BHARAT GEARS LIMITED

ANNUAL REPORT
2007-2008

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REGISTERED OFFICE

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

CORPORATE OFFICE

14th Floor, Hoechst House,
Nariman Point,
Mumbai-400021

WORKS

Kausa Shil, Mumbra,
Distt. Thane-400612,
Maharashtra

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

BRANCH

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

BOARD OF DIRECTORS

Mr. Surinder P. Kanwar,
Chairman & Managing Director

Mr. Sameer Kanwar,
Joint Managing Director
(Appointed by Board w.e.f. June 1, 2008)

Mr. W. R. Schilha

Dr. Ram S. Tarneja

Mr. N. J. Kamath

Mr. S.G. Awasthi

Mr. V. K. Pargal

Mr. Rakesh Chopra

Mr. G.N. Agarwal
(upto April 22, 2008)

BANKERS/FINANCIAL INSTITUTION

Industrial Development Bank of India Ltd.

Export Import Bank of India

State Bank of India

Bank of Baroda

Indian Overseas Bank

The Federal Bank Limited

AUDITORS

A.F. Ferguson & Co.

AUDIT COMMITTEE

Dr. Ram S. Tarneja *Chairman*

Mr. V.K. Pargal

Mr. N. J. Kamath

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

Mr. N. J. Kamath *Chairman*

Mr. Surinder P. Kanwar *(upto May 28, 2008)*

Mr. Sameer Kanwar

Mr. Rakesh Chopra *(w.e.f. May 28, 2008)*

REMUNERATION COMMITTEE

Mr. N. J. Kamath *Chairman*

Dr. Ram S. Tarneja

Mr. V. K. Pargal

MANAGEMENT EXECUTIVES

Mr. N.V. Srinivasan
Corporate Business Head

Mr. Milind Pujari
Chief Financial Officer *(w.e.f. April 1, 2008)*

COMPLIANCE OFFICER

Mr. Ashish Pandey
Group Head (Legal) & Company Secretary

REGISTRAR & TRANSFER AGENT

M/s Intime Spectrum Registry Ltd.
A-40, IInd Floor,
Naraina Industrial Area,
Phase-II, Near Batra Banquets Hall,
New Delhi - 110 028.

NOTICE

TO THE MEMBERS OF BHARAT GEARS LIMITED

NOTICE is hereby given that the 36th Annual General Meeting of the Members of Bharat Gears Limited will be held as under:

Day : Thursday

Date : July 31, 2008

Time : 11:00 A.M.

Venue : Municipal Auditorium, N.I.T, Faridabad-121 001 (Haryana)

to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the year ended March 31, 2008 together with Reports of the Auditors and Directors thereon.

2. To appoint Directors in place of Dr. Ram S. Tarneja and Mr. S.G. Awasthi who retire by rotation and are eligible for re-appointment.

3. To declare the dividend on Preference Shares as recommended by the Board of Directors in its meeting held on May 28, 2008.

4. To declare the dividend on Equity Shares as recommended by the Board of Directors in its meeting held on May 28, 2008.

SPECIAL BUSINESS

5. To consider appointment of Statutory Auditors and if, thought fit, pass the following resolution(s) as ***Ordinary Resolution,*** with or without modification(s).

   "RESOLVED THAT subject to the provisions of Sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956 Messrs. Deloitte Haskins & Sells, Chartered Accountants, be appointed as Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting in place of retiring Auditors Messrs. A.F. Ferguson & Co., Chartered Accountants, to conduct the audit of the Accounts of the Company for the Financial Year 2008-2009, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors, plus service tax and out of pocket expenses."

6. To consider increase in the remuneration of Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company and, if thought fit, pass the following resolution(s) as ***Special Resolution,*** with or without modification(s).

"RESOLVED:-

a. pursuant to the provisions of Sections 192(4), 198, 268, 269, 302, 309, 310, 311, 316, 317, 640B, Schedule XIII as applicable and the other applicable provisions, if any, of the Companies Act, 1956 including any statutory amendments, modifications, or re-enactments thereof, and

b. subject to the approval of the Central Government, if required, and further subject to all other requisite approvals, as may be required, in this regard,

THAT:-

the consent of the Shareholders of the Company be and is hereby granted that Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company, who is also the Chairman & Managing Director of M/s. Raunaq International Limited, from where he is drawing a token remuneration of Rupee One (Re. 1/-) only per month, be paid remuneration for the remaining period of his tenure i.e. 2 (Two) years w. e. f. October 1, 2008 to September 30, 2010 on the revised terms and conditions, as recommended by the Remuneration Committee and the Board of Directors of the Company and as set out in the explanatory statement which forms part of this resolution.

RESOLVED FURTHER THAT the remuneration, as set out in the explanatory statement, which forms part of this resolution, payable to Mr. Surinder P. Kanwar, Chairman & Managing Director, is subject to the condition that:-

a. the total remuneration payable in any financial year by way of salary, perquisites and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the Company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force **or**

b. the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT where in any financial year, during the currency of the tenure of the Chairman & Managing Director, the Company has no profits or its profits are inadequate, the Chairman shall be entitled:-

a. to remuneration by way of salary, perquisites and other allowances not exceeding the limits specified under Section II Part II of Schedule XIII of the Companies Act, 1956, as amended and for the time

being in force including such amendments, modifications, revisions, or re-enactments, as may be made thereto by the Central Government in the said limits from time to time **or**

b. the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT Board of the Directors of the Company be and is hereby authorized to do all such acts, deeds and things, to enter into such agreement(s), deed(s) of amendment(s) or any such document(s), as the Board may, in its absolute discretion, consider necessary, expedient or desirable including power to sub-delegate, in order to give effect to this resolution or as otherwise considered by the Board to be in the best interest of the Company, as it may deem fit."

7. To consider revison in terms of appointment of Mr. Sameer Kanwar as Executive Director-Strategic Planning and, if thought fit, pass the following resolution(s) as ***Special Resolution,*** with or without modification(s).

"RESOLVED:-

a. pursuant to the provisions of the Companies Act, 1956 and all other applicable acts, rules, statutes and

b. subject to all requisite approvals, as required, and within the overall remuneration as approved by the Shareholders vide passing Special Resolution and adopting the Explanatory Statement in their Annual General Meeting held on July 26, 2007,

THAT:-

a. the Shareholders approve and ratify the payment of Rs. 45,000/- per month to Mr. Sameer Kanwar, Executive Director-Strategic Planning, as House Rent Allowance, from the date of his re-appointment i.e. February 1, 2007 till the end of his present tenure subject to condition that the total of the perquisites and allowances shall not exceed 1/3rd of his basic salary per month.

b. the Board of Directors of the Company be and is hereby authorized to do all such act(s), deed(s) and thing(s) as deemed necessary to give effect to aforesaid Resolution(s) and further to do such other act(s), deed(s) and thing(s) as deemed fit by them in the interest of the Company."

8. To consider appointment of Mr. Sameer Kanwar as Joint Managing Director of the Company and, if thought fit, pass the following resolution(s) as ***Special Resolution,*** with or without modification(s).

"RESOLVED:-

a. pursuant to the provisions of Sections 192(4), 198, 269, 302, 303(2), 309, 310, 311, 317, 640B, Schedule XIII as applicable and other applicable provisions, if any, of the Companies Act, 1956 including any statutory amendments, modifications, or re-enactments thereof and;

b. subject to the approval of the Central Government, if required, and further subject to all other requisite approvals, as may be required, in this regard,

THAT:-

the consent of the Shareholders be and is hereby granted to the appointment of Mr. Sameer Kanwar, who is the Executive Director of the Company, as Joint Managing Director for period of five (5) years w. e. f. June 1, 2008 on the terms and conditions including remuneration as recommended by the Remuneration Committee and approved by Board of Directors of the Company and as set out in the explanatory statement which forms part of this resolution.

RESOLVED FURTHER THAT the remuneration as set out in the explanatory statement which forms a part of this resolution, payable to Mr. Sameer Kanwar as Joint Managing Director, is subject to the condition that :-

a. the total remuneration payable in any financial year by way of salary, perquisites, commission and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the Company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/ Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force **or**

b. the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the Joint Managing Director, the Company has no profits or its profits are inadequate, the Joint Managing Director shall be entitled:-

a. to the remuneration by way of salary, perquisites, commission and other allowances not exceeding the limits specified under Section II Part II of Schedule XIII of the Companies Act, 1956 as amended and for the time being in force including such amendments, modifications, revisions, or re-enactments as may be made thereto by the Central Government in the said limits from time to time **or**

b. to the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT Board of the Director of the Company be and is hereby authorized to do all such act(s), deed(s) and thing(s), as the Board may in its absolute discretion consider necessary, expedient or desirable including power to sub-delegate in order to give effect to this resolution or as otherwise considered by the Board to be in the best interest of the Company, as it may deem fit."

9 To consider early redemption of Preference Shares and, if thought fit, pass the following resolution as ***Special Resolution***, with or without modification(s).

"RESOLVED:-

a. in partial modification of the Special Resolution passed in the Annual General Meeting of the Company held on September 29, 2003 and in accordance with the provisions of Section 80 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof) and the enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and the prevailing statutory guidelines in that behalf and;

b. subject to all necessary consents, permissions and approvals from all such authorities and institutions as may be relevant and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting any such consents, permissions and approvals and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee(s) consisting of one or more members of the Board and/or one or more officials of the Company appointed by the Board in this behalf which the Board may constitute to exercise powers of the Board),

THAT:-

a. the consent of the Shareholders be and is hereby accorded to the Board of Directors of the Company **to make early redemptions** of 208500, 10% Cumulative Redeemable Non-Convertible Preference Shares (hereinafter referred to as "Securities") of face value of Rs. 100/- **at par** aggregating to Rs.208.50 lacs as per the details mentioned below, in one or more installments as thought fit by the Board of Directors, on or before 31.03.2011 and 31.03.2012 on such other terms as may be permitted in accordance with the prevailing rules/ guidelines in this behalf and as determined by the Board in conformity with the relevant provisions of the law and the Articles of Association of the Company, wherever applicable and as the Board may deem advisable in the prevailing market situation:

Sl.No	Name of Bank /Institution	No. of Preference Shares of Rs 100 each	Amount (Rs. In lacs)
1.	Industrial Development Bank of India (IDBI)	115000	115.00
2.	Exim Bank	43500	43.50
3.	Federal Bank Ltd.	50000	50.00
		Total	208.50

b. such of these securities to be redeemed may be disposed of by the Board to such person(s) and in such manner and on such terms as the Board in its absolute discretion, thinks fit in the best interest of the Company.

c. for the purpose aforesaid, the Board be and is hereby specifically authorised to take all such steps and actions and to give such directions, as it may in its absolute discretion, deem necessary or desirable for such purposes and also to settle any question or difficulty that may arise with regard to the proposed issue/offer and allotment of securities as aforesaid."

By Order of the Board

Ashish Pandey
Group Head (Legal)
& Company Secretary

Place: Faridabad
Dated: July 5, 2008

NOTES:

i. A member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint one or more proxies to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy (ies) should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before commencement of the Meeting.

ii. NO GIFTS OR COUPONS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.

iii. Members/Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed at the entrance of the meeting for attending the meeting. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write Folio Number in the attendance slip. **No Attendance Slip shall be issued at the Meeting.**

iv. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the Special Business (es) to be transacted at the Meeting is annexed hereto.

v. The Register of Members and the Share Transfer Books of the Company shall remain closed from July 23, 2008 to July 31, 2008 (both days inclusive).

vi. Dividend on the equity shares recommended by the Board of Directors, if declared, at the Annual General Meeting will be paid to the members whose names are born on the Company's Register of Members as on July 31, 2008. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose. No income tax shall be deducted at source from the dividend amount.

vii. The Non Resident Indian Shareholders are requested to inform the Company immediately about:

a. The change in the residential status on return to India for permanent settlement.

b. The particulars of NRO Bank Account in India, if not furnished earlier.

viii. Members are requested to intimate under the signature of sole/first joint holder about the Bank A/c no., type of A/c, Saving (SB) or Current (CA), name & address of the bank, in which they intend to deposit the Dividend Warrants, so that the same can be printed in Dividend Warrants in future, to avoid the incidence of fraudulent encashment of the instrument.

ix. ECS facility is presently available at certain specified locations by RBI. To avoid risk of loss/interception of dividend warrants in postal transit and/or fraudulent encashment, Shareholders are requested to avail of ECS facility where dividends are directly credited in electronic form to their respective bank accounts. This also ensures faster credit of dividend.

x. Dividend mandates and changes of address, if any, to be effective must reach Company's registered office by July 21, 2008.

xi. The documents referred to in the accompanying Notice and Explanatory Statement and the Annual Report are open for inspection at the Registered Office of the Company during the office hours between 11.00 A. M. and 1.00 P. M. on all working days except Sundays up to the date of the Annual General Meeting and shall also be available at the venue of the Meeting.

xii. Members seeking any further clarification/information relating to the Annual Accounts are requested to write at the registered office of the Company at least ONE WEEK before the date of the Meeting i. e. on or before July 23, 2008 so as to enable the management to keep the information ready at the Annual General Meeting.

xiii. Pursuant to Section 205C of the Companies Act, 1956 all unclaimed dividends which remain unclaimed/ unpaid for a period of 7 (Seven) years from the date they became due for payment will be transferred to Investor Education and Protection Fund. The Shareholders shall not be able to claim any unpaid dividend from the said Fund or from the Company thereafter. The unclaimed dividend till the financial year 1999-2000 has been deposited with the Investor Education and Protection Fund. There is no unclaimed/unpaid dividend, which is required to be transferred in Investor Education & Protection Fund.

xiv. As a measure of economy, copies of the Annual Report shall not be distributed at the Meeting. Members are requested to bring along their own copies to the meeting.

xv. The shares of the Company are compulsorily traded in demat mode. Hence, the Shareholders who are still holding physical share certificates are advised that it is in their own interest to dematerialize their shareholding to avail benefit of dematerialization viz. easy liquidity, electronic transfer, savings in stamp duty and prevention of forgery.

xvi. Members are requested to notify change in their addresses and nomination, if any, quoting their respective Folio Numbers and other particulars to the Registrar and Share Transfer Agents of the Company. Alternatively, they may also be sent at the Registered Office of the Company. (Relevant Forms for nomination and updating of Shareholders information is enclosed at the end of the Annual Report).

xvii. Members holding shares in the same name under different folios are requested to apply for consolidation of such folios and send relevant share certificates.

By Order of the Board

Ashish Pandey
Group Head (Legal)
& Company Secretary

Place: Faridabad
Dated: July 5, 2008

EXPLANATORY STATEMENT
(PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956)

ITEM NO.5

The Company's Auditors Messrs. A.F.Ferguson & Co., Chartered Accountants, retire at this Annual General Meeting of the Company. However, Messrs. A.F.Ferguson & Co., have not offered themselves for re-appointment at this AGM.

Further, the Company has received a Special Notice from a Shareholder of the Company under Sections 190 and 225 of the Companies Act, 1956, signifying the Shareholder's intention to propose the appointment of Messrs. Deloitte Haskins & Sells, Chartered Accountants as the Statutory Auditors of the Company, from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. Messrs. Deloitte Haskins & Sells, Chartered Accountants, have also expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment, if made, would be in conformity with the provisions of Section 224 (1B) of the Companies Act, 1956.

