31 st March, 2010 (Rs. lacs) | As at 31 st March, 2009 (Rs. lacs) |
|---------------------------------------|---|---|
| (11) PROVISIONS | | |
| For proposed dividends | 114.66 | 99.03 |
| Tax on distributed profit | 19.04 | 16.83 |
| Provision for income tax less payment | 11.44 | 5.48 |
| Provision for Compensated Absences | 482.82 | 498.78 |
| Provision for Gratuity | 306.56 | 253.15 |
| Provision for Other Employee Benefits | 42.53 | 48.25 |
| Provision for Warranty | 0.81 | 3.06 |
| | 977.86 | 924.58 |

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

| | Year Ended 31 st March, 2010 (Rs. lacs) | Year Ended 31 st March, 2009 (Rs. lacs) |
|--|--|--|
| (12) OTHER INCOME | | |
| Export incentives | 134.49 | 147.54 |
| Interest | 30.26 | 32.60 |
| -on security deposits, deposits with banks, income tax refunds etc. (Tax deducted at source on interest received: Rs. 3.20 lacs; previous year : Rs. 5.88 lacs) | | |
| Income from scrap (net of excise duty: Rs. 19.70 lacs; previous year : Rs. 25.72 lacs) | 233.14 | 309.82 |
| Rent | 1.80 | 1.80 |
| Credit balances no longer payable written back | 28.50 | 2.73 |
| Profit on sale of fixed assets | 44.40 | 14.58 |
| Exchange gain (net) | - | 105.78 |
| Miscellaneous income | 13.67 | 77.29 |
| | 486.26 | 692.14 |

| | | |
|--|-----------------|-----------------|
| (13) COST OF MATERIALS | | |
| Raw materials and components consumed | 12203.33 | 11532.97 |
| Increase in stock of Finished Goods and Work in progress | | |
| Opening stock : | | |
| Finished goods | 886.10 | 386.85 |
| Work in progress | 803.15 | 1035.04 |
| | 1689.25 | 1421.89 |
| Less: Closing Stock | | |
| Finished goods | 770.96 | 886.10 |
| Work in progress | 1067.25 | 803.15 |
| | 1838.21 | 1689.25 |
| | (148.96) | (267.36) |
| | 12054.37 | 11265.61 |

| | | |
|--|----------------|----------------|
| (14) PAYMENTS TO AND PROVISIONS FOR EMPLOYEES | | |
| Salaries, wages and bonus (Refer Note 26 of Schedule 18) | 3190.16 | 3335.60 |
| Contribution to provident, superannuation, gratuity and other funds | 380.66 | 390.10 |
| Employees' welfare expenses | 413.74 | 402.07 |
| | 3984.56 | 4127.77 |

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

| | Year Ended 31 st March, 2010 (Rs. lacs) | Year Ended 31 st March, 2009 (Rs. lacs) |
|---|--|--|
| (15) OTHER EXPENSES | | |
| Stores,spares & packing materials consumed | 1245.16 | 1270.68 |
| Loose tools consumed | 658.54 | 732.74 |
| Processing charges | 599.90 | 957.15 |
| Power and fuel | 1960.27 | 2042.92 |
| Repairs and maintenance -machinery | 130.13 | 130.53 |
| -buildings | 51.93 | 82.45 |
| -others | 287.39 | 262.94 |
| Travelling, conveyance and car expenses | 262.61 | 284.84 |
| Insurance | 46.11 | 41.95 |
| Rent | 130.37 | 72.54 |
| Rates and taxes | 37.69 | 45.33 |
| Freight , forwarding and other charges | 249.42 | 231.72 |
| Commission to selling agents | 21.93 | 53.27 |
| Excise duty (Refer Note 24 of Schedule 18) | -5.76 | 47.69 |
| Exchange loss (net) | 24.03 | - |
| Miscellaneous expenses (Includes loss on sale / write off of fixed assets Rs.10.13 lacs; previous year : Rs.1.01 lacs) | 596.83 | 572.52 |
| | 6296.55 | 6829.27 |
| (16) INTEREST AND OTHER FINANCING CHARGES | | |
| Interest on fixed period loans | 390.08 | 457.02 |
| Other interest and bill discounting charges | 212.52 | 229.17 |
| Bank and other financing charges (Refer Note 2 of Schedule 18) | 253.94 | 87.63 |
| | 856.54 | 773.82 |
| (17) DEPRECIATION | | |
| For the year | 969.51 | 997.26 |
| Less : Transferred from revaluation reserve, being depreciation on amount added on revaluation of fixed assets (Schedule 2) | 14.20 | 14.20 |
| | 955.31 | 983.06 |

SCHEDULES FORMING PART OF THE ACCOUNTS

(18) NOTES TO THE ACCOUNTS :

1. SIGNIFICANT ACCOUNTING POLICIES.

i) Basis of Accounting:

The financial statements are prepared on accrual basis under the historical cost convention, except for the revalued fixed assets as stated in Schedule 4 - 'Fixed Assets', and in accordance with the accounting standards specified in the Companies (Accounting Standards) Rules, 2006 notified by the Central Government in terms of Section 211(3C) of the Companies Act, 1956.

ii) Fixed assets and depreciation:

Fixed assets are stated at cost of acquisition or construction or at revalued amounts less accumulated depreciation. Cost comprises of purchase / acquisition price, import duties, taxes and any directly attributed cost of bringing the asset to its working condition for its intended use. Financing cost on borrowings for acquisition or construction of fixed assets, for the period up to the date of acquisition of fixed assets or when the assets are ready to be put to use / the date of commencement of commercial production, is included in the cost of fixed assets.

Assessment of indication of impairment of an asset is made at the year-end and impairment loss, if any, is recognized.

Depreciation is provided on the basis stated hereunder:

(a) Tangible assets

The Company provides for depreciation on tangible fixed assets to write off 95% of the cost either on written down value (WDV) method or straight line method (SLM) in the manner and at the rates prescribed in Schedule XIV to the Companies Act, 1956 except for Factory Buildings and roads acquired prior to 1.8.86 on which depreciation is provided on SLM method at the rate of 1.61% / 3.28%

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

Leasehold land is amortised over the remaining period of lease.

(b) Intangible assets

Intangible assets (i.e. computer software) are amortised on written down value basis at the rate of 40%.

iii) Inventories:

Inventories are valued at the lower of cost and net realisable value, except for scrap which is valued at net realisable value.

Cost comprises of material cost and expenditure incurred in normal course of business in bringing inventories to its location and includes, where applicable, appropriate overheads.

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

iv) Contracts for furnace construction:

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

v) Foreign Currency Transactions:

Foreign currency transactions during the year are recorded at the rate of exchange prevailing at the date of transaction. All foreign currency monetary items outstanding at the year end are translated at year end exchange rates. All foreign exchange gains or losses are accounted for in the Profit and Loss account. In case of forward exchange contracts premium or discounts are amortised as expense or income over the life of the contract. Exchange difference on such forward exchange contracts are recognised in the Profit and Loss Account in the year in which the exchange rate changes. Profit or Loss arising on cancellation or renewal of such forward exchange contracts are recognised as income or as expenses for the year.

vi) Revenue recognition:

Sales/ Processing charges are accounted on the basis of actual dispatches to the customers. Sales are net of sales tax / value added tax and trade discounts.

Revenue from contracts for construction of furnaces 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.

Net income, if any, from development of tools is recognised as income as and when the tools are sold in terms of respective contracts/ supply under the contract is completed/ on the expiry of commercially useful life of tools/ on expiry of five years from completion of development, whichever is earliest.

Interest Income is recognised on time proportion basis.

vii) Amortisation of Miscellaneous Expenditure:

Payments made to employees who have left under Voluntary Retirement Scheme / Early Retirement Scheme on or before March 31, 2006, are amortised over a period of 5 years from the year in which the liability accrued. Payments made to employees who left on or after April 01, 2006 under Voluntary Retirement Scheme are charged off in the year in which the liability accrues.

Share issue expenses are amortised over a period of 5 years from the year in which the shares are issued.

viii) Employee Benefits:

a) Defined Contribution Plan:

The Company's contributions to the Provident Fund and Superannuation Fund are charged to the Profit and Loss Account.

b) Defined Benefit Plan / Long Term Compensated Absences:

The Company's liability towards gratuity (Funded), terminal Ex-gratia (Unfunded) and compensated absences is determined on the basis of the year end actuarial valuation done by an independent actuary. The actuarial gains and losses determined by the actuary are recognised immediately in the Profit and Loss Account as an income or expense.

ix) Taxation:

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

Deferred tax is calculated at current statutory income tax rate and is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are recognised on unabsorbed depreciation and carry forward of losses only to the extent that there are timing differences, the reversal of which will result in sufficient income or there is virtual certainty that sufficient taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date.

Minimum Alternative Tax (MAT) credit asset is recognized only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. The carrying amount of MAT credit asset is reviewed at each Balance Sheet date.

x) Contingencies/Provisions:

Provision is recognised when the Company has a present obligation 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 not discounted to its present value and are determined 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. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying the economic benefit is remote.

xi) Use of estimates:

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.

