



**BHARAT GEARS LIMITED**

*Geared for Life*

Gearing up for the future



**42<sup>nd</sup> Annual Report 2013-2014**



“ Business is a race to  
always be a step ahead of  
competition. This is achieved by  
learning from the past, working hard in  
the present, with an eye on the future.  
While economic cycles are a reality,  
at Bharat Gears, we believe that  
the future belongs to those  
who prepare for it today. ”



# CONTENT

Chairman's Message	2
Company Information	6
Building Blocks	8
Future Ready	10
Lean Processes	12
Management Discussion and Analysis	14
Corporate Social Responsibility	20
Directors' Report	22
Corporate Governance Report	26
Auditors' Report to the Members of Bharat Gears Limited	39
Financial Statements	42
Notes Forming Part of the Financial Statements	46





## CHAIRMAN'S MESSAGE



Dear Shareholders,

For someone like me, who has seen several rounds of the upsides of growth and the downsides of a depressed market through a career spanning over 35 years, the business environment in the last few years has not been as alarming as it may be for many.

The growth of Indian economy has been going down gradually from the high of 9.6% in Q4 of 2010-11. It reached a bottom for 5 consecutive quarters of below 5% growth between Q3, FY 2013 and Q3, FY 2014. Industrial growth has been particularly badly affected – estimated to be a mere 0.7% in FY 2014 with manufacturing actually shrinking by 0.2%.

This environment is clearly reflected in the developments of the Indian automotive and the construction equipment sector in FY 2014. The market contraction in this space is evident – Sales of Medium and Heavy Commercial Vehicles (M&HCVs) reduced by 25%; Light Commercial Vehicles (LCVs) by 18% and Passenger Vehicles by 6%. The construction equipment industry has been on a downward spiral with sales reducing by around 16% in FY 2014 on the back of an approximately 9% de-growth in the previous year. Naturally, your Company's business was also adversely affected.

The silver lining was agriculture. The recovery of the monsoon in the season's second half in 2012 and a good monsoon in 2013 helped agriculture to grow by 4.6% in FY 2014, though growth moderated somewhat in the second half of the year. Food grain production is estimated to have increased by 2.4% in FY 2013, reaching a record of 263.2 million tons. In this backdrop, the tractor industry had a

bumper year in India recording a growth of over 20%. This helped Bharat Gears stabilise some of its business as gears for farm equipment constitute a large share of our revenues.

That the economic condition is challenging is for all of us to see. The rupee has also become very unstable. In such times, the country needs a push from its central government to infuse investments and rekindle growth. Now that the elections are over, there is much expectation from the new government under Prime Minister Mr. Modi. He has an advantage of a majority in Parliament that should ease decision-making. Already, the stock markets have displayed positive expectations and as I write to you, the BSE SENSEX has reached an all-time high, even crossing the 25,000 mark. I believe the economic turnaround is under way but the recovery will be gradual and the country is still a few years away from attaining the high growth trajectory.

There is also some good news from the global economy. Global economic activity had strengthened in the second half of 2013.

Sustainable value creation across economic cycles is the core of Bharat Gear's business ethos. That is why we have always strived to be a forward looking organisation that is geared to take on the challenges of the future. Certainly, the present market slowdown has affected our business. With long term goals our capacities are much larger than what is being utilised today, so the fixed cost structure are not in line with today's production levels. During the present slowdown we have worked very hard on managing variable costs and making adjustments to fixed costs as





much as possible, but also have continued with our efforts at augmenting technology and being ready for tomorrow's demand as and when demand conditions improve.

While in this difficult market, we have been successful in increasing revenues by 7%, in terms of profits we have managed to break even with a PAT of Rs. 60 Lakh in FY 2014, at a time when there were pressures in terms of lower demand, higher costs of power and fuel and increased employee costs post the latest round of wage settlement. In these difficult times, the Company has looked inwards and is trying to emerge even stronger to even further strengthen its competitive positioning in the next few years.

Let me now explain how Bharat Gears is building its business with a goal to be future ready.

As you are aware, our gears are mainly used in the power train and driveline of vehicles, both play an integral role in generating power and transferring it to the wheels for motion. Automotive companies are adapting to a fast-changing competitive landscape. Carbon emissions are becoming a major concern, due to increasingly tough regulations and consumer concern over pollution. Such environmental factors, combined with rising fuel prices, mean that internal combustion engine right sizing is becoming a top priority, as electric battery technology has so far failed to produce a cost-effective alternative. This has implications for transmission gear technology as well as for the shafts and bevel gears that go into drivelines in terms of contact patterns, accuracy levels, lower weights, less friction, and lesser noise/vibrations. As a gear manufacturer, we need to have the capabilities to meet these requirements. Hence, the need to constantly

upgrade to more sophisticated machinery like we are doing with C29 and C50 for bevel gears and dry cutting machines for transmission gears. There needs to be much greater stress on testing machines and we are investing in state of the art T60 gear bevel gear testing machine.

Manufacturing techniques are also changing rapidly, as modularization reduces the cost and time of assembly, and enables vehicles to be put together and marketed more easily around the world, to swiftly roll out new models that reflect changing consumer tastes. So auto-component companies need to be more active as collaborative partners, right from the stage of platform development. This also opens up opportunities to participate in providing components to the same platforms across different geographies where the automobile company (Original Equipment Manufacturer – OEM) is developing its products.

The Company has also taken a strategic decision to evolve from a pure component producer to developing composite products including sub-assemblies and assemblies that go both into the power-train and the driveline of automobiles. We are actively exploring opportunities for acquisitions and joint ventures to augment our capabilities in this endeavour.

As a component supplier, much of our growth is dependent on the progress made by the OEMs we service. Traditionally, we have grown with our customers by maintaining strong customer relationships by meeting their demand for quality, cost and delivery (QCD). While the priority on QCD remains sacrosanct, the tolerance levels across these parameters are shrinking as customer requirements become more stringent. There is also a transformation taking place in the nature of component supplier-OEM relationships.

With competition and specialisation becoming even more widespread, OEMs are fast demanding a more long term collaborative relationship with its component suppliers. Essentially, component suppliers have to start integrating into the global supply chain of the OEMs. For auto-component suppliers like us, this translates into much greater co-operation with OEMs at the design and testing stage, need to have facilities globally that support an OEM, production planning that can continuously feed the OEMs while stocks have to be optimised at the component suppliers end, and the ability to develop and upgrade one's own products to meet customer's ever changing requirements.

Bharat Gears has taken some initial steps to align its processes and business methodologies to meet these growing requirements. To begin with, the facility at Lonand has been developed not only to augment capacities but also to be closer to some of our primary customers and better service their demand. It gives me pleasure in reporting that this facility has progressed well and commenced commercial production from 31 March 2014. We are fast developing a slew of our transmission gears at this plant.



In addition, the Company proposes to invest in land in Madhya Pradesh to be part of a vendor cluster for a customer who has set up a manufacturing facility in that region.

We have taken some concrete steps including investments in software to improve the processes for design and product development with increased focus on controls.

Having successfully catered to the initial export orders, we are increasingly participating in other global programmes of some of our overseas customers. This is evident in the rapid growth in exports - export sales actually increased by 38.67% from Rs. 82.44 crore in FY 2013 to Rs. 114.32 crore in FY 2014. Today, 28% of the Company's total revenues are exports. Just 3 years back, in FY 2011 this share was only 16%. The growth into wider global markets insulates the Company from risks of a severe market downturn in India. As I have always said, in exports we have just scratched the tip of the iceberg and there continues to be major opportunities as global OEMs look to manage costs and develop lower cost partners like Bharat Gears who can also meet their stringent quality requirements. We continue to get vendor recognition in terms of awards from our major customers.

We also continue to focus on acquiring new customers. This helps us grow our business in a less risky manner.

We have also been working hard on getting the small things right across our operations. Many of these will play a critical role in our overall competitive positioning in the market. We have always been part of the ACMA cluster programmes on TQM and TPM. In FY 2014, we have increased our focus on this area to necessarily change the DNA of our production function. A new operations head has been appointed to lead all our manufacturing plants.

He is also spearheading our internal quality initiatives. Already, there have been many improvements in the look and feel of the shop floor. There is greater participation from the employees in the improvement processes, which is evident from the significant rise in number of Kaizens being undertaken.

At Bharat Gears, we are doing all the strategic and the on ground things required to be in a position to meet the requirements of the next 5-6 years. I am optimistic of an economic turnaround in the next couple of years in India, although FY 2015 might be affected by a poor monsoon. I also see our export orders continue to grow as we increase our focus on global markets.

I would like to acknowledge the contribution of the workers, the officers and management at Bharat Gears for their contribution to the Company's performance in FY 2014. The members of the Executive Committee, who today operationally manage the day to day activities of the Company needs a special mention for all their efforts. The future challenges will be tough but I have confidence in the people at Bharat Gears to take the Company to the next level.

Let me take this opportunity to thank our partners, customers and other stakeholders for their cooperation. And, I extend my hearty gratitude to you, the shareholders, for your continued faith in the Company.

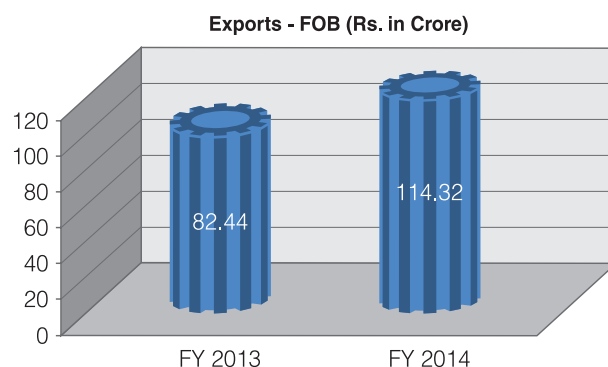
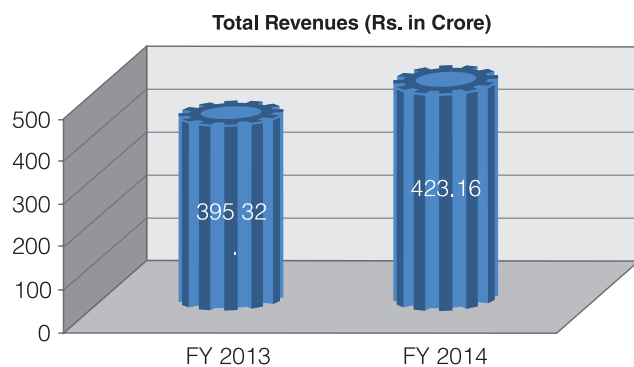
**Surinder P. Kanwar**  
Chairman & Managing Director



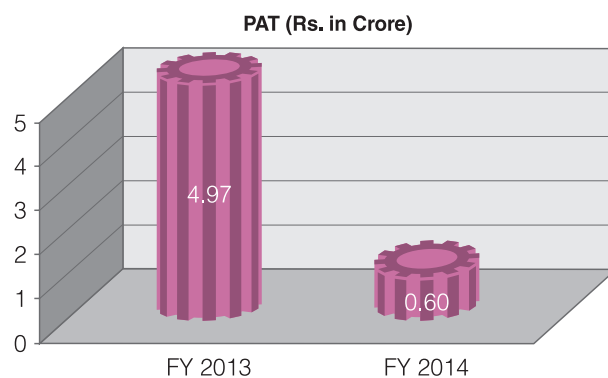
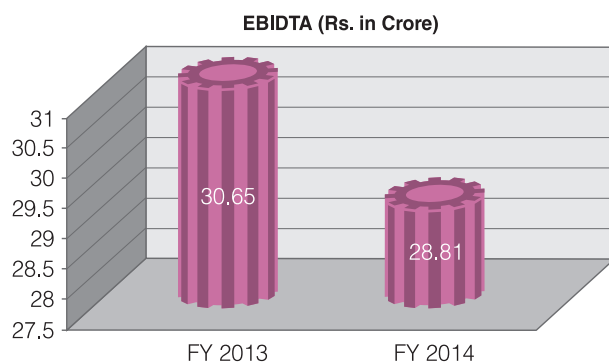
# PERFORMANCE HIGHLIGHT

## Financial Trends

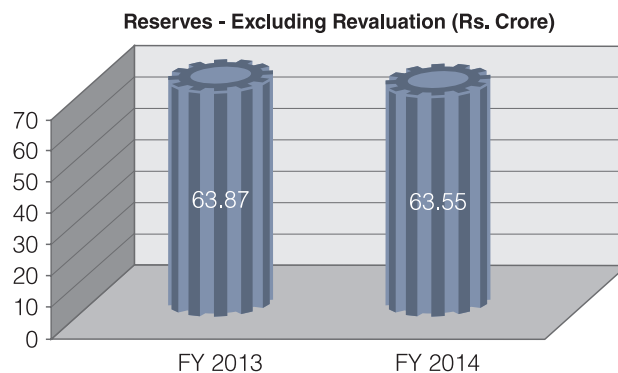
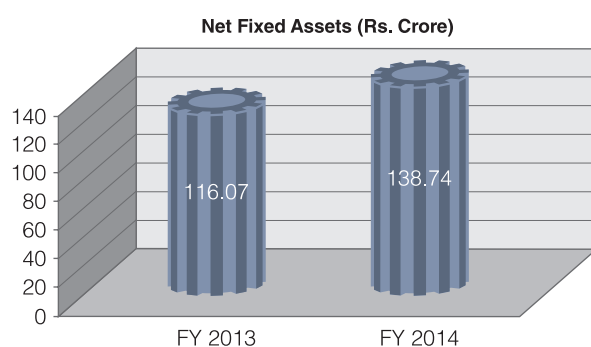
In a difficult market condition, Bharat Gears registered some growth in total revenues, driven by a strong export performance



Profits were under pressure with higher operational costs and finance costs for investments



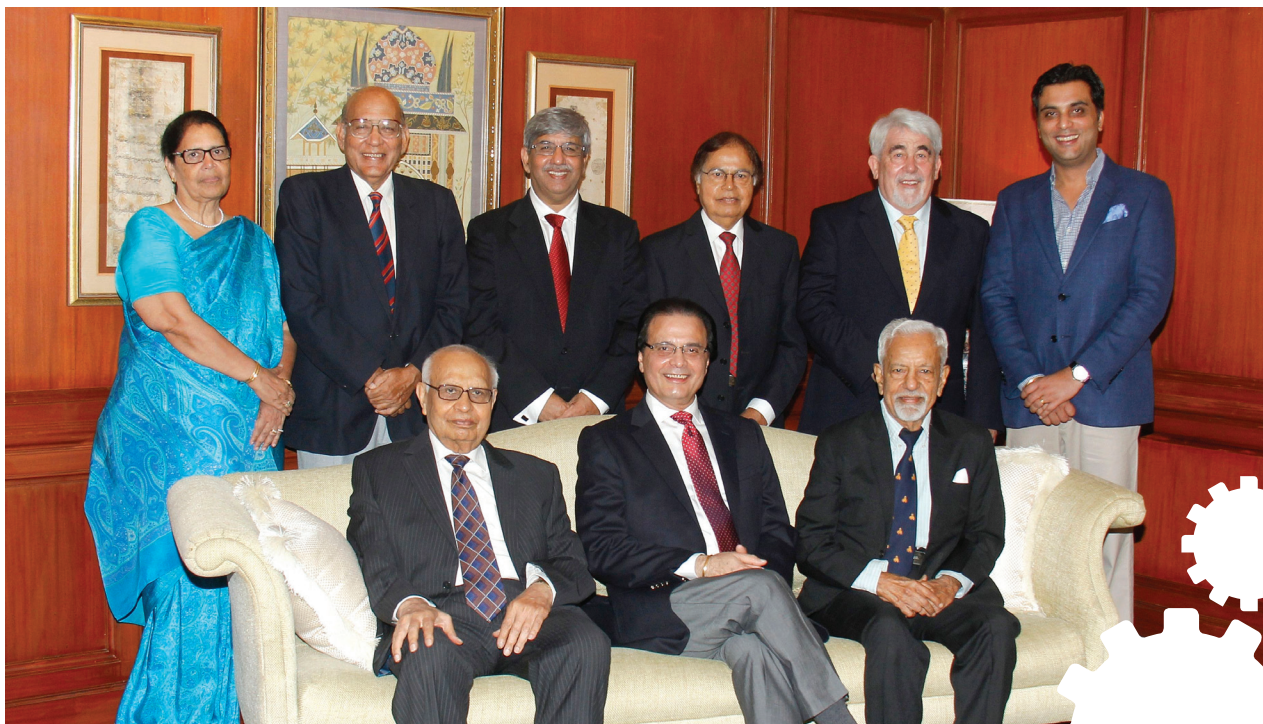
The Company remained committed to its investment programme and continues to have a healthy reserves position







## COMPANY INFORMATION



### Board of Directors

*Names in order from left to right:* **Standing:** Ms. Hiroo Suresh Advani (Independent Director), Mr. V.K. Pargal (Independent Director), Mr. Rakesh Chopra (Independent Director), Mr. S.G. Awasthi (Independent Director), Mr. W.R. Schilha (Independent Director), Mr. Sameer Kanwar (Joint Managing Director) **Sitting:** Dr. Ram S. Tarneja (Independent Director), Mr. Surinder P. Kanwar (Chairman & Managing Director), Mr. N.J. Kamath (Independent Director)



### Executive Committee

*Names in order from left to right:* Mr. Jagdeep Singh (Business Head - After Market), Mr. S.K. Mital (Head - Material & Central Purchase), Mr. P.C. Kothari (Head - Finance & Accounts), Mr. Naresh Verma (Corporate Head - HR), Mr. Sameer Kanwar (Joint Managing Director), Mr. B.L. Pansare (Head - Engineering), Mr. Milind Pujari (Chief Financial Officer), Mr. Sandeep Bathla (Head - Operations), Mr. K.K. Deshpande (Head - OE Marketing & Business Development)



#### **AUDIT COMMITTEE**

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

#### **STAKEHOLDERS' RELATIONSHIP COMMITTEE**

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

#### **NOMINATION AND REMUNERATION COMMITTEE**

Mr. N.J. Kamath, Chairman  
Dr. Ram S. Tarneja  
Mr. V.K. Pargal  
Mr. Surinder P. Kanwar

#### **FINANCE COMMITTEE**

Mr. Rakesh Chopra, Chairman  
Mr. Surinder P. Kanwar  
Mr. Sameer Kanwar  
Mr. S.G. Awasthi

#### **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. Sandeep Bathla  
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  
Chartered Accountants  
"Heritage" 3rd Floor, Near Gujarat  
Vidhyapith, Off Ashram Road  
Ahmedabad - 380 014

#### **CHIEF FINANCIAL OFFICER**

Mr. Milind Pujari

#### **HEAD (LEGAL) & COMPANY SECRETARY**

Mr. Prashant Khattry

#### **BANKERS**

State Bank of India  
IDBI Bank Limited  
Export-Import Bank of India

#### **REGISTRAR & TRANSFER AGENT**

Link Intime India Pvt. Ltd.  
44 Community Centre  
2nd Floor, Naraina Industrial Area  
Phase-I, Near PVR Naraina  
New Delhi - 110 028

## **Office Locations**

#### **REGISTERED OFFICE**

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

#### **CORPORATE OFFICE**

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

#### **BRANCH OFFICE**

1009, Surya Kiran Building,  
19, Kasturba Gandhi Marg, New Delhi - 110 001

## **Plant Locations**

Kausa Shil, Mumbra, District Thane - 400 612,  
Maharashtra

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

Lonand, Taluka Khandala, District Satara - 415 521,  
Maharashtra







## BUILDING BLOCKS



*Gearing up to  
further collaborate with  
established and New  
Customers*

### Gears Business

Has a wide range of products comprising ring gears and pinions, transmission gears and shafts, differential gears, and gear boxes for that services a marquee list of Original Equipment Manufacturers (OEMs).

### Client List

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

	Agriking Tractors & Equipments (P) Ltd.
	Ashok Leyland Limited
	AVTEC Limited
	Carraro India, Italy, China
	CLAAS Tractor SAS France
	EATON Corporation - USA
	Escorts Ltd.
	Force Motors Ltd.
	GE Aviation Systems LLC - USA

	Godrej & Boyce Mfg. Co. Ltd.
	Hyva India Pvt. Ltd.
	JCB-India, UK
	John Deere - India, USA, Spain, Mexico, Brazil, China
	Mahindra & Mahindra Ltd.
	Man Trucks Pvt. Ltd.
	New Holland Fiat India Pvt. Ltd.
	Paharpur Cooling Towers Ltd.
	Rico Auto Industries Ltd.

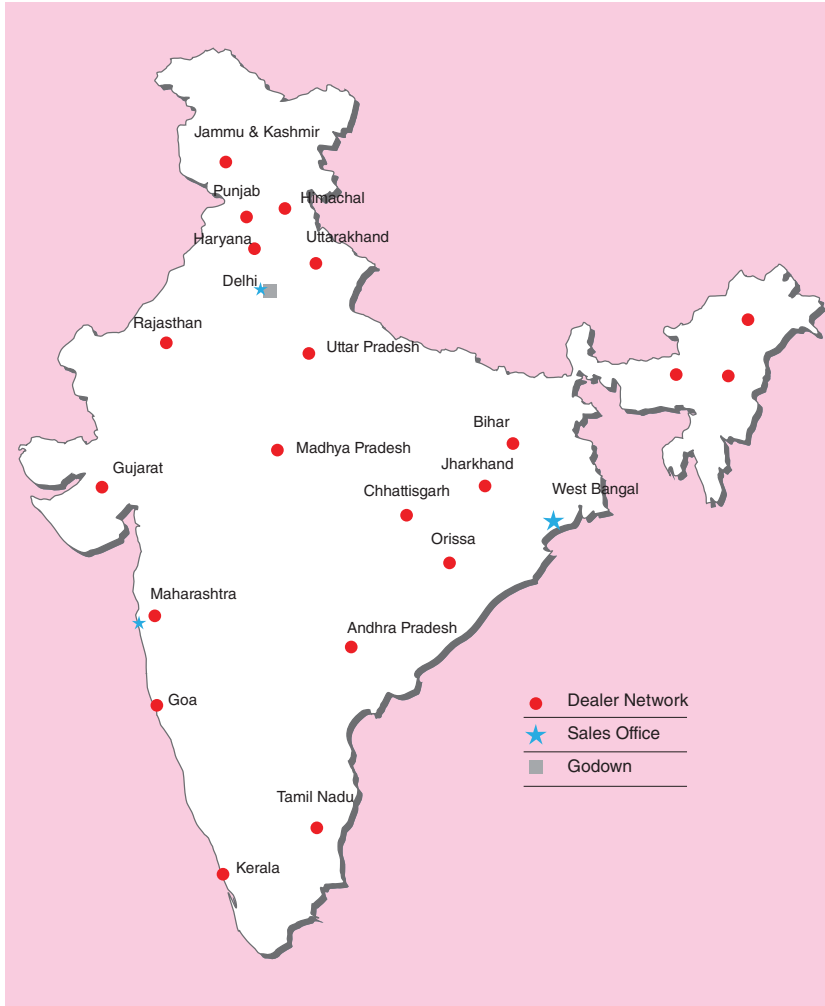
	Spicer India Ltd. DANA India Ltd.
	SML ISUZU Ltd.
	Transaxle Manufacturing of America (TMA) USA
	Tractors and Farm Equipment Ltd.
	Toyota Kirloskar Auto Parts Ltd.
	VST Tillers & Tractors
	Voltas Ltd.
	ZF China, India, USA





## BGL Auto-Components

Has developed and is leveraging its extensive dealership network that can penetrate the Indian market with an array of auto-components that is designed, sourced, tested and distributed by Bharat Gears.



### DEALER NETWORK

Jammu & Kashmir	- 3
Himachal	- 1
Punjab	- 2
Chandigarh	- 1
Delhi	- Sales Office & Godown
Haryana	- 3
Rajasthan	- 4
U.P.	- 1
Uttarakhand	- 1
Gujarat	- 4
M.P.	- 3
Chhattisgarh	- 2
Maharashtra	- 10
Mumbai	- Sales Office
Goa	- 1
Bihar	- 2
Jharkhand	- 2
Orissa	- 2
West Bengal	- 5
Kolkata	- Sales Office
North Eastern States	- 3
Andhra Pradesh	- 4
Karnataka	- 6
Tamil Nadu	- 2
Kerala	- 4
Distributors	- 66
Sales Office	- 3
Godown	- 1

## BGL Furnaces

Engineers and undertakes onsite construction of batch and continuous heat-treating furnace systems in technical association with AFC-Holcroft, Michigan, USA.

	AAM India Manufacturing (American Axles)
	Ashok Leyland Limited
	AVTEC Limited
	Bajaj Auto
	Bharat Earth Movers
	Dribits International Pvt. Ltd.
	Exedy India Limited
	High Technology Transmission Systems

	Indian Railways
	Jagdamba Auto Components
	Mukand Limited
	Mahindra & Mahindra
	Oerlikon Drive Systems
	Preciforge and Gears
	Precision Fasteners
	Sanjeev Auto Parts Manufacturers

	Sona Koyo Steering Systems
	Sundaram Fasteners Ltd.
	TATA Motors Ltd.
	Timken India
	Tractor Engineers
	Varroc



## FUTURE READY



*New Bevel Machines*

*Gearing up  
to offer the latest  
technology through  
different plants  
located to cater  
to specific  
customers*

**For Bevel Gears** – investing in highly sophisticated 'two cut' method of production. The company has the 'state of the art' C29 machine supported by the C50 machine, which is one of its kinds with complete robot based operations world for years for quality and service.

**For Transmission Gears** – investing in high speed hobbors and shavers supported by shaving cutting sharpener for efficient restoration of tools.

**For Testing** – investing in most advanced testing equipment to meet stringent customer tolerances. Already procured P65/P40 machines.







*Kausa Shil, Mumbra, Maharashtra*

**Plants** – state-of-the-art facilities located across India servicing customers from close proximity.



*Faridabad, Haryana*



*Lonand, Maharashtra*



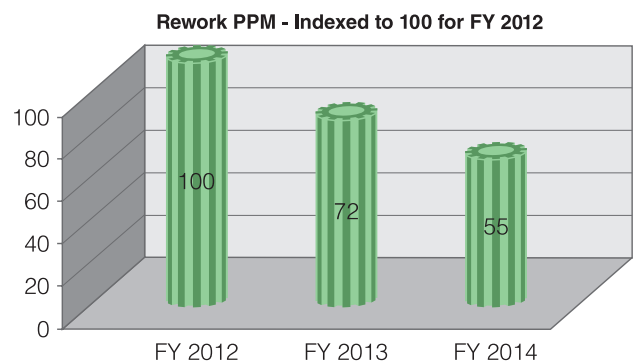


## LEAN PROCESSES



*Gearing up  
to take on competition  
by adopting lean  
manufacturing processes  
and a culture of  
continuous improvement  
at the shop floor*

### Quality Improvement



### Adopting the lean way of thinking:

An approach to seeing waste, removing waste and sustaining improvements in the production process and across the entire value chain. Unlocking the potential of the Company's people to create a culture where continuous improvements is a way of life.

