

**CORPORATE GOVERNANCE REPORT**

**For the Year ended 31<sup>st</sup> March, 2007  
(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 & customers on continuous basis by effective and relevant communication through Annual Reports, quarterly results, corporate announcements and reflecting the same on the Company's website [www.bharatgears.com](http://www.bharatgears.com).

**2. BOARD OF DIRECTORS**

Your Company has an optimum combination of executive and non-executive independent directors on the Board. The Board consists of 10 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 should include 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 have 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 per cent (1 per cent) or more of total turnover of the Company, as per latest audited annual financial statement.

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



**Table 1**

S.No	Name of Director	Category	No. of Board meeting attended <sup>A</sup>	Attendance at last AGM	No. of outside Director ships held <sup>B</sup>	No. of memberships/ Chairmanships in Board Committees <sup>C</sup>	Member Chairman
1.	Mr. Surinder P. Kanwar	Executive Director (Chairman & Managing Director)	4	Present	2	1	—
2.	Mr. Sameer Kanwar	Executive Director (Strategic Planning)	4	Present	—	1	—
3.	<sup>D</sup> Mr. W.R.Schilha	Non-Executive Director (Nominee of ZF Friedrichshafen AG)	4	Present	—	—	—
4.	<sup>D</sup> Mr. A.F.Hartmann	Non-Executive Director (Nominee of ZF Friedrichshafen AG)	2	—	—	—	—
5.	Dr. Ram S. Tarneja	Independent Director	3	—	11	5	2
6.	Mr. N.J. Kamath	Independent Director	4	Present	—	1	1
7.	<sup>E</sup> Mr. V.K. Pargal	Independent Director	3	Present	—	—	1
8.	<sup>F</sup> Mr. J. S. Bhandari	Independent (Nominee Director, LICl)	2	Present	—	—	—
9.	<sup>F</sup> Mr. G.N. Agarwal	Independent (Nominee Director, LICl)	—	—	—	—	—
10.	<sup>G</sup> Mr. S.G. Awasthi	Independent (Additional Director)	—	—	1	—	—
11.	<sup>G</sup> Mr. Rakesh Chopra	Independent (Additional Director)	—	—	—	—	—

<sup>A</sup>Attendance at the Board Meetings relevant to the period when Director of the Company.

<sup>B</sup>Includes 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.

<sup>C</sup>Includes Membership/Chairmanship of Audit Committee and Shareholders' /Investors' Grievance Committee. 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.

<sup>D</sup>ZF Friedrichshafen AG, has withdrawn the nomination of Mr. Andreas Hartmann, therefore, he is not on the Board of the Company with effect from 16<sup>th</sup> May, 2007. However, Mr. W.R. Schilha consented and he has been appointed as Additional Director with effect from 16<sup>th</sup> May, 2007. Pursuant to provision of Section 260 of the Companies Act, 1956 the office of an Additional Director ceases at the next annual general meeting. However, such person can be appointed as Director liable to retire by rotation by the shareholders.

<sup>E</sup>Mr. V. K. Pargal is also a Director on the Board of Pargal Consultants Pvt. Ltd (PCPL), which is providing consultancy service to the Company in its professional capacity. Professional fees paid to PCPL for the year 2006-2007 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.

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).

<sup>F</sup>The Life Insurance Corporation of India changed its representative on the Board of the company with effect from 25<sup>th</sup> January, 2007 by nominating Mr. G.N. Agarwal in place of Mr. J.S. Bhandari. Before his resignation, Mr. J.S. Bhandari attended two Board meetings and last year's Annual General Meeting of the Company.

<sup>G</sup>Mr. S.G. Awasthi and Mr. Rakesh Chopra were appointed as Additional Directors by the Board in its meeting held on 25<sup>th</sup> January, 2007. Pursuant to provision of Section 260 of the Companies Act, 1956, the office of Additional Director ceases at the next annual general meeting. However, they can be appointed as Directors liable to retire by rotation by the shareholders.