2. In accordance with the Company's proposal for exit from Corporate Debt Restructuring (CDR) scheme, which was approved subject to finalisation and payment of recompense amount to the six participating lenders, recompense amount of Rs. 2.02 lacs was paid to two participating lenders in the previous year. In respect of other participating lenders, recompense amount of Rs. 149.68 lacs has been paid /determined by the Company during the year which is included in Bank and other financing charges in Schedule 16 – 'Interest and Other Financing Charges'.
3. i) Managerial remuneration:

| | Year Ended 31st March, 2010 (Rs. in lacs) | Year Ended 31 st March, 2009 (Rs. in lacs) |
|---|---|---|
| (a) Chairman & Managing Director: | | |
| - Salary | 108.00 | 84.00 |
| - Contribution to provident and other Funds (*) | 29.16 | 22.68 |
| - Monetary value of perquisites (**) | 26.90 | 10.71 |
| | <u>164.06</u> | <u>117.39</u> |
| (b) Joint Managing Director (Executive Director up to 31 st May, 2008) | | |
| - Salary and allowances | 51.90 | 40.26 |
| - Contribution to provident and other Funds (*) | 11.75 | 9.41 |
| - Monetary value of perquisites (**) | 5.95 | 3.37 |
| | <u>69.60</u> | <u>53.04</u> |

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

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

ii) Directors sitting fees: **2.10** 2.00

4. Contingent liabilities:

- A. *In respect of claims against the Company not acknowledged as debt (Sales tax, ESIC) Rs.7.52 lacs; (previous year; Rs.8.58 lacs) against which the Company's appeals are pending with the relevant appellate authorities.
- B. *In respect of Income tax for assessment years 1994-95 mainly on account of disallowance of expenditure on reconditioning of machinery – Rs.50.41 lacs; (previous year: Rs.50.41 lacs) for which the Company's appeal against ITAT order is pending with the High Court.
- C. In respect of guarantee given to Housing Development Finance Corporation Limited for loans availed by employees Rs. Nil; (previous year: Rs. 0.31 lac)
* Future ultimate outflow of resources embodying economic benefits in respect of these matters is uncertain as it depends on financial outcome of judgments / decisions on the matters involved.
5. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 684.22 lacs (previous year: Rs 1009.75 lacs)

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

| | | Year Ended 31 st March, 2010 | | Year Ended 31 st March, 2009 |
|---------------------------------|------------------------|--|------------------------|--|
| | <u>Units</u> | <u>Installed</u> | | <u>Installed</u> |
| (i) <u>Manufactured Goods @</u> | | | | |
| Capacities: | | | | |
| Automotive gears | Nos. | 4466000 | | 4466000 |
| Industrial furnaces | Nos. | 20 | | 20 |
| Gear box | Nos. | 2500 | | 2500 |
| Production: | | | | |
| Automotive gears | Nos. | 3380696 | | 3240933 |
| Furnaces built | Nos. | 1 | | 3 |
| Gear boxes | Nos. | Nil | | Nil |
| | <u>Unit (Nos.)</u> | <u>(Rs. in lacs)</u> | <u>Unit (Nos.)</u> | <u>(Rs. in lacs)</u> |
| - Opening stock: | | | | |
| Automotive gears | 123091 | 799.27 | 87785 | 386.85 |
| Automotive components | | 86.83 | | Nil |
| Gear boxes | - | Nil | - | Nil |
| | | 886.10 | | 386.85 |
| - Sales: | | | | |
| Automotive gears # | 3392674 | 21373.09 | 3205403 | 20719.97 |
| Automotive components | | 2945.12 | | 2407.30 |
| Industrial furnaces (\$) | 1 | 50.58 | 3 | 51.70 |
| Gear boxes | - | Nil | - | Nil |
| Tooling Development | | 176.87 | | 335.95 |
| Others | | 78.31 | | 322.76 |
| | | 24623.97 | | 23837.68 |
| - Closing stock: | | | | |
| Automotive gears | *109772 | 662.03 | *123091 | 799.27 |
| Gear boxes | - | Nil | - | Nil |
| Automotive components | | 108.93 | | 86.83 |
| | | 770.96 | | 886.10 |

Includes processing charges Rs. 1412.24 lacs; 276283 nos. (previous year: Rs.1789.15 lacs; 333844 nos.)

\$ Quantity represents furnaces built during the year. Revenue from contracts is recognized as stated in note 1 (vi) above.

*Excludes 1341 nos.(previous year 224 nos.) scrapped during the year.

@ As per notification no. 477(E) dated July 25, 1991 issued by the Ministry of Industry, the Company's industrial undertakings are exempt from the licensing provisions of the Industries (Development and Regulation) Act, 1951. Accordingly, the requirement concerning disclosure of licensed capacity is not applicable.