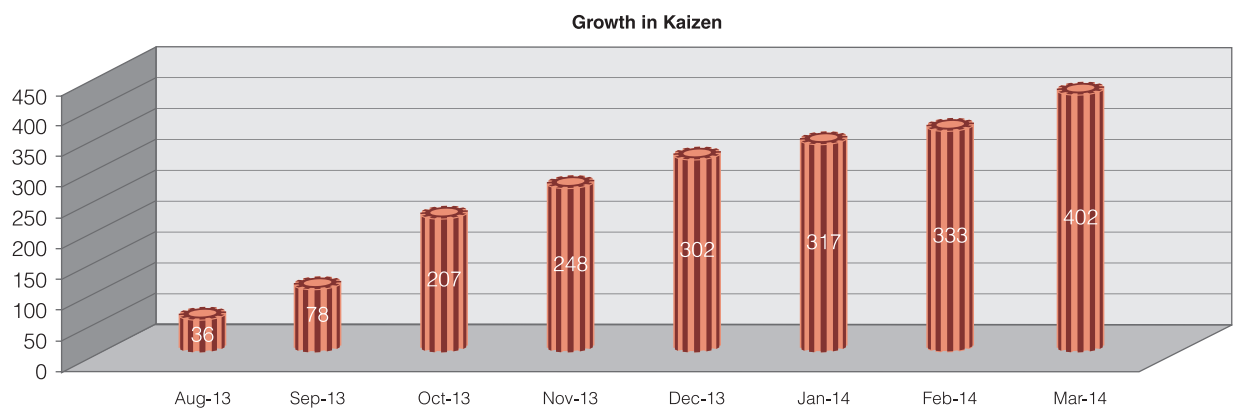


*Chess Board for Rejection Review*



## Kaizen: Getting people involved

Growing trend of Kaizens at Faridabad Plant



Safe Launch Room



Online Inspection & Packing





# MANAGEMENT DISCUSSION AND ANALYSIS



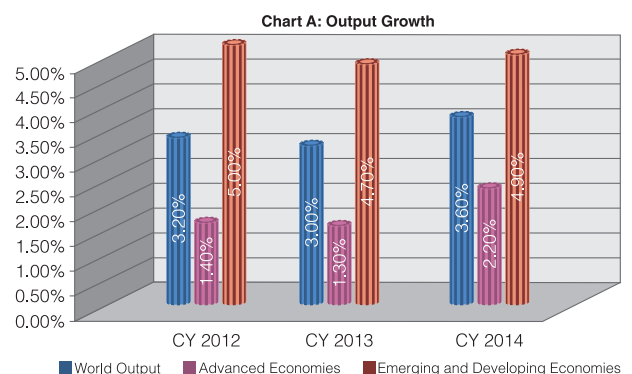
## Introduction

With a 44 year old track record, Bharat Gears Limited (referred to as 'BGL' or 'the Company') is one of India's premier automotive gear manufacturers. Traditionally, it has played a dominant role in the domestic gears market catering to commercial vehicles, agricultural machinery and construction equipment. In the recent years, there has been a focused thrust on exports and the Company has started catering to the global market across the above mentioned segments.

In addition to its core business, the Company has extended its presence in the after-market as a distribution company by extending its portfolio to a slew of other auto-components. Here, with a focus on costs and quality, vendors are developed for manufacturing while BGL does the design and certain final production operations. Our furnace division manufactures heat treatment furnaces on site primarily for the auto-component industry.

## Macro-Economic Environment

Economic conditions, both domestic and global, were fairly dismal through Financial Year (FY) 2014. World growth, which was already at low levels, reduced further from 3.2% in CY 2012 to 3.0% in CY 2013. The decline was evident in both advanced and emerging economies. In advanced economies growth reduced from 1.4% in CY 2012 to 1.3% in CY 2013, while in the emerging and developing economies it dropped from 5.0% in CY 2012 to 4.7% in CY 2013 (see chart A).



Source: IMF estimates

On a positive note, global activity strengthened during the second half of CY 2013 and is expected to improve further in CY 2014. The impulse has come mainly from advanced economies, although their recoveries remain uneven. With supportive monetary conditions and a small drag from fiscal consolidation, annual growth is projected to rise above trend in the United States and be close to trend in the core Euro area economies. Growth in emerging market economies is projected to pick up modestly. These economies are adjusting to a more difficult external financial environment in which international investors are more sensitive to policy weakness and vulnerabilities given prospects for better growth and monetary policy normalization in some advanced economies.

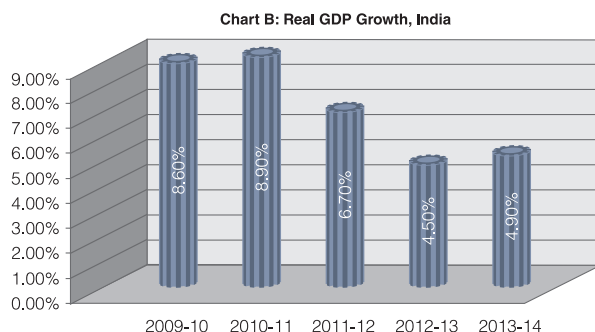
Estimates by the International Monetary Fund (IMF) further suggest that world output growth will increase to 3.6% in





CY 2014, with advance economies growing by 2.2% and emerging economies by 4.9%.

The Indian economy had been suffering from lower growth and various structural weaknesses as it entered 2013-14 and these continued throughout the fiscal year. Real GDP growth for 2013-14 is estimated to be 4.9% (see Chart B) with industrial growth slipping to a paltry 0.7%.



Source: MOSPI, Government of India

Incremental Gross Fixed Capital Formation (GFCF) at market price, an indication of real capital investment in fixed assets that augments the future productive capacity of any economy, has also reduced to a mere 0.2% in 2013-14. However, the silver lining has been the 4.6% growth in agriculture. This growth alone has stimulated record sales of agricultural machinery in India during FY 2014.

By the end of 2013-14, there have been some positive signals, although it is probably too early to make a call as to whether the nation is definitely getting back to a higher growth path. For one, headline producer price inflation in terms of the Wholesale Price Index (WPI) moderated to 5.9% in March 2014. For another, driven mainly by a reduction in imports, India's trade deficit reduced by 29% to US\$180 billion in April 2013-February 2014 compared to the corresponding period in the previous year. Consequently, the current account deficit as a ratio to GDP has narrowed significantly. In addition, since September 2013 there has been a surge in foreign capital inflows into India, and India's foreign exchange reserves reached US\$ 298.6 billion by the end of March 2014, which was an accretion of US\$ 23.1 billion over end-August 2013.

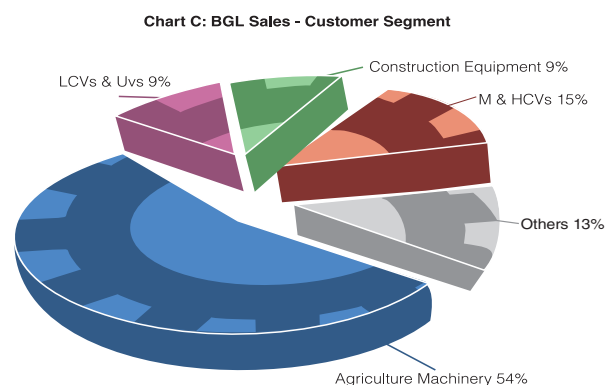
Given these developments, and a new Government in power with a decisive mandate, one expects the overall economic environment to improve in the near future.

## Gears Business

Bharat Gears manufactures a wide variety of automotive gears. This includes bevel gears and pinions, transmission gears and shafts, and differential gears. It has also gone up the value chain and manufactured some sub-assemblies for gear boxes.

The Company has a broad Original Equipment (OE) customer base covering agriculture machinery, LCVs and UVs, M&HCVs and construction equipment manufacturers. In FY 2014, the Company has also developed some products for the passenger car segment.

Chart C shows the user segment-wise distribution of the Company's sales in FY 2014. The largest segment is agriculture machinery (54%), followed by LCVs and UVs (9%), then M&HCVs (15%), and finally construction equipment (9%).

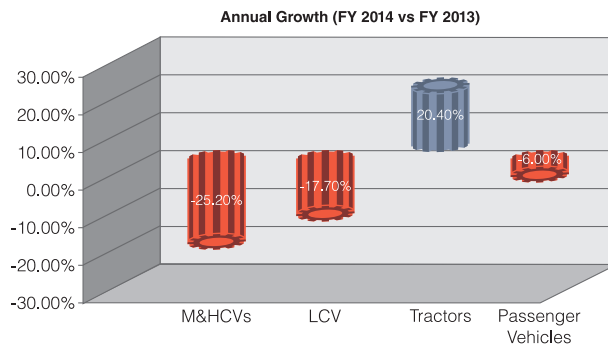


## Market Scenario

On the back of good monsoons and healthy agriculture growth, agriculture machinery or tractor sales in India recorded major highs. Tractor sales in India grew by 20.4% to an all-time high of 6,34,151 units in FY 2014 compared to 5,26,912 units in FY 2013. According to Industry analysts, there was robust demand for tractors from western and southern regions which received good monsoon last year, while the same area faced drought in 2012. They also added bumper harvest, more remunerative prices for wheat, guar and soya bean, timely arrival of monsoon and new product launches had also contributed to this massive sales growth.

In contrast, both commercial and passenger vehicles witnessed a contraction in volumes. Sales of domestic commercial vehicles dropped 20.2% in FY 2014 due to the economic slowdown and weak consumer sentiment. Around 6.33 lakh vehicles, including light, medium and heavy commercial vehicles (CV), were sold in FY 2014 compared to a little over 7.9 Lakh vehicles being sold in the preceding financial year. The domestic commercial vehicle industry is currently going through one of its longest down cycles in recent periods. Even in FY 2013, there was a decline of 2%. Within CVs, demand for medium and heavy commercial vehicles (M&HCV) has been affected the most. Their sales declined by 25.2% in FY 2014, which has brought the total industry size to level lower than what it was back in FY 2011.

The slowing economy and weak consumer sentiment had a trickle-down impact on demand for Light Commercial Vehicles (LCV), which shrunk by 17.7% during FY 2014 compared to steady growth in the segment over the last several years.



*Source: Tractors Manufacturer's Association (TMA); Society of Indian Automobile Manufacturers (SIAM)*

Passenger vehicle sales in India slumped by 6% in 2013-14, marking the biggest drop in a decade. Although the government had announced a 4-6% cut in excise duty in February, it failed to lift the mood in a market weighed down by rising costs and higher interest rates.

Sales of passenger vehicles — including cars, sports utility vehicles and vans — fell to 25.03 lakh units in FY 2014 from 26.66 lakh units in FY 2013. Cars and SUV sales fell 5% each to 17.86 lakh units and 5.25 lakh units. Van sales registered the largest decline of 20% at 1.90 lakh units.

The Indian Construction Equipment (CE) industry witnessed a second consecutive year of volume de-growth during FY 2014 with volume demand estimated to fall by around 15-17% to numbers between 55,000 and 56,000 units. This decline comes close on the heels of 8-10% de-growth witnessed during FY 2013, when industry volumes fell to approximately 66,000. Prior to this, the domestic CE industry had witnessed two years of healthy growth of 21% and 45% per annum. Over the past six years, the trend has typically been of two year cycles of contraction and expansion, correlating with the economic growth and construction activity in the country. However, given the current investment environment, the revival is expected to be much more gradual provided re-emphasis is put on reviving infrastructure by the newly elected central government.

In the US, which is BGL's primary export market, the trends were similar. Total farm tractor sales increased by 9.1% to 201,988 units in CY 2013. For an advanced economy such growth is fairly impressive. Commercial vehicles witnessed much lower growth but unlike in India there was no massive contraction. The construction equipment industry is going through a slump globally. For BGL, which has growing exports with its share in global trading of gears still being negligible, the macro-level market conditions have little impact. In fact, slowdowns in advanced economies lead to greater focus on lowering costs and sourcing from companies in low cost countries like India, increasing BGL's scope to market.

## Market Performance

In FY 2014, BGL continued to make the most of the opportunities in the domestic tractors market and exports to offset the slowdown in the other market segments and recorded a moderate growth in gear sales – gear sales increased by 11.2% from Rs. 353.4 crore in FY 2013 to Rs. 393.1 crore in FY 2014.

The OE gears business has a certain time gap between business development activities and its translation into delivery of orders. There are several stages from design to sampling to commercial negotiations to test production and finally commercial production. So, while the Company made lot of efforts at business development during FY 2014, most of the orders were from existing customers. The marketing efforts made today will pay dividend in the near future. And, there have been several initiatives undertaken in FY 2014 to widen the domestic customer base especially among tractor manufacturers and also develop new export orders.

BGL has a strong base of its customer, which comprises marquee players in each segment. Many of these customers are global players with a domestic presence in India. The Company continues with its effort to strengthen and cement relationships with these customers in the domestic market and explore opportunities to service their global needs.

BGL is positioned as a quality but competitive cost manufacturer to its customers across the globe.

Apart from relationship building, the Company has also taken active steps to improve on the 'time to market' a new product. This involves strengthening processes and capabilities right across activities including design verifications, RFQ management, quotations and sample development. On these fronts, BGL has taken initiatives by enhancing manpower capabilities, introducing improved work flows and introducing IT tools.

Continuous effort are being undertaken to maintain the highest delivery standards in terms of 'on time' and 'in full'. The larger customer base with wider product portfolio, which is fast emerging as the need of the markets today, increases the challenges on this front. BGL is very conscious of not failing on this commitment. It has introduced a degree of flexibility in its production equipment and is continuously working on improving its planning systems.

Overall, these activities are focused on becoming a true partner to the customers. The goal is to create as much a centric organisation as possible within the contours of the inflexibilities inherent in the prevailing technology for gear manufacturing and limitations of the vendor base.

These efforts have started giving initial results. Export sales actually increased by 38.67% from Rs. 82.44 crore in FY 2013 to Rs.114.32 crore in FY 2014. With this growth, the share of exports in sale of automotive gears



and components has increased gradually from 16% in FY 2011 to 20% in FY 2012 to 25% in FY 2013 and now 31% in FY 2014. This growth is a testimony to the good delivery record in the initial phase with global customers who have now extended orders. The Company is also supplying against new orders from other geographies of these global customers.

## Operations

The three facilities of BGL are located at Mumbra (near Mumbai), Faridabad (near Delhi) and Lonand (near Pune). At Mumbra, BGL produces Bevel, Transmission and Differential gears, while at Faridabad it produces Bevel and Transmission gears and at Lonand the initial focus is on Transmission gears. Both Mumbra and Faridabad plant of the Company continue to be certified under ISO/TS 16949 (quality). In addition, the Faridabad plant is also certified under ISO/14001 and EHS - OSHAS 18001 certification by BVC. The Lonand plant is in its first year of operations and the process for quality certifications are under way. Over the years, with single minded focus on modernisation, BGL has built its reputation as a quality and reliable supplier. With customer satisfaction as the foundation of its entire operation, BGL is dedicated to maintaining the Company's commitment to providing the highest quality products, the best customer service, and the safest operating conditions in the industry.

The Company offers both systems of Hypoid gear generation - (Face milling) and Face Hobbing.



The Transmission gear manufacturing lines are well equipped with state-of-the-art machines like CNC Gear shaping, CNC Hobbing, CNC Shaving and CNC Gear grinding machines as well as gear testers and induction hardening machines. In differential gears, BGL offers customers both Gleason Revacycle and Gleason Coniflex systems of straight bevel generation.

In both bevel and transmission gear manufacturing, Bharat Gears has constantly worked on upgrading its technology. For bevel gears, it continues to invest in the latest dry cutting technology while for transmissions it is investing in the latest high speed CNC hobber and shaver systems.

BGL continued with its modernisation programme. The state-of-the-art Klingelberg CNC gear cutting machine (C50), which is a top of the line machine using dry cutting technology, is now operational at Faridabad. This is the first machine with robotics technology in the Company's arsenal.

Construction activities are almost complete for the first stage of the new plant at Lonand. After a period of test products, the factory became operational and commenced commercial production during the fourth quarter of FY 2014.

## Auto Components Business

Bharat Gears is a trusted brand in the replacement gear market, where it continues to maintain steady market share. Today, the Company has a pan India distribution network with greater strengths in the East, North and West of India. The auto-components space includes a wide array of parts engineered to excellence where BGL maintains tight controls over design and quality. The range of products include automotive clutch and components, turbo chargers and components, driveline products, axle shafts, fly wheel assemblies and rings, propeller shaft components, U-J Cross, steering components, differential cages and steel wheel rims.

Due to sluggish market conditions, Revenues from auto-component products decreased by 18.2% to Rs.39.2 crore in FY 2014.

Given the potential for high growth in the clutch business of auto components distribution, Bharat Gears thought it prudent to develop a reliable vendor on which there could be much greater control in terms of supervision of processes for quality and delivery. Consequently, in FY 2013, a related promoter group company – Xlerate Driveline India Limited (XDIL) – was set up that invested in setting up capacities for clutch production at Faridabad. During FY 2014, this associated manufacturing facility has started stabilising production of some initial group of products. These products are manufactured by XDIL and sold by Bharat Gears in the aftermarket. Bharat Gears gets a fees for marketing services, which is a proportion of the value of clutches sold.





## Furnace Business

BGL Furnaces division engineers and constructs batch and continuous heat-treating furnace systems in technical association with AFC-Holcroft, Michigan, USA. AFC-Holcroft is recognized internationally as an industry leader for innovative technology, quality and reliability. More than 110 BGL-AFC-HOLCROFT heat treating furnace systems are in service at several customers' plants in India.

Furnaces by nature being Capital Equipment, this division gets affected by market dynamics. Given the complete freeze on investments in the industrial and manufacturing sectors in India in FY 2014, the order booking was very low. Consequently, business was slow and revenues were only Rs. 11.32 crore (including sale of services).

## Support Systems

The entire operations at BGL are well supported by strong human resource (HR) management and information technology (IT) as its backbone.

HR has given continuous emphasis on training both workers and managerial staff through structured training programmes. The emphasis over the last few years for the management and administrative staff has been to position and develop the workforce to be most efficient. On the shop-floor, HR management has been deployed to improve productivity and strike a fine balance between ensuring availability of manpower and managing cost of operations. In FY 2014, labour relations at all the plants continued to be cordial and not a single day's work was lost. During FY 2014, the Company completed the labour settlement contract with permanent workmen at Mumbra and a one-time payment of Rs. 0.93 crore was made.

Bharat Gears has a well-functioning ERP system developed by RAMCO. The entire operations are streamlined through the ERP at both Faridabad and Mumbra plants. IT tools are also effectively utilised for product development, quote management and compliance.

## Financial Highlights

While the Company managed to increase net revenues by 7%, operational costs have increased primarily due to higher incremental wage and salary costs. Consequently, EBIDTA has dropped by 6%. Finance costs increased by 24% and depreciation increased by 19%, mainly due to the financing activity of the new plant at Lonand. Growth in these financial costs has further reduced profits and PAT for FY 2014 was only Rs. 0.60 crore. The abridged profit and loss statement is given below:

Rs. in Crore

	FY 2014	FY 2013
Total Revenues	423.16	395.32
EBIDTA	28.81	30.65
Finance Costs	14.49	11.65
Depreciation	13.72	11.55
PBT	0.60	7.45
Tax		2.48
PAT	0.60	4.97

## Risks and Concerns

At the operational level there are several risks that are inherent to the business. These are typically transactional in nature. These risks are managed through internal processes and controls and the effective utilisation of the ERP. In addition, the Company has to deal certain major micro risks that affect the Company's strategy implementation.

**Market Risk:** BGL is primarily an OE based gear supplier. Its ability to generate revenue growth is affected by the continuing relationship with the customer base and the developments in the customer industry as a whole. The Company still has a large concentration amongst a few groups of customers and industry segment. This concentration adds to market risks and also highlights the fact that one customer moving out could leave a large void.

BGL is focusing on widening its customer base, entering new user segments and spreading operations across geographies to mitigate this market risks.

**Input Cost Risk:** Being an integral unit of a long supply chain in the automotive industry, BGL is always exposed to the risks of having to absorb increased input costs that cannot be passed on to customers. While contractually steel cost increases can be passed on, there is always bargaining pressure from the large OEMs. Other price increases like energy and operational expenses have to be offset by operational efficiency and value engineering.

**Technology Risk:** Globally, it is the Auto manufacturers who are the prime drivers of Component design, development and material changes. Thus, the component manufacturers need to continuously stay in sync with such progress. There is the risk of technological obsolescence that may drive away large markets. However, BGL has always invested in upgrading its technology to meet changing customer demand.



**Financial Risk:** The Company is exposed to various risks like any other business due to changes in foreign exchange rates, interest rates, credit availability and liquidity. There are risks associated with long term receivable as well. While there will be repayment obligations in the near future, the Company is well positioned to service that and further finance its growth objectives.

The Company has adequate policy, procedure and systems in place to forecast, analyse, assess, evaluate and take proactive steps to deal with all types of financial risks.

**Regulatory and Safety Risk:** Changes in laws, regulations, policies and other Governmental actions could affect the Company's operation periodically. These laws, regulations and policies include those affecting environmental matters, employee welfare, safety, wastage emissions. The Company has ensured compliance of all laws applicable to the Company and monitors these effectively through a software system.

**Product Risk:** Many of the Company's products are critical components for the automotive customers. The Company maintains strong controls on design and product quality and interacts with customers regularly on technical issues. Wherever possible, there is contractual protection against such claims but with some of this risk exposure exists. In the after-market, especially while the Company provides for specific warranty, it is also exploring the cost benefits of product liability insurance.

**Exchange Rate Risk:** Exports growth has been happening steadily over the last few years. Such Exports sales also expose the Company to the risks associated with the volatility of global foreign exchange rates.

## Outlook

While expectations are high from the new Government of turning the Indian economy around, realistically speaking and the process is expected to take some time. Unseasonal rains in March and April 2014 have had a bad effect on agriculture but output is expected to remain stable. While tractor sales are expected to certainly be lower than FY 2014, the levels are still expected to be good. The entire vehicles segment is expected to perform better than in FY 2014 purely due to better consumer sentiment. BGL will leverage its positioning in these sectors and also rely on building its relationships and product development plans to grow. The export programmes are also expected to gain momentum. Overall, the focus will continue to be on quality delivery at optimum costs. The Company believes that FY 2015, while being challenging will be a year when the Company regains its growth momentum.

## Internal Control Systems and their Adequacy

Bharat Gears has a proper and adequate system of internal controls to ensure that all assets are safeguarded

and protected against loss from unauthorised use or disposition, and those transactions are authorised, recorded and reported quickly.

The Company's internal controls are supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. Internal auditors reports its findings to the Audit Committee of the Board of Directors. The internal controls are designed to ensure that financial and other records are reliable for preparing financial information and other data, and for maintaining accountability of assets.

## Cautionary Statement

*Statements in this Management Discussion and Analysis describing the company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the company's operations include a downtrend in the gears industry global or domestic or both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs.*





## CORPORATE SOCIAL RESPONSIBILITY



Bharat Gears Limited (BGL) is a pioneer in Gear Technology and India's largest gear manufacturer. Over the years of growth and existence, it has contributed to the lives of its associates, stakeholders in many different ways. We have also contributed to society especially the

needy persons in our special ways and through various NGOs.

### Caring Autism

Autism is complex lifelong neurological disability affecting a person's communicative and imaginative skills and ability to relate to people. Symptoms range from a mild learning and social disability to a severe impairment. A number of autistic children do not ever develop speech while others do but rarely use language to communicate. There are nearly 2 million autistic persons in India and the diagnosis of autism is now growing at a steep rate.



Action for Autism (AFA) is the largest non-profit non-government organization providing support and services to persons with autism and their families.

BGL has been an active corporate contributor to the cause supported by AFA.

### Upgrading the Infrastructure in the Local Surroundings

The Company has built a road alongside with the railway crossing which through a tunnel get to the other side of the railway track. Earlier general public used to wait for long at the railway crossing or used to take a long alternate route to come to the other side of the railway track. Also some of the persons have died of accidents while crossing the railway crossing when the gates are closed. The Company understands its social responsibility towards the society at large and thus laid down the road surface alongside with the railway track. Now this road is being used by general public in large which reduces jam at the railway crossing and no casualty of any kind has been reported.

Further, the Company has paved a cemented road in front of the Faridabad Plant which is also being used by the society at large.



The Company had in the past taken an initiative for repairing and carpeting the Anangpur Road to Delhi- Mathura Road for the betterment of the local community both residential and commercial. In order to achieve that, the Company had approached the Haryana PWD Departments and had given several representations to them. Currently the road is being used by several thousand commuters on daily basis and now considered a vital road link between Sarai Khwaja and Surajkund, Faridabad.

### Green Initiative by BGL







Before



After

The Company has taken a green initiative by developing and maintaining greenery along the road crossing thus contributing towards in making the environment Clean and Green.

## Safety and Environment Initiatives at Bharat Gears

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.



After



Before

## Employee welfare

The Company provides med claim policy to its employees and also provides other assistance on any mis-happening with any employee, in deserving cases. Company does also provide valuable gifts to the employees on occasions of self marriage and on daughter's marriage and also celebrates their birthdays which create a feeling of self belonging to the Company in the minds of the employees for the Company. In order to build team spirit among employees, various cultural programmes and sports tournaments are also organized at short intervals and on festive occasions.





## DIRECTORS' REPORT

To The Members

The Directors have pleasure in submitting 42<sup>nd</sup> Annual Report together with Audited Accounts of your Company for the year ended on 31<sup>st</sup> March, 2014.

(Rupees/Crores)  
Financial year ended

Financial Results	31.03.2014	31.03.2013
Revenue from operations and other income (gross)	459.71	432.72
Profit before finance cost and depreciation and amortisation expense	28.81	30.65
Finance Cost	14.49	11.65
Depreciation and Amortisation expense	13.72	11.55
Profit before tax	0.60	7.45
Less: Tax Expense		2.48
<b>Profit after tax</b>	<b>0.60</b>	<b>4.97</b>
<b>Surplus in Statement of Profit and Loss</b>		
Opening balance	31.28	28.70
Add: Profit for the year	0.60	4.97
Less: Proposed Dividend		
- Equity	0.78	1.41
Tax on distributed profits	0.14	0.23
Transferred to General Reserve	-	0.75
<b>Closing Balance</b>	<b>30.96</b>	<b>31.28</b>

### DIVIDEND

Considering the Company's financial performance, the Directors have recommended a dividend of ₹ 1.00/- per equity share on 7817833 equity shares of the Company, subject to the approval of the shareholders at the ensuing Annual General Meeting, for the year under review.

This will involve a cash outflow of ₹ 0.92 crores including dividend distribution tax of ₹ 0.14 crores.

### FINANCIAL PERFORMANCE

Despite of the prolonged downtrend in the automotive industry, the company managed to perform better in terms of sales than the immediate previous year.

#### Key financial figures: FY 2013-2014

- The Company's turnover has marginally improved by 6% to ₹ 459.71 Crores in FY 2013-14.
- Notwithstanding the marginal growth in sales, the EBIDTA margin registered a drop from 7.08% in FY 2012-13 to 6.27% in the current fiscal due to higher fixed cost.
- Further, PAT was considerably lower at ₹ 0.60 Crores in FY 2013-14 compared to ₹ 4.97 Crores in FY 2012-13 due to absorption of Interest & Depreciation of new plant at Lonand, Maharashtra.