In view of the above and based on the recommendation of the Audit Committee, the Board of Directors has at its meeting held on May 28, 2008 proposed the appointment of Messrs. Deloitte Haskins & Sells, Chartered Accountants, as the Statutory Auditors in place of Messrs. A.F.Ferguson & Co., for the Financial Year 2008-2009.

The Shareholders' approval is being sought to the appointment of Messrs. Deloitte Haskins & Sells, Chartered Accountants, as the Statutory Auditors and to authorize the Board of Directors, on the recommendation of the Audit Committee to determine the remuneration payable to the Auditors.

Board of Directors recommend the Resolution for acceptance by the Shareholders.

NATURE OF INTEREST IN THE RESOLUTION

None of the Directors of the Company is concerned or interested in the passing of the above Resolutions as set out in Item No. 5 of the Notice.

ITEM NO. 6

Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company, as approved by the Shareholders of the Company in their Annual General Meeting held on July 27, 2005 and also approved by the Central Government, was re-appointed for a period of 5 (Five) years i.e. from October 1, 2005 to September 30, 2010. However, the remuneration payable to him was approved by the said Government for a period of 3 (Three) years only which shall expire on September 30, 2008. The remuneration approved by the Central Government for the first three years are Rs. 88.20 lacs, Rs. 98.00 lacs and Rs. 107.80 lacs respectively.

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

Further, during the first three years of his present tenure, the Company has posted a growth of 11% in the year 2005-06, 22% in the year 2006-07 & 17% in the year 2007-08 in its Turnover. The Company's Profit after Tax (PAT) has also registered an acute growth of 121% in the year 2006-07 and 15% in the year 2007-08. During its recent past, the Company has been able to strengthen its customer base from Off Highway Industry.

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

In appreciation of contributions and continuing commendable leadership of Mr. Surinder P. Kanwar, it is proposed that in the best interests of the Company and its Shareholders, Mr. Surinder P. Kanwar, Chairman & Managing Director, be paid remuneration for the remaining period of his tenure i.e. 2 (Two) years w.e.f. October 1, 2008 to September 30, 2010 on the revised terms and conditions, as set out below:

A) Basic Salary:

Rs. 8,50,000 per month in the grade of Rs. 8,50,000-1,00,000-9,50,000.

B) Perquisites:

In addition to the aforesaid salary, he shall be entitled to perquisites (including housing, medical and other benefits) 1/4th of his basic salary.

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

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

C) Commission:

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

D) Other terms:

i. He shall be entitled to re-imbursement of actual out-of-pocket expenses incurred in connection with the business of the Company.

ii. He shall be entitled to reimbursement of entertainment expenses incurred for the business of the Company.

iii. As long as he functions as Chairman & Managing Director he shall not be paid any sitting fees to attend any meeting of the Board and/or Committee thereof.

iv. He shall be entitled to earned/privileged leave as per the Rules of the Company.

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

a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

c) Encashment of the leave at the end of the tenure.

The Shareholders are further informed that pursuant to provisions of Sections 192(4), 198, 268, 269, 302, 309, 310, 311, 316, 317, 640B, Schedule XIII as applicable and other applicable provisions, if any, of the Companies Act, 1956, the revised terms & conditions of remuneration which are subject to the approval of the Central Government, and further, subject to the approval of the institutions, as may be required, in this regard, are now being placed before the Shareholders in the Annual General Meeting for their approval. The increase in remuneration of Mr. Surinder P. Kanwar, Chairman & Managing Director, has also been recommended by the Remuneration Committee and approved by the Board of Directors in their meetings held on 27th & 28th May 2008, respectively.

Therefore, the Board of Directors of your Company, recommend the passing of the Special Resolution as set out in Item No. 6 of the Notice.

Certified true copy of the Resolution(s) passed by the Remuneration Committee of Board of Directors of the Company in its meeting held on May 27, 2008 and further approved by the Board of Directors of the Company in their meeting held on May 28, 2008 in this regard are available for inspection by the Shareholders of the Company at its Registered Office during the office hours between 11.00 a.m. to 1.00 p.m. on all working days except Sundays up to the date of the Annual General Meeting and shall also be available at the venue of the Meeting.

NATURE OF INTEREST IN THE RESOLUTION

Except Mr. Surinder P. Kanwar and his son, Mr. Sameer Kanwar, no other Director is concerned or interested in the passing of the above Resolutions as set out in Item No. 6 of the Notice.

ITEM NO. 7

The Shareholders are informed that subsequent to recommendation by the Remuneration Committee and the Board of Directors in their meetings held on January 25, 2007, Mr. Sameer Kanwar was re-appointed as Executive Director-Strategic Planning by the Shareholders of the Company in the Annual General Meeting held on July 26, 2007 for a period of three years with effect from February 1, 2007.

He is re-appointed on the basic salary in the scale of Rs. 2,25,000-18,000-2,61,000 and the perquisites & allowances equivalent to 1/3rd of his basic salary. The other terms and conditions of his re-appointment are mentioned in the above said Resolution(s) and the Explanatory Statement.

When, Mr. Sameer Kanwar was re-appointed, the intention was to pay him 1/3rd of his basic salary either as perquisites or as allowances or as both. However, the term "allowances" could not be added in the aforesaid Resolution(s) due to oversight. Mr. Sameer Kanwar, has been paid Rs. 45,000/- per month from the date of his re-appointment i.e. February 1, 2007, as House Rent Allowance, which is not the excess payment and is well within the remuneration as prescribed in Schedule XIII of the Companies Act, 1956 and as resolved by the Remuneration Committee, the Board of Directors and the Shareholders.

The above modification in remuneration, which is well within the overall limit, of Mr. Sameer Kanwar, Executive Director-Strategic Planning, has been approved and ratified by the Remuneration Committee in its meeting held on May 27, 2008 and by the Board of Directors in its meeting held on May 28, 2008.

The Board of Directors recommend to the Shareholders to approve and ratify the same by passing the Special Resolution as set out in Item No. 7 of the Notice.

Certified true copy of the Resolution(s) passed by the Remuneration Committee of Board of Directors of the Company in its meeting held on May 27, 2008 and further approved by the Board of Directors of the Company in their meeting held on May 28, 2008 in this regard are available for inspection by the Shareholders of the Company at its Registered Office during the office hours between 11.00 a.m. to 1.00 p.m. on all working days except Sundays up to the date of the Annual General Meeting and shall also be available at the venue of the Meeting.

NATURE OF INTEREST IN THE RESOLUTION

Except Mr. Sameer Kanwar and his father, Mr. Surinder P. Kanwar, the Chairman & Managing Director of the Company, no other Director is concerned or interested in the passing of the above Resolutions as set out in Item No. 7 of the Notice.

ITEM NO. 8

Mr. Sameer Kanwar holds a Bachelor's Degree in Business Economics from York University, Canada. After completing his graduation, he received two years training in the areas of Planning, Finance and Control at ZF Friedrichshafen AG, Germany, the world's largest maker of drivelines and chassis for automobiles. Mr. Sameer Kanwar has deep exposure in Marketing, Purchase, Production and in HR management. His belief lies in the fact that, creation of a successful organisation needs fostering of people and developing a climate that recognises performance and leadership.

With effect from February 1, 2001, Mr. Sameer Kanwar has been the Executive Director-Strategic Planning of the Company. Since his joining he has been leading the Business Operations of the Faridabad plant of the Company. His present tenure as Executive Director-Strategic Planning will expire on January 31, 2010.

Further, Mr. Sameer Kanwar has been instrumental in pressing forward the art of gear manufacturing and keeping abreast with the latest technology for delivering the highest quality of products. He has inherited an enormous legacy and shouldered higher assignments during his tenure with the Company. His sincerity, commitment and ideas have resulted in the opening up of new opportunities for the Company.

In terms of Clause 49 of Listing Agreement and pursuant to the provisions of sections 192(4), 198, 269, 302(2), 303(2), 309, 310, 311, 316, 317, Schedule XIII as applicable and other applicable provisions, if any, of the Companies Act, 1956 the appointment of Mr. Sameer Kanwar as Joint Managing Director has been recommended by the Remuneration Committee in its meeting held on May 27, 2008 and further approved by the Board of Directors in its meeting held on May 28, 2008.

Presently, Mr. Sameer Kanwar is drawing a minimum remuneration as per Schedule XIII of the Companies Act, 1956 in the basic salary scale of 2,25,000-18000-2,61,000. In addition to basic salary, he is also entitled for the perquisites & allowances upto Rs. 1/3rd of his basic salary per month and such other statutory benefits as applicable.

The Company is aggressively gearing up to capture huge growth opportunities by strengthening its senior management team, with increased focus on delivery, production and support to its customers worldwide. Mr. Sameer Kanwar has rendered valuable services to the Company for nearly 7 years and his appointment, as Joint Managing Director will strengthen the global delivery and production of the Company. His elevation as Joint Managing Director will further strengthen the organization to sustain and accelerate the planned growth in view of the increasing scale of the Company's national and international operations.

Therefore, the Board of Directors propose to appoint Mr. Sameer Kanwar as Joint Managing Director of the Company for a period of 5 (Five) years with effect from June 1, 2008 at the terms and conditions as set out below:

A) Basis Salary:

Rs.3,00,000 per month in the grade of Rs.3,00,000- 75,000-4,50,000-1,00,000-6,50,000.

B) Allowances and perquisites:

i. In addition to the aforesaid salary, he shall be entitled for leased accommodation or House Rent Allowance and

ii. Perquisites the total value of which, wherever applicable, shall be computed as per the provisions of Income Tax Act, 1961 read with the applicable Income Tax Rules, as amended from time to time, and for the time being in force. In case of absence of any such Rule(s), the value of the said perquisite shall be computed at the actual cost incurred.

The total of above i.e. (i) & (ii) shall not exceed 1/3rd of his basic salary per month.

C) Commission:

In addition to the above salary and perquisites, he will entitled for commission not exceeding @ 1.5% (One and half percent only) of the Net Profits of the Company, in any year computed in the manner laid down under Sections 198, 309, 349 and 350 and other applicable provisions of the Companies Act, 1956, may also be paid, as may be determined by the Board of Directors, based on the Net Profits of the Company.

D) Other terms:

i. He shall be entitled to re-imbursement of actual out-of-pocket expenses incurred in connection with the business of the Company.

ii. He shall be entitled to reimbursement of entertainment expenses incurred for the business of the Company.

iii. As long as he functions as Joint Managing Director he shall not be paid any sitting fees to attend any meeting of the board and/or committee thereof.

iv. He shall be entitled to earned/privileged leave as per the rules of the Company.

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

a. Contribution to Provident fund, Superannuation fund or Annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

b. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

c. Encashment of the leave at the end of the tenure.

Further, pursuant to provisions of Sections 192(4) 198, 269, 302, 303(2), 309, 310, 311, 316, 317, 640B, Schedule XIII as applicable and the other applicable provisions, if any, of the Companies Act, 1956, the revised terms & conditions of remuneration are subject to the approval of the Central Government and all other requisite approvals, as may be required, in this regard, are being placed for the approval of the Shareholders in the Annual General Meeting.

The Board of Directors of your Company, therefore, recommend the passing of the Special Resolution as set out at Item No. 8 of the Notice.

Certified true copy of the Resolution(s) passed by the Remuneration Committee of Board of Directors of the Company in its meeting held on May 27, 2008 and further approved by the Board of Directors of the Company in their meeting held on May 28, 2008 in this regard are available for inspection by the Shareholders of the Company at its Registered Office during the office hours between 11.00 a.m. to 1.00 p.m. on all working days except Sundays up to the date of the Annual General Meeting and shall also be available at the venue of the Meeting.

NATURE OF INTEREST IN THE RESOLUTION

Except Mr. Sameer Kanwar and his father, Mr. Surinder P. Kanwar, the Chairman & Managing Director of the Company, no other Director is concerned or interested in the passing of the above Resolutions as set out in Item No. 8 of the Notice.

ITEM NO. 9

The Shareholders of the Company are informed that the Company had approached Corporate Debt Restructuring Cell (CDR Cell) set up by Reserve Bank of India for the restructuring of the debts of the Company under the CDR mechanism. The

CDR Cell had been kind enough to approve the restructuring proposal of the Company.

In pursuance to the said approval various concessions/facilities have been sanctioned to the Company including sanction of additional facilities, waiver of penal interest/compound interest/ liquidated damages, sanction of additional loans, waiver of 50% of the differential interest on account of reduction of interest rate on term loans.

The approval also stipulates conversion of 50% of the differential interest on account of reduction of interest rate on term loans into 10% Cumulative Redeemable Non-Convertible Preference Shares which aggregates to Rs. 208.50 lacs.

Accordingly, subsequent to the approval of Shareholders of the Company in the Annual General Meeting held on 29th September, 2003, 208500, 10% Cumulative Redeemable Non-Convertible Preference Shares on private placement basis were issued to the banks/institution(s) as per details given in the Resolution.

The Company is planning to exit the CDR mechanism, therefore the lenders may insist on early redemption. Also the post tax yield of 10% is expensive as compared to other funds.

In the financial year ended March 31, 2008, the Company has posted profit before tax Rs. 14.74 Crores and the profit earning trend is expected to continue in the coming years. Therefore, the Company visualizes making early redemptions of the aforesaid Preference Shares.

The Board of Directors in its meeting held on May 28, 2008 have approved the proposal of making early redemption of the aforesaid Preference Shares.

The Board of Directors recommend the Shareholders to approve the proposal of early redemption of the Preference Shares and pass the Special Resolution as set out in Item No. 9 of the Notice.

NATURE OF INTEREST IN THE RESOLUTION

None of the directors is interested or concerned in the above Resolution as set out in Item no. 9 of the Notice.

By Order of the Board
Ashish Pandey

Place: Faridabad
Dated: July 5, 2008

Group Head (Legal)
& Company Secretary

DIRECTORS' REPORT

To The Members

Your Directors have pleasure in presenting 36th Annual Report together with audited accounts for the year ended March 31, 2008.

	(Rupees/Crores) Financial year ended	
FINANCIAL RESULTS	**31.03.2008**	31.03.2007
Sales and other income (gross)	**273.00**	232.39
Profit before interest other finance Charges and depreciation	**32.48**	31.47
Finance Interest & other finance charges	**8.15**	9.66
Depreciation	**9.59**	10.09
Profit before tax	**14.74**	11.72
Less: Current tax/deferred tax/ fringe benefit tax(net)	**4.66**	2.93
Profit after tax	**10.08**	8.79
Add: Balance brought forward from previous year	**(4.24)**	(13.03)
Profit available for appropriation	**5.84**	(4.24)
Appropriations		
Proposed Dividend		
- Preference Shares (including arrears)	**1.94**	Nil
- Equity Shares	**0.78**	Nil
- Tax on distributed profits	**0.46**	Nil
Transferred to General Reserve	**0.50**	Nil
Balance carried to Balance Sheet	**2.16**	(4.24)

DIVIDEND

The Directors have recommended a dividend of 10% on preference shares for the year ended March 31, 2008. The Directors have also recommended dividend on preference shares amounting to Rs.1.73 crores for earlier years, preference dividend will attract tax amounting to Rs. 0.33 crore.