(ii) Consumption of raw materials and components:

| | Unit | Qty. | Year Ended 31 st March, 2010 | Qty. | Year Ended 31 st March, 2009 |
|-----------------------|------|---------|--|---------|--|
| | | | Value (Rs. in lacs) | | Value (Rs. in lacs) |
| Forgings | Nos. | 3572725 | 9784.40 | 3184087 | 9335.48 |
| Automotive Components | | | 2362.49 | | 2057.58 |
| Others | | | 56.44 | | 139.91 |
| | | | 12203.33 | | 11532.97 |

Footnote to 6 (i) and 6 (ii) above :

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

| | Year Ended 31 st March, 2010 | | Year Ended 31 st March, 2009 | |
|-------------------------------------|--|-------------------------|--|-------------------------|
| | % | Value (Rs. in lacs) | % | Value (Rs. in lacs) |
| Imported: | | | | |
| - Raw materials and components | 1.99 | 243.33 | 0.44 | 50.98 |
| - Loose tools, stores & spare parts | 6.05 | 115.18 | 5.53 | 110.70 |
| Indigenous: | | | | |
| - Raw materials and components | 98.01 | 11960.00 | 99.56 | 11481.99 |
| - Loose tools, stores & spare parts | 93.95 | 1788.52 | 94.47 | 1892.72 |

8. CIF Value of imports:

| | Year Ended 31 st March, 2010 (Rs. in lacs) | Year Ended 31 st March, 2009 (Rs. in lacs) |
|---|--|--|
| - Raw materials and components | 221.91 | 47.09 |
| - Loose tools, stores & spare parts | 152.95 | 142.20 |
| - Capital goods * (includes Rs. 425.78 lacs of fixed assets imported by lessor under finance lease) | 174.71 | *1303.30 |

9. Expenditure in foreign currency:

(Gross) subject to deduction of tax wherever applicable

| | | |
|--|-------|-------|
| - Management Consultancy Charges [includes tax deductible at source Rs. Nil (Previous Year: Rs. 5.54 lacs)] | Nil | 43.53 |
| - Professional Fees [includes tax deductible at source Rs. Nil (Previous Year: Rs. 4.41 lacs)] | 3.05 | 20.16 |
| - Interest on foreign currency loans | 26.78 | 52.23 |
| - Exchange Loss (net) | 24.03 | Nil |
| - Others (Travel, commission, ware housing charges, rejection claims, etc.) | 28.48 | 37.09 |

10. Earnings in foreign exchange:

| | | |
|-------------------------------------|---------|---------|
| - Export of goods on F.O.B. basis | 2848.79 | 4510.68 |
| - Tooling development income | 5.64 | 155.57 |
| - Exchange Gain (net) | Nil | 105.78 |
| - Others (Freight, insurance, etc.) | 34.90 | 72.07 |

11. Miscellaneous expenses include:

| | Year Ended 31 st March, 2010 (Rs. in lacs) | Year Ended 31 st March, 2009 (Rs. in lacs) |
|--|---|---|
| Auditor's Remuneration(Includes service tax, where applicable) | | |
| i) Audit fees | 14.61 | 13.78 |
| ii) Fees for other services: - others * | 8.00 | 8.43 |
| iii) Reimbursement of out of pocket expenses ** | Nil | 0.36 |

* Includes Rs. Nil; previous year Rs. 1.40 lacs; paid to an associate firm of auditors.

** Includes Rs. Nil; previous year Rs. 0.34 lac; paid to an associate firm of auditors.

12. Income from service rendered Rs. 44.12 lacs; (previous year: Rs. 248.55 lacs) is included in sales including processing charges.

13. The information disclosed below in respect of principal and/or interest due to Micro, Small and Medium Enterprises has been determined on the basis of information available with the Company and confirmations received from the suppliers for registration under the Micro, Small and Medium Enterprises Development Act, 2006 and for interest outstanding /due.

| | Year Ended 31 st March, 2010 (Rs. in lacs) | Year Ended 31 st March, 2009 (Rs. in lacs) |
|---|---|---|
| (a) (i) Principal amount remaining unpaid to any supplier as on 31st March, 2010 | 9.51 | - |
| (ii) Interest on (a)(i) above | - | - |
| (b) (i) The amount of principal paid beyond the appointed day | 83.51 | - |
| (ii) The amount of interest paid on (b)(i) above | - | - |
| (c) Amount of interest due and payable for the period of delay in making payments during the year | - | - |
| (d) Amount of interest accrued and due as at 31st March, 2010 | - | - |
| (e) Amount of interest due and payable for prior years | - | - |

14. Security deposits in Schedule 9 – 'Loans and advances' includes Rs. 10.00 lacs (previous year : Rs. Nil) due from a director {maximum amount due at any time during the year Rs.10.00 lacs (previous year: Rs. Nil)} and Rs. 5.00 lacs; (previous year : Rs.5.00 lacs) due from a private limited company, in which a director of the company is a director.