During FY 2013-14, with a view to augment long-term funds to part-finance the Company's existing capital expenditure programme, BGL has raised ₹ 8.67 Crores through cost-effective borrowings. The Company has also raised long term financial resources of ₹ 18.34 Crores

in FY 2013-14 to fund the resource requirement(s) for setting up a new gear manufacturing unit at Lonand, in the district of Satara, Maharashtra. Further, the Company has availed Corporate loan of ₹ 10 Crores for shoring up of Net Working Capital. The Company also repaid ₹ 7.86 Crores of existing borrowings to Financial Institutions and Banks.

The Company has made necessary arrangement for raising long term funds for investments in capacity expansion and technology up gradation in FY 2014-15.

### MANAGEMENT DISCUSSION AND ANALYSIS

A detailed analysis of the Company's operations in terms of performance in markets, manufacturing activities, business outlook, risks and concerns forms part of the Management Discussion and Analysis, a separate section of this report.

### 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 unclaimed dividend to be transferred to Investor Education and Protection Fund. However, an amount of ₹ 4,120/- (Rupees Four Thousand One Hundred Twenty Only) standing in the "Bharat Gears Limited Rights Issue Refund Account" has been deposited in the Investor Education & Protection Fund.

### CORPORATE GOVERNANCE

The Company is committed to maintain the quality 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, Deloitte Haskins & Sells, confirming compliance with the conditions of Corporate Governance, is attached to this Report.

### DIRECTORS

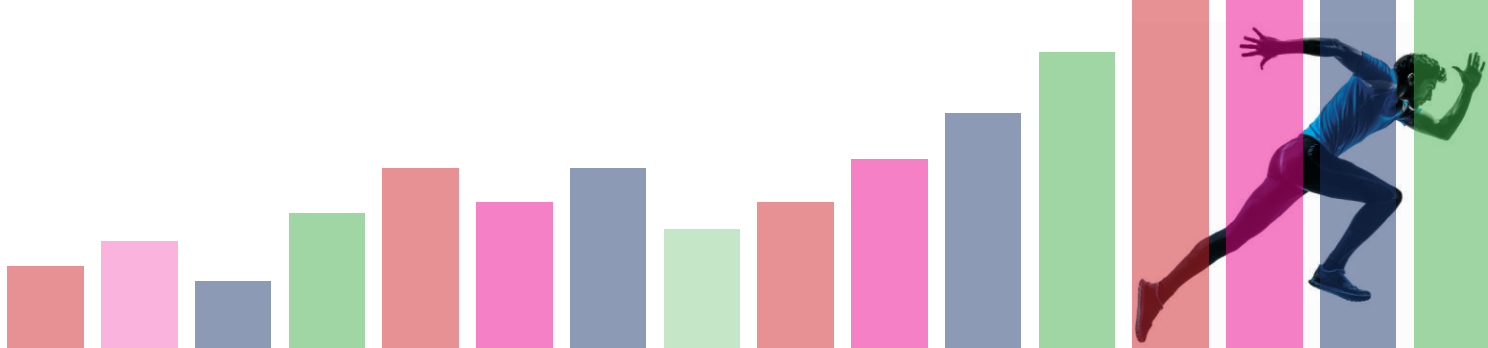
In accordance with Section 256 of the Companies Act, 1956 and the Articles of Association of your Company, Dr. Ram S. Tarneja and Mr. S.G. Awasthi, Directors retire by rotation at the ensuing Annual General Meeting.

Therefore, in terms of Section 149 of the Companies Act, 2013, it has been proposed to appoint Dr. Ram S. Tarneja and Mr. S.G. Awasthi as Non Executive Independent Directors for a period of 5 (Five) Years upto the conclusion of the 47<sup>th</sup> Annual General Meeting (AGM) of the Company in the Calendar year 2019 at the ensuing AGM of the Company.

The Board of Directors of the Company appointed Ms. Hiroo Suresh Advani as Additional Director on January 30, 2014 till the conclusion of forthcoming Annual General Meeting.

Therefore, in terms of Section 149 of the Companies Act, 2013, it has been proposed to appoint Ms. Hiroo Suresh Advani as Non Executive Independent Director for a period of 5 (Five) Years upto the conclusion of





the 47<sup>th</sup> Annual General Meeting (AGM) of the Company in the Calendar year 2019 at the ensuing AGM of the Company.

The Company has received notice under Section 160 of the Companies Act, 2013 (Section 257 of the Companies Act, 1956) from member(s) of the Company, proposing the candidature for the office of Director for the above Directors.

The brief resume of the Directors proposed to be appointed is given in the notice calling the Annual General Meeting.

During the year under review, Mr. Sameer Kanwar has been re-appointed as the Joint Managing Director of the Company for a further period of 5 (Five) years w.e.f. 1<sup>st</sup> June, 2013.

#### 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 31<sup>st</sup> March, 2014 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.

#### DISCLOSURES UNDER SECTION 217 OF THE COMPANIES ACT, 1956

Except as disclosed elsewhere in the Annual Report, there have been no material changes and commitments, which can affect the financial position of the Company between the end of financial year and the date of this report.

#### 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-Ahmedabad (ICAI Registration No. 117365W) Chartered Accountants (DHS), hold office until the conclusion of the forthcoming Annual General Meeting. The

Board recommends for their appointment as Statutory Auditors of the Company in terms of provisions of Section 139 of the Companies Act, 2013 from the ensuing Annual General Meeting to the third consecutive Annual General Meeting from the ensuing Annual General Meeting in the Calendar year 2017 (subject to ratification by the members at every Annual General Meeting). Certificate from the Auditors has been received to the effect that their appointment, if made, would be within the limits prescribed under Section 139 of the Companies Act, 2013.

#### AUDITORS' REPORT

The observations of the Auditors in their report are self-explanatory and/or explained suitably in the Notes forming part of the Financial Statements.

#### 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 31<sup>st</sup> March, 2013. Further, the Company has proposed their appointment subject to the Central Government approval, as Cost Auditors for auditing the Cost records of all the 3 (Three) plants of the Company viz. Mumbra (Maharashtra), Satara (Maharashtra) and Faridabad (Haryana) for the year ended 31<sup>st</sup> March, 2014.

#### RECONCILIATION OF SHARE CAPITAL AUDIT

As per the directive of the Securities and Exchange Board of India (SEBI), M/s AGB & Associates, Company Secretaries, Faridabad undertakes a Reconciliation of Share Capital 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 Reconciliation of Share Capital Audit Reports as submitted by the Auditor on quarterly basis was forwarded to the BSE Limited, 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 BSE Limited, Mumbai and National Stock Exchange of India Limited, Mumbai.

#### INDUSTRIAL RELATIONS

During the year under review, industrial relations in the Company continued to be cordial and peaceful.

#### ACKNOWLEDGEMENTS

The Board of Directors thanks the shareholders for their continued support and they would like to place on record their appreciation for the dedicated services rendered by the Employees at all levels.

The Directors wish to convey their gratitude to the Financial Institutions, Bankers, Customers, Suppliers and Collaborators for the assistance and confidence reposed by them in the Company.


For and on behalf of the Board of Directors

Place: Mumbai  
Dated: 28 May, 2014

Surinder P. Kanwar  
Chairman and Managing Director

## Annexure-"A"

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 31 March, 2014

Sl. No.	Name	Age in Years	Qualification	Designation	Date of Commencement Of Employment	Years of Exp.	Remuneration (Rs. in Lacs )	Particulars of Last Employment
A. Employed throughout the year ended 31 March, 2014 & were in receipt of Remuneration aggregating not less than Rs. 60,00,000/- per annum.								
1.	Surinder P. Kanwar	61	B. Com.	Chairman & Managing Director	01.10.1990	39	238.37	Managing Director BST Mfg. Ltd.
2.	Sameer Kanwar	37	B. A. (Eco.)	Joint Managing Director	01.02.2002	14	113.55	Management Trainee ZF (AG) Germany
B. Employed for the part of the year ended 31 March, 2014 & were in receipt of Remuneration aggregating not less than Rs. 5,00,000/- per month. NIL								
<b>NOTES :</b> 01. Remuneration includes Salary, Allowances, Co's Contribution to Provident Fund & 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  Surinder P. Kanwar Chairman & Managing Director								
Place : Mumbai Date : 28 May, 2014								

## Annexure – "B"

Report on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo and forming part of Directors' Report for the year ended 31 March, 2014.

### A. Conservation of energy

#### a) Energy conservation measures taken :-

- Conversion of ENDO gas generator from Propane to PNG in Faridabad Plant thereby reducing the substantial cost of Fuel.
- Some Machines are retrofitted/ reconditioning with CNC / PLC systems, to improve the rejection PPM and machine breakdowns.
- Hot washing process is replaced with cold washing by introducing the new cleaning media which effectively cleans the parts without heating. Electrical heaters were disconnected.
- Following steps were taken for Energy saving:
  - For day light transparent sheets introduced in the plant.
  - Chillers were removed from some of machines to reduce the energy cost.
  - Energy saving was done on most of the machine conveyors and dust separators by connecting the machine with auto cycle.
  - Hydraulic systems of most of the machines is put off during the idle time, e.g if no part is being cut on the machine for 5 minutes then hydraulic system of machine will be automatically off.
  - High power consumption motors got replaced with low horse power motors having optimum power requirement.

- Turbo exhaust ventilators 74 Nos were used to exhaust the hot air in the shop & have natural current of fresh air.
- New carburizing furnaces with latest technology & with appropriate exhaust duct to collect flue gasses are introduced.
- LED type lamps were used for street light.
- Use of solar water heating system introduced.
- Auto power factor control panel is installed for improving the power factor to reduce the energy cost.
- Treated water from STP & ETP is being used for gardening.
- Diesel washing is replaced with a washing machine using water soluble media. These machines are manufactured in house Total 5 machine are made so far.

#### b) Additional investments & proposal, if any being implemented for consumption of energy:

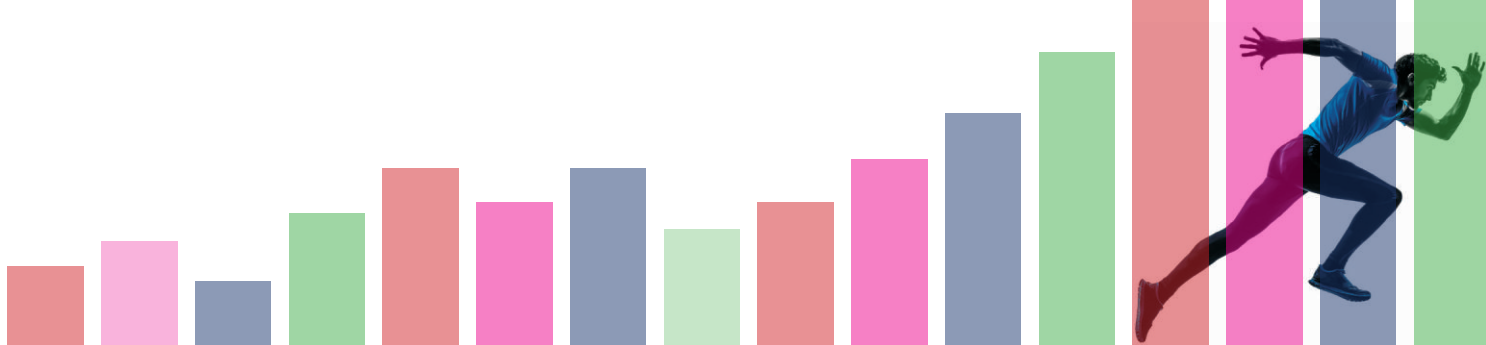
- We are planning to replace existing electrical heating to solar heating in phosphating line and removing air conditioners from electrical panels.

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

- The result of above initiatives is reduction in the energy costs.

#### 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	<p>Focus is on technology up gradation.</p> <p>Klingelberg CNC - C50 Bevel Gear cutting machine with ROBOTIC loading unloading is made operational.</p> <p>Spectrometer equipment is installed in metallurgical laboratory for carrying out verification of chemistry of incoming steel.</p> <p>OD Grinding with multi gauge is introduced and is put in operation with cycle time reduction by around 90%.</p> <p>Automatic bin Washing machine installed.</p> <p>Final Product washing machine is in operation for Millipore control.</p> <p>The critical Eaton Counter shafts (4 types) developed and productionized.</p> <p>Uni spand work holding tooling for CWs on cutting and lapping machines is developed indigenously.</p> <p>Final inspection layout changed to single piece flow upto packing.</p>
2.	Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.	Reduced PPM levels, reduced manufacturing costs and add new business.
3.	<p>In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:</p> <p>a) Technology imported</p> <p>b) Year of import</p> <p>c) Has technology been fully absorbed</p> <p>d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.</p>	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.	We have identified fresh opportunity in export market which can lead to substantial growth.		
	g) Total foreign exchange used and earned.	The particulars with respect to foreign earnings and outgo are as follows		
			(₹ In Lacs)	
			2013-2014	2012-2013
	Foreign Exchange Earned		11860.48	8721.68
	Foreign Exchange used		1763.78	1271.31
	Net Foreign Exchange earnings		10096.70	7450.37

For and on behalf of the Board of Directors

Surinder P. Kanwar  
Chairman & Managing Director

Place : Mumbai  
Date : 28 May, 2014





# CORPORATE GOVERNANCE REPORT

For the Year ended March 31, 2014

(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, sustainability and transparency of the system and takes into account the stakeholders' interest in every business decision. Corporate Governance is a combination of voluntary practices and compliances of laws and regulations leading to effective control and management of the Organization and its valuable resources through effective and transparent business conduct, integrating communication, integrity and accountability towards its stakeholders.

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

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

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

## 2. BOARD OF DIRECTORS

Your Company has an optimum combination of Executive and Non-Executive Independent Directors on the Board which includes one woman Additional Director. As on March 31, 2014, the Board consists of Nine (9) 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 brief profile of the members of the Board is also available on the Company's website i.e. [www.bharatgears.com](http://www.bharatgears.com).

### A. Board's definition of Independent Director

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

- i. apart from receiving the Director's 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;
- vi. is not a substantial shareholder of the Company, i.e. owning two percent or more of the block of voting shares; and
- 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 term '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.

It has been confirmed by all the Independent Directors of the Company that as on March 31, 2014, they fulfill the criteria of being "Independent Director" as stipulated under Clause 49 of the Listing Agreement.

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.

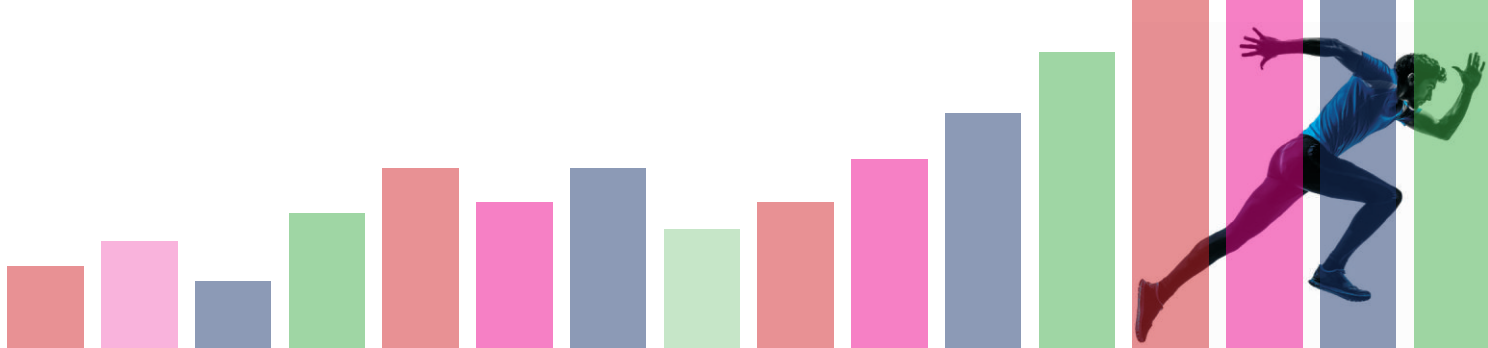


Table-1

Sl.No	Name of Director(s)	Category	No. of Board Meetings held/attended	Attendance at last AGM	No. of outside Directorships held <sup>A</sup>	No. of Memberships/ Chairmanships in Board Committees <sup>B</sup>	
						Member	Chairman
1.	<sup>C</sup> Mr. Surinder P. Kanwar	Chairman and Managing Director	5/5	Present	2	2	-
2.	<sup>C</sup> Mr. Sameer Kanwar	Joint Managing Director	5/5	Present	-	1	-
3.	Mr. W.R. Schilha	Non-Executive Independent Director	5/4	Present	-	-	-
4.	Dr. Ram S. Tarneja	Non-Executive Independent Director	5/5	Present	9	4	2
5.	Mr. N.J. Kamath	Non-Executive Independent Director	5/5	Present	-	1	1
6.	Mr. V.K. Pargal	Non-Executive Independent Director	5/5	Present	2	3	-
7.	Mr. S.G. Awasthi	Non-Executive Independent Director	5/5	Present	-	-	-
8.	Mr. Rakesh Chopra	Non-Executive Independent Director	5/5	Present	1	2	1
9.	<sup>D</sup> Ms. Hiroo Suresh Advani	Non-Executive Independent Director	1 <sup>D</sup>	N.A.	-	-	-

<sup>A</sup>excluding directorship in Private Companies, alternate directorship, Companies registered under Section 25 of the Companies Act, 1956 and Foreign Companies.

<sup>B</sup>For the purpose of considering the limit of the Committees on which a Director can serve, all Public Limited Companies, whether listed or not, are included and all other Companies including Private Companies, Foreign Companies and the Companies under Section 25 of the Companies Act, 1956 are excluded. Further, it includes Membership/Chairmanship of Audit Committee and Shareholder's/Investors Grievance' Committee only. None of the Directors of your Company is a Member of more than ten (10) Committees or is the Chairman of more than five (5) Committees across all Public Limited Companies in which they are Directors. The Membership/Chairmanship also includes Membership/Chairmanship in Bharat Gears Limited.

<sup>C</sup>Mr. Surinder P. Kanwar is father of Mr. Sameer Kanwar. Mr. Sameer Kanwar has been re-appointed as Joint Managing Director of the Company w.e.f. June 1, 2013.

<sup>D</sup>Ms. Hiroo Suresh Advani has been appointed as an Additional director of the Company w.e.f. January 30, 2014 till the conclusion of the next Annual General Meeting.

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 2013-14, 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: -

- May 29, 2013;
- July 31, 2013;
- October 25, 2013;
- January 30, 2014; and
- March 25, 2014

#### 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 the following, extent to the applicability during the year as per Clause 49 of the Listing agreement.

- Annual Operating Plans and Budgets and any updates.
- Capital budgets and any updates.
- Quarterly, Half Yearly and Yearly Results of the Company .
- Minutes of the Meetings of Audit Committee and other Committees of the Board.
- The information on recruitment of Senior Officers just below the Board level.

The Board periodically reviews the compliance reports of all laws applicable to the Company, prepared by the Company along with the declaration made by all the respective departmental heads and by the Chairman and Managing Director regarding compliance with all applicable laws.



### 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**

Sl.No.	Name of Member	Designation	No. of meetings Held/Attended
1.	Dr. Ram S. Tarneja	Chairman	5/5
2.	Mr. V.K. Pargal	Member	5/5
3.	Mr. N.J. Kamath	Member	5/5
4.	Mr. Rakesh Chopra	Member	5/5

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

The Chairman of the Audit Committee was present in the last Annual General Meeting and replied to the queries of the shareholders to their satisfaction.

Mr. Prashant Khattri, Head (Legal) and Company Secretary of the Company acted as Secretary to the Audit Committee Meetings as aforesaid.

##### II. Audit Committee Meetings

During the year, five (5) meetings of the Audit Committee were held on the following dates:

- May 28, 2013;
- July 30, 2013;
- October 25, 2013;
- January 30, 2014; and
- March 25, 2014

##### III. Powers of Audit Committee

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

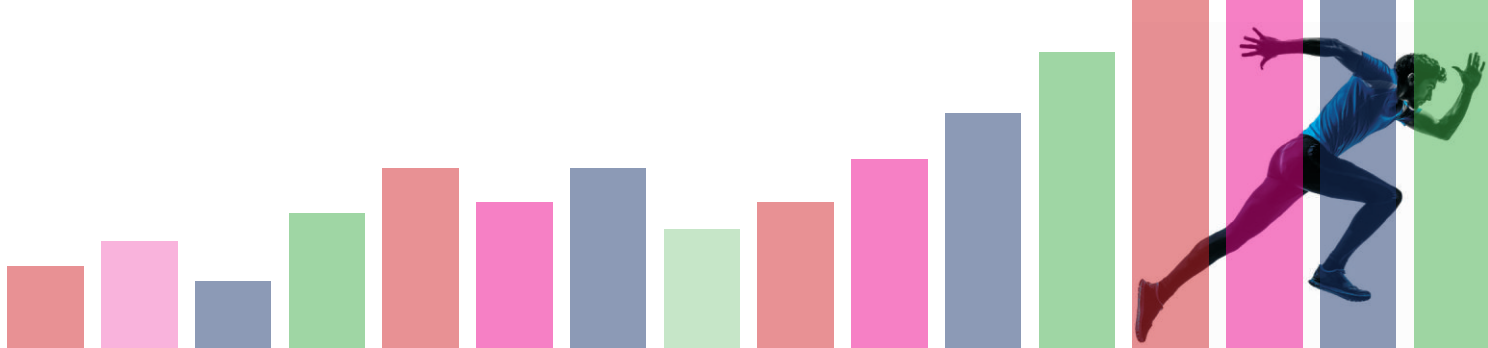
1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

#### IV. Role of Audit Committee

The role of the Audit Committee includes the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees.
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any Related Party Transactions.
  - g. Qualifications in the Draft Audit Report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- 5A. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
6. Reviewing, with the management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of Internal Audit.
8. Discussion with Internal Auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with Statutory Auditors before the Audit commences, about the nature and scope of Audit as well as Post-Audit discussion to ascertain any area of concern.





11. To look into the reasons for substantial defaults in the payment to the Depositors, Debenture Holders, Shareholders (in case of non payment of declared dividends) and Creditors.
12. To review the functioning of the Whistle Blower mechanism existing in the Company.
- 12A. Approval of appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background etc. of the candidate.
13. Reviewing the Company's Financial and Risk Management Policies.
14. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

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

#### V. Review of Information by Audit Committee

The Audit Committee reviews the following information:

1. Management Discussion and Analysis of financial condition and results of operations;
2. Statement of significant Related Party Transactions (as defined by the Audit Committee), submitted by Management;
3. Management letters/letters of internal control weaknesses issued by the Statutory Auditors;
4. Internal Audit Reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.

#### B. **Remuneration Committee**

##### I. Constitution and Composition

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

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

The Remuneration Committee constitutes of following three Directors. **Table-3** gives the composition of the Remuneration Committee and the attendance record of the members of the committee.

**Table-3**

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

During the Financial Year 2013-14, 3(Three) meetings of the Remuneration Committee were held. **Table-4** gives the details of the date and purpose of the meetings of Remuneration Committee: -

**Table-4**

Sl.No.	Date of Meeting	Purpose
1.	May 28, 2013	Consideration and recommendation of the re-appointment of Mr. Sameer Kanwar as Joint Managing Director of the Company for a further period of 5(Five) years w.e.f June 1, 2013 along with the proposed remuneration
2.	July 30, 2013	Consideration and recommendation of the payment of remuneration to Mr. Surinder P. Kanwar, Chairman and Managing Director for the remaining period of 2(Two) years w.e.f October 1, 2013 of his present tenure
3.	March 25, 2014	Consideration and recommendation of the payment of remuneration to Mr. Sameer Kanwar, Joint Managing Director, for further period of 2(Two) years w.e.f June 1, 2014 of his present tenure

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

The remuneration policy of the Company is based on criteria such as industry benchmarks, the Company's performance vis-à-vis the industry, responsibilities shouldered, performance/track record, macroeconomic review on remuneration packages of heads of other organizations with a need to attract the best available talent.

In terms of the provisions of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement, the Company has formulated a Nomination and Remuneration Committee in place of Remuneration Committee with revised terms of reference on May 7, 2014 through a Circular resolution of the Board of Directors of the Company.

#### C. **Shareholders'/Investors' Grievance Committee**

The "Shareholders'/Investors' Grievance Committee" has been empowered to look into the Shareholders'/Investors' grievances i.e. Non-receipt of Annual Reports, Dividend payments, other miscellaneous complaints and redressal of the same. The said Committee is also authorised to effect transfers/transmissions of Equity Shares/Debentures and other securities and also to issue Duplicate Share Certificates and other securities and matters related or incidental thereto.

The **Table-5** gives the composition of the Shareholders'/Investors' Grievance Committee and the attendance record of Members of the Committee:

**Table-5**

Sl.No.	Name of Member	Designation	No. of meetings Held/Attended
1.	Mr. N. J. Kamath	Chairman	1/1
2.	Mr. Sameer Kanwar	Member	1/1
3.	Mr. Rakesh Chopra	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 of the Company.



#### I. Shareholders'/Investors' Grievance Committee Meetings

During the Financial Year 2013-14, the Committee met one (1) time on May 28, 2013 and the Committee took note of requests received from the Shareholders for Dematerialisation, Rematerialisation, Transfers and Transmission of Shares. All the requests of the Shareholders have been duly acted upon and no such request was pending as on March 31, 2014.

#### 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 transfer/transmission/split/consolidation of shares;

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

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

The nomenclature of Shareholders'/Investors' Grievance Committee and Sub-Committee of Shareholders'/Investors' Grievance Committee has been changed to Stakeholders' Relationship Committee and Sub-Committee of Stakeholders' Relationship Committee respectively w.e.f. May 28, 2014.

#### D. Finance Committee

The "Finance Committee" of the Board of Directors of the Company is in existence which has been empowered to take care of the financing and other day to day requirements of the Company. The said Committee is authorised to borrow monies, make loans, issue shares, etc. and matters related or incidental thereto.

The **Table-6** gives the composition of the Finance Committee:

**Table-6**

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

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

During the Financial Year 2013-14, the Committee met one (1) time to discharge the functions delegated to the Committee.

#### 4. COMPLIANCE OFFICER

Mr. Prashant Khattri, Head (Legal) & Company Secretary is the Compliance Officer of the Company.