The Directors have recommended a dividend of 10% on the equity shares of the Company, which will attract dividend tax amounting to Rs. 0.13 crore.

FINANCE

During the year, scheduled repayments of Rs. 9.98 crores were made to Financial Institution & Banks. Investments in fixed assets were fully financed by internal accruals except for leasing facility Rs. 0.94 crore.

The budgetary capital expenditure plan for the financial year 2008-2009 has already been finalized at Rs. 35.50 crores, this amount will be invested in upgradation of technology, induction of new state of art equipment to maintain our global competitiveness and renovation of our critical equipment.

This investment is proposed to be part financed by way of a term loan of Rs. 1400 lacs from banks.

MANAGEMENT DISCUSSION AND ANALYSIS

BGL continues to be the leader in India for manufacture and supply of Gear Components for the Heavy/Medium Commercial Vehicles, Utility Vehicles and for the Agricultural Tractors. In addition to Domestic OEM segment, exports of automotive gears is an important thrust area for the Company.

(a) Industry Structure & Development in the Industry:

The Indian automotive industry comprises of the following product segments-

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

During the year under review all segments of the industry, except two wheeler have maintained growth. The Automobile Sector in India continues to be a leading contributor to National Economic Growth.

Tractor Industrty:

Indian tractor industry has recorded a modest growth this year as compared to previous year.

However, our Company has maintained its share at 45% of the industry sale in the year.

Demand from the tractor industry is encouraging; the export market for our customers is also expanding rapidly this will add additional volume to our turnover.

Commercial Vehicle Industry:

As reported in the Indian Automobile Manufacturers Report for the year, the domestic industry recorded a growth of about 6% during the period and exports grew by about 19%.

LCV's recorded a growth of 13%, while the production of Medium and Heavy Commercial Goods Vehicles was lower by 4%.

The Commercial Vehicle Sector has recorded capacity increase by all manufacturers.

Our Company continues to be important supplier to this sector.

Passenger Vehicles:

As reported in the Indian Automobile Manufacturers Report for the year Utility Vehicle (UV) sales grew by about 11% over that of the previous year, and the growth is expected at about 20% in the current year. All players have introduced new models and have plans to widen their product range in the financial year 2009.

Other vehicles in this category have posted growth of about 20%.

Your Company is active supplier of Gear components to the manufactures of vehicles in this sector.

(b) Opportunities and Threats:

In line with WTO agreement, import duties were further lowered for automotive components. Norms for foreign direct investment

have also been liberalized. Thus foreign OEM as well as component manufacturers have entered the auto component industry in India, both for captive consumption and Global sourcing.

Power shortages continue to be a major cause of concern.

The alloy steel prices have continued to move up and are putting pressures on margins; the availalability is also a cause of concern.

Further, the increase in cost of fuel is also equally a matter of concern.

Your Company continues it's efforts to review and refine the production processes, affect economies where ever possible, maximize utilization of its resources in Men and Materials to bring about economical production and maintain it's competiveness.

Considering that the GDP growth rate may be about 8% in 2009, and as monsoon is expected to be normal, thus the Industry should maintain a reasonable growth.

(c) Outlook:

BGL has achieved 17% growth over the previous year. It is expected that notwithstanding inflationary pressure, it will maintain it's tempo of growth both in Domestic and Export markets.

On the Export front, the Company caters to OEM orders from Europe, China and USA and are also active in the Middle East aftermarket. As stated earlier the opportunities in India are attracting major international OEMs. They have started sourcing components from Indian manufacturers. Further, existing OEMs have stepped up operations to cater to domestic and export requirements. However, despite competition, the outlook is positive and we are gearing ourselves to meet the competition.

Outlook on furnace business continues to be good. New Investment by the existing Automobile manufacturers and by New Entrants in the Automobile sectors will add to our order book.

(d) Risk & Concerns:

The Company is exposed to the following risks however the Company has braced itself to take adequate precautions to mitigate these risks on continuous basis

a) Foreign Currency risks

b) Raw Material prices

c) Availability and cost of Capital for capital expenditure

d) Other cost increases due to high rate of Inflation.

(e) Internal Control Systems and their adequacy:

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

An independent firm of Chartered Accountants carries out internal audit of the Company. Internal audit is carried out at periodic intervals to ensure that the Company's internal control systems are adequate and complied with.

Both plants of the Company are certified under ISO/TS16949.

Faridabad plant is also certified under ISO14001.

(f) Discussion on Financial Performance with respect to operational performance:

Demand for your Company's products continued to be buoyant. Turnover increased by 17% over that of the previous year. However, EBIDTA was lower at 12% vis - a - vis 13.5 % for the previous year. This was mainly on account of higher input costs of steel & petroleum products. These increases are sought to be mitigated by improvement in operational efficiencies & optimizing product mix. Profit before tax was higher at Rs. 14.74 crores as against Rs. 11.72 crores in the previous year. After provision for tax (net of MAT credit of Rs. 0.53 crores) Rs. 1.77 crores & deferred tax of Rs. 2.58 crores, Net profit after tax was at Rs. 10.08 crores as against Rs. 8.79 crores for the previous year.

(g) Developments in human resources and industrial relations:

Industrial relations at both plants continued to be satisfactory.

Under the Voluntary Retirement Scheme, 35 employees left the Company at cost of Rs. 1.25 crores.

Employees' headcount at the end of the year was 1329.

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

FIXED DEPOSITS

During the year under review the Company did not accept any fixed deposits. In terms of Section 205C of the Companies Act 1956, the deposit and interest thereon which remains unclaimed for a period of seven years from the date when it became due is required to be deposited with the Investor Education and Protection Fund established under the Companies Act, 1956. Accordingly, a sum of Rs. 6,125 towards unclaimed interest on fixed deposits in respect of on matured deposits was deposited with the said fund during the year.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance, together with a Certificate of Compliance from Statutory Auditors is enclosed after this report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of your Company, Dr. Ram S. Tarneja and Mr. S.G. Awasthi, retire by rotation and being eligible, offer themselves for reappointment at the ensuing Annual General Meeting.

Mr. Andreas Hartmann and Mr. W.R. Schilha, Nominee Directors of ZF Friedrichshafen AG, resigned and their resignations were accepted by the Board in its meeting held on May 16, 2007. The Board recorded its appreciation for the services rendered by them.

Further, after his due consent, Mr. W.R. Schilha was appointed as Additional Director in his personal capacity with effect from May 16, 2007 and the appointment of Mr. Schilha as Director liable to retire by rotation, was confirmed by the Shareholders in the Annual General Meeting held on July 26, 2007.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed and there is no material departures from the same;

(ii) the directors have selected such accounting policies and applied them consistently and 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 at the financial year ended March 31, 2008 and of the profit or loss of the Company for that period;

(iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the directors have prepared the annual accounts on a going concern basis;

PARTICULARS OF EMPLOYEES

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

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

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

AUDITORS

Messrs. A.F.Ferguson & Co., the existing Statutory Auditors are now part of Messrs. Deloitte Haskins & Sells and it has been decided that Messrs. Deloitte Haskins & Sells, Chartered Accountants (DHS) would be appointed as the Statutory Auditors of the Company. Accordingly, Messrs. A.F.Ferguson & Co., have not offered themselves for re-appointment at the ensuing Annual General Meeting. The Company has received a Special Notice from a Member of the Company, in terms of provisions of Companies Act, 1956, signifying the intention to propose the appointment of DHS as the Statutory Auditors of the Company, from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. DHS have also expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment, if made, would be in conformity with the provisions of Section 224 (1B) of the Companies Act, 1956.

AUDITORS' REPORT

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

COST AUDIT

In terms of the approval of the Central Government, M/s. M.K.Kulshrestha & Associates, Cost Accountants were appointed as Cost Auditors of the Company for auditing the Cost records for the year ended March 31, 2008.

SECRETARIAL AUDIT

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

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

LISTING OF SHARES

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

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

Place: Mumbai
Dated: May 28, 2008

Surinder P. Kanwar
Chairman and Managing Director

BHARAT GEARS LIMITED **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 March 31, 2008.

Sl. No.	Name	Age (in Years)	Qualification	Designation	Date of Commencement of Employment	Years of Experience	Remuneration (in Rs. Lacs)	Particulars of Last Employment
A.	Employed for the Full Financial Year :							
1.	Surinder P. Kanwar	55	B.Com	Chairman & Managing Director	01.10.1990	33	96.51	Managing Director BST Mfg. Ltd.
2.	Sameer Kanwar	31	Bachelor's Degree (Bus. Eco.)	Executive Director	01.02.2002	08	# 44.81	Management Trainee ZF (AG) Germany
3.	N.V. Srinivasan	64	BE Mech, MS Ind Engg. (USA) MBA (USA)	Corporate Business Head	16.01.1976	39	25.38	Head of Works Study Data Processing. Larsen & Toubro Ltd.
B.	Employed for the part of the financial year;						Nil	

Notes:

01. Remuneration includes Salary, Allowances, Ex-gratia, Co's Contribution to Provident, Superannuation, Gratuity Funds and Value of other perquisites on the basis of Income Tax Act, 1961.

02. Except Mr.Sameer Kanwar, Executive 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.

#. Includes Rs. 5.40 lacs for the year, which is subject to approval of the Remuneration Committee & of the members by way of Special Resolution in the forthcoming Annual General Meeting.

For and on behalf of the Board of Directors

Place : Mumbai
Dated : May 28, 2008

Surinder P. Kanwar
Chairman & Managing Director

Annexure-'B'

Report on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo and forming part of Directors' Report for the year ended March 31, 2008

A. Conservation of energy

a) Energy conservation measures taken:

At Mumbra Plant, the program of replacing the North lights roofing with transparent material is almost completed, thereby improving the natural lighting in the shop and reducing lighting requirement. Further wind driven turbo ventilators are being installed on the roof of the shop in a phased manner. Free wind drives the turbine and as the turbine rotates the centripetal forces associated with the rotation fling air outwards from the tips of the vanes. Replacement air is automatically drawn into the throat of the ventilator from the shop causing continuous ventilation thereby reducing humidity, promoting health, reducing maintenance of machinery and increasing productivity.

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

We have installed a new diesel generator at Mumbra plant. This will reduce production interruptions due to power failures as well as reduce tool breakage and shop rejections due to sudden failure of power.

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

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

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

————————Not Applicable————————

B. Technology Absorption

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

Form 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.	Company has already placed an order for machineries to manufacture of bevel and transmission gears by face hobbing method without usage of coolant i.e dry cutting, which is the latest technology. This new technology is already absorbed by imparting necessary training to various employees at Germany / Japan / Switzerland.
2	Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.	Benefits accrue to the company in terms of enhancement of capacities, productivity and quality of gears.
3	In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:	Not Applicable
	a) Technology imported	
	b) Year of import	Not Applicable
	c) Has technology been fully absorbed	Not Applicable
	d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	Not Applicable

C. Foreign Exchange Earnings and Outgo:

(f)	Activities relating to exports; initiatives taken to increase export; development of new export markets for products and services; and export plans.	Efforts are on to explore new markets, particularly in Middle East, USA. & EUROPE. We have received orders from existing customers as as well added several new customers during the year.

(g) **Total foreign exchange used and earned.**

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

(Rs. In Lacs)

	2007 - 2008	2006-2007
Foreign Exchange Earned	**4238.32**	3057.74
Foreign Exchange used	**336.72**	235.73
Net Foreign Exchange earnings	**3901.60**	2822.01

For and on behalf of the Board of Directors

Surinder P. Kanwar
Chairman & Managing Director

Place : Mumbai
Dated : May 28, 2008

CORPORATE GOVERNANCE REPORT
For the Year ended 31st March, 2008
(Pursuant to Clause 49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

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

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

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

2. BOARD OF DIRECTORS

Your Company has an optimum combination of executive and non-executive independent directors on the Board. The Board consists of 09 members, the Chairman of the Board is an executive director and more than half of the strength of the Board consists of non-executive independent directors. All non-executive Independent Directors bring a wide range of expertise and experience to the Board. The Board believes that the current size of the Board is appropriate based on the Company's present requirements.

A. Board's definition of independent director

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

1. apart from receiving the Directors remuneration, does not have any material pecuniary relationships or transaction 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;
2. is not related to promoters, Chairman, Managing director, Whole time director, Secretary, CEO or CFO and to any person in the management at one level below the board;
3. has not been an executive of the Company in the immediately preceding three financial years;
4. 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.
5. is not a material supplier, service provider or customer of the Company which may affect independence of the directors. This includes lessor-lessee type relationships also; and
6. is not a substantial shareholder of the Company, i.e. owning two percent or more of the block of voting shares.

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

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

Table 1

S.No	Name of Director	Category	No. of Board meeting attended [A]	Attendance at last AGM	No. of outside Director ships held [B]	No. of memberships/ Chairmanships in Board Committees[C] Member	Chairman
1.	[D]Mr. Surinder P. Kanwar	Executive Director (Chairman & Managing Director)	4	Present	2	2	–
2.	[D]Mr. Sameer Kanwar	Executive Director (Strategic Planning)	4	Present	–	1	–
3.	[G]Mr. W.R.Schilha	NonñExecutive Director	3	Present	–	–	–
4.	Dr. Ram S. Tarneja	Independent Director	4	Present	12	5	2
5.	Mr. N.J. Kamath	Independent Director	4	Present	–	1	1
6.	[E]Mr. V.K. Pargal	Independent Director	4	Present	–	–	1
7.	[F]Mr. G.N. Agarwal	Independent (Nominee Director, LICI)	2	Present	–	–	–
8.	[G]Mr. S.G. Awasthi	Independent Director	3	Present	–	–	–
9.	[G]Mr.Rakesh Chopra	Independent Director	3	Present	1	1	–

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

BIncludes Directorship in companies registered under the Companies Act, 1956, excluding directorship in private companies, alternate directorship, Companies registered under Section 25 of the Companies Act, 1956 and foreign companies.

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

DMr. Surinder P. Kanwar is father of Mr. Sameer Kanwar.

EMr. V. K. Pargal is also a Director on the Board of Pargal Consultants Pvt. Ltd (PCPL), which is providing consultancy service to the Company in its professional capacity. Professional fees paid to PCPL for the year 2007-2008 is Rs. 1,08,000/-. The Board is of the opinion that such payments in the context of overall expenditure by the Company, is not significant and does not affect his independence. Mr. V.K. Pargal is holding 100 shares of the Company.

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

FThe Life Insurance Corporation of India has withdrawn its representative on the Board of the Company with effect from 22nd April, 2008.

GThe Directors were additional directors till 26th July, 2007 and have been duly confirmed as directors by the shareholders of the Company in their Annual General Meeting held on that date.

B. Board Meetings

During the financial year 2007-08, four (4) Board Meetings were held on the following dates. The gap between any two meetings was not more than four (4) months as mandated in clause 49 of the listing agreement: -

- 16th May, 2007;
- 26th July, 2007;
- 27th October, 2007 and
- 31st January, 2008

C. Information supplied to the Board

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

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

The Board periodically reviews compliance reports of all laws applicable to the Company, prepared by the Company as well as steps taken by the Company to rectify instances of non-compliances, if any.