15. Miscellaneous expenditure to the extent not written off of Rs. 5.66 lacs (previous year: Rs. 30.60 lacs) shown in the balance sheet is arrived as under:

| | Year Ended 31 st March, 2010 (Rs.in lacs) | Year Ended 31 st March, 2009 (Rs. in lacs) |
|--|--|---|
| (a) <u>Payments under Voluntary Retirement Scheme :</u> | | |
| Balance brought forward | 19.26 | 54.67 |
| Less: Amortised during the year(Included in Salaries, wages and bonus under Schedule - 14) | 19.26 | 35.41 |
| Balance at the end of the year | Nil | 19.26 |
| (b) <u>Share issue expenses :</u> | | |
| Balance brought forward | 11.34 | 17.00 |
| Add : Share issue expenses incurred during the year | Nil | Nil |
| Less : Amortised during the year(Included in Miscellaneous expenses under Schedule - 15) | 5.68 | 5.66 |
| Balance at the end of the year | 5.66 | 11.34 |
| Total | 5.66 | 30.60 |

16. The Company is primarily engaged in the Automotive Gears business. As such there is no other separate reportable segment as defined by Accounting Standard – 17 " Segment Reporting."

17. Related Party Disclosures

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

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

Bharat Gears Officers Provident Fund (BGOPF)

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

Raunaq International Ltd. (RIL)

Vibrant Finance & Investments Pvt. Ltd. (VFIPL)

(b) Key Management Personnel:

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

Mr. Sameer Kanwar (SK) – Joint Managing Director with effect from 1st June,2008 (Executive Director up to 31st May, 2008 – son of Chairman and Managing Director of the company)

(ii) Transactions with the related parties during the year ended 31st March, 2010.

| Enterprises over which key management personnel is able to exercise significant influence | 2009-2010 (Rs. in lacs) | 2008-2009 (Rs. in lacs) |
|---|--|----------------------------|
| Rent & other expenses(VFIPL) | 10.20 | 10.20 |
| Rent income (RIL) | 1.74 | 1.74 |
| Rent income (CSIPL) | 0.06 | 0.06 |
| Reimbursement of traveling expenses(CSIPL) | Nil | 1.41 |
| Repair & Maintenance Plant & Machinery and Building (RIL) | 37.36 | 83.48 |
| Purchases of packing material (CSIPL) | 11.46 | 18.79 |
| Contribution to Provident Fund (BGOPF) | 28.91 | 22.46 |
| Key Management Personnel | 2009-2010 (Rs. in lacs) | 2008-2009 (Rs. in lacs) |
| Rent paid for premises taken on lease (SPK) | 60.00 | 35.00 |
| Rent paid for premises taken on lease (SK) | 5.29 | Nil |
| Security Deposit paid for premises taken on lease (SK) | 10.00 | Nil |
| Remuneration | Refer note 3 (i) of Schedule 18 to the accounts. | |

(iii) Balances outstanding as at the year end:

| | (Rs. lacs) Amount payable as at 31 st March, 2010 | (Rs. lacs) Amount payable as at 31 st March, 2009 | (Rs. lacs) Amount Receivable as at 31 st March, 2010 | (Rs. lacs) Amount Receivable as at 31 st March, 2009 |
|---|---|---|--|--|
| Enterprises over which key management personnel is able to exercise significant influence | 29.30 | 29.47 | 5.00 | 6.41 |
| Key Management Personnel | 23.66 | 38.35 | 10.00 | Nil |

- (iv) No amounts have been written off / provided for or written back during the year in respect of amounts receivable from or payable to the related parties.
18. (i) Disclosures as per Accounting Standard – 19 on “Leases”, in respect of formal agreements entered into for assets taken on lease during accounting periods commencing on or after 1st April, 2001:

(A) Finance Lease:

- (i) The net carrying amount as at 31st March, 2010 for assets acquired under finance lease } Refer Schedule 4- Fixed Assets
- (ii) The maturity profile of finance lease obligations is as follows:

(Rs.in lacs)

| | Total minimum lease payments outstanding as at 31st March, 2010 | Interest not due | Present value of minimum lease payments |
|---|---|---------------------------|---|
| Not later than one year | 208.94 (212.61) | 52.12 (70.62) | 156.82 (141.99) |
| Later than one year but not later than five years | 404.83 (616.05) | 53.07 (103.64) | 351.76 (512.41) |
| Total | 613.77 (828.66) | 105.19 (174.26) | 508.58 (654.40) |

Figures in brackets are for the previous year.

(iii) General description of these agreements:

Some of these agreements contains renewal clause.

There are no restrictions such as those concerning dividends, additional debt and further leasing imposed by the lease agreements entered into by the company.

(B) Operating Lease:

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

| | Year Ended 31st March, 2010 (Rs. in lacs) | Year Ended 31 st March, 2009 (Rs. in lacs) |
|---|---|---|
| Residential flats / offices / godowns | 91.03 | 57.71 |
| Vehicle / Plant and Machinery / Air Conditioner | 22.78 | 0.86 |

- (ii) Some of the agreements contain renewal clause and provide for escalation of rent of about 5% on renewal. Some of the agreements provides for escalation in rent during the tenure of the agreement.