#### 5. DIRECTORS

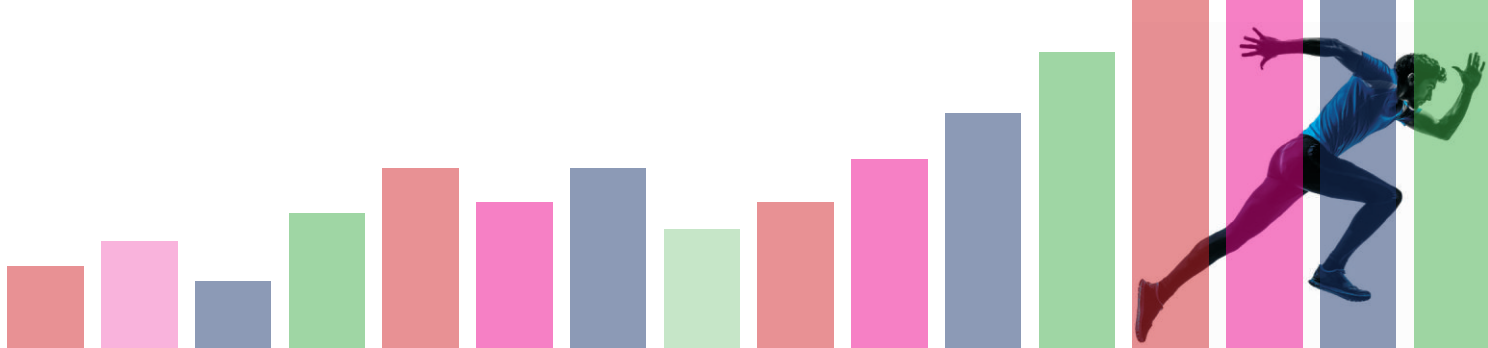
Re-Appointment of existing Non-Executive Rotational Directors

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

The **Table-7** gives the information pertaining to the Non-Executive Independent Directors who are to be appointed in terms of the provisions of the Section 149 of the Companies Act, 2013 in the forthcoming Annual General Meeting:

**Table-7**

Sl. No.	Particulars of Directors
1.	<p><b>Dr. Ram S. Tarneja, Director</b></p> <p><b>Brief Resume:</b> Dr. Ram S. Tarneja, aged 82 years is a Non-Executive Director of the Company since 30.12.1981. He did B.A. (Hons) from Delhi. He is also an M.A. both from University of Delhi &amp; University of Virginia and has also done Ph.D from Cornell University. Dr. Ram S. Tarneja has varied and rich experience across Companies. Apart from being the Chairman of Audit Committee of Bharat Gears Limited, he is also the Member of Remuneration Committee of Bharat Gears Limited. He has served on the Board and Committee of various other Companies viz. Jolly Board Limited, Bennett Coleman &amp; Co. Limited, HDFC Limited, GATI Limited etc. and has the requisite expertise in accounting and financial management.</p> <p>As on March 31, 2014, he does not hold any share in the Company.</p>
2.	<p><b>Mr. S.G. Awasthi, Director</b></p> <p><b>Brief Resume:</b> Mr. S.G. Awasthi, aged 71 years, graduated in Science from Allahabad University, and did Mechanical Engineering from Roorkee University. He possesses vast experience of representing the top hierarchy of Indian industry, Media, Bureaucracy, and the Government and business houses like TATA, TOYOTA etc. He has also served as member and Chairman of various state, national and international level committees.</p> <p>As on March 31, 2014, he does not hold any share in the Company.</p>
3.	<p><b>Ms. Hiroo Suresh Advani, Director</b></p> <p>Ms. Hiroo Suresh Advani has been appointed as an Additional director of the Company w.e.f January 30, 2014 till the conclusion of the next Annual General Meeting.</p> <p><b>Brief Resume:</b> Ms. Hiroo Suresh Advani, aged 68 years is a post graduate in Arts from the University of Mumbai. She is also a Certified Associate of "Indian Institute of Banking and Finance" (Previously known as "The Indian Institute of Bankers"). She has a vast experience of over 43 years and has served different organisations viz. Reserve Bank of India, Industrial Development Bank of India and Export Import Bank of India etc. She has rich experience in the field of Trade finance, Project Finance, Corporate Banking, etc. During her tenure with EXIM Bank, she has worked as a Nodal Officer for CDR Cell and has represented EXIM Bank for Technology Upgradation Programme (TUF) meetings by Ministry of Textiles, Government of India.</p> <p>As on March 31, 2014, she does not hold any Share in the Company.</p>



## 6. GENERAL BODY MEETINGS

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

### Annual General Meetings

Table-8

Financial Year	Venue	Date & Time	Special Resolution(s) Passed
2012-13	Huda Convention Centre, Sector-12, Faridabad-121007 (Haryana)	July 31, 2013 11.30 A.M.	Yes  Appointment of Mr. Sameer Kanwar as Joint Managing Director for further period of 5(Five) Years
2011-12	Faridabad Industries Association, FIA House, Bata Chowk, Faridabad-121001 (Haryana)	July 26, 2012 11.30 A.M.	No
2010-11	Faridabad Industries Association, FIA House, Bata Chowk, Faridabad-121001 (Haryana)	July 26, 2011 12.00 Noon	No

### Extra-ordinary General Meetings

No Extraordinary General Meeting of the Company was held during the Financial Year ended March 31, 2014.

### Postal Ballot

There are no special resolutions passed during 2013-14 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 2013-14, 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 neither participated in the discussion nor did they vote on such matters. The details of the Related Party Transactions during the year are given in the Notes forming part of financial statements.

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

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

### C. Risk Management Framework:

The Company has in place mechanisms to inform Board Members about the risk assessment and minimization procedures and periodical review

to ensure that executive management controls risk by means of a properly defined framework.

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

### D. Compliance by the Company:

There were no instances of any non-compliance by the Company or any penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any other Statutory Authority, on any matter related to the Capital Markets, during the last three years.

### E. Management:

Management Discussion and Analysis forms part of the Annual Report to the Shareholders for the Financial Year 2013-14.

### F. Whistle Blower:

The Company has established an effective mechanism called Whistle Blower Policy (Policy) which is available at the Company's website [www.bharatgears.com](http://www.bharatgears.com). The mechanism under the Policy has been appropriately communicated within the organisation. The purpose of this policy is to provide a framework to promote responsible whistle blowing by employees. It protects employees wishing to raise a concern about serious irregularities, unethical behaviour, actual or suspected fraud within the Company by reporting the same to the Audit Committee. A separate e-mail i.e. [whistleblower@bglindia.com](mailto:whistleblower@bglindia.com) has been designated for the purpose.

During the year, no unethical behavior has been reported. Further, the Company has not denied any personnel access to the Audit Committee and it will provide protection to Whistle Blower, if any, from adverse personnel action.





#### G. Remuneration of Directors for 2013-14:

Table-9

(₹ In lacs)

Name of Members	Sitting Fees	Salaries and Perquisites		Total
Mr. N. J. Kamath	1.91	Nil		1.91
Mr. V. K. Pargal	1.85	Nil		1.85
Dr. Ram S. Tarneja	1.85	Nil		1.85
Mr. W.R. Schilha	0.67	Nil		0.67
Mr. S.G. Awasthi	0.90	Nil		0.90
Mr. Rakesh Chopra	1.80	Nil		1.80
Ms. Hiroo Suresh Advani	0.17	Nil		0.17
			Sub-Total (A)	9.15
Mr. Surinder P. Kanwar	Nil	• Salary	152.46	238.37
		• Contribution to provident and other funds (*)	41.16	
		• Monetary value of perquisites (**)	44.75	
Mr. Sameer Kanwar	Nil	• Salary and allowances	81.51	113.55
		• Contribution to provident and other funds (*)	19.42	
		• Monetary value of perquisites (**)	12.62	
			Sub-Total (B)	351.92
			Grand Total	361.07

\*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.

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

#### H. CEO/CFO certification:

Certificate from Mr. Surinder P. Kanwar, Chairman and Managing Director and Mr. Milind Pujari, Chief Financial Officer in terms of Clause 49 (V) of the Listing Agreement with the Stock Exchanges for the Financial Year ended March 31, 2014 was placed before the Board of Directors of the Company in its meeting held on May 28, 2014.

#### I. Code of Conduct and Corporate Ethics:

- Code of Business Conduct and Ethics

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

- Code of Conduct for Prevention of Insider Trading

The Company has a comprehensive Code of Conduct for its Management, Staff and Directors for prevention of Insider Trading in compliance with SEBI (Prohibition of Insider Trading) Regulations, 1992 and SEBI (Prohibition of Insider Trading) Amendment Regulations, 2011. The code lays down the guidelines and procedures to be followed and disclosures to be made while dealing with the Shares of the Company and cautioning them on the consequences of non-compliances. The pieces of the price sensitive information are disseminated to the Stock Exchanges timely, adequately and promptly on continuous basis for prevention of Insider Trading. The Company Secretary has been appointed as Compliance Officer and is responsible for adherence to Code for prevention of Insider Trading. A copy of same has been posted at the official website of the Company i.e. [www.bharatgears.com](http://www.bharatgears.com)

#### J. Mandatory Requirements:

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

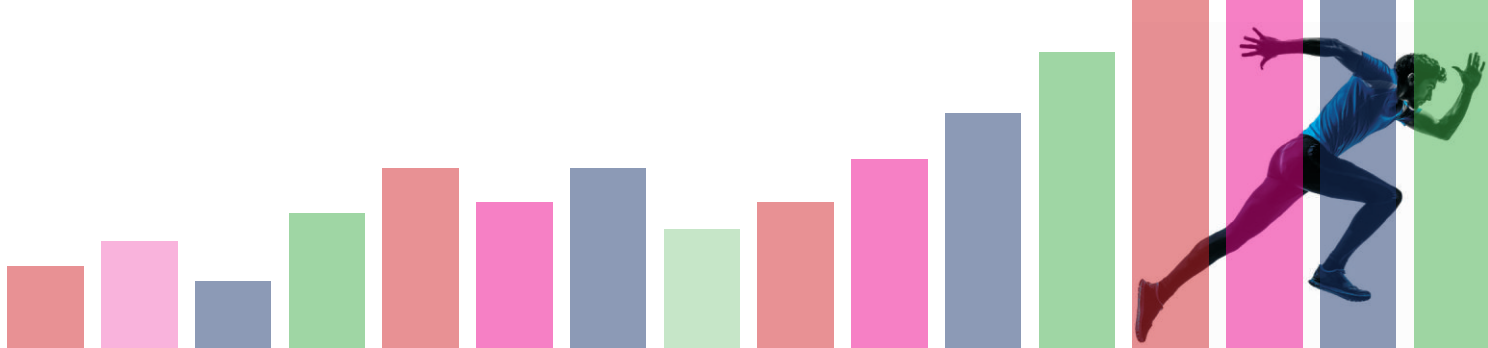


Table-10

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

**K. Non-Mandatory Requirements:**

The Company has set up a Remuneration Committee and Finance Committee, details whereof are given in the Board Committee section of this report. The Company has also adopted a Whistle Blower Mechanism.

In terms of the provisions of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement, the Company has formulated a Nomination

and Remuneration Committee in place of Remuneration Committee with revised terms of reference on May 7, 2014 through a Circular resolution of the Board of Directors of the Company.

**L. Means of Communication:**

The Quarterly, Half Yearly and Annual Financial Results during the year were published by the Company as under:

Table-11

Financial Results	Name(s) of Newspapers	Date(s) of Publication
Quarter/ Year ended March 31, 2013	The Economic Times* The Economic Times (Hindi)** Mint#	May 30, 2013
Quarter ended June 30, 2013	Economic Times* The Economic Times (Hindi)** Mint#	August 1, 2013
Quarter/Half Year ended September 30, 2013	The Economic Times* Veer Arjun (Hindi)## Mint#	October 26, 2013
Quarter ended December 31, 2013	The Economic Times* The Economic Times (Hindi)** Mint#	January 31, 2014

\*Economic Times-Mumbai & Delhi Edition

\*\*Economic Times (Hindi)-Delhi Edition

#Mint-Ahmedabad/ Bangalore/ Chandigarh/ Chennai/ Hyderabad/ Kolkata/ Mumbai/ New Delhi/Pune Editions

##Veer Arjun(Hindi)-Delhi Edition



In addition to the above, the quarterly/half yearly and the annual financial results and official releases, if any, are also displayed under the "Investors" section on the Company's official website i.e. [www.bharatgears.com](http://www.bharatgears.com) for the information of all the shareholders. The quarterly/half-yearly and annual financial results, shareholding pattern, along with full version of Corporate Governance Report, Annual Report and other requisite material information are also displayed on [www.corpfilng.co.in](http://www.corpfilng.co.in)

Also, the Quarterly Corporate Governance Report and Shareholding Pattern of the Company as mandated under Clause 49 and Clause 35 of the Listing Agreement respectively are filed with National Stock Exchange of India Limited (NSE) through NSE Electronic Application Processing System (NEAPS) and with BSE Limited (BSE) through BSE Listing Centre.

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

#### M. Green Initiative:

In support of the "Green Initiative" undertaken by Ministry of Corporate Affairs (MCA), the Company had sent soft copies of Annual Reports for the year 2012-13 to all those shareholders whose e-mail addresses were made available to the depositories or the Registrar and Transfer Agents (RTA). Physical copies were sent to only those shareholders whose email addresses were not available and for the bounced e-mail cases.

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

### 8. GENERAL SHAREHOLDERS' INFORMATION

#### A. Annual General Meeting Details:

The forthcoming AGM of the Company shall be held at 11.30 A.M. on Friday, the 1<sup>st</sup> day of August, 2014 at HUDA Convention Centre, Sector-12 Faridabad-121007, (Haryana).

#### B. Financial Year:

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

#### C. Date of Book Closure:

July 26, 2014 to August 01, 2014 (both days inclusive).

#### D. Dividend Payment Date:

The dividend, if declared, will be paid on or before August 29, 2014.

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

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

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

The Annual Listing Fees for the year 2014-15 has been paid in advance to the aforesaid Stock Exchanges.

#### F. Market Price Data:

High and Low prices during each month of Financial Year 2013-14 on National Stock Exchange of India Limited and BSE Limited are as under:

The Closing Price represents the price on the last trading day of each month of Financial Year 2013-14.

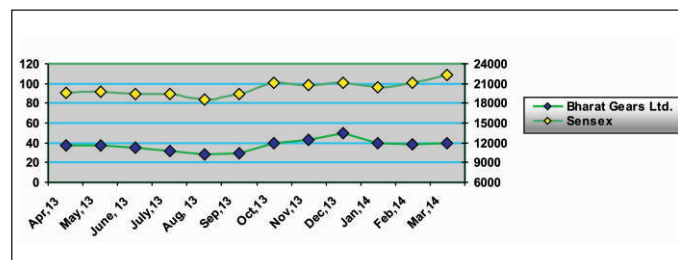
Table-12

Month	High (₹)		Low (₹)		Closing (₹)	
	NSE	BSE	NSE	BSE	NSE	BSE
April	41.35	40.65	37.00	31.55	37.50	37.50
May	46.75	42.35	36.40	36.40	37.70	37.75
June	40.85	39.80	34.20	33.30	34.95	34.85
July	38.25	41.95	34.75	30.20	36.35	32.00
August	—* <sup>*</sup>	33.00	—* <sup>*</sup>	23.25	—* <sup>*</sup>	28.00
September	—* <sup>*</sup>	34.85	—* <sup>*</sup>	27.00	—* <sup>*</sup>	29.65
October	—* <sup>*</sup>	41.40	—* <sup>*</sup>	30.00	—* <sup>*</sup>	40.00
November	—* <sup>*</sup>	45.10	—* <sup>*</sup>	33.25	—* <sup>*</sup>	42.50
December	—* <sup>*</sup>	50.00	—* <sup>*</sup>	40.55	—* <sup>*</sup>	49.50
January	52.80	53.85	39.45	39.40	39.45	39.55
February	43.80	42.95	35.45	35.50	38.00	38.05
March	42.80	40.40	37.00	36.75	39.30	39.30

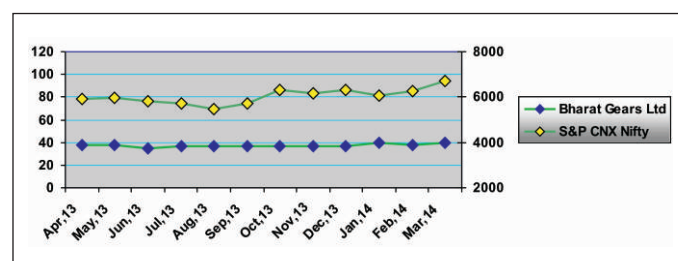
\* The Equity shares of the Company had been shifted from normal trade category to periodic call auction category by the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) in terms of SEBI Circular No. CIR/MRD/DP/6/2013 dated February 14, 2013 which had been resumed to the normal trading category in terms of SEBI Circular No. CIR/MRD/DP/38/2013 dated December 19, 2013. During the period when the shares were traded in the Periodic Call Auction Category, there was minimal trading and hence the trading data is not available.

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

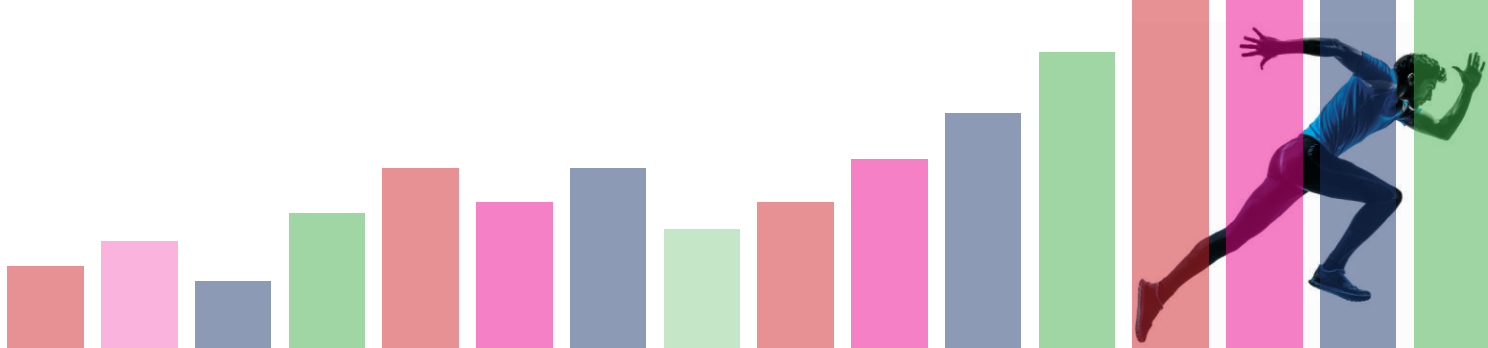
#### a. BHARAT GEARS' PRICES VERSUS SENSITIVITY AT BSE



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







#### G. Registrar and Transfer Agent:

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

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

Link Intime India Private Limited  
44, Community Centre, 2<sup>nd</sup> Floor  
Naraina Industrial Area  
Phase-1, Near PVR Naraina  
New Delhi- 110028  
Tel Nos.: 011-41410592-94  
Fax No.: 011-41410591  
Email: delhi@linkintime.co.in

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

#### H. Share Transfer System:

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

In order to have speedy disposal of the shareholders'/investors' requests for transfer and transmission, a sub-committee consisting of the following directors/officers of the Company is in place for effecting Transfer/Transmission/Split/Consolidation of Shares.

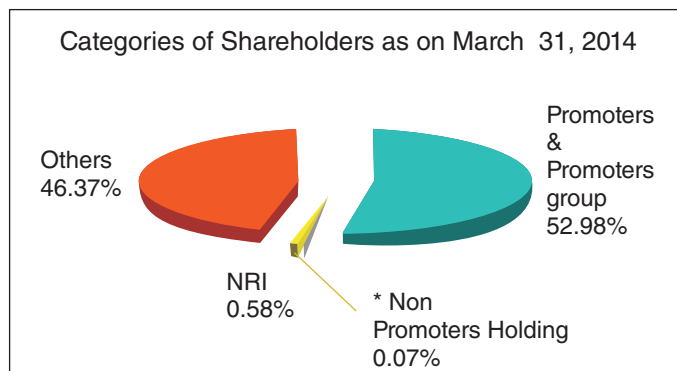
- Mr. Surinder P. Kanwar, Chairman and Managing Director
- Mr. Sameer Kanwar, Joint Managing Director
- Mr. P.C. Kothari, Head (Finance and Accounts)
- Mr. Prashant Khattri, Head (Legal) and Company Secretary

Any two of the above are authorised to consider and approve the Transfer/Transmission/Split/Consolidation of Shares. The Sub-Committee is attending to Share Transfer formalities at least once in a fortnight.

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

As per the requirements of Clause 47(c) of the Listing Agreement with the Stock Exchanges, the Company has obtained the Half Yearly Certificates from a Company Secretary in Practice for due compliance of Share Transfer formalities.

#### I. Shareholding pattern of the Company as per category of shareholders as on March 31, 2014



\* Non Promoters Holdings are Negligible

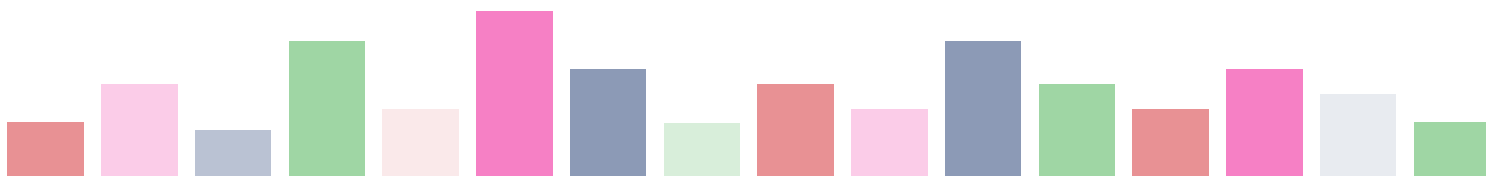
**Table-13**

<b>A Promoters' holding</b>		
1. Promoters		
- Indian Promoters	23,04,525	29.48
- Foreign Promoters	-	-
2. Persons acting in Concert	18,37,213	23.50
<b>B. Non-Promoters' Holding</b>		
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)	2,018	0.03
c. Foreign Institutional Investor	50	0.00
4. Others		
a. Private Corporate Bodies	3,71,271	4.75
b. Indian Public	31,08,630	39.76
c. Non Resident Indians/Overseas	45,170	0.58
d. Any Other	1,45,656	1.86
<b>Total</b>	<b>78,17,833</b>	<b>100.00</b>

#### J. Distribution of Shareholding as on March 31, 2014:

**Table-14**

Up to 250	8699	525648	6.72
251 to 500	812	315312	4.03
501 to 1000	402	322627	4.13
1001 to 2000	183	271714	3.48
2001 to 3000	59	152346	1.95
3001 to 4000	23	83881	1.07
4001 to 5000	28	130599	1.67
5001 to 10000	39	288234	3.69
10001 and above	48	5727472	73.26
<b>Total</b>	<b>10293</b>	<b>7817833</b>	<b>100.00</b>

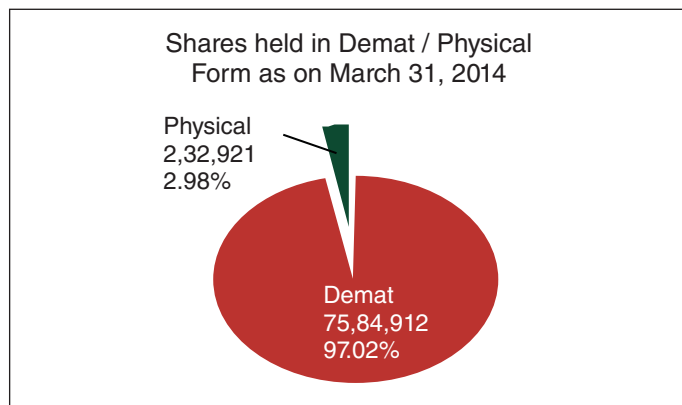


#### K. Share Dematerialisation System:

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

#### L. Dematerialization of Shares and Liquidity:

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



As on March 31, 2014 a total of 75,84,912 equity shares of the Company of ₹ 10/- each, which form 97.02% of the paid up Equity Share Capital, stand dematerialized.

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

#### M. Unclaimed Shares in Physical Mode

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

#### N. Corporate Benefits

##### Dividend History:

##### Dividend on Equity Shares

Table-15

Financial Year	Rate (%)	Amount (₹ in Lacs)
2013-14	10	78.00
2012-13	18	141.00
2011-12	18	141.00
2010-11	15	117.00
2009-10	12	94.00

#### Dividend on preference shares\*

Table-16

Financial Year	Rate (%)	Amount (Rs. In Lacs)
2011-12	10	10.00
2010-11	10	21.00
2009-10	10	21.00
2008-09	10	21.00

\* All the preference shares issued by the Company had been redeemed upto March 31, 2012.

#### O. Plant locations:

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

- 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad, Haryana, Pin-121 003
- Kausa Shil, Mumbra, Dist. Thane, Maharashtra, Pin-400 612
- Lonand, Taluka Khandala, District Satara, Maharashtra, Pin: 415521\*

\*Plant inaugurated on May 13, 2013 and Commercial Production started w.e.f. March 31, 2014.

#### P. Addresses for Correspondence:

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

Link Intime India Private Limited, 44, Community Centre, 2<sup>nd</sup> Floor, Naraina Industrial Area Phase-I, Near PVR Naraina, New Delhi 110 028, Phone No. 011-41410592-94, Email: [delhi@linkintime.co.in](mailto:delhi@linkintime.co.in)

#### For Investor Assistance:-

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

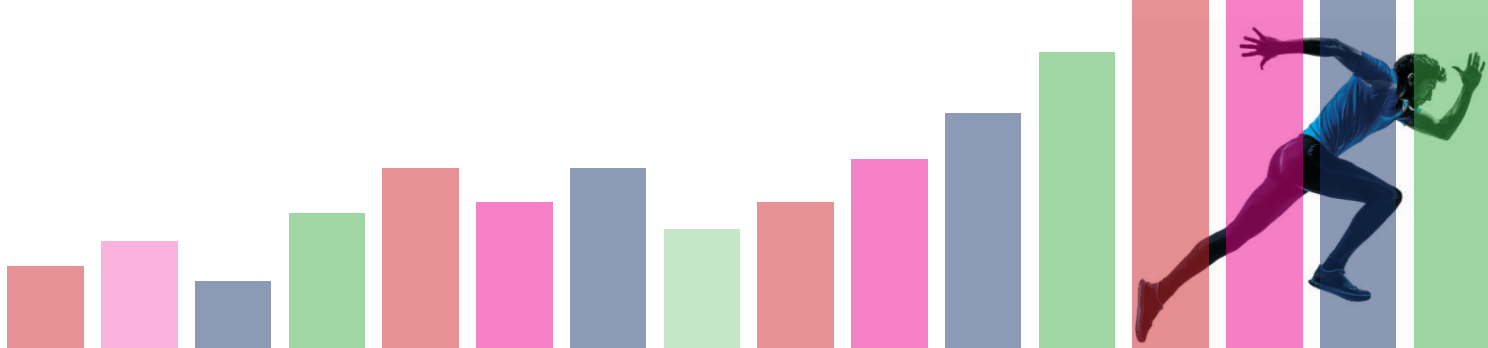
#### Q. Email for investors:

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

SEBI has commenced processing of investor complaints in a centralised web based complaints redress system i.e. SCORES. The Company has supported SCORES by using it as a platform for communication between SEBI and the Company.