3. BOARD COMMITTEES

A. Audit Committee

I. Constitution and Composition

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

Table 2.

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

*He has chaired the Audit Committee Meeting held on 31st January, 2008.

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

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

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

II. Audit Committee Meetings

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

- 15th May, 2007;
- 25th July, 2007;
- 27th October, 2007 and
- 31st January, 2008.

III. Terms of reference

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

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

b) Recommending the appointment/removal of external auditors, nature and scope of audit, fixation of audit fee and payment of fees for any other service rendered by external auditors;

c) Reviewing with the management, the quarterly, half yearly and annual financial statements before submission to the Board with particular reference to;

   a. Matters required to be included in the Director's Responsibility Statement pursuant to clause (2AA) of Section 217 of the Companies Act, 1956;

   b. Changes, if any, in accounting policies and practices and the reasons for the same;

   c. Major accounting entries involving estimates based on the exercise of judgment by the management;

   d. Compliance with listing and other legal requirements relating to financial statements;

   e. Disclosure of any related party transactions.

d) Reviewing with the management, the performance of the internal and external auditors, the internal audit reports and the reports of the external auditors;

e) Reviewing the adequacy and effectiveness of internal audit function, the internal control system of the Company, compliance with the Company's policies and applicable laws and regulations;

f) Discussion with the internal auditors on any significant findings and follow up thereon;

g) Discussion with the Statutory Auditors before the audit commences, about the nature and scope of audit as well as post–audit discussion to ascertain any area of concern;

h) Reviewing the Company's financial and risk management policies;

i) To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

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

B. Remuneration Committee

I. Constitution and Composition

In terms of the non-mandatory requirement of Clause 49 of the Listing Agreement, the "Remuneration Committee" was constituted on 22nd April, 2002. The said Committee has been empowered to consider, approve and recommend the remuneration of the Whole Time Director/Managing Director. The Remuneration Committee constitutes of following three directors. **Table 3** gives the details: -

Table 3

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

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

The remuneration policy of the Company is based on the need to attract the best available talent and be in line with the industry levels.

C. Shareholders'/Investors' Grievance Committee

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

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

Table-4

S. No.	Name of Member	Designation	No. of meetings held/ attended
1.	Mr. N. J. Kamath	Chairman	2/2
2.	Mr. Surinder P. Kanwar	Member	2/2
3.	Mr. Sameer Kanwar	Member	2/1

Mr. N. J. Kamath is a non-executive independent director and Mr. Surinder P. Kanwar and Mr. Sameer Kanwar are executive Directors.

I. Shareholders'/Investors' Grievance Committee meetings

During the financial year 2007-08, the Committee met two (2) times on 15th May, 2007 and 12th January, 2008 respectively and 57 Letters/Request/Complaints were received from the shareholders till 31st March, 2008; and were replied/resolved to the satisfaction of the shareholders. All the requests for transfers and transmissions have been duly acted upon and no such request was pending as on 31st March, 2008.

II. Sub-Committee

In order to have speedy disposal of the shareholders'/investors' requests for transfer and transmission, a sub-committee

consisting of the following directors/officers of the Company is in place for effecting share transfer/transmission/split/ consolidation of shares;

a. Mr. Surinder P. Kanwar, Chairman & Managing Director

b. Mr. Sameer Kanwar, Executive Director

c. Mr. P.C. Kothari, Process Head (Finance & Accounts)

d. Mr. Ashish Pandey, Group Head (Legal) & Company Secretary

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

4. COMPLIANCE OFFICER

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

5. DIRECTORS

Re-appointment of existing non-executive rotational directors.

In accordance with the provisions of Companies Act, 1956 and the Article of Association of the Company, Dr. Ram S. Tarneja and Mr. S.G.Awasthi being 1/3rd of the rotational directors, are liable to retire at the forthcoming Annual General Meeting and being eligible for re-appointment, have shown their willingness to be re-appointed. The Board recommends their re-appointment.

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

Table-5

Particulars of Directors

Dr. Ram S. Tarneja, Director

(a) Brief Resume: Dr. Ram S. Tarneja aged 76 years, is a non-executive director of the Company since 31.12.1981. Dr. Tarneja, born on 07.12.1931 did B.A. (Hons) from Delhi. He is also an M.A. both from University of Delhi & University of Virginia and has also done Ph. D from Cornell University. He is the former Managing Director of Bennett, Coleman & Co. Ltd. He is also on the board of several prominent companies apart from Bharat Gears Limited.

(b) Nature of his expertise in specific functional areas:Dr. Ram S. Tarneja has varied and rich experience across companies. He has served on the board and committee of various companies and has the requisite expertise in accounting and financial management.

(c) The details of Directorship and Membership/Chairmanship of Board/ Committees as on 31.03.2008 of Dr. Ram S. Tarneja is as follows:

Sr. No.	Directorship in other companies	Sr. No.	Membership/Chairmanship of Board Committees
	Public Limited Companies		**Audit Committee**
	NESCO Ltd.		Bharat Gears Limited (Member)
	Otis Elevators Co. India Ltd.		Bennett, Coleman & Co. Ltd (Chairman)
	Jolly Board Ltd.		Engineering Projects (India) Ltd (Private Limited) (Chairman)
	Bharat Gears Limited		GATI Ltd.
	Bennett, Coleman & Co. Ltd.		NESCO Ltd
	Phillips Carbon Black Ltd.		Otis Elevators India Co. Ltd
	Housing Development Finance		Transcorp International Ltd
	Corporation Ltd.		**Shareholders/ Investors**
	GATI Ltd.		**Grievance Committee**
	ITC Ltd.		Housing Development Finance
	Transcorp International Ltd.		Corporation Ltd. (Chairman)
	Phoenix Township Limited		**Remuneration Committee**
	SOWiL Limited		ITC Ltd
	GIVO Ltd.		GATI Ltd
	Private Limited Companies		NESCO Ltd
	Arim Metal Industries Pvt. Ltd.		GIVO Ltd
	Nissin ABC Logistics Pvt. Ltd. Engineering Projects (India) Ltd, Public Sector Undertaking.		Engineering Projects (India) Ltd. (Private Limited)
			Bharat Gears Limited
			Share Transfer Committee
			Otis Elevators India Co. Ltd.
			Jolly Board Ltd.
			Nomination Committee
			ITC Ltd.
			Corporate Governance Committee
			Associated Chamber of Commerce & Industry

(d) Shareholding in the Company:

Dr. Ram S. Tarneja does not hold any shares in the Company.

Mr. Shiv Gopal Awasthi, Director

(a) Brief Resume: Mr. S.G. Awasthi, born on 06th March, 1943, graduated in Science from Allahabad University, and did Mechanical Engineering from Roorkee University. He had been the Chairman of Daewoo Motors India Limited. He joined Jaypee Group in the year 2000 as Chairman of Jaypee Hotels Ltd and as Managing Director of Jaypee Greens Limited. Subsequently, he became Managing Director of Jaypee Hotels Ltd and Vice Chairman of Jaypee Greens Ltd. After merger of Jaypee Greens Ltd. with Jaiprakash Associates Limited, he resigned as Managing Director of Jaypee Hotels Ltd in September, 2007 and appointed as an Advisor in Jaypee Infratech Limited, a wholly owned subsidiary of Jaiprakash Associates Limited.

Besides above, Mr. Awasthi 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.

(b) Shareholding in the Company:

Mr. S.G. Awasthi does not hold any shares in the Company.

6. GENERAL BODY MEETINGS

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

Annual General Meetings

Financial Year	Venue	Date	Time	Whether any special resolution passed
2006-2007	Municipal Auditorium, NIT, Faridabad, Haryana-121001	26.07.2007	11.30 A.M	Yes
2005-2006	Municipal Auditorium, NIT, Faridabad, Haryana-121001	21.07.2006	11.30 A.M	No
2004-2005	Municipal Auditorium, NIT, Faridabad, Haryana-121001	27.07.2005	10:30 A.M	Yes

Extra-ordinary General Meetings

Financial Year	Venue	Date	Time	Whether any special resolution passed
2005-2006	Hotel Mahalakshmi Palace, 68, Neelam Bata Road, NIT, Faridabad, Haryana-121001	14.12.2005	2.30 P.M	Yes

At these meetings, no resolution was put through postal ballot.

7. DISCLOSURES

A. Basis of Related Party Transactions

During the year 2007–2008, 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 apart from the sale of one residential flat in Mumbai to one of Director at the consideration of Rs.330 lacs, which is determined based on the market value considered by the relevant authority for the levy of stamp duty. 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 were interested are provided to the Board, and the interested directors do not participate in the discussion nor do they vote on such matters. The details of the related party transactions during the year are given in the Notes to Accounts.

B. Disclosure of Accounting Treatment in preparation of Financial Statements

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

C. Compliance by the Company

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

D. Whistle Blower

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

E. Remuneration of Directors for 2007-2008

(Rs. lacs)

Name of Members	Sitting Free	Salaries and Perquisites		Total
Mr. N. J. Kamath	0.38	Nil		0.38
Mr. G.N.Agarwal	0.10	Nil		0.10
Mr. V. K. Pargal	0.32	Nil		0.32
Dr. Ram S. Tarneja	0.32	Nil		0.32
Mr. W.R. Schilha	0.15	Nil		0.15
Mr. S.G. Awasthi	0.15	Nil		0.15
Mr. Rakesh Chopra	0.15	Nil		0.15
		Sub-Total (A)		**1.57**
Mr. Surinder P Kanwar@	Nil	• Salary • Contribution to provident and other funds (*) • Monetary value of perquisites(**)	63.00 18.90 14.61	96.51
Mr. Sameer Kanwar$	Nil	• Salary and allowances (#) • Contribution to provident and other funds (*) • Monetary value of perquisites (**)	32.76 8.41 3.64	44.81
		Sub-Total (B)		**141.32**
		Grand Total		**142.89**

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

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

#Includes Rs. 5.40 lacs for the year and 0.90 lacs included in the amount for the previous year which are subject to approval of the Remuneration Committee and of the Members by way of special resolution in the forthcoming annual general meeting.

@The appointment and payment of remuneration to Mr. Surinder P. Kanwar has been approved in the Annual General Meeting held on 27th July, 2005 for a further period of five years with effect from 1st October, 2005 under the provision of Sections 198, 269, 310, Schedule XIII and other applicable provisions of the Companies Act, 1956. Regarding this the Company obtained

approval of Central Government vide letter reference no. 1/346/ 2005-CL.VII dated 09th May, 2006.

$Mr. Sameer Kanwar was re-appointed as Executive Director-Strategic Planning by the Board of Directors of the Company in its meeting held on 25th January, 2007 with effect from 1st February, 2007 for a period of three years. The remuneration was recommended by the Remuneration Committee and further approved by the Board of Directors. The re-appointment and payment of remuneration has been approved by the shareholders in the Annual General Meeting held on 26th July 2007, by way of Special Resolution except as stated above.

There is no notice period or severance fee in respect of appointment of any of the above Managerial Personnel. Mr. Sameer Kanwar is not entitled for any performance linked incentives and the Company does not have any Stock Option Scheme.

F. Code of Conduct, Corporate Ethics and Social Responsibility

- *Code of Business Conduct & Ethics*

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

- *Code of Conduct for Prevention of Insider Trading*

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

- *Social Responsibility*

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

G. Mandatory Requirements

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

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

H. Non-Mandatory Requirements

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

I. Means of Communication

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

Financial Results	Name(s) of Newspapers	Date(s) of Publication
Quarter/ Year ended 31st March, 2007	Financial Express, Jansatta (Hindi)	18th May, 2007
Quarter ended 30th June, 2007	Economics Times, Navbharat Times (Hindi),	28th July, 2007
Quarter/Half Year ended 30th September, 2007	Economics Times, Navbharat Times (Hindi).	29th October,2007
Quarter ended 31st December, 2007	Economics Times, Navbharat Times (Hindi).	1st February, 2008

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

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

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

8. GENERAL SHAREHOLDERS' INFORMATION

A. Annual General Meeting Details:

The forthcoming AGM of the Company shall be held at 11.00 A.M on Thursday, the 31st day of July, 2008 at Municipal Auditorium, NIT, Faridabad, Haryana–121 001.

B. Financial Year:

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

C. Date of Book Closure:

23rd July, 2008 to 31st July, 2008 (both days inclusive)

D. Dividend Payment Date:

The dividend warrants will be posted on or after 1st August, 2008.

E. Listing on Stock Exchanges and Stock Code:

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

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

The Annual Listing Fees for the year 2008-2009 have been paid in advance to the aforesaid Stock Exchanges.

F. Market Price Data:

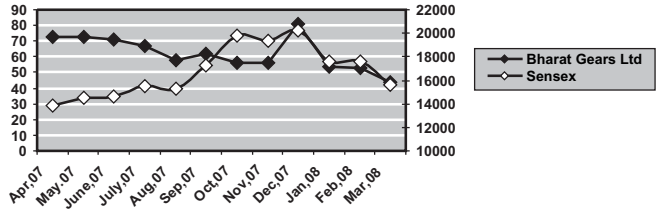
High & Low prices during each month of Financial Year 2007-2008 on National Stock Exchange of India Limited and Bombay Stock Exchange Limited are as under:

The Closing Price represents the price on the last trading days each month of Financial Year 2007-2008.

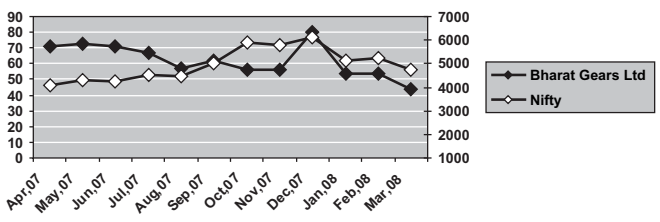
Month	High (Rs.)		Low (Rs.)		Closing (Rs.)	
	NSE	BSE	NSE	BSE	NSE	BSE
April	74.40	73.50	58.50	59.00	71.35	72.25
May	85.00	85.45	67.15	67.75	73.05	73.05
June	77.45	77.45	63.50	59.00	70.65	71.20
July	80.00	79.90	66.00	65.15	66.85	66.75
August	66.80	67.50	55.10	55.35	57.35	58.05
September	65.00	65.50	57.75	57.35	62.05	61.70
October	67.80	68.00	49.00	54.00	56.45	56.30
November	63.90	64.10	44.00	51.50	56.45	56.30
December	84.95	84.90	57.00	56.50	80.45	81.30
January	88.80	88.90	45.70	47.70	53.80	53.85
February	64.95	67.00	49.00	49.00	53.65	53.05
March	56.90	53.90	35.10	35.05	43.85	44.15

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

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



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



G. Registrar and Transfer Agent, Share Transfer System:

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

H. Shareholding pattern of the Company as per category of shareholders as on March 31, 2008.

	Shareholding Pattern Category	No. of Shares Held	%age of Share holding
A	**Promotersí Holding**		
	1. Promoters		
	- Indian Promoters	2449562	31.33
	- Foreign Promoters	ó	ó
	2. Persons acting in Concert	1653913	21.16
B.	**Non-Promoters' Holding**		
	3. Institutional Investors		
	a. Mutual Funds and Unit Trust of India	691645	8.84
	b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non -Govt. Institutions)	275204	3.52
	c. Foreign Institutional Investor	67461	0.86
	4. Others		
	a. Private Corporate Bodies	635109	8.12
	b. Indian Public	1974594	25.28
	c. Non Resident Indians / Overseas	70345	0.89
	d. Any Other	ó	ó
	Total	**7817833**	**100.00**

I. Distribution of Shareholding as on March 31, 2008:

No. of Equity shares held	Number of Share holders	Number of Shares	%age to total shares
Up to 250	7906	576206	7.37
251 to 500	925	362358	4.63
501 to 1000	394	311246	3.98
1001 to 2000	179	268978	3.44
2001 to 3000	62	155472	1.98
3001 to 4000	23	82571	1.05
4001 to 5000	23	104549	1.33
5001 to 10000	32	237849	3.04
10,001 and above	28	5718604	73.14
Total	**9572**	**7817833**	**100.00**

J. Dematerialization of Shares and liquidity:

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

As on 31st March, 2008 a total of 75,17,663 equity shares of the Company of Rs. 10/- each, which form 96.16% of the paid up equity share capital, stand dematerialized.