19. Earnings per share as disclosed in the Profit and Loss Account is computed based on the following figures:

| | Unit | Year Ended 31st March, 2010 | Year Ended 31 st March, 2009 |
|--|-------------|---|--|
| Profit after tax as per Profit and Loss Account | Rs. in lacs | 614.16 | 404.29 |
| Less: Dividend on Cumulative Preference shares (including tax on distributed profits Rs. 3.46 lacs; previous year Rs. 3.54 lacs) | Rs. in lacs | 24.31 | 24.39 |
| Net profit after tax attributed to Equity shareholders | Rs. in lacs | 589.85 | 379.90 |
| Weighted average number of equity shares of Rs. 10 each outstanding as at year end | Nos. | 7817833 | 7817833 |
| Nominal value of share | Rs. | 10 | 10 |
| Earning per share (basic and diluted) | Rs. | 7.54 | 4.86 |

20. Taxes on income:

Components of deferred tax balances:

| | Year Ended 31 st March, 2010 (Rs. in lacs) | Year Ended 31 st March, 2009 (Rs. in lacs) |
|---|---|---|
| Deferred tax liabilities | | |
| Fiscal allowances on fixed assets | 532.63 | 613.56 |
| Other items | 25.40 | 13.21 |
| (A) | 558.03 | 626.77 |
| Deferred tax assets | | |
| Voluntary retirement scheme | 113.21 | 106.89 |
| Bonus/ex-gratia | 36.53 | 43.10 |
| Provision for gratuity | 104.20 | 86.05 |
| Provision for compensated absences | 142.98 | 148.41 |
| Other items | 15.58 | 16.79 |
| (B) | 412.50 | 401.24 |
| Deferred tax liability (net) (A-B) | 145.53 | 225.53 |

21. Disclosures for long-term contracts:

| | Year Ended 31 st March, 2010 (Rs. in lacs) | Year Ended 31 st March, 2009 (Rs. in lacs) |
|---|---|---|
| Contract revenue recognised during the year | 68.33 | 261.90 |
| Method used to determine contract revenue and the stage of completion of contracts in progress | Refer note 1(vi) | Refer note 1(vi) |
| Disclosure in respect of contracts in progress as at the year end | | |
| - aggregate amounts of costs incurred and recognised profits | 58.80 | 50.02 |
| - the gross amount due from customers for contract work (included under Sundry Debtors- Schedule 6) | 58.80 | 14.22 |
| - the gross amount due to customer for contract work | Nil | Nil |
| - the amount of advance received | 22.90 | 16.50 |
| - retention (included under Sundry Debtors – Schedule 6) | Nil | Nil |

22. Disclosures in pursuance of the Accounting Standard-29 " Provisions, Contingent Liabilities and Contingent Assets":

| Provision for warranties | 2009 – 2010 (Rs. in lacs) | 2008 – 2009 (Rs. in lacs) |
|--|------------------------------|------------------------------|
| Carrying amount at the beginning of the year | 3.06 | 6.96 |
| Additional provision made during the year | 0.18 | 0.19 |
| Amount used during the current year | (2.43) | (4.09) |
| Unused amount reversed during the year | Nil | Nil |
| Carrying amount at the end of the year | 0.81 | 3.06 |

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.

23. Details of Employees Benefits as required by the Accounting Standard-15 'Employee Benefits' are as follows:-

1. Defined Contribution Plans

During the year ended 31st March, the Company has recognized the following amounts in the Profit & Loss Account:

(Rs. in lacs.)

| | Year Ended 31st March, 2010 | Year Ended 31 st March, 2009 |
|---|---|--|
| - Employers' contribution to Provident Fund and Family Pension Fund | 174.28 | 167.52 |
| - Employers' contribution to Superannuation Fund | 88.79 | 82.96 |

The above amounts are included in 'Contribution to provident, superannuation, gratuity and other funds' under 'Payments to and provisions for employees' in Schedule 14.

2. Defined Benefit Plans

a) A general description of the Employees Benefit Plans:

i) Gratuity (Funded)

The Company has an obligation towards gratuity, a funded defined benefits retirement plan covering eligible employees. The plan provides for lump sum payment to vested employees at retirement, death while in employment or on termination of the employment, of an amount calculated in accordance with the provisions of the Payment of Gratuity Act, 1972. Vesting occurs upon completion of 5 years of services.

ii) Terminal Ex-gratia (Unfunded)

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 services to vested employees on completion of employment. Vesting occurs upon the completion of 15 years of service.