#### R. Nomination facility:

The Shareholders holding Shares in physical form may, if they so want, send their nominations in prescribed Form SH-13 of the Companies (Share Capital and Debentures) Rules 2014, to the Company's RTA. The



said form can be obtained from the Company's RTA or downloaded from the Company's Website [http://www.bharatgears.com/documents/form\\_sh\\_13\\_nomination.pdf](http://www.bharatgears.com/documents/form_sh_13_nomination.pdf). Those holding shares in dematerialized form may contact their respective Depository Participant (DP) to avail the nomination facility.

Company's Website [bharatgears.com/documents/form\\_updatation\\_shareholders\\_information.pdf](http://www.bharatgears.com/documents/form_updatation_shareholders_information.pdf). The duly filled form for Updation of information may either be sent to the Company at its Registered Office or be hand-delivered at the Annual General Meeting of the Company.

#### S. Updation of Shareholders information:

The Shareholders of the Company are requested to intimate their latest Residential Address along with the details of their Shareholding in "Updation of Shareholder's Information Form" (which can be obtained from the Registered Office of the Company or downloaded from the

Dated: May 28, 2014  
Place: Mumbai

On Behalf of the Board of Directors

Surinder P. Kanwar  
Chairman and Managing Director

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

We have reviewed financial statements and the cash flow statement for the year 2013–14 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 2013–14;
- 3) Significant changes in accounting policies during the year 2013–14 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.

Place: Mumbai  
Date: May 28, 2014

Milind Pujari  
Chief Financial Officer

For Bharat Gears Limited

Surinder P. Kanwar  
Chairman and Managing Director

### COMPLIANCE WITH CODE OF CONDUCT

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

It is hereby affirmed that during the year 2013-14, all the Directors and Senior Managerial personnel have complied with the Code of Conduct and have given a confirmation in this regard.

Place: Mumbai  
Date: May 28, 2014

Prashant Khattry  
Head (Legal) and Company Secretary

For Bharat Gears Limited

Surinder P. Kanwar  
Chairman and Managing Director





## AUDITORS' CERTIFICATE

To

The Members of Bharat Gears Limited

We have examined compliance of conditions of Corporate Governance by Bharat Gears Limited (the Company), for the year ended on March 31, 2014, as stipulated in Clause 49 of the Listing Agreement of the 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. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the 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.

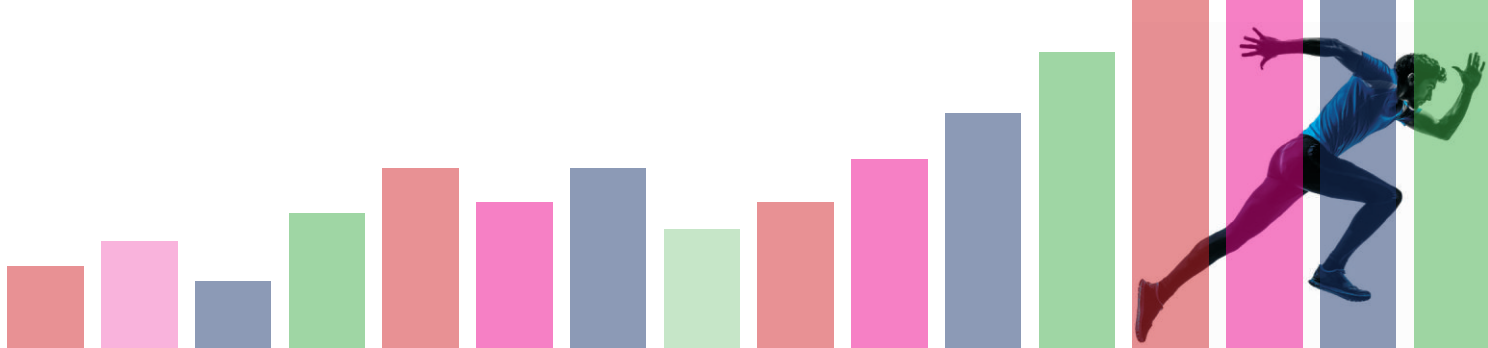
For DELOITTE HASKINS AND SELLS  
Chartered Accountants  
(Firm's Registration No. 117365W)

Saira Nainar  
Partner

(Membership No. 040081)

Place: Mumbai  
Date: May 28, 2014





# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BHARAT GEARS LIMITED

## Report on the Financial Statements

We have audited the accompanying financial statements of **BHARAT GEARS LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act 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 31<sup>st</sup> March, 2014;
- (b) in the case of the Statement of Profit and Loss, 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.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs).
  - (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
(Firm's Registration No. 117365W)

  
Saira Nainar  
(Partner)  
(Membership No. 040081)

Place: MUMBAI  
Date : 28<sup>th</sup> May, 2014



## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

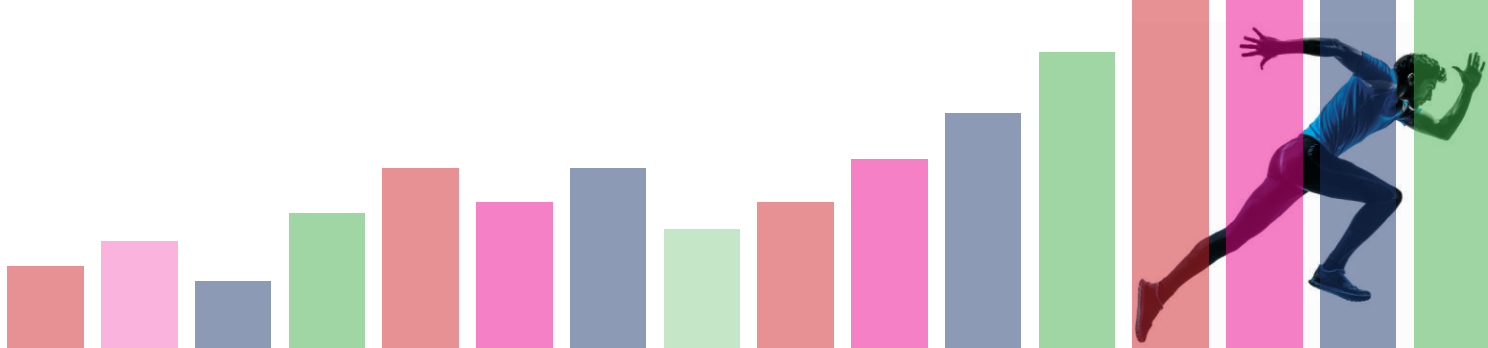
(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/ result during the year, clauses (xiii), (xiv), (xviii), and (xx) of the Order 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 fixed assets.
  - (b) The Company has a programme of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the said programme, certain fixed assets were physically verified by the Management during the year. 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 inventories:
  - (a) As explained to us, inventories have been physically verified during the year by the Management at reasonable intervals, other than stock lying with third parties where certificates confirming physical inventory have been received.
  - (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) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit we have not observed any continuing failure to correct major weaknesses in such internal control system.
- (vi) 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 in Section 301 that need 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, other than sale of services which are of a special nature for which comparable quotations are not available.
- (vii) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year and hence the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, are not applicable to the Company.
- (viii) In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (ix) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (x) According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs 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 Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31<sup>st</sup> March, 2014 for a period of more than six months from the date they became payable.
  - (c) There are no dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31<sup>st</sup> March, 2014 on account of disputes.
- (xi) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the





financial year covered by our audit and the immediately preceding financial year.

(xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions and banks. The Company has not issued any debentures.

(xiii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause (xv) of Paragraph 4 of the Order are not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were obtained.

(xvi) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.

(xvii) According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any debentures. Accordingly, the question of creating a security or charge for debentures does not arise.

(xviii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
(Firm's Registration No. 117365W)

Saira Nainar  
(Partner)  
(Membership No. 040081)

Place: MUMBAI  
Date : 28<sup>th</sup> May, 2014



## FINANCIAL STATEMENTS

### Balance Sheet as at 31 March, 2014

Particulars	Note No.	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>A EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share capital	2	781.78	781.78
(b) Reserves and surplus	3	6803.01	6843.48
		<b>7584.79</b>	<b>7625.26</b>
<b>2 Non-current liabilities</b>			
(a) Long-term borrowings	4	6146.35	3464.83
(b) Deferred tax liabilities (net)	25.7	206.53	198.53
(c) Other long-term liabilities	5	1068.50	994.23
(d) Long-term provisions	6	471.49	457.50
		<b>7892.87</b>	<b>5115.09</b>
<b>3 Current liabilities</b>			
(a) Short-term borrowings	7	2861.62	3083.48
(b) Trade payables	8	8571.22	7801.19
(c) Other current liabilities	9	1936.98	2683.11
(d) Short-term provisions	10	263.19	309.12
		<b>13633.01</b>	<b>13876.90</b>
<b>TOTAL</b>		<b>29110.67</b>	<b>26617.25</b>
<b>B ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	11A	13344.75	9019.12
(ii) Intangible assets	11B	139.44	53.20
(iii) Capital work-in-progress		390.26	2534.61
		<b>13874.45</b>	<b>11606.93</b>
(b) Long-term loans and advances	12	782.24	659.56
		<b>14656.69</b>	<b>12266.49</b>
<b>2 Current assets</b>			
(a) Inventories	13	5901.07	5322.03
(b) Trade receivables	14	6851.15	6991.46
(c) Cash and cash equivalents	15	570.53	834.94
(d) Short-term loans and advances	16	945.56	933.67
(e) Other current assets	17	185.67	268.66
		<b>14453.98</b>	<b>14350.76</b>
<b>TOTAL</b>		<b>29110.67</b>	<b>26617.25</b>

See accompanying notes forming part of the financial statements

In terms of our report attached.  
For Deloitte Haskins & Sells  
Chartered Accountants

Saira Nainar  
Partner

Surinder P. Kanwar  
Chairman and Managing Director

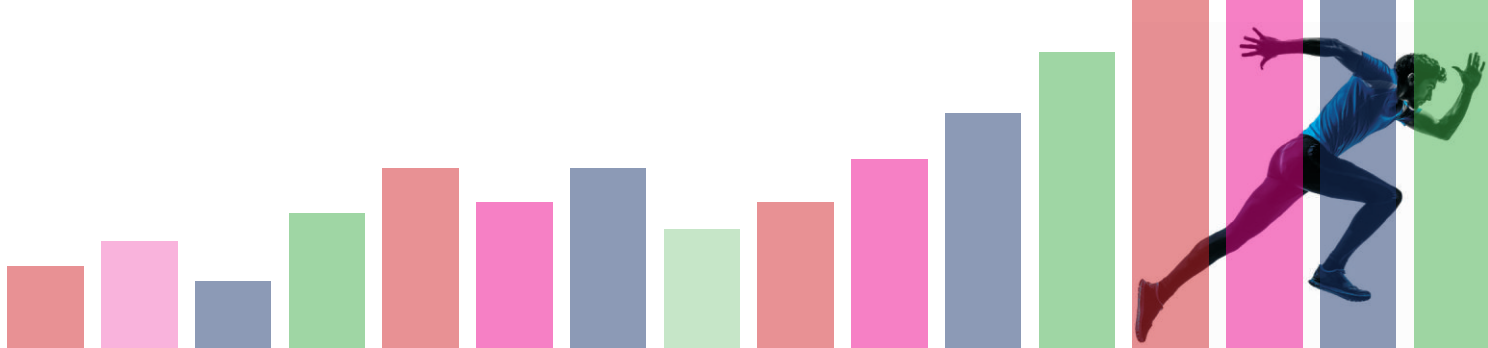
Sameer Kanwar  
Joint Managing Director

N.J. Kamath  
Ram S. Tarneja  
V.K. Pargal  
W.R. Schilha  
S.G. Awasthi  
Rakesh Chopra  
Hiroo Suresh Advani  
Directors

Place: Mumbai  
Date: 28 May, 2014

Milind Pujari  
Chief Financial Officer

Prashant Khattry  
Head (Legal) & Company Secretary



## Statement of Profit and Loss for the year ended 31 March, 2014

Particulars	Note No.	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
<b>1 Revenue from operations (gross)</b>	18	45642.50	43002.30
Less: Excise duty	18	3655.23	3740.04
<b>Revenue from operations (net)</b>		<b>41987.27</b>	<b>39262.26</b>
<b>2 Other income</b>	19	<b>328.62</b>	<b>270.13</b>
<b>3 Total revenue (1+2)</b>		<b>42315.89</b>	<b>39532.39</b>
<b>4 Expenses</b>			
(a) Cost of materials and components consumed	20a	20767.96	19613.44
(b) Changes in inventories of finished goods and work-in-progress	20b	(564.60)	296.91
(c) Employee benefits expense	21	7014.57	6002.99
(d) Finance cost	22	1449.20	1165.03
(e) Depreciation and amortisation expense	11C	1372.37	1155.48
(f) Other expenses	23	12216.63	10553.88
<b>Total expenses</b>		<b>42256.13</b>	<b>38787.73</b>
<b>5 Profit before tax (3-4)</b>		<b>59.76</b>	<b>744.66</b>
<b>6 Tax expense:</b>			
(a) Current tax expense		15.00	264.84
(b) Less: MAT credit		15.00	-
(c) (Excess)/short provision for tax relating to prior years		(7.74)	12.16
<b>(d) Net current tax expense</b>		<b>(7.74)</b>	<b>277.00</b>
(e) Deferred tax expense/(benefit)		8.00	(29.00)
<b>Net tax expense</b>		<b>0.26</b>	<b>248.00</b>
<b>7 Profit for the year (5-6)</b>		<b>59.50</b>	<b>496.66</b>
<b>8 Earnings per share (of ₹ 10/- each):</b>			
Basic and Diluted - in ₹	25.6	0.76	6.35
See accompanying notes forming part of the financial statements			

In terms of our report attached.  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Saira Nainar**  
Partner

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

**Sameer Kanwar**  
Joint Managing Director

**N.J. Kamath**  
**Ram S. Tarneja**  
**V.K. Pargal**  
**W.R. Schilha**  
**S.G. Awasthi**  
**Rakesh Chopra**  
**Hiroo Suresh Advani**  
Directors

Place: Mumbai  
Date: 28 May, 2014

**Milind Pujari**  
Chief Financial Officer

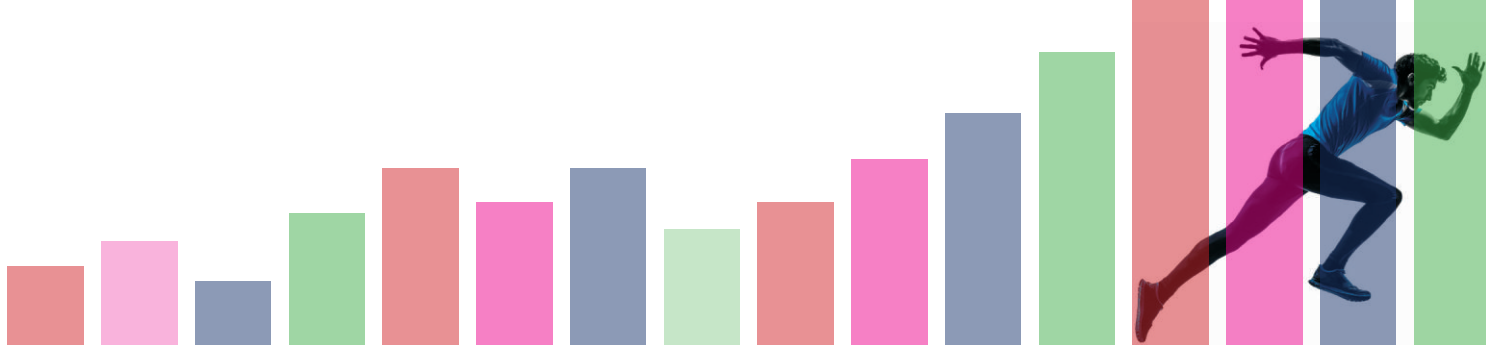
**Prashant Khattry**  
Head (Legal) & Company Secretary





## Cash Flow Statement for the year ended 31 March, 2014

Particulars	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
<b>A. Cash flow from operating activities:</b>		
Net profit before tax	59.76	744.66
Adjustments for:		
Depreciation and amortisation expense	1372.37	1155.48
Loss on sale/write off of fixed assets (net)	6.18	31.38
Finance costs	1251.61	1026.74
Interest income	(42.93)	(49.97)
Security deposits written off	-	2.63
Provision for doubtful debts	18.63	-
Debit balance of Trade payables written off	5.36	-
Unrealised exchange loss/(gain) (net)	53.22	(5.76)
<b>Operating profit before working capital changes</b>	<b>2724.20</b>	<b>2905.16</b>
<u>Changes in working capital</u>		
Adjustments for (increase)/decrease in operating assets:		
Inventories	(579.04)	573.20
Trade receivables	66.52	(379.04)
Long-term loans and advances	5.15	105.32
Short-term loans and advances	29.73	(45.64)
Other current assets	81.35	181.79
Adjustments for increase/(decrease) in operating liabilities:		
Trade payables	763.75	(535.01)
Other current liabilities	(307.82)	124.38
Other long-term liabilities	74.27	148.67
Short-term provisions	26.15	28.65
Long-term provisions	32.73	25.77
<b>Cash generated from operations</b>	<b>2916.99</b>	<b>3133.25</b>
Net income tax paid	(230.60)	(543.67)
<b>Net cash flow from operating activities (A)</b>	<b>2686.39</b>	<b>2589.58</b>
<b>B. Cash flow from investing activities:</b>		
Capital expenditure on fixed assets, including capital advances	(4091.10)	(2650.55)
Proceeds from sale of fixed assets	36.26	9.00
Interest received	44.57	50.11
Increase in balance in unpaid dividend account	(2.97)	(2.97)
<b>Net cash flow used in investing activities (B)</b>	<b>(4013.24)</b>	<b>(2594.41)</b>
<b>C. Cash flow from financing activities:</b>		
Proceeds from long-term borrowings	3701.39	1798.61
Repayment of long-term borrowings	(786.12)	(515.19)
Net (increase)/decrease in Short-term borrowings	(219.00)	249.25
Finance cost *	(1269.54)	(1024.38)
Dividends paid	(137.75)	(137.75)
Tax on dividend	(23.92)	(24.52)
Finance Lease Obligation	(205.55)	(259.88)
<b>Net cash flow from financing activities (C)</b>	<b>1059.51</b>	<b>86.14</b>
<b>Net (increase)/decrease in cash &amp; cash equivalents (A+B+C)</b>	<b>(267.34)</b>	<b>81.31</b>
Cash and cash equivalents at the beginning of the year	823.89	742.58
<b>Cash and cash equivalents at the end of the year</b>	<b>556.55</b>	<b>823.89</b>
*Excludes interest capitalised during the year is ₹ 135.68 lacs; (Year ended 31 March, 2013: ₹ 76.54 lacs)		



## Cash Flow Statement ....Contd.

Particulars	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
<b>Reconciliation of cash and cash equivalents with the balance sheet</b>		
Cash and cash equivalents as per Balance Sheet (Refer Note 15)	570.53	834.94
Less: Bank balances not considered as cash and cash equivalents as defined in AS 3		
Cash Flow Statements		
Unpaid dividend accounts	13.98	11.01
Rights issue application money refundable to shareholders	-	0.04
<b>Cash and cash equivalents at the end of the year *</b>	<b>556.55</b>	<b>823.89</b>
<b>* Comprises</b>		
(a) Cash on hand	10.96	13.46
(b) Cheques on hand	7.86	52.93
(c) Balances with banks:		
(i) In current accounts	34.48	54.50
(ii) In earmarked accounts (Refer footnote (i) below):		
Balances held as margin money or security against borrowings, guarantees and other commitments	503.25	703.00
	<b>556.55</b>	<b>823.89</b>
<b>Footnotes:</b>		
(i) Excludes earmarked account balances of ₹ 13.98 lacs; (As at 31st March, 2013: ₹ 11.05 lacs) with banks which can be utilised only for specific identified purposes.		
(ii) The previous year's figures have been regrouped wherever necessary.		
<b>See accompanying notes forming part of the financial statements</b>		

In terms of our report attached.  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Saira Nainar**  
Partner

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

**Sameer Kanwar**  
Joint Managing Director

**N.J. Kamath**  
**Ram S. Tarneja**  
**V.K. Pargal**  
**W.R. Schilha**  
**S.G. Awasthi**  
**Rakesh Chopra**  
**Hiroo Suresh Advani**  
Directors

Place: Mumbai  
Date: 28 May, 2014

**Milind Pujari**  
Chief Financial Officer

**Prashant Khattry**  
Head (Legal) & Company Secretary

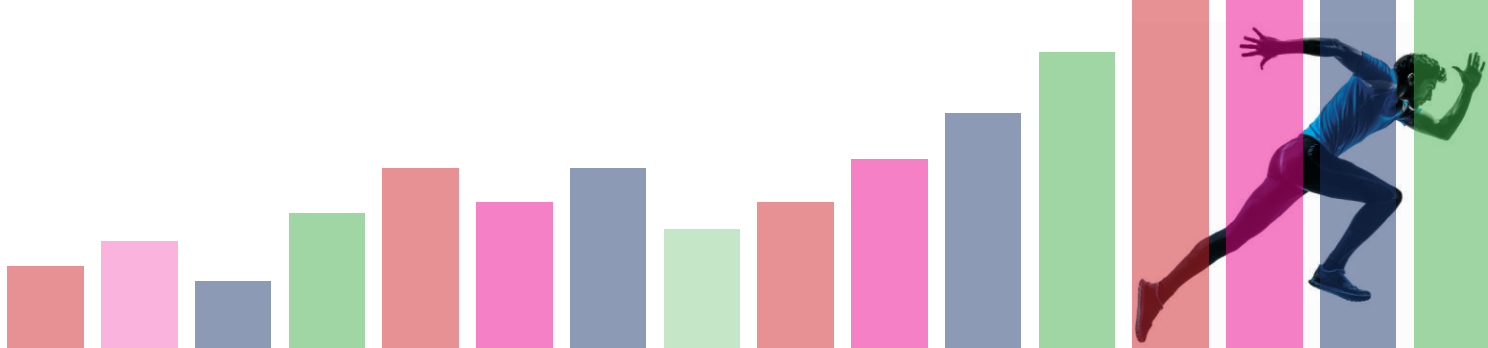


# NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014

## Note 1 : Significant accounting policies

Note	Particulars
<b>1.1</b>	<b>Basis of accounting and preparation of financial statements:</b>
	The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/the 2013 Act, as applicable. The financial statements have been prepared on an accrual basis under the historical cost convention except for the revalued fixed assets as stated in Note 11 - "Fixed assets".
<b>1.2</b>	<b>Use of estimates:</b>
	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.
<b>1.3</b>	<b>Fixed assets and depreciation/amortisation:</b>
	Fixed assets are stated at cost of acquisition or construction or at revalued amounts less accumulated depreciation/amortisation. 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/amortisation is provided over the economic useful life of the assets on the basis stated hereunder:
	<b>(a) Tangible assets</b>
	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) as stated below in the manner and at the rates not lower than those prescribed in Schedule XIV to the Companies Act, 1956 except for Factory buildings and roads acquired prior to 1.8.1986 on which depreciation is provided on SLM method at the rate of 1.61%/3.28%.
	The method of depreciation used for different category of assets is as given below:
	1) Buildings and roads, Plant and equipment - SLM
	2) Furniture and fixtures, Vehicles and Office equipment - WDV
	Depreciation on revalued amounts is transferred from revaluation reserve to the Statement of Profit and Loss.
	Leasehold land is amortised over the remaining period of lease.
	<b>(b) Intangible assets</b>
	Intangible assets (i.e. computer software) are amortised on written down value basis at the rate of 40%.
<b>1.4</b>	<b>Inventories:</b>
	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.
<b>1.5</b>	<b>Contracts for furnace construction:</b>
	When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.





## Note 1 : Significant accounting policies.....Contd.

Note	Particulars
<b>1.6</b>	<b>Foreign currency transactions:</b>
	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 on settlement and translation are accounted for in the Statement of Profit and Loss. In case of forward exchange contracts premium or discounts are amortised as expense or income over the life of the contract. Profit or loss arising on cancellation or renewal of such forward exchange contracts are recognised as income or as expenses for the year.
<b>1.7</b>	<b>Revenue recognition:</b>
	Sales/Processing charges are accounted on the basis of actual dispatches when significant risks and rewards of ownership are passed on 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.
<b>1.8</b>	<b>Employee benefits:</b>
	<b>(a) Defined contribution plan:</b>
	The Company's contributions to the recognised provident fund and superannuation fund are charged to the Statement of Profit and Loss.
	<b>(b) Defined benefit plan/Long term compensated absences:</b>
	The Company's liability towards gratuity (Funded), terminal Ex-gratia (Unfunded) and compensated absences (Unfunded) 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 Statement of Profit and Loss as an income or expense.
<b>1.9</b>	<b>Taxation:</b>
	Current tax is determined as the amount of tax payable in respect of estimated taxable income for the year.
	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 supported by convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax asset is reviewed at each Balance Sheet date.
	Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Company.
<b>1.10</b>	<b>Contingencies/Provisions:</b>
	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.