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

K. Plant locations:

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

1. 20 K.M., Mathura Road
   P.O. Amar Nagar,
   Faridabad – 121 003
   (Haryana)
2. Kausa Shil, Mumbra,
   Dist. Thane – 400 612
   (Maharashtra)

L. Addresses for Correspondence:

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

M/s Intime Spectrum Registry Limited
A-40, 2nd Floor,Naraina Industrial Area,
Phase-II,Near Batra Banquet Hall,
New Delhi – 110 028
Phone No. 011-41410592-94,
Fax-011-41410591
Email: delhi@intimespectrum.com

For Investor assistance in any other matter:

Mr. Ashish Pandey
Group Head (Legal) & Company Secretary
M/s. Bharat Gears Limited
20 K.M., Mathura Road,P. O. Amar Nagar,
Faridabad – 121 003
Phone: 0129-2250406-16,
Fax No. 0129-2250422-23,
Email: ashishpandey@bglindia.com

M. 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

N. Nomination facility:

As per the provisions of Companies Act, 1956, the shareholders may avail nomination facility in respect of their shareholding. For the convenience of the shareholders, the nomination form is enclosed as the second last page of the Annual Report of the Company for the year 2007-2008. The same may be sent duly filled at the registered office of the Company, addressed to the Company Secretary.

O. Updation of Shareholders information:

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

On Behalf of the Board of Directors

Dated : May 28, 2008
Place: Mumbai

Surinder P. Kanwar
Chairman & Managing Director

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

We have reviewed financial statements and the cash flow statement for the year 2007–2008 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 2007– 2008;

3) Significant changes in accounting policies during the year 2007–2008 and that the same have been disclosed in the notes to the financial statements;

4) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For **Bharat Gears Limited**

Place: Mumbai	**Milind Pujari**	**Surinder P. Kanwar**
Date: May 28, 2008	Chief Financial Officer	Chairman & Managing Director

COMPLIANCE WITH CODE OF CONDUCT

The Company has adopted "Code of Business Conduct & 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 2007-2008, all the Directors and Senior Managerial personnel have complied with the Code of Conduct and have given a confirmation in this regard.

For **Bharat Gears Limited**

Place: Mumbai	**Ashish Pandey**	**Surinder P. Kanwar**
Date: May 28, 2008	Group Head (Legal) & Company Secretary	Chairman & Managing Director

CERTIFICATE

To the Members of Bharat Gears Limited

We have examined compliance of conditions of Corporate Governance by Bharat Gears Limited, for the year ended on March 31, 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanation given to us, and the representations made by the directors and the management, we certify that the Company has complied in all material respects 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 **A.F Ferguson & Co**
Chartered Accountants

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

Place : Mumbai
Date : May 28, 2008

AUDITOR'S REPORT TO THE MEMBERS OF BHARAT GEARS LIMITED

We have audited the attached Balance Sheet of Bharat Gears Limited as at 31st March, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the Annexure referred to in paragraph 1 above, 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 appears from our examination of those books;

   (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act,1956;

   (e) on the basis of written representations received from the directors, as on 31st March, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;

   (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

   (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **A.F.Ferguson & Co.**
Chartered Accountants

U.M.NEOGI
Partner
Membership No.30235

Place : Mumbai
Date : May 28, 2008

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITOR'S REPORT TO THE MEMBERS OF BHARAT GEARS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2008.

(i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The Company has a programme of physical verification of fixed assets. As per the said programme, certain assets were physically verified during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification. In our opinion, having regard to the size of the Company and the nature of its assets, the programme of verification of fixed assets of the Company is reasonable.

(c) Since there is no disposal of substantial part of fixed assets during the year, paragraph 4(i)(c) of the Companies (Auditors' Report) Order, 2003 (hereinafter referred to as the Order) is not applicable.

(ii) (a) The inventories, except for stocks lying with third parties where certificates confirming stocks have been received in respect of most of the stocks held, have been physically verified by the management during the year at reasonable intervals.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. According to the information and explanations given to us, no material discrepancies were noticed on physical verification between the physical stock and the book records.

(iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 (the Act). Accordingly, clauses (iii)(b) to (iii)(d) of paragraph 4 of the Order are not applicable to the Company for the current year.

(b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable to the Company for the current year.

(iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items are of a special nature and comparable alternative quotations are not available, there are adequate internal control systems 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 internal control system.

(v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.

(b) In our opinion and according to the information and explanations given to us, having regard to the explanation that purchases of certain items are of specialised nature and comparable alternative quotations are not available and apart from the transaction of sale of residential flat referred to in Note 23 of Schedule 18 which has been made at a price determined on the basis as stated therein, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) As the Company has not accepted any deposits from the public, paragraph 4(vi) of the Order is not applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act. We are of the opinion that prima facie the prescribed accounts and records have been made and are being maintained. We are not required and accordingly have not made a detailed examination of the records maintained.

(ix) (a) (i) According to the information and explanations given to us and according to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, tax deducted at source, tax collected at source, wealth tax, sales tax, value added tax, fringe benefit tax, custom duty, excise duty, service tax, octroi charges, property tax, water tax, license fees, works contract tax, cess and other material statutory dues applicable to it.

(ii) According to the information and explanations given to us, no undisputed amounts in respect of the statutory dues referred to above were outstanding as at 31st March, 2008 for a period of more than six months from the date they became payable.

(b) As explained to us and according to the records of the Company, the following dues as at the year end of income tax/ sales tax/ value added tax/ service tax/ custom duty / wealth tax/ excise duty/ cess have not been deposited on account of any dispute:

Name of the Statue	Nature of Dues	Amount of tax (Rs.)	Period to which the amount relates	Forum where dispute is pending
Kerala General Sales Tax Act, 1963	Sales Tax on Branch transfer	130,291	2003-04	Deputy Commissioner (Appeals), Commercial Taxes

(x) In our opinion, the Company does not have accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks.

(xii) Since the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities, paragraph 4(xii) of the Order is not applicable.

(xiii) As the Company is not a chit fund/ nidhi / mutual benefit fund / society, paragraph 4(xiii) of the Order is not applicable.

(xiv) Since the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.

(xv) In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by employees from financial institutions are not prejudicial to the interest of the Company.

(xvi) Since the Company has not obtained any term loans during the year, paragraph 4(xvi) of the Order is not applicable.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long term investments.

(xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties and Companies covered in the register maintained under Section 301 of the Act.

(xix) Since the Company has not issued any debentures during the year, paragraph 4(xix) of the Order is not applicable.

(xx) Since the Company has not raised any money during the year by way of public issue, paragraph 4(xx) of the Order is not applicable.

xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **A. F. Ferguson & Co.**
Chartered Accountants

U.M.NEOGI
Partner
Membership No.30235

Place: Mumbai
Date: May 28, 2008

BHARAT GEARS LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule	As at 31st March, 2008 Rs. lacs	As at 31st March, 2007 Rs. lacs
I. Sources of funds :			
(1) SHAREHOLDERS' FUNDS			
Share capital	1	**990.28**	990.28
Reserves and surplus	2	**3486.33**	2944.14
		4476.61	3934.42
(2) LOAN FUNDS			
Secured loans	3	**4866.85**	6539.81
Finance lease obligations		**195.35**	140.48
		5062.20	6680.29
(3) DEFERRED TAX LIABILITIES (Note 20 of Schedule 18)		**690.77**	820.61
	Total	**10229.58**	11435.32
II. Application of funds :			
(1) FIXED ASSETS	4		
Gross block		**17909.50**	17656.15
Less : Depreciation		**12080.05**	11201.86
Net block		**5829.45**	6454.29
Capital work in progress		**173.00**	360.12
Advances on capital account		**174.94**	4.37
		6177.39	6818.78
(2) DEFERRED TAX ASSETS (Note 20 of Schedule 18)		**342.24**	662.30
(3) CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	5	**3041.81**	3110.60
Sundry debtors	6	**5804.89**	4933.46
Cash and bank balances	7	**739.79**	428.56
Other current assets	8	**175.13**	99.31
Loans and advances	9	**946.20**	964.91
		10707.82	9536.84
Less :CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	10	**5923.80**	5222.71
Provisions	11	**1145.74**	475.87
		7069.54	5698.58
Net current assets		**3638.28**	3838.26
(4) MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted) (Note 15 of Schedule 18)		**71.67**	115.98
	Total	**10229.58**	11435.32
NOTES :	18	-	

Per our report attached
For A.F. FERGUSON & CO.
Chartered Accountants

U.M.NEOGI
Partner

SURINDER P. KANWAR
Chairman and Managing Director

ASHISH PANDEY
Group Head (Legal) & Company Secretary

SAMEER KANWAR
Executive Director -Strategic Planning

MILIND PUJARI
Chief Financial Officer

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

Place : Mumbai
Date : May 28, 2008

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule	Year Ended 31st March, 2008		Year Ended 31st March, 2007	
		Rs. lacs	**Rs. lacs**	Rs. lacs	Rs. lacs
Sales including processing charges (gross)			**26620.48**		22539.10
Less : Excise duty			**3020.01**		2845.35
Sales including processing charges (net)			**23600.47**		19693.75
Other income	12		**680.39**		699.73
TOTAL INCOME			**24280.86**		20393.48
EXPENDITURE					
Cost of materials	13		**9935.13**		7385.62
Payments to and provisions for employees	14		**3913.67**		3442.39
Other expenses	15		**7182.76**		6418.68
Interest and other financing charges	16		**815.19**		966.41
Depreciation	17		**959.37**		1008.88
PROFIT BEFORE TAX			**1474.74**		1171.50
Provision for tax					
- Current tax		**230.00**		130.00	
- Less: MAT set off availed		**(53.00)**		-	
- Deferred tax (net)		**258.26**		158.31	
- Fringe benefit tax (FBT)		**31.00**		24.00	
- Excess provision for FBT in respect of an earlier year written back		**-**		(19.34)	
			466.26		292.97
PROFIT AFTER TAX			**1008.48**		878.53
Add:Balance brought forward from the previous year			**(424.71)**		(1303.24)
PROFIT AVAILABLE FOR APPROPRIATION			**583.77**		(424.71)
APPROPRIATIONS					
Proposed dividends					
- Preference (Note 27 of Schedule 18)			**193.60**		-
- Equity			**78.18**		-
Tax on distributed profits (Note 27 of Schedule 18)			**46.19**		-
Transferred to general reserve			**50.00**		-
Balance carried to balance sheet			**215.80**		(424.71)
			583.77		(424.71)
Basic and diluted earnings per share (in Rs.) (Note 19 of Schedule 18)			12.59		11.43
NOTES	18				

Per our report attached to the balance sheet
For A.F. FERGUSON & CO.
Chartered Accountants

U.M.NEOGI
Partner

SURINDER P. KANWAR
Chairman and Managing Director

ASHISH PANDEY
Group Head (Legal) & Company Secretary

SAMEER KANWAR
Executive Director -Strategic Planning

MILIND PUJARI
Chief Financial Officer

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

Place : Mumbai
Date : May 28, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

		For the year ended 31st March, 2008 (Rs.Lacs)	For the year ended 31st March, 2007 (Rs.Lacs)
A.	**CASH FLOW FROM OPERATING ACTIVITIES :**		
	Net profit before tax	**1474.74**	1171.50
	Adjustments for :		
	- Depeciation	**959.37**	1008.88
	- Waiver of Term Loan and interest accrued thereon	**-**	(256.08)
	- Unrealised exchange loss/(gain) (net)	**(92.44)**	8.50
	- Profit on sale of fixed assets(net)	**(54.67)**	(5.34)
	- Interest income	**(27.05)**	(22.44)
	- Interest and bill discounting charges	**744.11**	904.92
	Operating profit before working capital changes	**3004.06**	2809.94
	Adjustments for :		
	- Inventories	**68.79**	(724.73)
	- Trade and other receivables	**(694.04)**	(1543.22)
	- Trade and other payables/Provisions	**938.68**	1449.73
	- Miscellaneous expenditure	**44.31**	44.99
	Cash generated from operations	**3361.80**	2036.71
	- Income taxes including Fringe Benefit Tax paid (net of refunds)	**(140.89)**	(55.89)
	Net cash from operating activities	**3220.91**	1980.82
B.	**CASH FLOW FROM INVESTING ACTIVITIES :**		
	Purchase of fixed assets	**(668.04)**	(976.57)
	Sale of fixed assets	**58.83**	12.09
	Interest received {inclusive of tax deducted at source Rs. 4.68 lacs ; (previous year: Rs 3.58 lacs)}	**28.56**	24.25
	Fixed Deposits with bank not readily convertible in cash (Net)	**(5.19)**	13.31
	Net cash used in investing activities	**(585.84)**	(926.92)
C.	**CASH FLOW FROM FINANCING ACTIVITIES :**		
	Proceeds from long term borrowings	**-**	300.00
	Repayment of long term borrowings	**(998.34)**	(1044.39)
	Proceeds,including premium, from Rights issue of shares	**-**	721.65
	Repayment of unsecured loans	**-**	(100.16)
	Repayment of preference shares	**-**	(150.00)
	Increase / (Decrease) in cash credits and packing credits	**(604.22)**	(56.95)
	Payment of dividend etc.to Investor Education and Protection Fund	**(0.95)**	(1.34)
	Lease rent paid	**(39.58)**	(19.99)
	Interest and bill discounting charges paid	**(685.94)**	(824.01)
	Net cash used in financing activities	**(2329.03)**	(1175.19)
	Net increase/(decrease) in cash & cash equivalents (A+B+C)	**306.04**	(121.29)
	Cash & cash equivalents at the beginning of the year.	**328.87**	450.16
	Cash and cash equivalents at the end of the year.(see note 2)	**634.91**	328.87
		306.04	(121.29)

Notes :