## B. Board Meetings

During the financial year 2006-07, four (4) Board Meetings were held on the following dates. The gap between any two meetings was not more than 4 months as mandated in clause 49 of the listing agreement: -

- 23<sup>rd</sup> May, 2006;
- 21<sup>st</sup> July, 2006;
- 19<sup>th</sup> October, 2006 and
- 25<sup>th</sup> January, 2007

## 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.

## 3. BOARD COMMITTEES

### A. Audit Committee

#### i. *Constitution and Composition*

The "Audit Committee" comprises of the following three non-executive & 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	4/3
2.	Dr. Ram S. Tarneja	Member	4/3
3.	Mr. N.J.Kamath	Member	4/4

\*Mr. V.K.Pargal has been appointed as Chairman of Audit Committee w.e.f. 20<sup>th</sup> July, 2006. However, for the meeting of Audit Committee held on 22<sup>nd</sup> May, 2006 Dr. Ram S. Tarneja was the Chairman.

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 conduct of the 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 except the meeting held on 22<sup>nd</sup> May, 2006.

*ii. Audit Committee Meetings*

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

- 22<sup>nd</sup> May, 2006;
- 20<sup>th</sup> July, 2006;
- 19<sup>th</sup> October, 2006 and
- 25<sup>th</sup> January, 2007.

*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 disclosure of its financial information;
- 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;
- d) Reviewing with the management, 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) Reviewing the Company's financial and risk management policies;
- g) 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 22<sup>nd</sup> 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	No of Meetings held/attended
1.	Mr. N.J. Kamath	Chairman	1/1
2.	Dr. Ram S. Tarneja *	Member	1/1
3.	Mr. V.K.Pargal	Member	1/0

\*As per the recommendation of Board of directors of the Company, Dr. Ram S. Tarneja has been inducted as member of Remuneration Committee in place of Mr. Jai Singh Bhandari, who ceased to be director of the Company as Life Insurance Corporation of India withdrew his nomination.

*ii. Remuneration Committee meetings*

The Remuneration Committee meets as and when required. During the year under review, the Committee met once on 25<sup>th</sup> January, 2007 to consider and recommend the remuneration of Mr. Sameer Kanwar, Executive Director – Strategic Planning.

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 Shares 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	3/3
2.	Mr. Surinder P. Kanwar	Member	3/3
3.	Mr. Sameer Kanwar	Member	3/2

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

*i. Shareholders'/Investors' Grievance Committee meetings*

During the financial year 2006-07, the Committee met three (3) times on 22<sup>nd</sup> May, 2006, 19<sup>th</sup> October, 2006 and 9<sup>th</sup> March, 2007 respectively and 85 Letters/Request/Complaints were received from the shareholders till 31<sup>st</sup> March, 2007; 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 31<sup>st</sup> March, 2007.

*ii. Sub-Committee*

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

- Mr. Surinder P. Kanwar, Chairman & Managing Director
- Mr. Sameer Kanwar, Executive Director
- Mr. P.C. Kothari, Process Head (Finance & Accounts)
- 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, has been acting as the Compliance Officer of the Company with effect from 23<sup>rd</sup> May, 2006.

He replaced the previous Company Secretary Mr. Gulshan Bhatia, upon his resignation from the Company. Mr. Gulshan Bhatia was acting as the Compliance Officer of the Company till he was relieved from the services of Company w. e. f. 22<sup>nd</sup> May, 2006.

#### 5. DIRECTORS

##### A. 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, Mr. V.K.Pargal and

Mr. N.J.Kamath, being 1/3<sup>rd</sup> 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.

##### B. Re-appointment of Executive Director

The tenure of Mr. Sameer Kanwar, Executive Director-Strategic Planning of the Company expired on 31<sup>st</sup> January, 2007. The Board of Directors in its meeting held on 25<sup>th</sup> January, 2007 have unanimously re-appointed him, subject to requisite approval(s), as the Executive director of the Company for a period of three (3) years commencing from 1<sup>st</sup> February, 2007.

##### C. Appointment of Additional & Nominee Directors

During the year under review, three new directors were appointed out of which LIC of India nominated one in place of existing nominee director. Mr. Rakesh Chopra and Mr. S.G. Awasthi have been appointed as Additional Directors and Mr. G.N. Agarwal has been co-opted as Nominee Director of LIC of India.