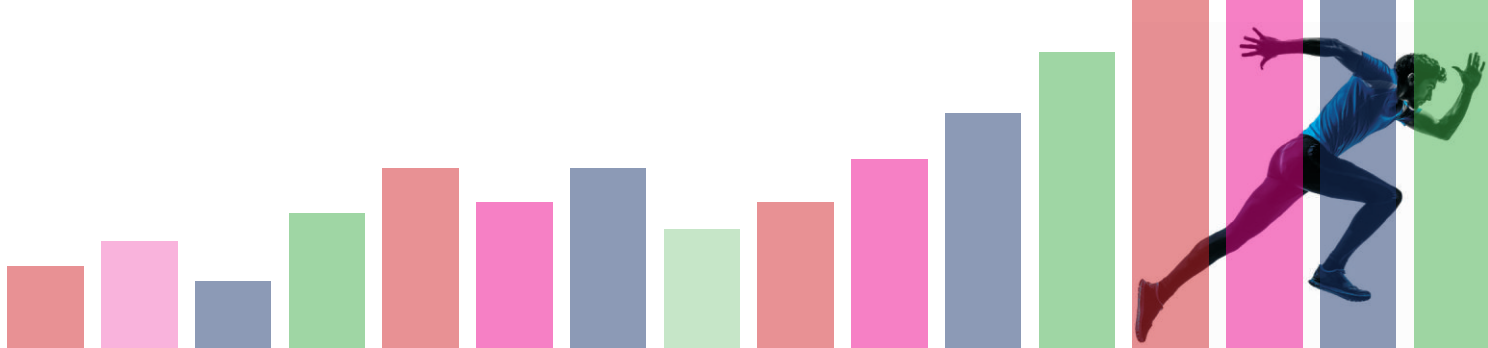


#### Note 1 : Significant accounting policies.....Contd.

Note	Particulars
1.11	<b>Cash and cash equivalents (for purposes of Cash Flow Statement):</b>  Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.
1.12	<b>Cash Flow Statement:</b>  Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.
1.13	<b>Operating Cycle:</b>  Based on the nature of products/activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

#### Note 2 : Share capital

Particulars	As at 31 March, 2014		As at 31 March, 2013	
	Number of shares	₹ Lacs	Number of shares	₹ Lacs
(a) Authorised				
Equity shares of ₹ 10 each	10000000	1000.00	10000000	1000.00
Cumulative redeemable convertible or non convertible preference shares of ₹ 100 each	1500000	1500.00	1500000	1500.00
	11500000	2500.00	11500000	2500.00
(b) Issued, Subscribed and paid up				
Equity shares of ₹ 10 each, fully paid up, outstanding at the beginning and at the end of the year	7817833	781.78	7817833	781.78
<b>TOTAL</b>	<b>7817833</b>	<b>781.78</b>	<b>7817833</b>	<b>781.78</b>
<p>The Company has only one class of Equity shares having a face value of ₹ 10 each. Every member shall be entitled to be present, and to speak and vote and upon a poll the voting right of every member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company. The Company in General Meeting may declare dividends to be paid to members according to their respective rights, but no dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.</p> <p>In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts</p>				
<b>2.1 Details of shares held by each shareholder holding more than 5% shares:</b>				
Class of shares/Name of shareholder	As at 31 March, 2014		As at 31 March, 2013	
	Number of shares held	Percentage of shares held	Number of shares held	Percentage of shares held
<b>Equity shares</b>				
Surinder P. Kanwar	2289667	29.29	2289432	29.28
Ultra Consultants Private Limited	766038	9.80	766038	9.80
Future Consultants Private Limited	645071	8.25	645071	8.25



### Note 3 : Reserves and surplus

Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>(a) Capital redemption reserve</b>		
Opening balance	588.50	588.50
Closing balance	588.50	588.50
<b>(b) Securities premium account</b>		
Opening balance	924.60	924.60
Closing balance	924.60	924.60
<b>(c) Revaluation reserve</b>		
Opening balance	456.53	468.26
Less: Depreciation on amount added on revaluation of fixed assets (Refer Note 11 (C))	8.50	11.73
Closing balance	448.03	456.53
<b>(d) General reserve</b>		
Opening balance	1745.80	1670.80
Add: Transferred from Surplus in Statement of Profit and Loss	-	75.00
Closing balance	1745.80	1745.80
<b>(e) Surplus in Statement of Profit and Loss</b>		
Opening balance	3128.05	2869.94
Add: Profit for the year	59.50	496.66
Less: Proposed dividend		
Equity shareholders (₹ 1.00 per share; As at 31 March, 2013: ₹ 1.80 per share)	78.18	140.72
Tax on dividend	13.29	22.83
Transferred to		
General reserve	-	75.00
Closing balance	3096.08	3128.05
<b>TOTAL</b>	<b>6803.01</b>	<b>6843.48</b>







#### Note 4 : Long-term borrowings

Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>(a) Term loans - Secured (Refer footnotes (i) to (ii))</b>		
From banks	960.00	271.12
Less: Current maturities of long-term debts (Refer Note 9 (a))	120.00	271.12
	840.00	-
From others	5825.00	3598.61
Less: Current maturities of long-term debts (Refer Note 9 (a))	700.00	475.00
	5125.00	3123.61
<b>(b) Long-term maturities of finance lease obligations - Secured</b>	333.12	538.67
Less: Current maturities of finance lease obligations (Refer Note 9 (b)) (Refer footnote (iii) and Note 25.5 (A) (ii))	151.77	197.45
	181.35	341.22
	6146.35	3464.83

#### Footnotes:

##### (i) Term loans from banks:

- (a) **Rupee loan from IDBI Bank Limited - ₹ Nil** (As at 31 March, 2013: ₹ 271.12 lacs): 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 out of the loan and hypothecation of movables (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 footnote of Note 7. Also by mortgage of the 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 footnotes (ii (a) & (b)) below.
- (b) **Rupee loan from State Bank of India - ₹ 960 lacs** (As at 31 March, 2013: ₹ Nil): Secured by first pari passu charge on Current assets with loans referred to in footnote of Note 7 and also by way of first charge on Fixed Assets of the Company located at Mumbra plant and Faridabad plant on pari passu basis with loans referred to in footnotes (ii (a) & (b)) below. Repayable in Forty Eight monthly instalments by 31 March, 2018 and carries an interest rate of 12.30 % p.a.

##### (ii) Term loans from others:

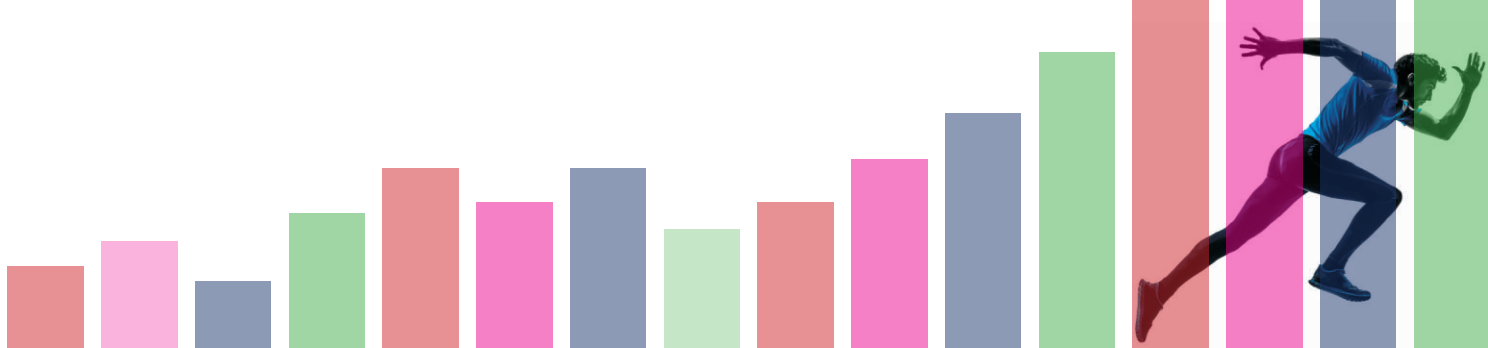
##### Rupee loan from Export-Import Bank of India (EXIM):

- (a) **₹ 1400 lacs** (As at 31 March, 2013: ₹ 1800 lacs): Secured by first pari passu charge by way of hypothecation over the movable fixed assets and mortgage of immovable properties located at Mumbra plant and Faridabad plant, both present and future, with loans referred to in footnote (i) and ((ii) (b)). Repayable in equal quarterly instalments by 20 August, 2017 and carries an interest rate of 12.20% to 12.40% p.a.
- (b) **₹ 1425 lacs** (As at 31 March, 2013: ₹ 632.61 lacs) secured by first pari passu charge by way of hypothecation over the movable fixed assets and mortgage of immovable properties located at Mumbra plant and Faridabad plant, both present and future, with loans referred to in footnotes (i) and ((ii) (a)). Repayable in equal quarterly instalments by 20 October, 2018 and carries an average interest rate of 12.00% to 12.30% p.a.
- (c) **₹ 3000 lacs** (As at 31 March, 2013: ₹ 1166 lacs): Secured by hypothecation of movable fixed assets and mortgage of immovable properties, located at Satara plant. Repayable in equal quarterly instalments by 20 January, 2020 and carries an interest rate of 12.00% to 12.30% p.a.

##### (iii) Finance leases are secured on the asset to which they relate and repayable in equated monthly/quarterly instalments.

#### Note 5 : Other long-term liabilities

Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>(a) Others:</b>		
(i) Advances from customers	501.09	551.14
(ii) Provision for gratuity (net) (Refer Note 25.2.b)	567.41	443.09
<b>TOTAL</b>	<b>1068.50</b>	<b>994.23</b>



#### Note 6 : Long-term provisions

Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>(a) Provision for employee benefits:</b>		
(i) Provision for compensated absences	404.95	369.08
(ii) Provision for other employee benefits (Terminal Ex-gratia) (Refer Note 25.2.b)	34.72	37.86
<b>(b) Provision - Others:</b>		
Provision for tax (net of advance tax ₹ 1198.44 lacs (As at 31 March, 2013: ₹ 1198.44 lacs))	31.82	50.56
<b>TOTAL</b>	<b>471.49</b>	<b>457.50</b>

#### Note 7 : Short-term borrowings

Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>Loans repayable on demand - Secured</b> (Refer footnote below)		
From banks	2861.62	3083.48
<b>TOTAL</b>	<b>2861.62</b>	<b>3083.48</b>

##### Footnote:

Loans repayable on demand from banks are secured by hypothecation of stocks of raw materials, stock in process, semi finished and finished goods, loose tools, general stores and book debts and all other moveables both present and future ranking pari passu with loans referred to in footnote ((i) (b)) of Note 4 and by joint mortgage created/to be created for all immoveable properties of the Company located at Mumbra, Faridabad and Satara plant together with all buildings, plant and machinery thereon which rank second subject and subservient to charges created in favour of loans referred to in footnotes (i) and (ii) of Note 4.

#### Note 8 : Trade payables

Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>Trade payables:</b>		
Acceptances	2988.63	2823.94
Other than Acceptances (Refer Note 24.2 and footnote of Note 25.4.b)	5582.59	4977.25
<b>TOTAL</b>	<b>8571.22</b>	<b>7801.19</b>



#### Note 9 : Other current liabilities

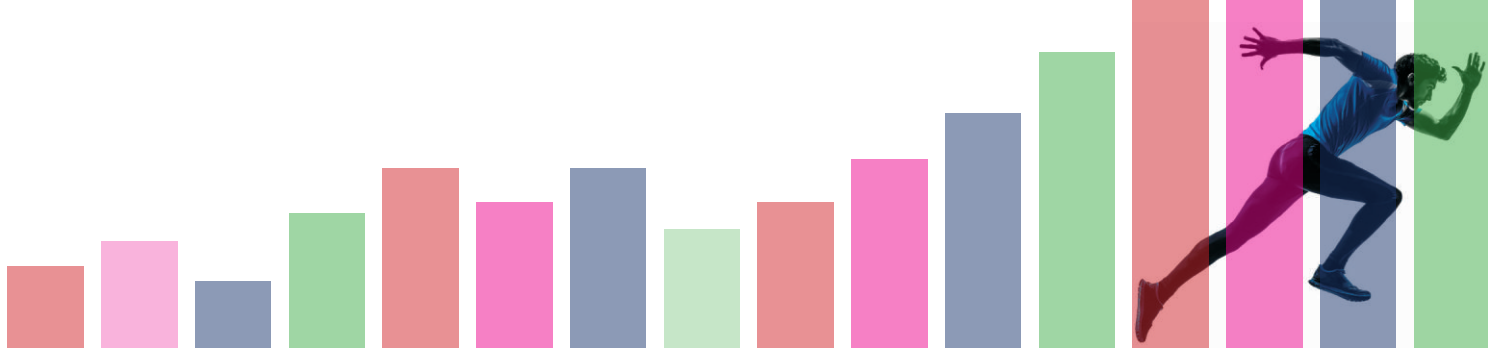
Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>(a) Current maturities of long-term debts (Refer Note 4):</b>		
From banks	120.00	271.12
From others	700.00	475.00
<b>(b) Current maturities of finance lease obligations (Refer Note 4 and Note 25.5 (A) (ii))</b>	<b>151.77</b>	<b>197.45</b>
<b>(c) Interest accrued but not due on borrowings</b>	<b>23.51</b>	<b>14.32</b>
<b>(d) Unpaid dividends (Refer footnote below)</b>	<b>13.98</b>	<b>11.01</b>
<b>(e) Unpaid Rights Issue share application money (Refer footnote below)</b>	<b>-</b>	<b>0.04</b>
<b>(f) Other payables:</b>		
(i) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	364.11	307.96
(ii) Payables on purchase of fixed assets (Refer Note 24.2)	219.39	692.53
(iii) Advances from customers	23.68	329.76
(iv) Trade/security deposits received	23.29	23.29
(v) Interest accrued on others	3.71	3.71
(vi) Provision for gratuity (net) (Refer Note 25.2.b)	100.00	100.00
(vii) Others	193.54	256.92
<b>TOTAL</b>	<b>1936.98</b>	<b>2683.11</b>

#### Footnote:

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

#### Note 10 : Short-term provisions

Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>(a) Provision for employee benefits:</b>		
(i) Provision for compensated absences	131.63	109.08
(ii) Provision for other employee benefits (Terminal Ex-Gratia) (Refer Note 25.2.b)	9.39	7.90
	<b>141.02</b>	<b>116.98</b>
<b>(b) Provision - Others:</b>		
(i) Provision for warranty (Refer Note 25.8)	30.70	28.59
(ii) Provision for proposed equity dividend	78.18	140.72
(iii) Provision for tax on proposed dividends	13.29	22.83
	<b>122.17</b>	<b>192.14</b>
<b>TOTAL</b>	<b>263.19</b>	<b>309.12</b>



## Note 11 : Fixed assets

₹ lacs

Description	Gross Block					Accumulated Depreciation/Amortisation					Net Block	
	As at 31 March, 2013	Adjust ment	Additions during the year	Deductions during the year	As at 31 March, 2014	As at 31 March, 2013	Adjust ment	For the year	Deductions during the year	As at 31 March, 2014	As at 31 March, 2014	As at 31 March, 2013
<b>(A) Tangible assets:</b>												
(a) Land:												
- Freehold	672.11	-	-	-	(*) 672.11	-	-	-	-	-	672.11	
	(672.11)	(-)	(-)	(-)	(672.11)	(-)	(-)	(-)	(-)	(-)		(672.11)
- Leasehold	376.20	-	-	-	(*) 376.20	79.65	-	5.31	-	84.96	291.24	
	(376.20)	(-)	(-)	(-)	(376.20)	(74.34)	(-)	(5.31)	(-)	(79.65)		(296.55)
(b) Building and roads	1933.48	-	1672.20	-	(***) 3605.68	963.20	-	73.92	-	1037.12	2568.56	
	(1820.66)	(-)	(114.16)	(1.34)	(1933.48)	(911.28)	(-)	(52.84)	(0.92)	(963.20)		(970.28)
(c) Plant and equipment:												
- Owned	19167.50	676.34	3730.98	652.18	22922.64	13402.83	322.45	1048.42	609.86	14163.84	8758.80	
	(18355.45)	(256.07)	(802.70)	(246.72)	(19167.50)	(12646.64)	(135.86)	(827.66)	(207.33)	(13402.83)		(5764.67)
- Taken under Finance lease	1440.66	(-) 676.34	-	-	764.32	505.61	(-) 322.45	68.94	-	252.10	512.22	
	(1696.21)	(-) (255.55)	(-)	(-)	(1440.66)	(485.82)	(-) (135.69)	(155.48)	(-)	(505.61)		(935.05)
(d) Furniture and fixtures	452.25	-	113.84	-	566.09	235.11	-	51.36	-	286.47	279.62	
	(449.24)	(-) (1.00)	(10.27)	(6.26)	(452.25)	(195.05)	(-) (0.83)	(46.95)	(6.06)	(235.11)		(217.14)
(e) Vehicles	2.87	-	-	-	2.87	1.12	-	0.45	-	1.57	1.30	
	(2.87)	(-)	(-)	(-)	(2.87)	(0.51)	(-)	(0.61)	(-)	(1.12)		(1.75)
(f) Office equipment \$	799.62	-	156.30	0.40	955.52	638.14	-	56.85	0.28	694.71	260.81	
	(775.37)	(0.48)	(30.40)	(6.63)	(799.62)	(594.75)	(0.66)	(48.99)	(6.26)	(638.14)		(161.48)
(g) Leasehold improvements	1.77	-	-	-	1.77	1.68	-	-	-	1.68	0.09	
	(1.77)	(-)	(-)	(-)	(1.77)	(1.68)	(-)	(-)	(-)	(1.68)		(0.09)
<b>Sub - Total - Tangible assets</b>	<b>24846.46</b>	<b>-</b>	<b>5673.32</b>	<b>652.58</b>	<b>29867.20</b>	<b>15827.34</b>	<b>-</b>	<b>1305.25</b>	<b>610.14</b>	<b>16522.45</b>	<b>13344.75</b>	
Previous Year	(24149.88)	(-)	(957.53)	(260.95)	(24846.46)	(14910.07)	(-)	(1137.84)	(220.57)	(15827.34)		(9019.12)
Description	Gross Block					Amortisation					Net Block	
	As at 31 March, 2013	Adjust ment	Additions during the year	Deductions during the year	As at 31 March, 2014	As at 31 March, 2013	Adjust ment	For the year	Deductions during the year	As at 31 March, 2014	As at 31 March, 2014	As at 31 March, 2013
<b>(B) Intangible assets</b>												
Computer software acquired	233.95	-	161.86	-	395.81	180.75	-	75.62	-	256.37	139.44	
	(221.55)	(-)	(12.40)	(-)	(233.95)	(151.38)	(-)	(29.37)	(-)	(180.75)		(53.20)
<b>Sub - Total - Intangible assets</b>	<b>233.95</b>	<b>-</b>	<b>161.86</b>	<b>-</b>	<b>395.81</b>	<b>180.75</b>	<b>-</b>	<b>75.62</b>	<b>-</b>	<b>256.37</b>	<b>139.44</b>	
Previous Year	(221.55)	(-)	(12.40)	(-)	(233.95)	(151.38)	(-)	(29.37)	(-)	(180.75)		(53.20)
<b>Total : (A) + (B)</b>	<b>25080.41</b>	<b>-</b>	<b>@ 5835.18</b>	<b>652.58</b>	<b>30263.01</b>	<b>16008.09</b>	<b>-</b>	<b>1380.87</b>	<b>610.14</b>	<b>16778.82</b>	<b>13484.19</b>	
Previous Year (Total)	(24371.43)	(-)	(969.93)	(260.95)	(25080.41)	(15061.45)	(-)	(1167.21)	(220.57)	(16008.09)		(9072.32)
<b>Capital work in progress @</b>											<b>390.26</b>	<b>(2534.61)</b>
<b>Grand Total</b>											<b>13874.45</b>	<b>(11606.93)</b>

Note: Figures in brackets are for the previous year.

@The amount of interest capitalised during the year is ₹ 135.68 lacs; (Year ended 31 March, 2013: ₹ 76.54 lacs)

(\$ ) Includes Computers and Miscellaneous equipment

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

₹ lacs

	on 31/07/1984	(#) on 30/04/1985	(#) on 25/11/1997	Total
Land	117.48	60.16	316.04	493.68
Buildings and roads	147.25	93.20	51.13	291.58
<b>Total</b>	<b>264.73</b>	<b>153.36</b>	<b>367.17</b>	<b>785.26</b>

Basis of revaluation      Current cost accounting      Not Available      Replacement cost/Current cost Accounting

(#) Relating to the erstwhile Universal Steel and Alloys Limited.

\*\* Buildings' include 10 shares of ₹ 50/- each in Venkatesh Premises Co-operative Society Ltd. - Total ₹ 500/- (Year ended 31 March, 2013: ₹ 500/-)





**Note 11 : Fixed assets.....Contd.**

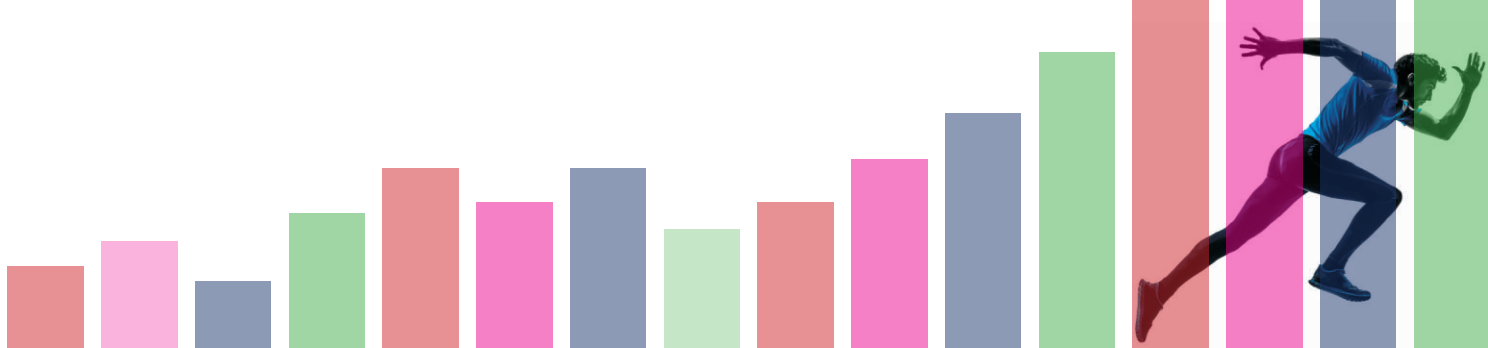
Particulars	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
<b>(C) Depreciation and amortisation expense:</b>		
Tangible assets	1305.25	1137.84
Less: Transferred from revaluation reserve, being depreciation on amount added on revaluation of fixed assets (Refer Note 3(c))	8.50	11.73
	1296.75	1126.11
Intangible assets	75.62	29.37
<b>TOTAL</b>	<b>1372.37</b>	<b>1155.48</b>

**Note 12 : Long-term loans and advances**

Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>(a) Capital advances</b>		
Unsecured, considered good	66.79	139.66
<b>(b) Security deposits (Refer footnote below)</b>		
Unsecured, considered good	222.24	192.12
<b>(c) Prepaid expenses - Rent to related parties</b>		
Unsecured, considered good (Refer note 25.4.b)	-	2.40
<b>(d) Loans and advances to employees</b>		
Unsecured, considered good	30.42	38.00
<b>(e) Prepaid expenses</b>		
Unsecured, considered good	2.91	5.47
<b>(f) Prepaid tooling expenses</b>		
Unsecured, considered good	205.83	228.56
<b>(g) - Advance income tax</b> (net of provisions ₹ 15.00 lacs (As at 31 March, 2013: ₹ Nil))		
Unsecured, considered good	251.32	50.62
<b>- Fringe Benefit Tax</b> (net of provisions ₹ 35.00 lacs (As at 31 March, 2013: ₹ 35.00 lacs))		
Unsecured, considered good	2.73	2.73
<b>TOTAL</b>	<b>782.24</b>	<b>659.56</b>

**Footnote:**

Security deposits include ₹ 60.00 lacs; (As at 31 March, 2013: ₹ 10.00 lacs) due from a director and ₹ 5.00 lacs; (As at 31 March, 2013: ₹ 5.00 lacs) due from a private limited company, in which directors of the company are directors. (Refer note 25.4.b)



**Note 13 : Inventories (At lower of cost and net realisable value)**

Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>(a) Raw materials and components:</b>		
- Automotive Gears	479.04	618.74
- Automotive Components	39.51	67.75
	518.55	686.49
<b>(b) Work-in-progress</b>		
- Automotive Gears	2049.67	1721.71
<b>(c) Finished goods:</b>		
- Automotive Gears	1429.40	1128.16
- Automotive Components	369.31	433.91
	1798.71	1562.07
<b>(d) Stores and spares</b>	551.40	489.51
<b>(e) Loose tools</b>	981.64	856.37
<b>(f) Scrap</b>	1.10	5.88
<b>TOTAL</b>	<b>5901.07</b>	<b>5322.03</b>

**Note 14 : Trade receivables**

Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Unsecured, considered good	-	47.91
Doubtful debts	18.63	-
Other Trade receivables		
Unsecured, considered good	6851.15	6943.55
	6869.78	6991.46
Less: Provision for doubtful debts	18.63	-
<b>TOTAL</b>	<b>6851.15</b>	<b>6991.46</b>

**Note 15 : Cash and cash equivalents**

Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>(a) Cash on hand</b>	10.96	13.46
<b>(b) Cheques, drafts on hand</b>	7.86	52.93
<b>(c) Balances with banks:</b>		
(i) In current accounts	34.48	54.50
(ii) In earmarked accounts (Refer footnote below)		
- Unpaid dividend accounts	13.98	11.01
- Rights issue application money refundable to shareholders	-	0.04
- Balances held as margin money or security against borrowings, guarantees and other commitments	503.25	703.00
<b>TOTAL</b>	<b>570.53</b>	<b>834.94</b>
Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statements is	556.55	823.89

**Footnote:** Balances with banks which have restrictions on utilisation.

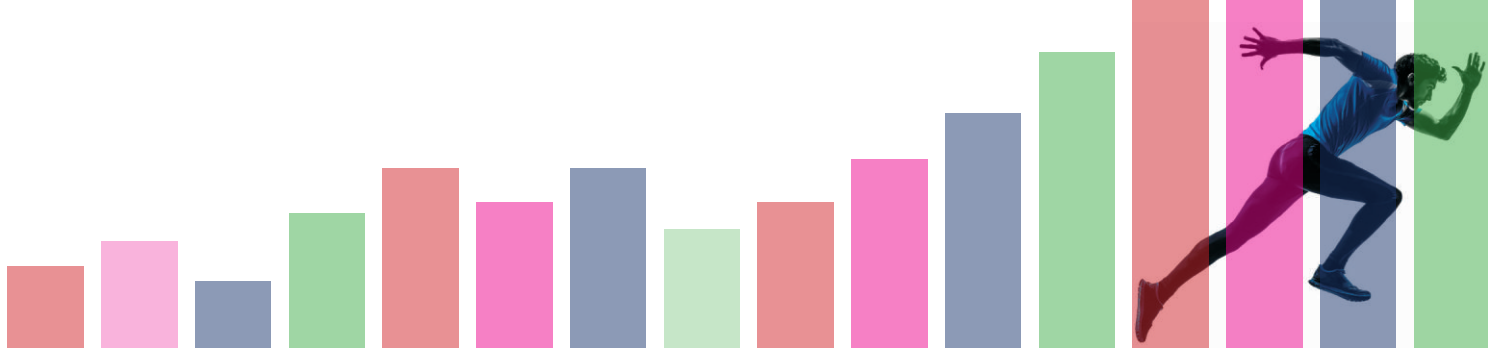


#### Note 16 : Short-term loans and advances

Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>(a) Loans and advances to related parties (Refer footnote (i) below and Note 25.4.b)</b>		
Unsecured, considered good	0.07	0.07
<b>(b) Security deposits (Refer footnote (ii) below)</b>		
Unsecured, considered good	51.62	19.64
<b>(c) Loans and advances to employees</b>		
Unsecured, considered good	74.27	38.33
<b>(d) Prepaid expenses</b>		
Unsecured, considered good	90.84	53.32
<b>(e) Prepaid expenses to related parties (Refer footnote below (i) and Note 25.4.b)</b>		
Unsecured, considered good	2.40	2.40
<b>(f) Prepaid tooling expenses</b>		
Unsecured, considered good	20.45	90.84
<b>(g) Supplier advances</b>		
Unsecured, considered good	107.34	223.52
<b>(h) Balances with government authorities</b>		
Unsecured, considered good		
(i) CENVAT credit receivable	128.28	113.14
(ii) Service Tax credit receivable	110.27	134.68
<b>(i) Advance income tax</b> (net of provisions ₹ 275.84 lacs (As at 31 March, 2013: ₹ 277.00 lacs))		
Unsecured, considered good	18.72	14.82
<b>(j) MAT credit entitlement</b>		
Unsecured, considered good	15.00	-
<b>(k) Others</b>		
Unsecured, considered good	326.30	242.91
<b>TOTAL</b>	<b>945.56</b>	<b>933.67</b>
Footnotes:		
(i) Dues from private limited companies, in which a director of the company is a director.		
(ii) Security deposits include ₹ 10.00 lacs; (As at 31 March, 2013: ₹ Nil) due from a director (Refer note 25.4.b)		