1. The cash flow is based on and derived from the accounts of the company for the year ended 31st March, 2008 and 31st March, 2007.
2. Cash and cash equivalents comprise of :

Cash on hand	**6.88**	4.66
Cheques on hand	**134.78**	19.88
With scheduled banks :		
On current accounts	**193.02**	164.40
On margin accounts	**300.23**	139.93
On fixed deposit accounts	**104.88**	99.69
	739.79	428.56
Less : Fixed deposits with bank not readily convertible in cash	**104.88**	99.69
Cash and cash equivalents at the end of the year	**634.91**	328.87

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

Per our report attached to the balance sheet
For A.F. FERGUSON & CO.
Chartered Accountants

U.M.NEOGI
Partner

SURINDER P. KANWAR
Chairman and Managing Director

ASHISH PANDEY
Group Head (Legal) & Company Secretary

SAMEER KANWAR
Executive Director -Strategic Planning

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Chief Financial Officer

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

Place : Mumbai
Date : May 28, 2008

SCHEDULES ANNEXED TO THE ACCOUNT

		As at 31st March, 2008 Rs. lacs	As at 31st March, 2007 Rs. lacs
(1) SHARE CAPITAL			
Authorised			
1,00,00,000	Equity shares of Rs.10 each	**1000.00**	1000.00
15,00,000	Cumulative redeemable convertible or non-convertible preference shares of Rs.100 each	**1500.00**	1500.00
		2500.00	2500.00
Issued and Subscribed			
78,17,833	Equity shares of Rs.10 each fully paid up [Of the above 28,750 equity shares have been issued pursuant to the scheme of amalgamation of the erstwhile Universal Steel & Alloys Limited (USAL) with the company]	**781.78**	781.78
2,08,500	10% Cumulative redeemable non - convertible preference shares of Rs.100 each, fully paid up [Issued pursuant to a Corporate Debt Restructuring scheme] (Refer note below)	**208.50**	208.50
		990.28	990.28

Notes :

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

(2) RESERVES AND SURPLUS			
Capital redemption reserve			
	Per last balance sheet	**380.00**	380.00
Securities premium account			
	Per last balance sheet	**924.60**	383.37
	Add : Premium received during the year.	**-**	541.23
		924.60	924.60
Revaluation reserve			
	Per last balance sheet	**709.33**	723.57
	Less : Transferred to profit and loss account, being depreciation on amount added on revaluation of fixed assets (Schedule 17)	**14.20**	14.24
		695.13	709.33
General reserve			
	Per last balance sheet	**1354.92**	1354.92
	Less : Increase in employee benefits liability(net) as at April 01, 2007 consequent to application of Accounting Standard - 15 Employee Benefits (Refer note 24 (a) Schedule-18)	**134.12**	-
	Add : Transferred from profit & loss Account	**50.00**	-
		1270.80	1354.92
	Less : Debit Balance in profit and loss account	**-**	424.71
		1270.80	930.21
	Balance in the profit and loss account	**215.80**	-
		3486.33	2944.14

(3) SECURED LOANS	As at 31st March, 2008 Rs. lacs	As at 31st March, 2007 Rs. lacs
From Banks :		
Cash credits (including funded interest thereon) and packing credits (note 1 below)	**1448.79**	2087.16
Rupee loan from The Federal Bank Limited (notes 2, 7 & 8 below)	**210.20**	265.96
Rupee loan from The Federal Bank Limited (notes 2 & 8 below)	**40.95**	49.71
Rupee loan from State Bank of India (notes 2 & 8 below)	**83.00**	105.49
Rupee loan from State Bank of India (note 6 below)	**222.33**	277.97
Rupee loan from Indian Overseas Bank (notes 2 & 8 below)	4**3.25**	52.98
Rupee loan from The Federal Bank Limited (notes 3 below)	**549.80**	710.45
Rupee loan from Bank of Baroda (notes 2 & 8 below)	**63.58**	77.17
Rupee loan from Industrial Development Bank of India Limited (note 3 below)	**913.67**	1189.53
Rupee loan from Industrial Development Bank of India Limited (note 5 below)	**325.18**	429.01
Rupee loan from Industrial Development Bank of India Limited (notes 2 & 8 below)	**259.23**	318.73
Vehicle loans from ICICI Bank Ltd. (note 4 below)	**21.65**	35.47
	4181.63	5599.63
From Others :		
Foreign Currency loan from Export-Import Bank of India (note 3 below)	**567.26**	782.63
Foreign Currency loan from Export-Import Bank of India (notes 2 & 8 below)	**117.96**	157.55
	685.22	940.18
	4866.85	6539.81

Notes :

1. Cash credits (including funded interest thereon) and packing credits from banks are secured by hypothecation of stocks of raw materials, stock in process, semi finished and finished goods, loose tools, general stores and book debts and all other moveables both present and future and by joint mortgage created for all immoveable properties of the Company located at Mumbra and Faridabad which rank second subject and subservient to charges created in favour of loans referred to in notes 2, 3, 5 and 6.
2. Rupee loans from The Federal Bank Limited, State Bank of India, Indian Overseas Bank, Bank of Baroda, Industrial Development Bank of India Limited and Foreign currency loan from Export Import Bank of India are secured by first mortgage and charge created on the immoveable and moveable assets at Mumbra unit, on parri passu basis with loans referred to in note 5 .
3. Rupee loans from The Federal Bank Limited, Industrial Development Bank of India Limited and Foreign currency loan from Export Import Bank of India are secured by way of joint mortgage of land at Faridabad plant together with all buildings and structures thereon and all plant & machinery attached to the earth and by way of hypothecation of all moveable fixed assets at Faridabad plant ranking parri passu with each other.
4. Secured against the hypothecation of respective vehicles.
5. Rupee loan from Industrial Development Bank of India Limited is secured by mortgage of immoveable properties and hypothecation of moveable fixed assets located at Mumbra plant, both present & future, which ranks parri passu with charges created in respect of loans referred to in note 2.
6. Rupee loan from State Bank of India is secured by a first charge by way of hypothecation of specific plant & machinery purchased out of the loan.
7. Rupee loan from The Federal Bank Limited is also secured by mortgage of company's office premises at Nariman Point, Mumbai.
8. Rupee loans referred to in note 2 are also guaranteed by a Director of the Company aggregating Rs.818.17 lacs (previous year: Rs.1027.59 lacs) {from banks: Rs.700.21 lacs; (previous year: Rs.870.04 lacs) from others: Rs.117.96 lacs; (previous year: Rs 157.55 lacs)}.

(4) FIXED ASSETS

(Rs.in lacs)

Assets	Gross Block				Depreciation				Net Block	
	As at 31.03.2007	Additions	Deductions	**As at 31.03.2008**	Upto 31.03.2007	For the year	On Deductions	**Upto 31.03.2008**	**As at 31.03.2008**	As at 31.03.2007
1. Tangible Assets:										
Land - Freehold	139.43	-	-	(*) **139.43**	-	-	-	-	**139.43**	139.43
Land - Leasehold (@)	581.40	-	-	(*) **581.40**	70.38	7.82	-	**78.20**	**503.20**	511.02
Buildings and roads	1709.68	299.02	297.35 **(**)**	(*) **1711.35**	671.29	54.43	6.17	**719.55**	**991.80**	1038.39
Leasehold improvements	1.77	-	-	**1.77**	1.68	-	-	**1.68**	**0.09**	0.09
Plant and machinery	13723.95	175.47	55.38	**13844.04**	9573.48	804.16	44.74	**10332.90**	**3511.14**	4150.47
Electrical installations	336.88	6.07	-	**342.95**	153.67	13.25	-	**166.92**	**176.03**	183.21
Water supply installations	75.06	-	-	**75.06**	31.04	3.54	-	**34.58**	**40.48**	44.02
Furniture and fixtures	155.82	13.52	-	**169.34**	132.75	4.78	-	**137.53**	**31.81**	23.07
Computers, office and miscellaneous equipment	587.74	42.83	-	**630.57**	460.67	36.30	-	**496.97**	**133.60**	127.07
Vehicles	105.06	-	46.81	**58.25**	69.12	8.69	44.47	**33.34**	**24.91**	35.94
Assets acquired under finance lease										
Plant and machinery	152.73	110.16	-	**262.89**	13.24	16.42	-	**29.66**	**233.23**	139.49
Vehicles	18.10	-	-	**18.10**	8.55	2.47	-	**11.02**	**7.08**	9.55
2. Intangible Assets:										
Computer Software - acquired	68.53	5.82	-	**74.35**	15.99	21.71	-	**37.70**	**36.65**	52.54
	17656.15	652.89	399.54	**17909.50**	11201.86	973.57	95.38	**12080.05**	**5829.45**	
As at 31st March 2007	16494.97	1230.95	69.77	17656.15	10241.76	1023.12	63.02	11201.86		6454.29
Capital work-in-progress									**173.00**	360.12
Advances on capital account									**174.94**	4.37
									347.94	364.49
									6177.39	6818.78

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

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

(#) Relating to the erstwhile USAL
** 'Buildings' include 10 shares of Rs.50/- each in Venkatesh Premises Co-operative Society Ltd. - Total Rs.500/-(previous year: Rs.500/-)
(@) Is in the name of erstwhile USAL.The company is in the process of getting it transferred in its name.

(5) INVENTORIES	**As at 31st March, 2008 Rs. lacs**	As at 31st March, 2007 Rs. lacs
Stores and spare parts	**400.55**	330.12
Loose tools	**554.77**	482.96
Stock-in-trade		
Raw materials and components	**663.98**	706.60
Finished goods - manufactured	**386.85**	513.27
Work in progress	**1035.04**	1075.65
Scrap	**0.62**	2.00
	3041.81	3110.60

		As at 31st March, 2008 Rs. lacs		As at 31st March, 2007 Rs. lacs
(6)	**SUNDRY DEBTORS (UNSECURED & CONSIDERED GOOD UNLESS OTHERWISE STATED)**			
	Debts outstanding for a period exceeding six months			
	-Doubtful	**18.93**	18.93	
	-Others	**168.81**	59.90	
		187.74		78.83
	Other debts (Refer note 23 of Schedule 18)	**5636.08**		4873.56
		5823.82		4952.39
	Less : Provision for doubtful debts	**18.93**		18.93
		5804.89		4933.46
(7)	**CASH AND BANK BALANCES**			
	Cash on hand	**6.88**		4.66
	Cheques on hand	**134.78**		19.88
	With scheduled banks :			
	On current accounts [include Rs.0.06 lacs(previous year : Rs.0.13) being unclaimed rights issue application money refundable to shareholders]	**193.02**		164.40
	On margin accounts	**300.23**		139.93
	On fixed deposit accounts	**104.88**		99.69
	[Deposits receipts are held by Industrial Development Bank of India Limited towards outstanding dividends on preference shares]			
		739.79		428.56
(8)	**OTHER CURRENT ASSETS**			
	Interest receivable on term deposits with banks etc.	**3.34**		3.96
	Export incentive receivable	**171.79**		95.35
		175.13		99.31
(9)	**LOANS AND ADVANCES**			
	UNSECURED AND CONSIDERED GOOD :			
	Advances recoverable in cash or in kind or for value to be received	**674.75**		715.72
	Security deposits	**86.91**		92.18
	Balances with excise authorities, etc.	**98.73**		45.73
	Income-tax payments less provisions	**50.47**		76.94
	Fringe benefit tax payments less provisions	**35.34**		34.34
		946.20		964.91
(10)	**CURRENT LIABILITIES**			
	Acceptances	**1091.87**		1011.74
	Sundry Creditors			
	(i) Total outstanding dues of Micro and Small Enterprises (Refer note 13 of Schedule 18)	**-**		-
	(ii) Total outstanding dues of sundry creditors other than (i) above	**3791.86**		3245.91
	Customers advances and credit balances	**902.13**		788.94
	Security deposits	**9.08**		14.08
	Investor Education and Protection Fund*			
	(a) Unpaid dividends	**-**	0.82	
	(b) Unpaid interest accrued on fixed deposits	**0.02**	0.08	
	(c) Unpaid rights issue share application money	**0.06**	0.13	
		0.08		1.03
	Other current liabilities	**118.07**		142.22
	Interest accrued but not due on loans	**10.71**		18.79
		5923.80		5222.71

*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.

(11) PROVISIONS	As at 31st March, 2008 Rs. lacs	As at 31st March, 2007 Rs. lacs
For proposed dividends	**271.78**	-
Tax on distributed Profit	**46.19**	-
Provision for income tax less payment	**100.47**	62.31
Provision for Compensated Absences	**488.06**	336.90
Provision for Gratuity	**181.85**	70.84
Others	**57.39**	5.82
	1145.74	475.87

(12) OTHER INCOME	Year Ended 31st March, 2008 Rs. lacs	Year Ended 31st March, 2007 Rs. lacs
Export incentives	**166.89**	59.42
Interest	**27.05**	22.44
-on security deposits,deposits with banks, income tax refunds etc. (Tax deducted at source on interest received Rs. 4.68 lacs; previous year : Rs.3.58 lacs)		
Income from scrap (net of excise duty Rs. 39.47 lacs; previous year : Rs. 33.47 lacs)	**256.77**	219.99
Rent	**1.49**	1.26
Credit balances no longer payable written back	**1.29**	13.82
Waiver of Term Loan and interest accrued thereon	**-**	256.08
Profit on sale of fixed assets	**54.75**	7.78
Miscellaneous income	**172.15**	118.94
	680.39	699.73

(13) COST OF MATERIALS		
Raw materials and components consumed	**9768.10**	7714.43
Increase in stock of Finished Goods and Work in progress		
Opening stock :		
Finished goods - manufactured	**513.27**	349.75
Work in progress	**1075.65**	910.36
	1588.92	1260.11
Less: Closing Stock		
Finished goods - manufactured	**386.85**	513.27
Work in progress	**1035.04**	1075.65
	1421.89	1588.92
	167.03	(328.81)
	9935.13	7385.62

(14) PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, wages and bonus	**3161.37**	2772.36
Contribution to provident, superannuation, gratuity and other funds	**337.08**	333.15
Employees' welfare expenses	**415.22**	336.88
	3913.67	3442.39

		Year Ended 31st March, 2008 Rs. lacs	Year Ended 31st March, 2007 Rs. lacs
(15)	**OTHER EXPENSES**		
	Stores, spares & packing materials consumed (Net of recoveries Rs. 5.20 lacs; previous year : Rs.4.27 lacs)	**1233.68**	1229.08
	Loose tools consumed	**615.14**	568.37
	Processing charges	**1220.62**	986.64
	Power and fuel	**2221.54**	2007.63
	Repairs and maintenance - machinery	**170.68**	204.47
	- buildings	**82.55**	56.32
	- others	**281.52**	205.76
	Travelling, conveyance and car expenses	**269.88**	210.03
	Insurance	**34.00**	43.18
	Rent	**27.53**	30.64
	Rates and taxes	**64.50**	74.78
	Freight, forwarding and other charges	**256.58**	245.01
	Commission to selling agents	**57.18**	44.28
	Excise duty (Refer Note 25 of Schedule-18)	**4.45**	39.66
	Miscellaneous expenses	**642.91**	472.83
	(Includes loss on sale / write off of fixed assets Rs .0.08 lacs; previous year : Rs. 2.44 lacs)		
		7182.76	6418.68
(16)	**INTEREST AND OTHER FINANCING CHARGES**		
	Interest on fixed period loans	**468.43**	578.90
	Other interest and bill discounting charges	**275.68**	326.02
	Bank and other financing charges	**71.08**	61.49
		815.19	966.41
(17)	**DEPRECIATION**		
	For the year	**973.57**	1023.12
	Less : Transferred from revaluation reserve, being depreciation on amount added on revaluation of fixed assets (Schedule 2)	**14.20**	14.24
		959.37	1008.88

(18) NOTES:

1. SIGNIFICANT ACCOUNTING POLICIES.

i) Basis of Accounting:

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

ii) Fixed assets and depreciation:

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

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

Depreciation is provided on the basis stated hereunder:

(a) Tangible assets

The company provides for depreciation on tangible fixed assets to write off 95% of the cost either on written down value method or straight line method (SLM) in the manner and at the rates prescribed in Schedule XIV to the Companies Act, 1956 except for certain assets acquired prior to 1.8.86, as below: -

		Rate %
Factory Buildings and roads	SLM	1.61/3.28

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

Leasehold land is amortised over the remaining period of lease.