The resumes of these directors are given in the table below:

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**

S.No.	Particulars of Directors
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##### 1. Mr. V.K.Pargal, Director

**Brief Resume:** Mr. Virender K. Pargal (74 Years) is a non-executive independent director of the Company since 24<sup>th</sup> January, 2002. Mr. Pargal is a qualified Chartered Engineer from England. He is presently also managing a consultancy company specializing in business Strategies & Structures and he holds the directorship in Pargal Consultants Pvt. Ltd. Apart from being the member of Remuneration Committee of Bharat Gears Ltd, he is also the Chairman of Audit Committee of Bharat Gears Ltd. He is holding 100 shares of Bharat Gears Limited, which is less than 1% of the total paid up equity share capital.

##### 2. Mr. N.J. Kamath, Director

**Brief Resume:** Mr. N.J. Kamath aged 85 years is a non-executive independent director of the Company since 22<sup>nd</sup> August, 1985. Mr. Kamath is retired IAS officer and is vastly experienced. During his tenure with the Government of India, he served in various capacities in the Ministry of Finance, Ministry of Industry, Ministry of Supplies and Ministry of Urban Development. He has rich experience in General Administration, Management Strategy, HRD, Government Industry Relationship, Corporate Governance etc. He is Chairman of the Shareholders'/Investors' Grievance Committee and member of Audit Committee and Remuneration Committee of the Company. He had been a visiting and guest faculty to many management institutes. He is not holding any share in the Company.

### 3 Mr. Sameer Kanwar, Executive Director

**Brief Resume:** Mr. Sameer Kanwar, a young and energetic person, is a third generation Entrepreneur. As Executive Director-Strategic Planning of Bharat Gears Ltd, he has been spearheading the Business Operations of the Faridabad plant of the Company. He holds a Bachelor's Degree in Business Economics from York University, Canada. After Completing graduation, he received two year's 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. He has overall experience and exposure in Marketing, Purchase and Management. He believes that creation of a successful organization needs nurturing of people and developing a climate that recognizes performance and leadership. He is director in Clip Lok SimPak India (P) Ltd, Ultra Consultants Pvt. Ltd., Vibrant Finance & Investment Pvt Ltd, Future Consultants Pvt. Ltd. and Samreet Investment & Management Consultancy Pvt. Ltd. He is not holding any share in the Company. He is member in Shareholders'/ Investors' Grievance Committee of the Company.

### 4 Mr. Gorakh Nath Agarwal, Nominee Director

**Brief Resume:** Mr. G. N. Agarwal is a Post Graduate in Mathematics from Agra University. Presently, he is Executive Director (Actuarial) & Appointed Actuary with Life Insurance Corporation of India. Further, he is a Fellow of Actuarial Society of India and the Vice President of Actuarial Society of India. He has also been the Managing Editor of Actuary India, Magazine of Actuarial Profession in India. He is not holding any share in the Company.

### 5 Mr. Rakesh Chopra, Additional Director

**Brief Resume:** Mr. Rakesh Chopra, born on 17<sup>th</sup> October, 1950, is qualified Chartered Accountant (England & Wales) and an MBA from Cranfield University, U.K. He had been spearheading various industry groups at top management levels including Escorts. He has rich experience of around 30 years. He is director in G.P.R. Enterprises Pvt. Ltd, Kempty Cottages Pvt. Limited and Gaurav Farms Pvt. Limited. He is not holding any share of the Company.

### 6 Mr. Shiv Gopal Awasthi, Additional Director

**Brief Resume:** Mr. S.G. Awasthi, born on 6<sup>th</sup> March, 1943 graduated in Science from Allahabad University and did Mechanical Engineering from Roorkee University. He became Chairman of Daewoo Motors India Limited. Presently, he is the Managing Director of Jaypee Hotels Limited. He has 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. He does not hold any share in the Company.

## 6. GENERAL BODY MEETINGS

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

### Annual General Meetings

Financial Year	Venue	Date	Time	Whether any special resolution passed
2005-2006	Municipal Auditorium, NIT, Faridabad, Haryana-121001	21.07.2006	11.30A.M	No
2004-2005	Municipal Auditorium, NIT, Faridabad, Haryana-121001	27.07.2005	10.30A.M	Yes
2003-2004	Municipal Auditorium, NIT, Faridabad, Haryana-121001	23.07.2004	11.00A.M	No

### 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
2003-2004	Municipal Auditorium, NIT, Faridabad, Haryana-121001	23.07.2004	11.30 A.M	Yes

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

## 7. DISCLOSURES

### A. Basis of Related Party Transactions

During the year 2006–2007, there were no material individual transactions with related parties, which are not in normal course of business or are not on an arm's length basis. The statement 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 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 laid down by the Institute of Chartered Accountants of India (ICAI) 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

Though the Company has not laid down any whistle blower policy, however, the employees of the Company are given access to the Audit Committee to inform any unethical behavior.