b) Details of defined benefit plans - As per Actuarial Valuation

(Rs. in lacs)

| Particulars | Gratuity - Funded Year Ended 31st March, 2010 | Gratuity - Funded Year Ended 31 st March, 2009 | Terminal Ex-gratia Unfunded Year Ended 31st March, 2010 | Terminal Ex-gratia Unfunded Year Ended 31 st March, 2009 |
|--|---|---|---|--|
| I Components of employers expenses | | | | |
| 1 Current service cost | 43.65 | 39.26 | 2.04 | 2.14 |
| 2 Interest Cost | 62.11 | 65.77 | 3.31 | 3.84 |
| 3 Expected return on Plan Assets | (48.03) | (51.23) | - | - |
| 4 Actuarial Losses/(Gains) | 34.73 | 59.90 | (2.61) | 3.14 |
| 5 Total expenses recognised in the Profit & Loss Account | *92.46 | *113.70 | **2.74 | **9.12 |

(* Included in 'Contribution to provident, superannuation, gratuity and other funds' under 'Payments to and provision for employees' in Schedule 14)

(** Included in 'Salaries, wages and bonus' under 'Payments to and provisions for employees in Schedule 14')

| II | Actual Contribution and Benefits Payments for the year | | | | |
|----|--|----------|----------|--------|---------|
| 1 | Actual Benefits Payments | (113.75) | (135.67) | (8.45) | (11.30) |
| 2 | Actual Contributions | 39.05 | 42.40 | 8.45 | 11.30 |

(Rs. in lacs)

| Particulars | | Gratuity –Funded Year Ended 31 st March, 2010 | Gratuity –Funded Year Ended 31 st March, 2009 | Terminal Ex-gratia Unfunded Year Ended 31 st March, 2010 | Terminal Ex-gratia Unfunded Year Ended 31 st March, 2009 |
|-------------|---|--|--|--|--|
| III | Net asset/(liability) recognised in the Balance Sheet | | | | |
| 1 | Present Value of Defined Benefits Obligation | 913.19 | 881.30 | 42.53 | 48.25 |
| 2 | Fair value of Plan Assets | 606.63 | 628.15 | - | - |
| 3 | Funded Status [Surplus/(Deficit)] | (306.56) | (253.15) | (42.53) | (48.25) |
| 4 | Net asset /(liability) recognised in the Balance Sheet | (306.56) | (253.15) | (42.53) | (48.25) |
| IV | Change in Defined Benefit Obligation during the year | | | | |
| 1 | Present value of Defined Benefit Obligation as at 1 st April | 881.30 | 845.80 | 48.24 | 50.43 |
| 2 | Current Service Cost | 43.65 | 39.26 | 2.04 | 2.14 |
| 3 | Interest Cost | 62.11 | 65.77 | 3.31 | 3.84 |
| 4 | Actuarial Losses / (Gains) | 39.88 | 66.14 | (2.61) | 3.14 |
| 5 | Benefits paid | (113.75) | (135.67) | (8.45) | (11.30) |
| 6 | Present value of Defined Benefits Obligation as at 31 st March | 913.19 | 881.30 | 42.53 | 48.25 |
| V | Change in Fair Value of the Plan Assets during the year | | | | |
| 1 | Plan Asset as at 1 st April | 628.15 | 663.95 | - | - |
| 2 | Expected return on Plan Assets | 48.03 | 51.23 | - | - |
| 3 | Actuarial Gains /(Losses) | 5.15 | 6.24 | - | - |
| 4 | Actual Company Contributions | 39.05 | 42.40 | 8.45 | 11.30 |
| 5 | Benefits Paid | (113.75) | (135.67) | (8.45) | (11.30) |
| 6 | Plan Assets as at 31 st March | 606.63 | 628.15 | - | - |
| VI | Actuarial Assumptions | | | | |
| 1 | Discount Rate | 8.15% | 7.00% | 8.15% | 7.00% |
| 2 | Expected return on plan assets | 7.50% | 7.50% | - | - |
| 3 | Salary escalation Rate | 6.00% | 6.00% | 6.00% | 6.00% |
| VII | The expected rate of return on the plan asset (Gratuity Funded) is based on the average long term rate of return expected on investments of funds during estimated term of obligation. Actual return on Plan Assets (Gratuity Funded) is Rs. 53.18 lacs. (previous year: Rs. 57.47 lacs.) | | | | |
| VIII | The assumption of the future salary increases, considered in actuarial valuation, takes into account the inflation, seniority, promotion and other relevant factors. | | | | |
| IX | The major categories of plan assets as a percentage of the total plan assets | | | | |
| | Insurer Managed funds | 100% | 100% | - | - |

Note : The details of investment made by the Insurer is not readily available with the Company.