#### Note 17 : Other current assets

Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>(a) Accruals</b>		
Interest accrued on deposits	4.77	6.41
<b>(b) Others:</b>		
(i) Export Incentives	105.14	46.72
(ii) Due from customers for contract work (Refer Note 25.1)	42.34	206.35
(iii) Due from Related Party - Sale of Services to Xlerate Driveline India Limited (XDIL) (Refer Note 25.4.b)	33.29	5.58
(iv) Other Recoveries	0.13	3.60
<b>TOTAL</b>	<b>185.67</b>	<b>268.66</b>



#### Note 18 : Revenue from operations

Particulars		For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
(a) Sale of products (Refer footnote (i) below)		44358.53	42101.10
(b) Sale of services		606.45	262.38
(c) Other operating revenues (Refer footnote (ii) below)		677.52	638.82
Revenue from operations (gross)		45642.50	43002.30
<u>Less:</u>			
(d) Excise duty		3655.23	3740.04
Revenue from operations (net)		41987.27	39262.26
Footnotes	Particulars	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
(i)	Sale of products comprises:		
	<u>Manufactured goods:</u>		
	- Automotive Gears (Includes processing charges ₹ 508.13 lacs (Year ended 31 March, 2013: ₹ 687.57 lacs))	39312.70	35344.80
	- Automotive Components	3922.64	4797.83
	- Industrial Furnaces (Refer footnote (iii) below) (Excludes ₹ 502.47 lacs (Year ended 31 March, 2013: ₹ 245.72 lacs) which is included in sale of services)	629.93	1575.99
	- Tooling Development	493.26	382.48
	Total - Sale of products	44358.53	42101.10
(ii)	Other operating revenues comprise:		
	- Sale of scrap	453.57	412.30
	- Export incentives	199.48	155.36
	- Miscellaneous income	24.47	71.16
	Total - Other operating revenues	677.52	638.82
(iii)	Revenue from contracts is recognized as stated in Note 1.7		



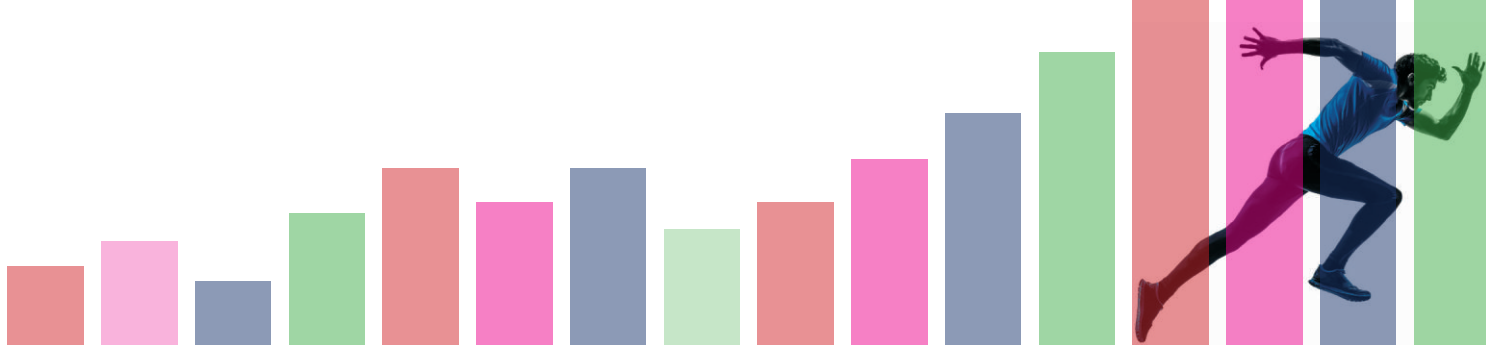


#### Note 19 : Other income

Particulars		For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
(a) Interest income (Refer footnote (i) below)		42.93	49.97
(b) Other non-operating income (Refer footnote (ii) below)		285.69	220.16
<b>TOTAL</b>		<b>328.62</b>	<b>270.13</b>
Footnotes	Particulars	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
(i)	Interest income comprises :		
	Interest from banks on:		
	-Deposits	3.78	3.94
	-Margin money	38.80	45.42
	-Others	0.35	0.61
	<b>Total - Interest income</b>	<b>42.93</b>	<b>49.97</b>
(ii)	Other non-operating income comprises:		
	Rent	1.80	1.80
	Profit on sale of fixed assets	18.01	0.09
	Net gain on foreign currency transactions and translation	199.41	210.63
	Liabilities/provisions no longer required written back	38.46	7.64
	Insurance Claim	28.01	-
	<b>Total - Other non-operating income</b>	<b>285.69</b>	<b>220.16</b>

#### Note 20.a : Cost of material and components consumed

Particulars	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
Opening stock	686.49	962.31
Add: Purchases	20600.02	19337.62
	<b>21286.51</b>	<b>20299.93</b>
Less: Closing stock	518.55	686.49
<b>Cost of material and components consumed</b>	<b>20767.96</b>	<b>19613.44</b>
<b>Material and components consumed comprises:</b>		
Forgings	17162.53	14598.38
Automotive components	2961.14	3793.88
Others	644.29	1221.18
<b>TOTAL</b>	<b>20767.96</b>	<b>19613.44</b>



**Note 20.b : Changes in inventories of finished goods and work-in-progress**

Particulars	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
<b>Inventories at the end of the year:</b>		
Finished goods	1798.71	1562.07
Work-in-progress	2049.67	1721.71
	3848.38	3283.78
<b>Inventories at the beginning of the year:</b>		
Finished goods	1562.07	1749.98
Work-in-progress	1721.71	1830.71
	3283.78	3580.69
<b>Net (increase)/decrease</b>	<b>(564.60)</b>	<b>296.91</b>

**Note 21: Employee benefits expense**

Particulars	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
<b>Salaries and wages</b>	<b>5601.66</b>	<b>4773.31</b>
<b>Contributions to provident and other funds</b>	<b>564.91</b>	<b>515.32</b>
<b>Staff welfare expenses</b>	<b>848.00</b>	<b>714.36</b>
<b>TOTAL</b>	<b>7014.57</b>	<b>6002.99</b>

**Note 22 : Finance costs**

Particulars	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
<b>(a) Interest expense on:</b>		
(i) Borrowings	943.81	804.60
(ii) Others		
- Bill discounting charges	307.80	222.14
<b>(b) Other borrowing costs (Bank and other financing charges)</b>	<b>197.59</b>	<b>138.29</b>
<b>TOTAL</b>	<b>1449.20</b>	<b>1165.03</b>



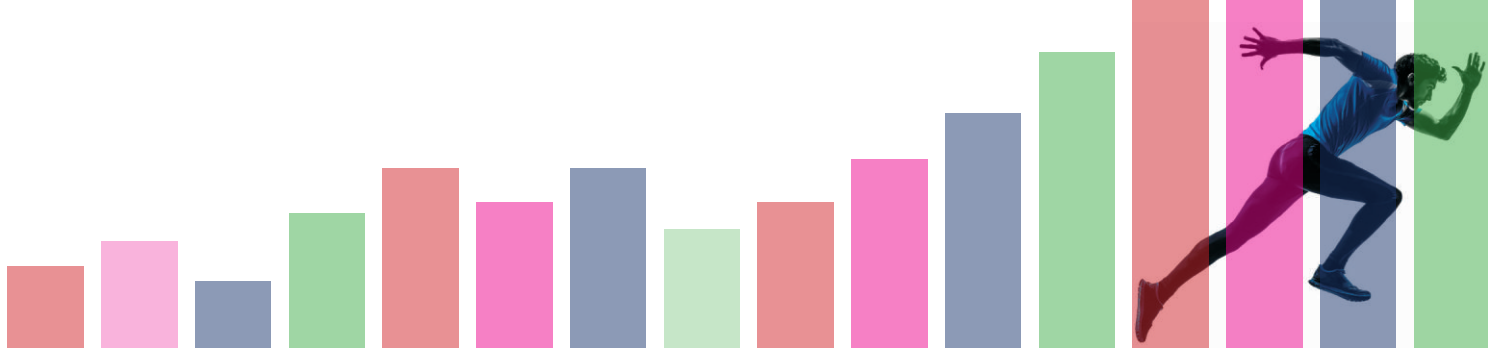
#### Note 23 : Other expenses

Particulars	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
Consumption of stores and spare parts	1261.75	1109.98
Consumption of loose tools	1054.57	906.88
Consumption of packing materials	862.76	723.27
Excise duty (Refer footnote (i) below)	18.69	4.73
Processing charges	1503.09	1297.98
Power and fuel	4029.98	3575.98
Rent including lease rentals (Refer Note 25.5 B (i))	486.10	462.21
Repairs and maintenance - Buildings	101.67	57.13
Repairs and maintenance - Machinery	327.37	212.22
Repairs and maintenance - Others	450.04	441.51
Insurance	77.14	66.03
Rates and taxes	30.88	34.06
Travelling, conveyance and car expenses	612.71	442.06
Freight, forwarding and other charges	448.45	419.00
Commission to selling agents	36.73	41.37
Payments to auditors (Refer footnote (ii) below)	24.40	25.14
Loss on sale/write off of fixed assets	24.19	31.47
Provision for doubtful debts	18.63	-
Miscellaneous expenses	847.48	702.86
<b>TOTAL</b>	<b>12216.63</b>	<b>10553.88</b>

#### Footnotes:

- (i) Excise duty represents (a) the difference between the excise duty included in the closing stock and that in the opening stock of manufactured finished goods ₹ 8.21 lacs (debit) (Year ended 31 March, 2013: ₹ 12.64 lacs (credit)) and (b) the excise duty on free supplies under sales promotion schemes, free replacement, shortages, etc. - ₹ 10.48 lacs (Year ended 31 March 2013: ₹ 17.37 lacs)

Particulars	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
<b>(ii) Payments to the auditors comprises (net of service tax input credit):</b>		
-As auditors - statutory audit	15.00	15.00
-For Company Law matters	0.30	1.05
-For other services	8.75	8.75
-Reimbursement of expenses	0.35	0.34
<b>TOTAL</b>	<b>24.40</b>	<b>25.14</b>



#### Note 24 : Additional information to the financial statements

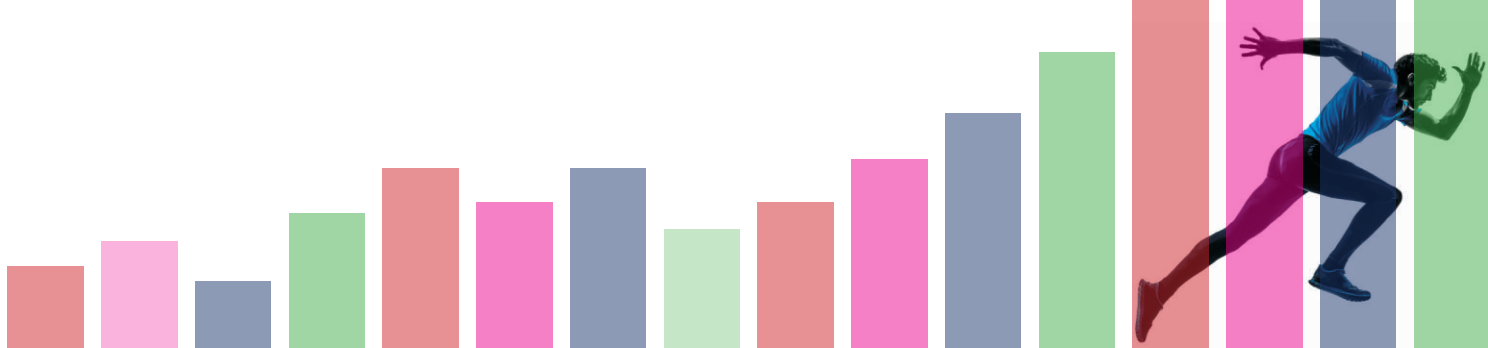
Note	Particulars	As at 31 March, 2014 ₹ lacs	As at 31 March, 2013 ₹ lacs
<b>24.1</b>	<b>Contingent liabilities and commitments (to the extent not provided for)</b>		
(i)	<b>Contingent liabilities:</b>		
	<b>(a) Claims against the Company not acknowledged as debt:</b>		
	1. In respect of Employees:		
	(i) The Company has filed an appeal in the Bombay High Court against the order passed by Third Labour Court on issue of back wages and reinstatement of 11 employees.	40.26	40.26
	(ii) In respect of claim of permanency of services and back wages filed by a set of temporary workmen before the Hon'ble Industrial Tribunal, Thane	Not ascertainable	Not ascertainable
	2. Others:		
	(i) In respect of penal interest for late renewal of Employee Deposit Linked Insurance Policy for financial year 2008-09	4.43	4.43
	(ii) The Company has filed an appeal in the EPF Appellate Tribunal, Delhi against the order passed by Regional Provident Fund Commissioner, on issue of Provident fund dues on Subsistence Allowance	1.27	-
	(iii) In respect of mense profit for the premises under leave and license agreement. 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.	402.61	402.61
	<b>(b) Other money for which the Company is contingently liable</b> In respect of Sales Invoice Finance facility	1275.13	388.77
(ii)	<b>Commitments</b> Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances): Tangible assets Intangible assets	As at 31 March, 2014 ₹ lacs 705.27 - 705.27	As at 31 March, 2013 ₹ lacs 1805.05 55.70 1860.75
<b>24.2</b>	<b>Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006</b>		
	<b>Particulars</b>	<b>As at 31 March, 2014 ₹ lacs</b>	<b>As at 31 March, 2013 ₹ lacs</b>
	(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	677.80	470.71
	(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
	(iii) The amount of principal paid beyond the appointed day	3892.48	2895.66
	(iv) The amount of interest due and payable for the year	-	-
	(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
	(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-
	The information disclosed above in respect of principal and/or interest due to Micro and Small Enterprises has been determined on the basis of information available with the Company and confirmations received from the suppliers for registration under the Micro, Small and Medium Enterprises Development Act, 2006 and for interest outstanding/due. This has been relied upon by the auditors.		





**Note 24 : Additional information to the financial statements.....Contd.**

Note	Particulars		
<b>24.3</b>	<b>Details on derivatives instruments and unhedged foreign currency exposures</b>		
	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:		
	<b>Particulars</b>	<b>Amount in Foreign currency</b>	<b>Equivalent amount in Indian currency ₹ lacs</b>
	Payables	USD 1,180,354.78 (USD 369,938.63)	708.80 (200.98)
		EUR 19,000.00 (EUR 61,210.60)	15.65 (42.44)
	Receivables	USD 3,409,997.12 (USD 2,716,509.04)	2047.54 (1475.61)
		EUR 561,716.98 (EUR 274,182.72)	462.74 (190.03)
		JPY 414,583.00 (-)	2.43 (-)
	<b>Footnote:</b> Figures in brackets are for the previous year.		
<b>24.4</b>	<b>Value of imports calculated on CIF basis:</b>	<b>For the year ended 31 March, 2014 ₹ lacs</b>	<b>For the year ended 31 March, 2013 ₹ lacs</b>
	Raw materials and components	161.42	422.70
	Stores and spare parts	23.84	22.00
	Loose tools	158.30	134.53
	Capital goods	1260.24	494.04
		<b>1603.80</b>	<b>1073.27</b>
<b>24.5</b>	<b>Expenditure in foreign currency:</b>	<b>For the year ended 31 March, 2014 ₹ lacs</b>	<b>For the year ended 31 March, 2013 ₹ lacs</b>
	Royalty (includes ₹ 5.34 lacs added to Fixed assets during the year (Year ended 31 March, 2013: ₹ 6.74 lacs debited to capital work in progress))	57.69	106.15
	Professional Fees	4.24	4.31
	Others (Travel, commission, warehousing charges, rejection claims, etc.) (Includes ₹ Nil (Year ended 31 March, 2013: ₹ 8.72 lacs) debited to capital work in progress)	98.05	87.58



Note 24 : Additional information to the financial statements.....Contd.

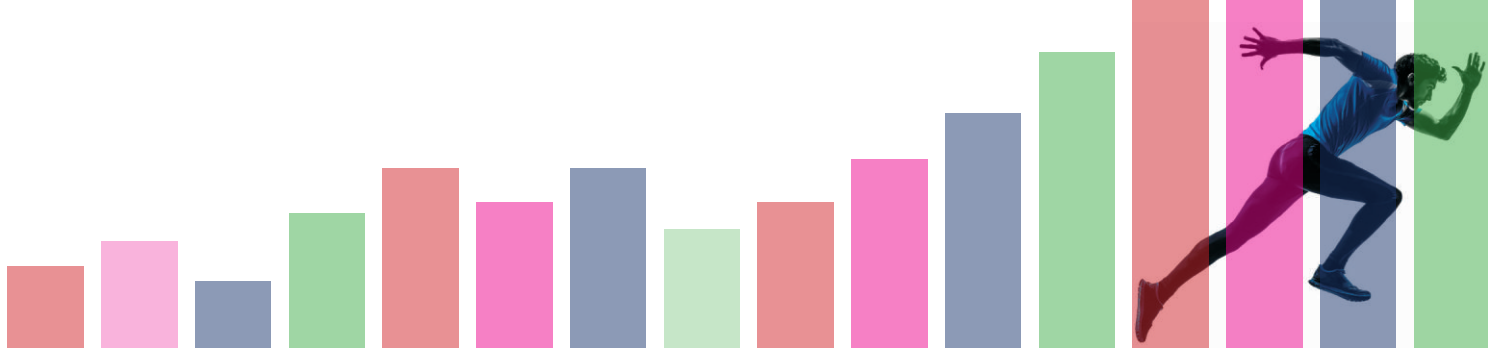
Note	Particulars	For the year ended 31 March, 2014	
		₹ lacs	%
24.6	Details of consumption of imported and indigenous items:		
	<u>Imported:</u>		
	Raw materials and components	171.91 (472.85)	0.83 (2.41)
	Stores and spare parts	27.97 (26.90)	2.22 (2.42)
	Loose tools	205.42 (137.43)	19.48 (15.15)
		405.30 (637.18)	
	<u>Indigenous:</u>		
	Raw materials and components	20596.05 (19140.59)	99.17 (97.59)
	Stores and spare parts	1233.78 (1083.08)	97.78 (97.58)
	Loose tools	849.15 (769.45)	80.52 (84.85)
		22678.98 (20993.12)	
	Note: Figures in brackets are for the previous year.		
24.7	Earnings in foreign exchange:	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
	Export of goods calculated on FOB basis	11432.12	8244.36
	Tooling Development Income	139.69	112.82
	Exchange Gain (net)	199.41	210.63
	Other income (Freight, Insurance, Commission, etc.)	89.26	153.87
		11860.48	8721.68



#### Note 25 : Disclosures under Accounting Standards

Note	Particulars	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
25.1	Details of contract revenue and costs		
	Contract revenue recognised during the year (Excludes Sale of spares ₹ 101.72 lacs (Year ended 31 March, 2013: ₹ 77.17 lacs))	1030.68	1744.54
	Method used to determine contract revenue and the stage of completion of contracts in progress	(Refer Note 1.7)	(Refer Note 1.7)
	Aggregate of contract costs incurred and recognised profits upto the reporting date	238.49	1826.65
	Advances received for contracts in progress	-	-
	Retention money for contracts in progress	-	-
	Gross amount due from customers for contract work (Refer Note 17)	42.34	206.35
	Gross amount due to customers for contract work	-	-





**Note 25 : Disclosures under Accounting Standards..... Contd.**

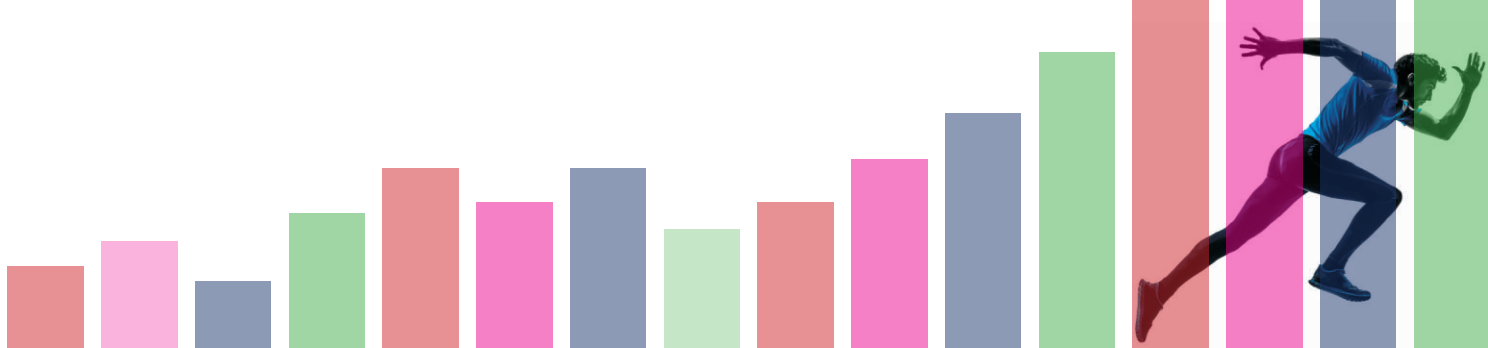
Note	Particulars				
25.2	Employee benefit plans				
25.2.a	<u>Defined Contribution Plans</u>				
	During the year ended 31 March the Company has recognized the following amounts in the Statement of Profit and Loss:				
	Particulars	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs		
	- Employers' contribution to Provident Fund and Family Pension Fund	244.11	224.36		
	- Employers' contribution to Superannuation Fund	129.92	134.50		
	The above amounts are included in Contributions to provident and other funds under Note 21 Employee benefits expense.				
25.2.b	<u>Defined Benefit Plans</u>				
	A general description of the Employees Benefit Plans:				
	(i) <u>Gratuity (Funded)</u>				
	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) <u>Terminal Ex-gratia (Unfunded)</u>				
	The Company has an obligation towards terminal ex-gratia, an unfunded defined benefit retirement plan covering eligible employees. The plan provides for lump sum payment which varies depending upon the number of completed years of services to vested employees on completion of employment. Vesting occurs upon the completion of 15 years of service.				
	The following table sets out the funded status of the defined benefit schemes and the amount recognised in the financial statements:				
	₹ lacs				
	Particulars	Year ended 31 March, 2014		Year ended 31 March, 2013	
		Gratuity	Terminal Ex-gratia (Unfunded)	Gratuity	Terminal Ex-gratia (Unfunded)
Components of employer expense					
Current service cost	58.59	1.80	50.82	1.74	
Interest cost	92.47	3.47	90.35	3.55	
Expected return on plan assets	(45.86)	-	(45.80)	-	
Actuarial losses/(gains)	69.09	(2.77)	46.54	2.03	
Total expense recognised in the Statement of Profit and Loss	* 174.29	**2.50	* 141.91	**7.32	
Actual contribution and benefit payments for year					
Actual benefit payments	(81.99)	(4.15)	(94.62)	(5.05)	
Actual contributions	49.97	4.15	50.25	5.05	
Net asset/(liability) recognised in the Balance Sheet					
Present value of defined benefit obligation	1334.72	44.11	1186.40	45.76	
Fair value of plan assets	667.31	-	643.31	-	
Funded status [Surplus/(Deficit)]	(667.41)	(44.11)	(543.09)	(45.76)	
Net asset/(liability) recognised in the Balance Sheet accounted as below:	(667.41)	(44.11)	(543.09)	(45.76)	
- Other long term liabilities (Refer Note 5(a)(ii))	(567.41)	-	(443.09)	-	
- Other current liabilities (Refer Note 9(f)(vi))	(100.00)	-	(100.00)	-	
- Long term provisions (Refer Note 6(a)(iii))	-	(34.72)	-	(37.86)	
- Short term provisions (Refer Note 10(a)(ii))	-	(9.39)	-	(7.90)	
(* Included in Contributions to provident and other funds under Employee benefits expense in Note 21).					
(** Included in 'Salaries and wages' under Employee benefits expense in Note 21).					



Note 25 : Disclosures under Accounting Standards..... Contd.