### E. Rights Issue

The Company came out with Rights Issue in the ratio of three equity shares for every ten equity shares to its existing shareholders.



A total 18,04,115 equity shares of face value of Rs.10 has been issued at a premium of Rs.30. Thus the Company raised Rs.721.65 lacs from the Rights Issue. A Rights Issue Committee was constituted to look after the compliances and other procedural matters of the issue. All pre and post issue compliances are duly complied with. Dr. Ram S. Tarneja, Mr. Surinder P. Kanwar, Mr. V.K. Pargal, Mr. Milind Pujari and Mr. Ashish Pandey were the members of the Committee. Total three (3) meetings of the Committee were held on 23<sup>rd</sup> May, 2006, 20<sup>th</sup> July, 2006, and 31<sup>st</sup> July, 2006. All five members of the Committee attended all the three (3) meetings of the Committee except Dr. Ram S. Tarneja who could not attend the meeting held on 20<sup>th</sup> July, 2006. After completion of the compliances of the Rights Issue, the Board in its meeting held on 19<sup>th</sup> October, 2006 dissolved the Committee and withdrew all the powers conferred on to it.

#### F. Remuneration Of Directors For 2006-2007

(Rs. in Lacs)

Name of Members	Sitting Fees	Salaries and Perquisites	Total
Mr. N J Kamath	0.44	Nil	0.44
Mr. J S Bhandari	0.10	Nil	0.10
Mr. V K Pargal	0.33	Nil	0.33
Dr. Ram S Tarneja	0.33	Nil	0.33
<b>Sub Total (A)</b>			<b>1.20</b>
Mr. Surinder P. Kanwar @	Nil	- Salary - Monetary value of perquisites - Contribution to provident and other funds	57.00 09.14 17.10
Mr. Sameer Kanwar #	Nil	- Salary & Allownces - Monetary value of perquisites - Contribution to provident and other funds	18.90 05.01 4.28
<b>Sub Total (B)</b>			<b>111.43</b>
<b>Grand Total</b>			<b>112.63</b>

\*The remuneration exclude the provision for gratuity and leave encashment, which is made, based on the actuarial valuation for the Company on overall basis.

@The appointment and payment of remuneration to Mr. Surinder P. Kanwar has been approved in the Annual General Meeting held on 27<sup>th</sup> July, 2005 for a further period of five years with effect from 1<sup>st</sup> October, 2005 under the provision of Section 198, 269, 310, Schedule XIII and other applicable provisions of Companies Act, 1956. Regarding this, the Company obtained approval of Central Government vide letter reference no. 1/346/2005-CL.VII dated 9<sup>th</sup> May, 2006.

# Mr. Sameer Kanwar has been re-appointed as Executive Director-Strategic Planning by the Board of Directors of the Company in its meeting held on 25<sup>th</sup> January, 2007, with effect from 1<sup>st</sup> 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 is subject to approval of shareholders in the forthcoming Annual General Meeting by way of Special Resolution. The remuneration

mentioned above includes Rs. 7.39 lacs being remuneration for the period 1<sup>st</sup> February, 2007 to 31<sup>st</sup> March, 2007.

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.

#### G. 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 Company's official website i.e. [www.bharatgears.com](http://www.bharatgears.com).

##### ● Code of Conduct for Prevention of Insider Trading

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

##### ● 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](http://www.bharatgears.com)

#### H. Mandatory Requirements

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

Particulars	Clause of Listing Agreement	Compliance status
I. Board of directors	49(I)	Yes
(A) Composition of Board	49(IA)	Yes
(B) Non-executive directors compensation and disclosure	49(IB)	Yes
(C) Other 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)	Yes
(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

## I. Non-Mandatory Requirements

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

## J. Means of Communication

Newspapers and other communication media in which the Quarterly Results, Half Yearly Reports and Yearly Reports are published.