(b) Intangible assets

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

iii) Inventories:

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

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

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

iv) Contracts for furnace construction:

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

v) Foreign Currency Transactions:

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

vi) Revenue recognition:

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

Revenue from contracts for construction of furnaces is recognised on the percentage of completion method based on the stage of completion determined with reference to the contract costs incurred up to the year end and the estimated total costs of the contracts.

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

Interest Income is recognised on time proportion basis.

vii) Amortisation of Miscellaneous Expenditure:

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

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

viii) Employee Benefits:

a) Defined Contribution Plan:

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

b) Defined Benefit Plan / Long Term Compensated Absences:

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

ix) Taxation:

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

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

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

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

x) Contingencies/Provisions:

Provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying the economic benefit is remote.

2. i) The amount of net exchange difference included in the profit and loss account for the year - Rs. 3.00 lacs (loss); {previous year: Rs. 2.27 lacs (gain)}.

ii) The amount of net exchange difference, which has been added to the cost of relevant plant and machinery, is Rs. Nil; (previous year: Rs.14.65 lacs)

3. i) Managerial remuneration:

	Year Ended 31st March, 2008 Rs. in lacs	Year Ended 31st March, 2007 Rs. in lacs
(a) Chairman & Managing Director:		
- Salary	**63.00**	57.00
- Contribution to provident and other Funds(*)	**18.90**	17.10
- Monetary value of perquisites (**)	**14.61**	9.14
	96.51	83.24
(b) Executive Director		
- Salary and allowances (#)	**32.76**	18.90
- Contribution to provident and other Funds(*)	**8.41**	4.28
- Monetary value of perquisites (**)	**3.64**	5.01
	44.81	28.19

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

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

Includes Rs. 5.40 lacs for the year and Rs.0.90 lac included in the amount for the previous year which are subject to approval of the Remuneration Committee and of the members by way of special resolution in the forthcoming annual general meeting.

ii)	Directors sitting fees:	**1.57**	1.20

4. Contingent liabilities not provided for:

A. *In respect of claims against the company not acknowledged as debt (Sales tax, ESIC) Rs.8.58 lacs; (previous year Rs.11.76 lacs) against which the Company's appeals are pending with the relevant appellate authorities.

B. *In respect of Income tax for assessment years 1994-95 mainly on account of disallowance of expenditure on reconditioning of machinery – Rs.50.41 lacs; (previous year: Rs.50.41 lacs) for which the Company's appeal against ITAT order is pending with the High Court.

C. In respect of guarantee given to Housing Development Finance Corporation Limited for loans availed by employees Rs. 1.59 lacs; (previous year: Rs. 4.01 lacs)

*Future ultimate outflow of resources embodying economic benefits in respect of these matters is uncertain as it depends on financial outcome of judgments / decisions on the matters involved.

5. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 2095.49 lacs (previous year: Rs 219.64 lacs) [including for intangible assets Rs.63.07 lacs (previous year Rs.17.95 lacs)]

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

		Year Ended 31st March, 2008		Year Ended 31st March, 2007	
	Units	**Installed**		Installed	
(i) Manufactured Goods @					
Capacities:					
Automotive gears	Nos.	**4160000**		4160000	
Industrial furnaces	Nos.	**20**		20	
Gear box	Nos.	**2500**		2500	
Production:					
Automotive gears	Nos.	**3717871**		3073821	
Furnaces built	Nos.	**1**		2	
Gear boxes	Nos.	**Nil**		Nil	
	Units (Nos.)	**(Rs. lacs)**	Units (Nos.)	(Rs. lacs)	
- Opening stock:					
Automotive gears	**111682**	**513.27**	70313	349.75	
Gear boxes	**-**	**Nil**	-	Nil	
		513.27		349.75	
- Sales					
Automotive gears #	**3744938**	**20901.71**	3026611	18532.87	
Automotive components		**1671.24**		395.93	
Industrial furnaces ($)	**1**	**33.75**	2	192.54	
Gear boxes	-	**Nil**	-	Nil	
Tooling Development		**200.73**		162.61	
Others		**793.04**		409.80	
		23600.47		19693.75	
- Closing stock					
Automotive gears	***83359**	**386.85**	*111682	513.27	
Gear boxes	**-**	**Nil**	-	Nil	
		386.85		513.27	

Includes processing charges Rs.3567.03 lacs; 637274 nos. (previous year: Rs.2742.80 lacs; 499669 nos.)

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

*Excludes 1256 nos.(previous year 5841 nos.) scrapped during the year.

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

(ii) Consumption of raw materials and components:

			Year Ended 31st March, 2008		Year Ended 31st March, 2007
	Unit	**Qty.**	**Value (Rs.in lacs)**	Qty	Value (Rs.in lacs)
Forgings	**Nos.**	**3867696**	**7934.42**	3508234	6999.36
Automotive Components			**1406.39**		322.28
Others			**427.29**		392.79
			9768.10		7714.43

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

a) As the raw materials used in the manufacture of automotive gears either purchased by the company or supplied by the customers are identical and as the opening and closing stocks of finished goods and production cannot be accordingly identified, the respective quantitative details of consumption of raw materials, opening and closing stocks, production cannot be separately disclosed and have, therefore, been included in the respective figures above.

b) The quantities of actual production and sales include free replacements and insurance claims and are net of quantities received back at factory for re-work.

c) The figures of actual production, sales, consumption of forgings, opening and closing stocks of finished goods are given in numbers which include numbers of finished goods/ forgings of different sizes.

d) Automotive components consumed and produced are dissimilar in nature. Accordingly, quantitative information in respect of consumption, production and sales thereof has not been disclosed.

e) The installed capacity is as certified by the management but not verified by the auditors, as this is a technical matter.

7. Value of imported and indigenous materials consumed and the percentage of each to the total consumption thereof:

	Year Ended 31st March, 2008		Year Ended 31st March, 2007	
	%	**Value (Rs.in lacs)**	%	Value (Rs.in lacs)
Imported:				
- Raw materials and components	**0.13**	**12.95**	0.10	7.55
- Loose tools, stores & spare parts	**11.11**	**205.33**	11.03	198.34
Indigenous:				
- Raw materials and components	**99.87**	**9755.15**	99.90	7706.88
- Loose tools, stores & spare parts	**88.89**	**1643.49**	88.97	1599.11

8. CIF Value of imports:

- Raw materials and components	**11.45**	6.68
- Loose tools, stores & spare parts	**200.93**	181.00
- Capital goods	**46.32**	181.02

9. Expenditure in foreign currency:
(Gross) subject to deduction of tax wherever applicable

	Year Ended 31st March, 2008 (Rs.in lacs)	Year Ended 31st March, 2007 (Rs.in lacs)
- Management Consultancy Charges [includes tax deductible at source Rs.7.39 lacs (Previous Year Rs.1.36)]	**58.04**	14.51
- Professional Fees [includes tax deductible at source Rs. 2.72 lacs (Previous Year Rs.1.32)]	**14.39**	7.79
- Interest on foreign currency loans	**70.59**	109.42
- Exchange Loss	**148.25**	69.26
- Others (Travel, Commission, etc;)	**45.45**	34.75

10. Earnings in foreign exchange:

- Export of goods on F.O.B. basis	**3996.75**	2850.50
- Others (Freight, insurance, exchange gain etc.)	**241.57**	207.24

11. Miscellaneous expenses include:
Auditor's Remuneration (Includes service tax, where applicable)

i)	Audit fees	**14.05**	12.64
ii)	Fees for other services:		
	- others	**7.58**	6.73
iii)	Reimbursement of out of pocket expenses	**1.01**	0.42

The above excludes following remuneration paid to Auditors towards rights issue, included under Miscellaneous expenditure (to the extent not written off or adjusted) referred to in note 15 (b) below.

Fees for other services:		
- others	**Nil**	2.36

12. Income from service rendered Rs. 431.68 lacs; (previous year: Rs.102.80 lacs) is included in sales and processing charges.

13. There is no supplier covered under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act). This information and that given in Schedule 10 "Current Liabilities" has been determined based on the details regarding the status of the suppliers obtained by the Company. This has been relied upon by the auditors.

14. Security deposits in Schedule 9 – 'Loans and advances' include Rs. 5.00 lacs; (previous year: Rs. 5.00 lacs) due from a private limited company, in which a director of the company is a director.

15. Miscellaneous expenditure to the extent not written off of Rs. 71.67 lacs (previous year: Rs. 115.98 lacs) shown in the balance sheet is arrived as under:

		Year Ended 31st March, 2008 Rs. in lacs	Year Ended 31st March, 2007 Rs. in lacs
(a)	Payments under Voluntary Retirement Scheme:		
	Balance brought forward	**93.32**	150.72
	Less: Amortised during the year (Included in Salaries, wages and bonus under Schedule - 14)	**38.65**	57.40
	Balance at the end of the year	**54.67**	93.32
(b)	Share issue expenses :		
	Balance brought forward	**22.66**	10.25
	Add : Share issue expenses incurred during the year	**Nil**	18.07
	Less : Amortised during the year (Included in Miscellaneous expenses under Schedule -15)	**5.66**	5.66
	Balance at the end of the year	**17.00**	22.66
	Total	**71.67**	115.98

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

17 Related Party Disclosures

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

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

Bharat Gears Officers Provident Fund (BGOPF)

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

Raunaq International Ltd. (RIL)

Vibrant Finance & Investments Pvt. Ltd. (VFIPL)

Ultra Consultants Pvt. Ltd.(UCPL)

Future Consultants Pvt .Ltd.(FCPL)

(b) The investing company of which the Company is an associate
ZF Friedrichshafen AG, Germany (ZF) (Upto 27th April, 2007)

(c) Key Management Personnel and their relatives:

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

Mr. Sameer Kanwar (SK) - Executive Director (son of Chairman and Managing Director of the company)

Mrs.Ritika Puri Kanwar (RPK) – Spouse of Executive Director (only for the year ended 31st March, 2007.)

(ii) Transactions with the related parties during the year ended 31st March, 2008

Enterprises over which key management personnel is able to exercise significant influence	**2007-2008 Rs.in lacs**	2006-2007 Rs.in lacs
Rent & other expenses(VFIPL)	**10.20**	10.20
Rent income (RIL)	**1.43**	1.20
Rent income (CSIPL)	**0.06**	0.06
Repair and Maintenance Plant and Machinery and Building (RIL)	**85.65**	44.87
Purchases of packing material (CSIPL)	**13.51**	5.72
Contribution to Provident Fund (BGOPF)	**19.05**	15.88
Equity contribution (including premium) in cash		
- VFIPL	**Nil**	11.64
- UCPL	**Nil**	70.71
- FCPL	**Nil**	187.63
Unsecured loan adjusted against rights issue consideration (UCPL)	**Nil**	45.00

The investing company of which the Company is an associate	**2007-2008 Rs. in lacs**	2006-2007 Rs.in lacs
Interest accrued on foreign currency loan	**Nil**	13.82
Availment of Management Consultancy Service	**4.31**	14.51
Waiver of unsecured loan	**Nil**	228.68
Waiver of accrued interest on the above loan	**Nil**	27.40

Key Management Personnel and their relatives	**2007-2008 Rs.in lacs**	2006-2007 Rs.in lacs
Sales of Fixed Assets (SPK)	**330.00**	Nil
Unsecured loan adjusted against the rights issue consideration (SPK)	Nil	55.16
Equity Contribution (including premium) in cash		
- SPK	**Nil**	105.09
- RPK	**Nil**	2.84
Remuneration	Refer note 3 (i) of Schedule 18 to the accounts.	

(iii) Balances outstanding as at the year end:

	Rs. lacs Amount payable as at 31st March, 2008	Rs. lacs Amount payable as at 31st March, 2007	**Rs. lacs Amount Receivable as at 31st March, 2008**	Rs. lacs Amount Receivable as at 31st March, 2007
Enterprises over which key management personnel is able to exercise significant influence	**32.80**	7.20	**8.62**	3.00
The investing company of which the Company is an associate	**Not Applicable**	Nil	**Not Applicable**	Nil
Key Management Personnel	**6.87**	6.03	**300.00**	Nil

(iv) No amounts have been written off / provided for or written back during the year in respect of amounts receivable from or payable to the related parties.

18. (I) Disclosures as per Accounting Standard – 19 on "Leases", in respect of formal agreements entered into for assets taken on lease during accounting periods commencing on or after 1st April, 2001:

(A) Finance Lease:

(i) The net carrying amount as at 31st March, 2008 for assets acquired under finance lease. } Refer Schedule 4- Fixed Assets

(ii) The maturity profile of finance lease obligations is as follows:

(Rs. in lacs)

	Total minimum lease payments outstanding as at 31st March, 2008	Interest not due	Present value of minimum lease payments
Not later than one year	**65.19** (40.91)	**18.04** (12.68)	**47.15** (28.23)
Later than one year but not later than five years	**168.02** (130.09)	**23.06** (20.66)	**144.96** (109.43)
Total	**233.21** (171.00)	**41.10** (33.34)	**192.11** (137.66)

Figures in brackets are for the previous year.

(iii) General description of these agreements:
Some of these agreements contains renewal clause.

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

(B) Operating Lease:

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

	Year Ended 31st March, 2008 Rs.in lacs	Year Ended 31st March, 2007 Rs.in lacs
Residential flats / offices / godowns	**16.65**	19.30

(ii) Most of the agreements contain renewal clause and provide for escalation of rent of about 5% on renewal.