₹ lacs

Note	Particulars	Year ended 31 March, 2014		Year ended 31 March, 2013		
		Gratuity	Terminal Ex-gratia (Unfunded)	Gratuity	Terminal Ex-gratia (Unfunded)	
	<b>Change in defined benefit obligations (DBO) during the year</b>					
	Present value of DBO at beginning of the year	1186.40	45.76	1083.34	43.49	
	Current service cost	58.59	1.80	50.82	1.74	
	Interest cost	92.47	3.47	90.35	3.55	
	Actuarial (gains)/losses	79.25	(2.77)	56.51	2.03	
	Benefits paid	(81.99)	(4.15)	(94.62)	(5.05)	
	Present value of DBO at the end of the year	1334.72	44.11	1186.40	45.76	
	<b>Change in fair value of assets during the year</b>					
	Plan assets at beginning of the year	643.31	-	631.91	-	
	Expected return on plan assets	45.86	-	45.80	-	
	Actual company contributions	49.97	-	50.25	-	
	Actuarial gain/(loss)	10.16	-	9.97	-	
	Benefits paid	(81.99)	-	(94.62)	-	
	Plan assets at the end of the year	667.31	-	643.31	-	
Actual return on plan assets: 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 ₹ 56.02 lacs.(Year ended 31 March, 2013: ₹ 55.77 lacs)						
	<b>Composition of the plan assets</b>					
	Insurer Managed funds	100%	-	100%	-	
	The details of investment made by the Insurer is not readily available with the company					
	<b>Actuarial assumptions:</b>					
	Discount rate	9.00%	9.00%	7.95%	7.95%	
	Expected return on plan assets	8.00%	-	7.50%	-	
	Salary escalation	6.00%	6.00%	6.00%	6.00%	
	Estimate of amount of contribution in the immediate next year	₹ 100 lacs		₹ 100 lacs		
<b>Particulars</b>						
The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.						
The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.						
<b>Experience adjustments</b> ₹ lacs						
		2013-14	2012-13	2011-12	2010-11	2009-10
<b>Gratuity (Funded)</b>						
	Present value of DBO	1334.72	1186.40	1083.34	1053.24	913.19
	Fair value of plan assets	667.31	643.31	631.91	638.14	606.63
	Funded status [Surplus/(Deficit)]	(667.41)	(543.09)	(451.43)	(415.10)	(306.56)
	Experience gain/(loss) adjustments on plan liabilities	174.80	11.86	12.42	14.45	130.23
	Experience gain/(loss) adjustments on plan assets	10.16	9.97	8.84	7.19	5.14
<b>Terminal Ex-gratia (Unfunded)</b>						
	Present value of DBO	44.11	45.76	43.49	43.39	42.53
	Fair value of plan assets	-	-	-	-	-
	Funded status [Surplus/(Deficit)]	(44.11)	(45.76)	(43.49)	(43.39)	(42.53)
	Experience gain/(loss) adjustments on plan liabilities	(0.34)	(0.72)	(2.70)	(0.27)	(0.76)
	Experience gain/(loss) adjustments on plan assets	-	-	-	-	-

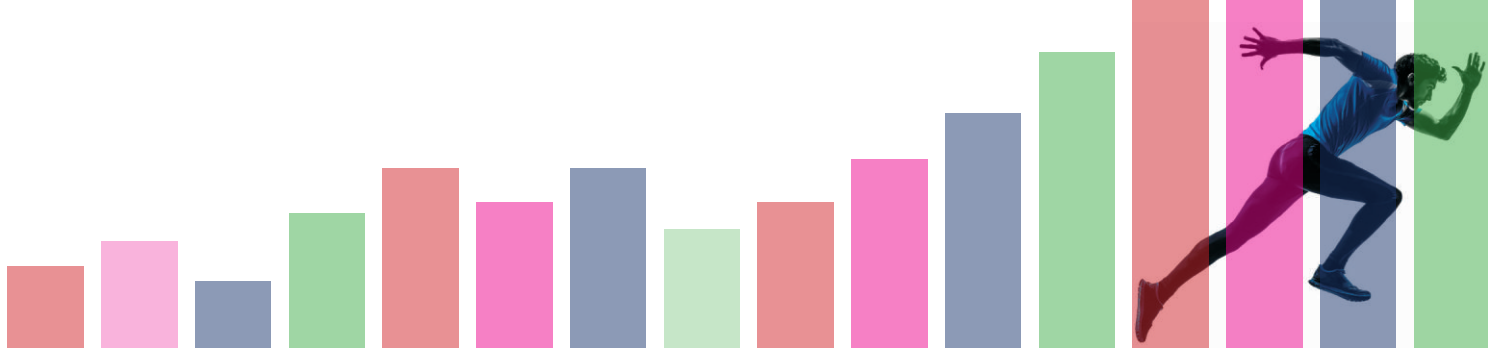


**Note 25 : Disclosures under Accounting Standards..... Contd.**

Note	Particulars		
25.3	Segment information		
	The Company is primarily engaged in the Automotive Gears business and all other activities revolving around the same. Risks and rewards involved in sales to overseas customers are not significantly different from those attributable to domestic market. As such there is no other separate reportable segment as defined by Accounting Standard – 17 “ Segment Reporting”.		
25.4	Related party transactions		
25.4.a	Details of related parties with whom the Company had transactions during the year.		
	Description of relationship	Name of related parties	
	Key Management Personnel (KMP)	(i) Mr. Surinder P. Kanwar (SPK) - Chairman and Managing Director (who also has ability to exercise 'significant influence' over the Company) (ii) Mr. Sameer Kanwar (SK) – Joint Managing Director (Son of Chairman and Managing Director of the Company)	
	Enterprises over which KMP is able to exercise significant influence	(i) Cliplok Simpak (India) Pvt. Ltd. (CSIPL) (ii) Raunaq International Ltd. (RIL) (iii) Vibrant Finance & Investment Pvt. Ltd. (VFIPL) (iv) Xlerate Driveline India Limited (XDIL)	
	Note: Related parties have been identified by the Management.		
25.4.b	Details of related party transactions during the year ended 31 March, 2014 and balances outstanding as at 31 March, 2014:		
			₹ lacs
		KMP	Enterprises over which KMP is able to exercise significant influence
	Purchase of packing material (CSIPL)		- (5.64)
	Rent and other expenses (VFIPL)		11.46 (11.46)
	Rent paid for premises taken on lease (SPK)	72.00 (69.50)	
	Rent paid for premises taken on lease (SK)	36.19 (32.90)	
	Reimbursement of maintenance charges paid for premises taken on rent (SPK)	3.13 (3.29)	
	Reimbursement of maintenance charges paid for premises taken on rent (SK)	1.24 (1.13)	
	Rent income (RIL)		1.74 (1.74)
	Rent income (CSIPL)		0.06 (0.06)
	Marketing service income - (XDIL)		85.07 (5.58)
	Repair and maintenance - Plant and machinery and building (RIL)		- (24.53)
	Construction of factory building - Boundary wall/Road/Car parking/Shed (RIL)		- (6.55)
	Security deposit paid for premises taken on lease (SPK)	60.00 (-)	
	Remuneration - (SPK)	238.37 (216.14)	
	Remuneration - (SK)	113.55 (108.09)	

Note 25 : Disclosures under Accounting Standards..... Contd.

Notes	Particulars	KMP	Enterprises over which KMP is able to exercise significant influence
	<u>Balances outstanding at the end of the year:</u>		
	<b>Receivables:</b>		
	Long-term loans and advances (Refer Note 12)	60.00 (10.00)	5.00 (7.40)
	Short-term loans and advances (Refer Note 16)	10.00 (-)	2.47 (2.47)
	Other current assets (Refer Note 17)		33.29 (5.58)
	<b>Payables:</b>		
	Trade payables (Refer footnote)	20.85 (65.60)	- (4.44)
	Note: Figures in brackets are for the previous year.		
	<b>Footnote:</b>		
	Represent remuneration payable to the Directors of the Company.		
25.4.c	No amounts have been written off/provided for or written back during the year in respect of amounts receivable from or payable to related parties.		
25.5	<b>Details of Leasing arrangements</b>		
	(A) Finance Lease:		
	(i) For net carrying amount as at 31 March, 2014 for assets acquired under finance lease. (Refer Note 11A Fixed assets)		
	(ii) The maturity profile of finance lease obligations is as follows:		
			₹ lacs
		Total minimum lease payments outstanding as at 31 March, 2014	Interest not due
			Present value of minimum lease payments
	Not later than one year	182.22 (245.83)	30.45 (48.38)
	Later than one year but not later than five years	194.52 (384.84)	13.17 (43.62)
	<b>Total</b>	<b>376.74</b> <b>(630.67)</b>	<b>43.62</b> <b>(92.00)</b>
	<b>Note:</b> 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: (Not non-cancellable)		
	(i) Lease payments recognised in the Statement of Profit and Loss for the year are as follows:		
		For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
	Residential flats/offices/godowns	199.27	180.77
	Vehicle/Plant and machinery/Air conditioner	283.09	277.72
	(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.		



**Note 25 : Disclosures under Accounting Standards..... Contd.**

Note	Particulars	For the year ended 31 March, 2014 ₹ lacs	For the year ended 31 March, 2013 ₹ lacs
<b>25.6</b>	<b>Earnings per share</b>		
	<u>Basic and diluted:</u>		
	Net profit for the year attributable to the equity shareholders	59.50	496.66
	Weighted average number of equity shares (Nos.)	7817833	7817833
	Par value per share (In ₹)	10.00	10.00
	Earnings per share - Basic and diluted (In ₹)	0.76	6.35
	<b>Particulars</b>	<b>As at 31 March, 2014 ₹ lacs</b>	<b>As at 31 March, 2013 ₹ lacs</b>
<b>25.7</b>	<b>Components of deferred tax balances:</b>		
	<u>Tax effect of items constituting deferred tax liability:</u>		
	On difference between book balance and tax balance of fixed assets	633.08	543.36
	Others	140.69	109.41
	<b>Tax effect of items constituting deferred tax liability</b>	<b>773.77</b>	<b>652.77</b>
	<u>Tax effect of items constituting deferred tax assets:</u>		
	Provision for compensated absences, gratuity and other employee benefits	405.08	346.92
	Other disallowances under Section 43B of the Income Tax Act, 1961	45.78	47.30
	Unabsorbed depreciation	70.31	-
	Others	46.07	60.02
	<b>Tax effect of items constituting deferred tax assets</b>	<b>567.24</b>	<b>454.24</b>
	<b>Deferred tax liability (net)</b>	<b>206.53</b>	<b>198.53</b>
<b>25.8</b>	<b>Details of provisions</b>		
	Disclosures in pursuance of the Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets":		
	<b>Provision for warranties</b>	<b>2013-14 ₹ lacs</b>	<b>2012-13 ₹ lacs</b>
	Carrying amount at the beginning of the year	28.59	9.39
	Additional provision made during the year	10.32	20.41
	Unused amount reversed during the year	8.21	1.21
	Carrying amount at the end of the year (Refer Note 10)	30.70	28.59
	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.		
<b>26</b>	<b>Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.</b>		

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

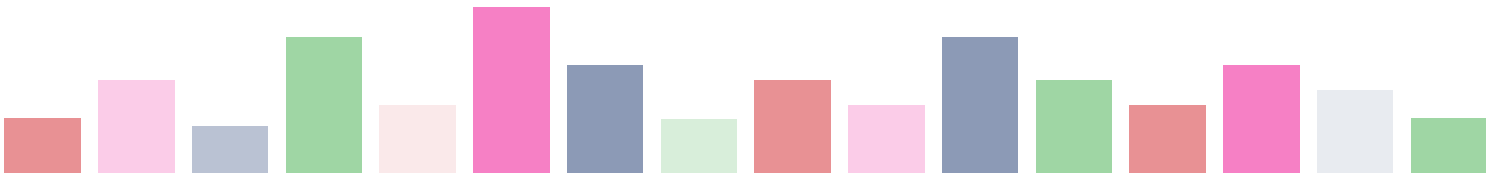
**Sameer Kanwar**  
Joint Managing Director

**N.J. Kamath**  
**Ram S. Tarneja**  
**V.K. Pargal**  
**W.R. Schilha**  
**S.G. Awasthi**  
**Rakesh Chopra**  
**Hiroo Suresh Advani**  
Directors

Place: Mumbai  
Date: 28 May, 2014

**Milind Pujari**  
Chief Financial Officer

**Prashant Khattry**  
Head (Legal) & Company Secretary

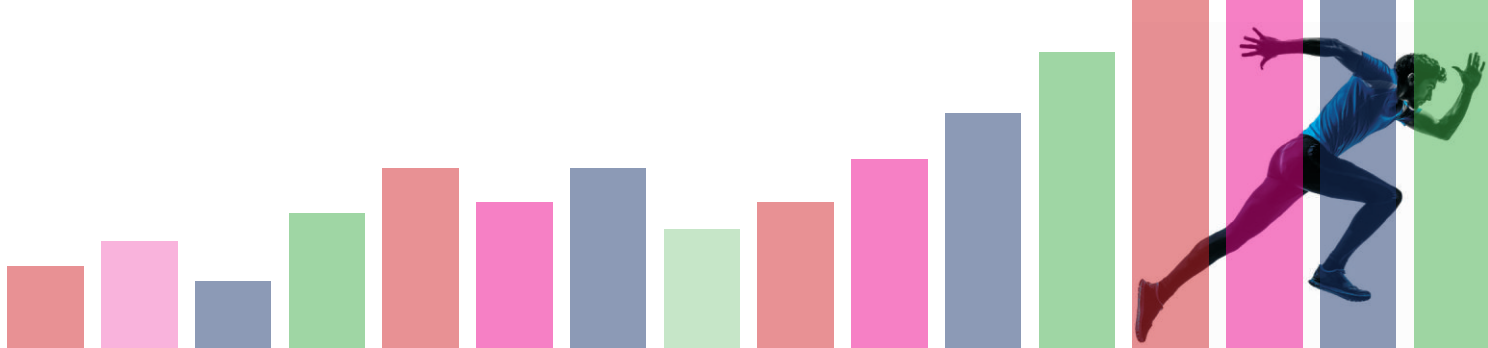


## NOTES



Geared for Life





## Form No. SH-13 Nomination Form

[Pursuant to Section 72 of the Companies Act, 2013 and rule 19(1) of the Companies  
(Share Capital and Debentures) Rules 2014]

To,  
Bharat Gears Limited  
20 K.M. Mathura Road, P.O. Box 328,  
P.O. Amar Nagar, Faridabad- 121 003  
Haryana

I/We \_\_\_\_\_ the holder(s) of the securities particulars of which  
are given hereunder wish to make nomination and do hereby nominate the following persons in whom shall vest, all the  
rights in respect of such securities in the event of my/our death.

### (1) PARTICULARS OF THE SECURITIES (in respect of which nomination is being made)

Nature of securities	Folio No.	No. of securities	Certificate No.	Distinctive Nos.

### (2) PARTICULARS OF NOMINEE/S

- (a) Name:
- (b) Date of Birth:
- (c) Father's/Mother's/Spouse's name:
- (d) Occupation:
- (e) Nationality:
- (f) Address:
- (g) E-mail id:
- (h) Relationship with the security holder:

### (3) IN CASE NOMINEE IS A MINOR

- (a) Date of birth:
- (b) Date of attaining majority:
- (c) Name of guardian:
- (d) Address of guardian:

Name:

Address:

Name of the Security Holder(s)

Signature

Witness with name and address

Signature



## PROFORMA FOR UPDATION OF SHAREHOLDER'S INFORMATION

Folio No. 

--	--	--	--	--	--

 No. of Equity Shares 

--	--	--	--	--	--

 Specimen Signature  
(As per application/transfer deed)

Name(s):

[illegible][illegible][illegible][illegible]

Address

(In case of Joint Holding, all  
the Joint Holders to sign)

[illegible]

Pin Code					
----------	--	--	--	--	--

E-mail Id \_\_\_\_\_

Cert. Nos.						
------------	--	--	--	--	--	--

FROM

Dist. Nos.					
------------	--	--	--	--	--

FROM

--	--	--	--	--	--

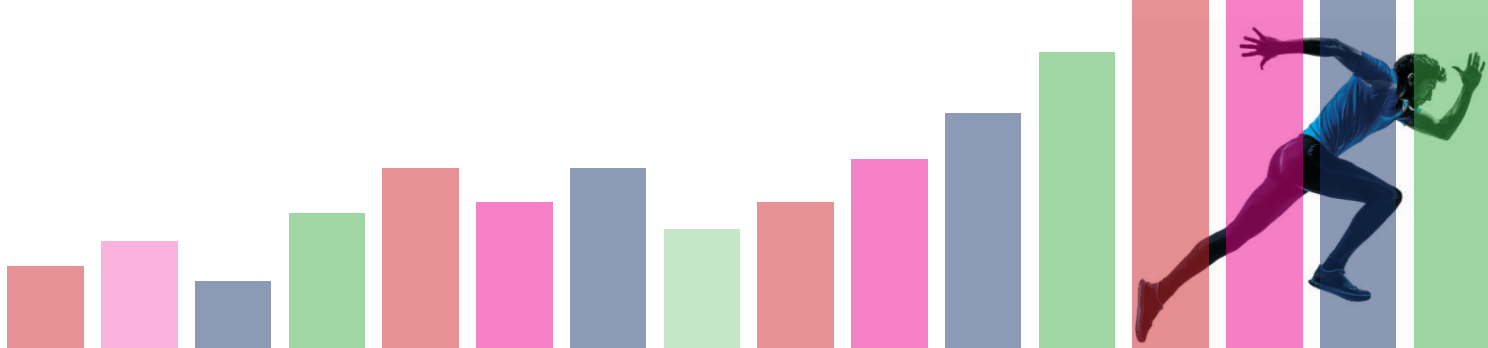
TO

--	--	--	--	--	--

TO

--	--	--	--	--	--

- NOTES: 1. IN CASE THE SPACE IS NOT SUFFICIENT PLEASE ATTACH A SEPARATE SHEET.  
2. THE ABOVE PROFORMA MAY BE FILLED AND RETURNED EVEN IF THERE IS NO CHANGE IN THE PARTICULARS.



## ELECTRONIC CLEARING SERVICES(ECS) MANDATE FORM

To  
**M/s Link Intime India Pvt. Ltd.**  
 (Unit : Bharat Gears Limited)  
 44, Community Centre, Naraina Industrial Area,  
 Phase-I, Near PVR Naraina  
 New Delhi - 110 028

Name of the First/Sole Share holder	
Folio No. / DP Id - Client Id	

### PAN / Email information

Income Tax Permanent Account Number (PAN) (Please attach a photocopy of PAN Card)	
Email ID	

### ECS Mandate Form (for shares held in physical mode)

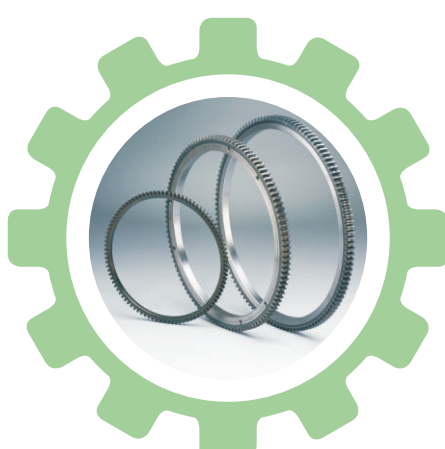
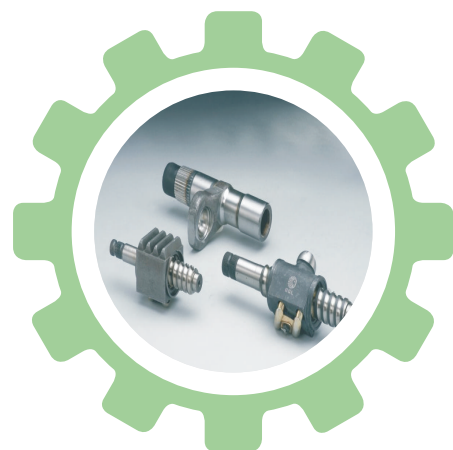
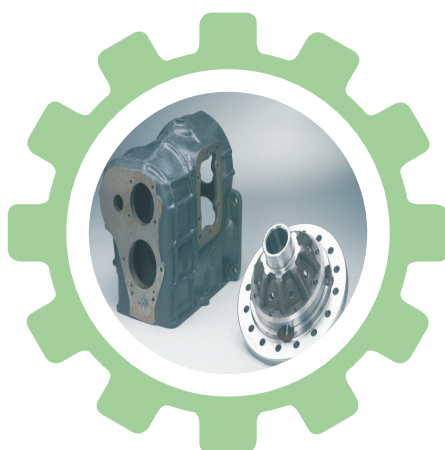
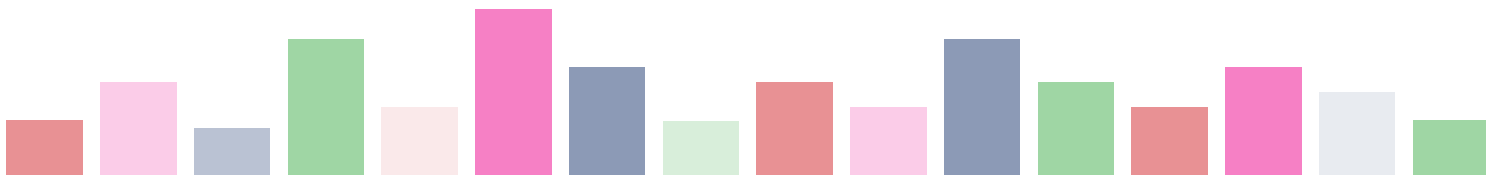
Bank Name						
Branch Name & Address						
Bank Account Type (tick)	Savings		Current		Others	
Bank Account Number						
9 Digit Code Number of the Bank and Branch appearing on the MICR Cheque issued by the Bank (Please attach a photocopy of the cheque)						

I hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, Bharat Gears Limited, will not be held responsible.

I further undertake to inform the company any change in my Bank / Branch and account number, if any.

\_\_\_\_\_  
Signature of First / Sole Holder

Place :  
Date :





# BHARAT GEARS LIMITED

Regd. Office & Works: 20 K.M. Mathura Road,  
P.O. Amar Nagar, Faridabad-121003  
Website: www.bharatgears.com, E-mail: info@bglindia.com  
CIN:L29130HR1971PLC034365

*Geared for life*

## Form No. MGT-11 PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s) :

Registered Address :

E-mail Id :

Folio No./Client ID :

DP ID :

I/We, being the member (s) of \_\_\_\_\_ shares of the above name Company, hereby appoint

1. Name:.....  
Address:.....  
E-mail ID: .....  
Signature:....., or failing him
2. Name:.....  
Address:.....  
E-mail ID: .....  
Signature:....., or failing him
3. Name:.....  
Address:.....  
E-mail ID: .....  
Signature:.....

as my/our proxy to attend and vote(on a poll) for me/us and on my/our behalf at the 42<sup>nd</sup> Annual General Meeting of the Company, to be held on the 1<sup>st</sup> day of August, 2014 at 11.30 A.M. at HUDA Convention Centre, Sector-12, Faridabad-121007 (Haryana) and at any adjournment thereof in respect of such resolutions as are indicated below:

1. To receive, consider and adopt the audited accounts of the Company for the year ended March 31, 2014 together with Reports of the Directors and Auditors thereon (Ordinary Resolution).
2. To declare dividend on Equity Shares (Ordinary Resolution).
3. To re-appoint M/s Deloitte Haskins & Sells, Chartered Accountants as Statutory Auditors of the Company (Ordinary Resolution).
4. To consider appointment of Dr. Ram S. Tarneja as an Independent Director of the Company (Ordinary Resolution).
5. To consider appointment of Mr. S.G. Awasthi as an Independent Director of the Company (Ordinary Resolution).
6. To consider appointment of Ms. Hiroo Suresh Advani as an Independent Director of the Company (Ordinary Resolution).
7. To approve the remuneration payable to M/s M.K. Kulshrestha & Associates, Cost Auditors of the Company for the financial Year 2014-2015 (Ordinary Resolution).
8. To consider and approve the payment of remuneration to Mr. Sameer Kanwar, Joint Managing Director of the Company (Special Resolution).
9. To consider and approve increase in borrowing powers of the Company (Special Resolution).

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2014

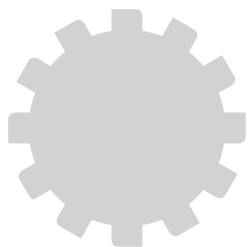
Signature of Shareholder: \_\_\_\_\_

Signature of Proxy holder(s) \_\_\_\_\_

Affix  
Revenue  
Stamp

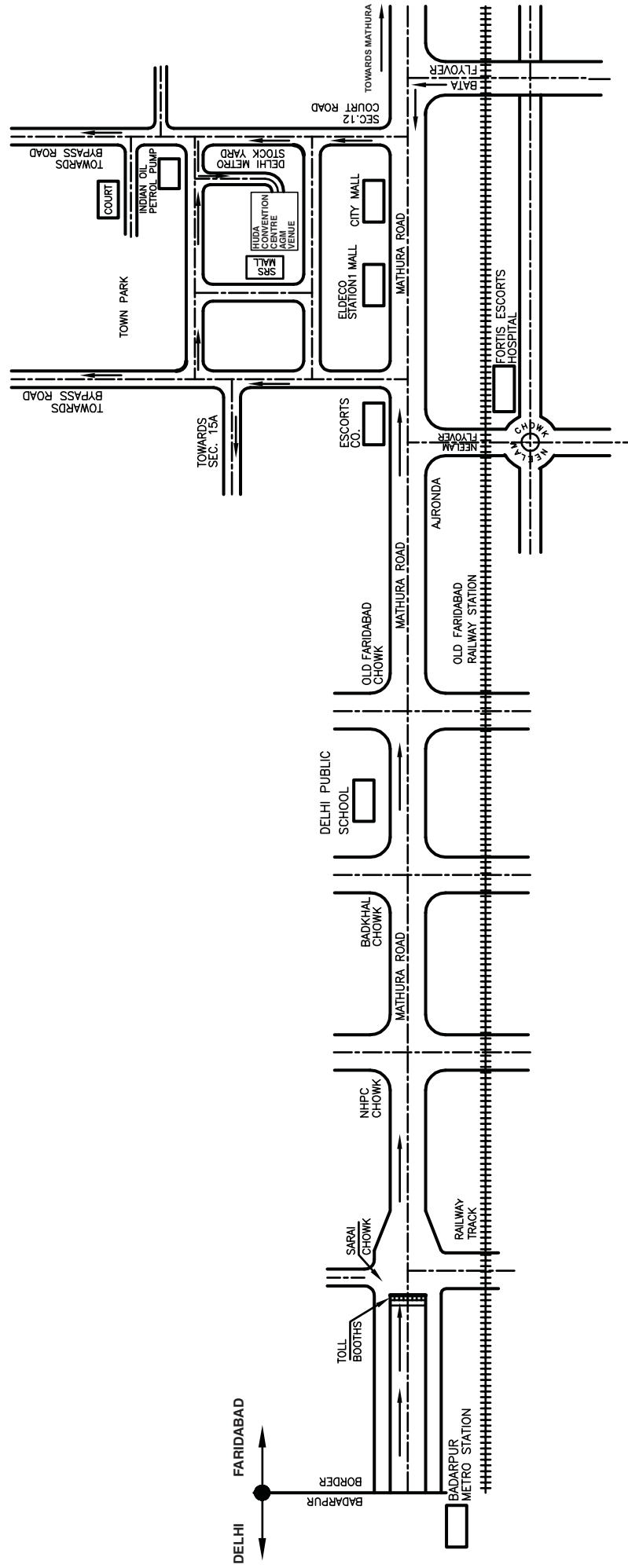
Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting. (i.e. on or before 11:30 A.M. on Wednesday, July 30, 2014).





THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

# Guide Map to venue of AGM from Delhi-Faridabad Border





**BHARAT GEARS LIMITED**

*Geared for Life*

#### OFFICES

**Registered Office**

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

**Corporate Office**

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

**Branch Office**

1009, Surya Kiran Building  
19, Kasturba Gandhi Marg  
New Delhi - 110 001

#### PLANTS

Kausa Shil, Mumbra  
District Thane - 400 612  
Maharashtra

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

Lonand, Taluka Khandala  
District Satara - 415 521  
Maharashtra

**CIN: L29130HR1971PLC034365**



# BHARAT GEARS LIMITED

Kausa Shil, Mumbra, Dist. Thane - 400 612. (Maharashtra) INDIA  
Tel. : +91 (22) 2535 2034, 2535 7500 • Fax : +91 (22) 2535 1651

## FORM A

**Format of covering letter of the annual audit report to be filed with the stock exchanges**

1.	Name of the Company:	Bharat Gears Limited
2.	Annual financial statements for the year ended	March 31, 2014
3.	Type of Audit observation	Unqualified
4.	Frequency of observation	Not Applicable
5.	<p>To be signed by-</p> <p>Surinder P. Kanwar Chairman and Managing Director</p> <p>Milind Pujari Chief Financial Officer</p> <p>Dr. Ram S. Tarneja Audit Committee Chairman</p> <p>Auditor of the Company</p> <p>Refer our Audit Report dated <u>28 MAY, 2014</u> on the Financial Statements of the Company</p> <p>For DELOITTE HASKINS &amp; SELLS Chartered Accountants (Firm's Registration No. 117365W)</p> <p><b>CERTIFIED TRUE COPY</b></p> <p><b>For Bharat Gears Limited</b></p> <p><b>Prashant Khattry</b> Head (Legal) &amp; Company Secretary</p> <p><b>Saira Nainar</b> (Partner) (Membership No. 040081) Mumbai, <u>27 JUNE</u>, 2014</p>	



Mumbai Office : 14th Floor, Hoechst House, Nariman Point, Mumbai - 400 021 INDIA.  
Tel.: +91(22) 22883180, 22820112 Fax : +91 (22) 22821465, Email : info@bharatgears.com  
Regd. Office & Works : 20, K.M. Mathura Road, P. O. Box 328, Po. Amar Nagar, Faridabad - 121 003 (Haryana) INDIA.  
Tel. : +91(129) 4288600 Fax : +91(129) 4288822 - 23, E-mail : info@bglindia.com  
Website : www.bharatgears.com