The Quarterly/ Half yearly and Annual financial results are normally published by the Company in 'The Financial Express' (English), Delhi and in 'Jansatta' (Hindi), Delhi. 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.bhartgears.com](http://www.bhartgears.com) for the information of all the shareholders. The half-yearly reports were not sent to the shareholders. The Company is registered under EDIFAR (Electronic Data Information Filing and Retrieval) site of SEBI [www.sebi.gov.in](http://www.sebi.gov.in). The Company has been posting online, the Quarterly/Half-yearly and Annual financial results, Shareholding pattern, alongwith full version of Corporate Governance Report, Annual Report and other requisite material information on [www.sebiedifar.nic.in](http://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](http://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 11.30 A.M on Thursday, the 26<sup>th</sup> Day of July, 2007 at Municipal Auditorium, N.I.T., Faridabad, Haryana – 121 001.

### B. Financial Year:

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

### C. Date of Book Closure:

19<sup>th</sup> July, 2007 to 26<sup>th</sup> July, 2007 (both days inclusive)

### D. Dividend Payment Date:

Not Applicable

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

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

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

The Annual Listing Fees for the year 2007-2008 have been paid in advance to the aforesaid Stock Exchanges.

**F. Market Price Data:** High & Low Prices during each month of Financial Year 2006-2007 on National Stock Exchange of India Limited and Bombay Stock Exchange Limited are as under:

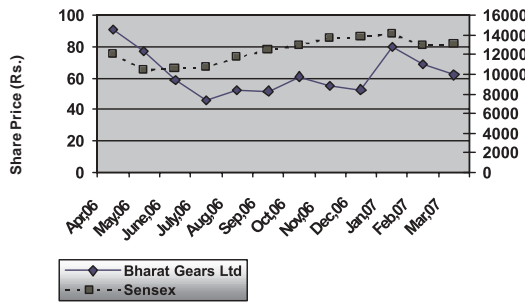
The Closing Price represent the price on the last trading days of each month of financial year 2006-2007.

Month	High (Rs.)		Low (Rs.)		Closing (Rs.)	
	NSE	BSE	NSE	BSE	NSE	BSE
April	106.00	108.00	86.30	86.05	91.65	91.05
May	109.65	110.80	67.10	66.45	77.40	77.10
June	77.50	78.90	47.40	46.75	59.45	58.85
July	61.85	61.50	43.95	43.80	45.75	46.10
August	67.10	66.80	43.00	42.10	52.70	52.40
September	54.40	54.50	48.40	48.00	51.95	51.75
October	64.95	64.60	49.00	48.20	61.15	60.95
November	62.90	62.45	50.00	51.00	55.00	55.20
December	57.00	57.60	46.25	46.75	53.20	52.65
January	79.65	79.95	48.10	53.90	79.65	79.95
February	83.65	83.90	65.30	66.00	69.50	69.05
March	71.50	69.90	56.70	57.10	62.25	62.05

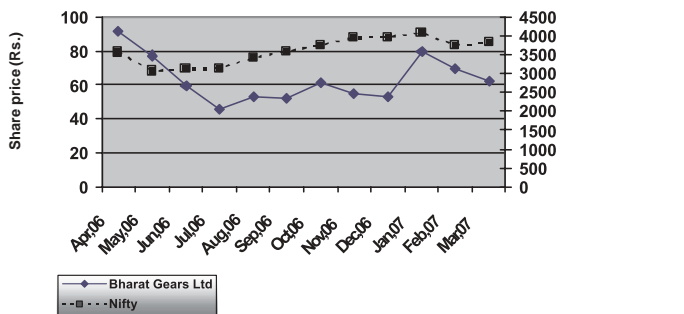
The graphical presentations of movement of share prices of the Company on BSE and NSE during the year are as under:



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



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



### G. Registrar and Transfer Agents, Share Transfer System:

M/s Intime Spectrum Registry Limited is the Registrar and Transfer agents for handling both the share registry work relating to shares held in physical and electronic form at single point. All 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 31<sup>st</sup> March, 2007:

Shareholding Pattern Category	No. of Shares Held	%age of Share holding
<b>A. Promoters' holding</b>		
1. Promoters		
- Indian Promoters	*1139291	14.58
- Foreign Promoters	--	--
2. Persons acting in Concert	1413801	18.08
<b>B. Non-Promoters Holding</b>		
3. Institutional Investors		
a. Mutual Funds and Unit Trust of India	764739	9.78
b. Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions/ Non-Govt. Institutions)	296804	3.79
c. Foreign Institutional Investor	50	0.0006
4. Others		
a. Private Corporate Bodies	557822	7.13
b. Indian Public	2046444	26.18
c. Non Resident Indians/Overseas	35315	0.45
d. Any Other		
- Foreign Collaborator	*1563567	20.00
<b>Total</b>	<b>7817833</b>	<b>100.00</b>

\*Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company has acquired 15,63,567 equity shares, on 27<sup>th</sup> April, 2007 being entire shareholding from ZF Friedrichshafen AG, Germany, the erstwhile foreign collaborator of the Company. Consequently, the holding of Indian promoters and persons acting in concert has increased to 41,16,659 i.e. 52.66% of the total paid-up equity share capital of the Company.

### I. Distribution of Shareholding as on 31<sup>st</sup> March, 2007:

No. of Equity shares held	Number of Share holders	Number of Shares	%age to total shares
Up to 250	7658	549160	7.13
251 to 500	906	346046	4.38
501 to 1000	427	331168	4.23
1001 to 2000	183	278197	3.55
2001 to 3000	47	121449	1.55
3001 to 4000	22	79703	1.01
4001 to 5000	19	89976	1.15
5001 to 10000	28	206329	2.63
10,001 and above	30	5815805	74.33
<b>Total</b>	<b>9320</b>	<b>7817833</b>	<b>100.00</b>

### 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 – National Securities Depository Limited and Central Depository Services (India) Limited.

As on 31<sup>st</sup> March, 2007 a total of 59,29,658 equity shares of the Company of Rs. 10/- each, which form 75.85% 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:

- M/s Bharat Gears Limited  
Kausa Shil, Mumbra  
Dist. Thane – 400 612  
(Maharashtra)
- M/s Bharat Gears Limited  
20 K.M, Mathura Road  
P.O. Amar Nagar,  
Faridabad – 121 003  
(Haryana)

### L. Addresses for Correspondence:

For Share transfer/ demat of shares or any other query relating to shares: -	For Investor assistance in any other matter:
1. M/s Intime Spectrum Registry Limited A-31, 3 <sup>rd</sup> Floor, Naraina Indl. Area Phase - I, Near PVR Naraina, New Delhi – 110 028 Phone No. 011-41410592-94, Fax-011-41410591 Email: delhi@intimespectrum.com	2. 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](mailto:investor@bglindia.com) as email address especially for investors' grievance(s). Alternatively, the investors can send their complaints/requests at [bglfbd@vsnl.net.in](mailto: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 this Annual Report. The same may be sent duly filed in at the registered office of the Company addressed to the Company Secretary.

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

We have reviewed financial statements and the cash flow statement for the year 2006 – 2007 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 2006 – 2007;
- 3) Significant changes in accounting policies during the year 2006 – 2007 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  
Dated : May 16, 2007

  
Milind Pujari  
Financial Controller

  
Surinder P. Kanwar  
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 Board Members and the Senior Management of the Company are expected to follow.

## 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



Place : Mumbai  
Dated : May 16, 2007

Surinder P. Kanwar  
Chairman & Managing Director

It is hereby affirmed that during the year 2006-07, all the Directors and Senior Managerial personnel have complied with the Code of Conduct and have given a confirmation in this regard.

For Bharat Gears Limited

Place: Mumbai  
Date: May 16, 2007

  
Ashish Pandey  
Group Head (Legal) & Company Secretary

  
Surinder P. Kanwar  
Chairman & Managing Director

## AUDITOR'S CERTIFICATE ON THE COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

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 31<sup>st</sup> March, 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliances 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 abovementioned Listing Agreement. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanation given to us, 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.

Date : May 16, 2007  
Place: Mumbai

For A.F. Ferguson & Co  
Chartered Accountants

  
U.M. NEOGI

Partner  
(Membership No.: 30235)