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

	Unit	**Year Ended 31st March,2008**	Year Ended 31st March, 2007
Profit after tax as per Profit and Loss Account	Rs. in lacs	**1008.48**	878.53
Less: Dividend on Cumulative Preference shares (including tax on distributed profits Rs.3.54 lacs; previous year Rs.4.61 lacs)	Rs. in lacs	**24.39**	31.72
Net profit after tax attributed to equity shareholders	Rs. in lacs	**984.09**	846.81
Weighted average number of equity shares of Rs.10 each outstanding as at year end.	Nos.	**7817833**	7406594
Nominal value of share	Rs.	**10**	10
Earning per share (basic and diluted)	Rs.	**12.59**	11.43

20. Taxes on income:

Components of deferred tax balances:

	Year Ended 31st March, 2008 (Rs.in lacs)	Year Ended 31st March, 2007 (Rs.in lacs)
Deferred tax liabilities		
On fiscal allowances on fixed assets	**690.77**	808.31
On other items	-	12.30
	690.77	820.61
Deferred tax assets		
On unabsorbed depreciation	**-**	399.95
On interest funding	**31.07**	106.53
On bonus / ex-gratia	**38.84**	-
On provision for gratuity	**61.81**	23.84
On provision for compensated absences	**144.77**	113.40
On other items	**65.75**	18.58
	342.24	662.30

21. Disclosures for long-term contracts (including contracts entered into before 1st April, 2003)

	Year Ended 31st March, 2008 (Rs.in lacs)	Year Ended 31st March, 2007 (Rs.in lacs)
Contract revenue recognised during the year	**663.72**	534.67
Method used to determine contract revenue and the stage of completion of contracts in progress	Refer note 1(vi)	Refer note 1(vi)
Disclosure in respect of contracts in progress as at the year end		
- aggregate amounts of costs incurred and recognized profits	**387.73**	279.24
- the gross amount due from customers for contract work (included under Sundry Debtors- Schedule 6)	**126.79**	248.46
- the gross amount due to customer for contract work	**Nil**	Nil
- the amount of advance received	**95.45**	176.43
- retention (included under Sundry Debtors – Schedule 6)	**Nil**	Nil

22. Disclosures in pursuance of the Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets" as prescribed by the Central Government.

Provision for warranties	**2007 – 2008 Rs.in lacs**	2006 – 2007 Rs.in lacs
Carrying amount at the beginning of the year	**5.82**	6.42
Additional provision made during the year	**5.29**	7.14
Amount used during the current year	**(4.15)**	(7.74)
Unused amount reversed during the year	**Nil**	Nil
Carrying amount at the end of the year	**6.96**	5.82

Provision for warranty is made for the estimated amount of expenditure, which may be incurred during the warranty period of twelve months after successful commissioning of the furnace.

23. Other debts in Schedule 6 – 'Sundry debtors' include Rs. 300.00 lacs, being the balance consideration receivable from a Director to whom the residential flat in Mumbai has been sold towards the end of the year at the consideration of Rs 330.00 lacs which is determined based on the market value considered by the relevant authority for the levy of stamp duty. The profit of Rs 38.82 lacs on sale of the said flat is included in Profit on sale of fixed assets under Schedule 12 – 'Other income'. The maximum amount due at any time during the year is Rs. 300.00 lacs (previous year Rs. Nil). The above referred balance consideration has been received by the Company after the year end in terms of the indenture of sale.

24. (a) The Accounting Standard-15 on the 'Employee benefits' prescribed by the Central Government, has become applicable to the Company from the 1st April, 2007. In accordance with the transitional provisions specified in the said Accounting Standard Rs.134.12 lacs (net of deferred tax assets of Rs.68.04 lacs) has been adjusted against the General Reserve as at 1st April, 2007 and Rs. 49.12 lacs being the liability for terminal ex-gratia as at 1st April, 2007 which was until the previous year accounted when due to the vested employees on completion of employment, has been debited to the Profit and Loss account.

Further, the liability for the year determined as per the above referred Standard, has been accounted for in the financial statements, the effect of which on the profit for the year is not ascertained, however, it is not expected to be material.

(b) Details of Employees Benefits as required by the Accounting Standards-15 "Employee Benefits" are as follows:-

1. Defined Contribution Plans — Rs. in lacs

During the year ended 31st March, 2008, the Company has recognised

the following amounts in the Profit and Loss account:

- Contribution to Provident Fund and Family Pension Fund	151.28
- Contribution to Superannuation Fund	67.50

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

2. Defined Benefit Plans

a) A general description of the Employees Benefit Plans:

i) Gratuity (Funded)

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

ii) Terminal Ex-gratia (Unfunded)

The company has an obligation towards terminal ex-gratia, an unfunded defined benefit retirement plan covering eligible employees. The plan provides for lump sum payment which varies depending upon the number of completed years of services to vested employees on completion of employment. Vesting occurs upon the completion of 15 years of service.

b) Details of defined benefit plans - As per Actuarial Valuation as on 31st March, 2008

(Rs. in lacs)

	Particulars	Gratuity -Funded	Terminal Ex-gratia -Unfunded
I	**Components of employers expenses**		
1	Current service cost	40.97	2.17
2	Interest Cost	58.85	3.86
3	Expected return on Plan Assets	(47.53)	—
4	Curtailment Cost/(Credit)	—	—
5	Settlement Cost/(Credit)	—	—
6	Past Service Cost	—-	—
7	Actuarial Losses/(Gains)	23.34	1.58
8	Effect of the limits in Para 59 (b) of AS - 15	—	—
9	Total expenses recognised in the Profit & Loss Account	*75.63	**7.61

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

(** Included in 'Salaries, wages and bonus' under 'Payments to and provision for employees' in schedule 14.)

	Particulars	Gratuity -Funded	Terminal Ex-gratia -Unfunded
II	**Actual contribution and Benefits Payments for the year ended 31st March, 2008**		
1	Actual Benefits Payments	(56.38)	(6.30)
2	Actual Contributions	57.20	6.30

III	**Net asset/(liability) recognised in the Balance Sheet as at 31st March, 2008.**		
1	Present Value of Defined Benefits Obligation	845.80	50.43
2	Fair value of Plan Assets	663.95	—-
3	Funded Status [Surplus/(Deficit)]	(181.85)	(50.43)
4	Unrecognised Past Service Costs	—-	—-
5	Net asset /(liability) recognised in the Balance Sheet	(181.85)	(50.43)

IV	**Change in Defined Benefit Obligation during the year ended 31st March, 2008.**		
1	Present value of Defined Benefit Obligation as at 1st April, 2007	771.06	49.12
2	Current Service Cost	40.97	2.17
3	Interest Cost	58.85	3.86
4	Curtailment Cost /(Credit)	—-	—-
5	Settlement Cost /(Credit)	—-	—-
6	Plan amendments	—-	—-
7	Acquisitions	—-	—-
8	Actuarial Losses /(Gains)	31.30	1.58
9	Benefits paid	(56.38)	(6.30)
10	Present value of Defined Benefits Obligation as at 31st March, 2008	845.80	50.43

V	**Change in Fair Value of the Plan Assets during the year ended 31st March, 2008.**		
1	Plan Asset as at April 01, 2007.	607.64	—-
2	Acquisition Adjustment	—-	—-
3	Expected return on Plan Assets	47.53	—-
4	Actuarial Gains /(Losses)	7.96	—-
5	Actual Company Contributions	57.20	6.30
6	Benefits Paid	(56.38)	(6.30)
7	Plan Assets as at 31st March, 2008	663.95	—-

VI	**Actuarial Assumptions**		
1	Discount Rate	7.70%	7.70%
2	Expected return on plan assets	7.50%	—-
3	Salary escalation Rate	6.00%	6.00%

VII	The expected rate of return on the plan asset (Gratuity-Funded) is based on the average long term rate of return expected on investments of funds during estimated term of obligation. Actual return on Plan Assets is Rs. 55.50 lacs.

VIII	The assumption of the future salary increases, considered in actuarial valuation, takes into account the inflation, seniority, promotion & other relevant factors.

Particulars		Gratuity -Funded	Terminal Ex-gratia -Unfunded
IX	**The major categories of plan assets as a percentage of the total plan assets.**		
	Insurer Managed funds	100%	—-

X	**Experience Adjustments**		
1	Present value of Defined Benefit Obligation as at 31st March, 2008	845.80	50.43
2	Fair value of plan asset as at 31st March, 2008	663.95	—-
3	Funded Status [Surplus/(Deficit)]	(181.85)	(50.43)
4	Experience adjustment on Plan Liabilities	21.09	48.85
5	Experience adjustment on Plan Asset	7.96	—-

25. (a) Excise duty paid and collected from customers is shown separately and deducted from the Gross Sales including processing charges in the Profit and Loss Account.

(b) Excise duty appearing under Other expenses (Schedule 15) represents (i) the difference between the excise duty included in the closing stock and that in the opening stock of manufactured finished goods Rs.19.89 lacs credit {Previous Year :Rs. 7.22 lacs (debit)} and (ii) the excise duty on free supplies under sales promotion schemes, free replacement, shortages, etc. Rs. 24.34 lacs (Previous Year : Rs.32.44 lacs)

26. The Company has not taken any derivative instrument during the year and there is no derivative instrument outstanding as at the year end. The foreign currency exposures that are not hedged by a derivative instrument or otherwise are as follows :

Particulars		Amount in Foreign currency	Equivalent Amount in Indian currency (Rs. in lacs)
Payables	CHF	0.00	0.00
		(915.00)	(0.33)
	GBP	0.00	0.00
		(7458.54)	(6.35)
	USD	1215487.02	512.68
		(2336.00)	(1.02)
	EURO	2500.00	1.42
		(75800.00)	(43.95)
Receivables	USD	2338326.34	933.86
		(2218309.39)	(965.41)
	EURO	508579.00	321.07
		(416809.00)	(241.54)
	CHF	23922.16	9.62
		(15790.13)	(5.63)

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

27. Proposed dividend on preference shares and tax on distributed profits include arrears of preference dividend Rs. 172.75 lacs and tax thereon Rs. 29.36 lacs respectively.

28. Previous years figures have been regrouped wherever necessary.

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Executive Director -Strategic Planning

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

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Chief Fiancial Officer

Place : Mumbai
Date : May 28, 2008

29. STATEMENT AS REQUIRED BY PART IV OF SCHEDULE VI TO COMPANIES ACT,1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

CIN (Corporate Identity Number) : L29130HR1971PLC034365 State Code : 05

Balance Sheet Date : 31 (Date) 03 (Month) 2008 (Year)

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

Public Issue :	NIL	Rights Issue :	NIL
Bonus Issue :	NIL	Private Placement :	NIL

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

Total Liabilities :	1022958*	Total Assets :	10229584**

* Excludes Current Liabilities - 706954
** Net of Current Liabilities - 706954

SOURCES OF FUNDS :

Paid - up Capital :	99028	Reserves & Surplus :	348633
Secured Loans :	506220*	Unsecured Loans :	NIL

* includes Finance Lease - 19535

Deferred tax liability :	69077

APPLICATION OF FUNDS :

Net Fixed Assets :	617739	Investments :	NIL
Net Current assets :	363828	Misc. Expenditure :	7167
Accumulated Losses :	NIL	Deferred tax assets	34224

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

Turnover :	2730087*	Total Expenditure :	2582613
* Includes other income -	68039		
Profit before tax :	147474	Profit after tax :	100848
Earning Per Share (Rs.)	12.59	Dividend Rate % : Equity	10
		Preference	10

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF COMPANY :

Item code No.	87089900
Product Description :	AUTOMOTIVE GEARS
Item code No.	87084000
Product Description :	GEAR BOX
Item code No.	84171000
Product Description :	INDUSTRIAL FURNACE

For and on behalf of the Board :

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Executive Director -Strategic Planning

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

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Chief Financial Officer

Place : Mumbai
Date : May 28, 2008

PROFORMA FOR UPDATION OF SHAREHOLDER'S INFORMATION

Folio No. | | | | | | | **No of Equity Shares** | | | | | | | **Specimen Signature (As per application/Transfer Deed)**

Name(s)

First Holder | | | | | | | | | | | | | | | | | | _____

Occupation | | | | | | | | | | | | | | |

Jt. Holder 1 | | | | | | | | | | | | | | | | | | _____

Jt. Holder 2 | | | | | | | | | | | | | | | | | | _____

Address | | | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | | **(In Case of Joint Holding, all the Joint Holders to sign)**

Pin Code | | | | | | |

Cert. Nos. | | | | | | |

	FROM		**FROM**
Dist. Nos.			
	TO		**TO**

NOTE : 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.

"FORM 2B"

NOMINATION FORM

(To be filled in by the individual applying singly or jointly)
(if jointly only upto two persons)

I/We.....and.....the holders of.....equity shares against Folio No..... bearing Certificate number(s) from.....to.....and distinctive number from.....to.....of M/s Bharat Gears Limited wish to make a nomination and do hereby nominate the following person in whom all rights of transfer and or amount payable in respect of the said shares shall vest in the event of my/our death.

Name and Address of nominee
(Please write in block letters)

Name															

Father's/Husband Name															

Occupation															

Address															

Date of Birth*															

(*to be furnished in case the nominee is a minor)
****The Nominee is a minor whose guardian is :**

Name															

Address															

(To be deleted if not applicable)**

Specimen Signature of Nominee/Guardian : _____

Signature :
Name :
Address :
Date :

Signature :
Name :
Address :
Date :

Signature of two witnesses

Name and Address **Signature with date**

1.

2.

BHARAT GEARS LIMITED

Registered Office : 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad - 121 003. (Haryana)

36TH ANNUAL GENERAL MEETING

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall

Name of the Member .....
(in Block Letters)

Name of Proxy, if any .....
(in Block Letters)

Regd. Folio No/Demat A/c No. ..... DP ID No. .....

No. of shares held .....

I hereby record my presence at the 36th Annual General Meeting of the Company on Thursday, July 31, 2008 at 11.00 A.M. at MUNICIPAL AUDITORIUM, N.I.T, FARIDABAD-121 001. (HARYANA)

Signature of the Proxy..... Signature of the Member.....

Note : 1. Members/Proxy holders are requested to bring this Attendance Slip duly filed in and signed with them when they come to the meeting and hand it over at the entrance of the Meeting Hall.
NO ATTENDANCE SLIP WILL BE ISSUED AT THE TIME OF MEETING.

2. No briefcase, bag etc. shall be allowed inside the Meeting Hall.

3. Please bring your copy of the Annual Report to the meeting

4. The meeting is of members only and you are requestef not to bring with you any person who is not a member or a Proxy.

NOTE : NO GIFTS / GIFT COUPONS SHALL BE DISTRIBUTED AT THE MEETING

BHARAT GEARS LIMITED

Registered Office : 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad - 121 003. (Haryana)

PROXY FORM

I/We .....

of .....

.....being member(s) of BHARAT GEARS LIMITED

hereby appoint .....

of .....

or failing him/her .....

of .....

as my/our Proxy to vote for me/us and on my/our behalf at the 36th Annual General Meeting of the Company to be held on Thursday, July 31, 2008 at 11.00 A.M. at MUNICIPAL AUDITORIUM, N.I.T, FARIDABAD-121 001. (HARYANA) and at any adjournment thereof.

AS WITNESS my/our hand(s) this.....day of.....2007.

Signature (s)..... Revenue Stamp .....

Regd. Folio No. Demat A/c No. ..... DP. ID No. .....

Note : 1. The Proxy need not be a member

2. The Proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

NOTE : NO GIFTS / GIFT COUPONS SHALL BE DISTRIBUTED AT THE MEETING

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

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