(Rs. in lacs)

| X | Experience Adjustments | 2009-10 | 2008-09 | 2007-08 | 2009-10 | 2008-09 | 2007-08 |
|---|--|----------|----------|----------|---------|---------|---------|
| 1 | Present value of Defined Benefit Obligation as at 31 st March | 913.19 | 881.30 | 845.80 | 42.53 | 48.25 | 50.43 |
| 2 | Fair value of plan asset as at 31 st March | 606.63 | 628.15 | 663.96 | - | - | - |
| 3 | Funded Status [Surplus/(Deficit)] | (306.56) | (253.15) | (181.84) | (42.53) | (48.25) | (50.43) |
| 4 | Experience adjustment on Plan Liabilities | 130.23 | 16.55 | 21.09 | (0.76) | (0.92) | 48.86 |
| 5 | Experience adjustment on Plan Asset | 5.14 | 6.24 | 7.96 | - | - | - |

| | | |
|-----------|---|---------------|
| XI | Contribution expected to be paid to the plan during the subsequent year ending 31st March | 100.00 |
|-----------|---|---------------|

24. (a) Excise duty paid and collected from customers is shown separately and deducted from the Gross Sales including processing charges in the Profit and Loss Account.
- (b) Excise duty appearing under Other expenses (Schedule 15) represents (i) the difference between the excise duty included in the closing stock and that in the opening stock of manufactured finished goods Rs.12.35 lacs (credit) {Previous Year :Rs. 28.26 lacs (debit)} and (ii) the excise duty on free supplies under sales promotion schemes, free replacement, shortages, etc. Rs. 6.59 lacs (Previous Year : Rs.19.43 lacs)
25. The Company has not taken any derivative instrument during the year and there is no derivative instrument outstanding as at the year end. The foreign currency exposures that are not hedged by a derivative instrument or otherwise are as follows :

| Particulars | Amount in Foreign currency | Equivalent Amount in Indian currency (Rs. in lacs) |
|-------------|----------------------------|--|
| Payables | USD | 1279809.59 |
| | | (1375195.47) |
| | CHF | Nil |
| | | (74628.00) |
| Receivables | USD | 1648881.54 |
| | | (2107446.82) |
| | EURO | 62322.49 |
| | | (134340.95) |
| | CHF | 5479.25 |
| | | (12389.55) |
| | GBP | 735.00 |
| | | (Nil) |

Note : Figures in brackets represent previous year's figures.

26. Salaries, wages and bonus in Schedule 14 – 'Payments to and provision for Employees' includes Rs. 137.45 lacs (Previous Year: Rs. 262.84 lacs) on account of payments made under the Voluntary Retirement Schemes.
27. Previous years figures have been regrouped wherever necessary.

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Joint Managing Director

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

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Chief Financial Officer

Place : Mumbai
Date : May 27, 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV OF SCHEDULE VI TO COMPANIES ACT, 1956.

I. REGISTRATION DETAILS

CIN (Corporate Identity Number) : L 2 9 1 3 0 H R 1 9 7 1 P L C 0 3 4 3 6 5 State Code : 0 5

Balance Sheet Date : 3 1 0 3 2 0 1 0
Date Month Year

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

Public Issue : N I L Rights Issue : N I L
Bonus Issue : N I L Private Placement : N I L

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

Total Liabilities : 9 5 0 5 6 7 * Total Assets : 9 5 0 5 6 7 *
* Excludes Current Liabilities & Provisions 7 5 9 1 6 7
** Net of Current Liabilities & Provisions 7 5 9 1 6 7

SOURCES OF FUNDS :

Paid - up Capital : 9 9 0 2 8 Reserves & Surplus : 4 2 2 6 8 2
Secured Loans : 4 1 4 3 0 4 * Unsecured Loans : N I L
* includes Finance Lease 5 0 8 5 8
Deferred Tax liabilities (net): 1 4 5 5 3

APPLICATION OF FUNDS :

Net Fixed Assets : 6 4 5 3 5 5 Investments : N I L
Net Current assets : 3 0 4 6 4 6 Misc. Expenditure : 5 6 6
Accumulated Losses : N I L Deferred tax assets : N I L

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

Turnover : 2 6 8 5 0 1 6 * Total Expenditure : 2 5 8 8 7 2 6
* Includes other income - 4 8 6 2 6
Profit before tax : 9 6 2 9 0 Profit after tax : 6 1 4 1 6
Earning Per Share (Rs.) 7 5 4 Dividend Rate % : Equity 1 2
: Preference 1 0

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF COMPANY :

Item code No. 8 7 0 8 9 9 0 0
Product Description : A U T O M O T I V E G E A R S
Item code No. 8 7 0 8 4 0 0 0
Product Description : G E A R B O X
Item code No. 8 4 1 7 1 0 0 0
Product Description : I N D U S T R I A L F U R N A C E

For and on behalf of the Board :

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Joint Managing Director

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

Place : Mumbai
Date : May 27, 2010

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Chief Financial Officer



BHARAT GEARS LIMITED

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