



ANNUAL REPORT 2008-2009



BHARAT GEARS LIMITED

Geared for Life

Dear Shareholders,

2008-09 has been a difficult year for the global economy. The financial meltdown and the recessionary environment witnessed across the globe, particularly in the second half has been unprecedented in my working life.

There are deep structural faults in the large economies of USA and the EU. These Economies are expected to continue to be in recession through out in 2009.

Our Company is manufacturer of automotive gears which are assembled in Gear boxes fitted on commercial vehicles, agricultural equipments and construction equipments. Naturally, when there is negative consumer sentiment it adversely affects the demand for our customer's products, thus demand for our products too.

In fact, during the months of September, October and November 2008, there was a virtual freeze in demand for auto-components as OEMs focused on liquidating their inventory of components. Therefore, Indian auto-components export declined by over 35% and the domestic gear market witnessed an 11% drop in sales

In spite of this adverse environment, our Company's performance in 2008-09 was creditable. While there was a reduction in total sales, the drop of 1% was marginal. More importantly, the Company continued to generate profits-Profit after tax (PAT) was Rs. 4 crore in 2008-09. To overcome these recessionary circumstances, BGL has undertaken several steps in streamlining internal processes and gearing up for future growth. While the details of the Company's operations are given in the Annual Report, I would like to take this opportunity to share with you some of the other facts of the Company.

Our Company remains committed to a long term growth plan, which involves a judicious mix of internal improvements, revenue growth, cash generation and investments. There are several key elements to this plan.

The Company continues to focus on increasing its customer base. In 2008-09, ground work has been laid for developing new processes and completing technical clearances for many parts to be supplied to new customers. As and when demand picks up, we expect these to translate into new orders. The focus on the marketing front is not only on growth but also at de-risking the customer base. As a first step, we have worked on diversifying our customer industry base by consciously increasing our exposure to construction equipments.

Most importantly, the Company remains focused on cost reduction. The focus is to gain significant global market share by providing value propositions to global OEMs. The cost management will be the key to success on this front.

In 2008-09, we continued with efforts on improving productivity of both man and machine. In this context, the progress on man-power rationalisation needs a special mention. Much of this rationalisation is needed because of redundancies created as a result of utilisation of better technology including adoption of IT tools and efforts on industrial engineering and productivity. It is important to note that the Company continues to believe that its strength lies in its people and all efforts on this front are undertaken in a structured and phased manner keeping in mind the best interests of all concerned.

Gear manufacturing is our core competency and we have consciously decided to discontinue in house all non-core functions related to gear manufacturing process. In 2008-09, we were successful in developing vendors and have transferred to them many of the back-end of the value chain activities.

We remain committed to our belief in investing in technology and regularly upgrading our facilities. Even in a downturn, we implemented our technology up-gradation plans with new state-of-the-art machinery at our plant at Faridabad. This includes the adoption of the top of the line 'dry cutting' technology for Transmission Gears & state of the art measuring and blade grinding machines in the Bevel Section, which has significantly enhanced our technological capabilities and given us an edge over the competition. The total investment made by the Company this year towards these activities was approximately Rs. 2500 Lacs.

Some restructuring in our Company is inevitable for realising the Company's long term aspirations we had recognised the importance of developing a team that could manage the increased scope of the Company's business. In April 2008, we constituted an 'Executive Committee' to execute the regular business of the Company. 2008-09 has been a baptism with fire for this group. Much of the developments during the year have been driven by this Committee and it pleases me to oversee and mentor the gradual evolution of this team into playing a major leadership role in the Company.

Finally, 2008-09 has left me with bag of mixed emotions. On the one hand, the economic condition, especially in the developed world remains weak. Some of the Companies in our customer segments are facing very difficult times and the turnaround will take some time to happen. In the *interregnum*, I expect a lot of churning to take place in the industry. On the other hand, I remain an eternal optimist and I believe that there are several opportunities for Bharat Gears to capitalise on, even in this market environment. We have not even scratched the tip of the iceberg in terms of positioning the Company in the global market. And, the opportunities are immense.

However, we need to continue to focus on our processes, on our technology, on our human skills and our spirit of teamwork to emerge as an internationally competitive Company. Costs have to be micro managed, quality standards have to be adhered to across process chains, product development times and speed to market needs to be continuously improved. We have done reasonably well in 2008-09 when our mettle was tested by the market downturn. But, this was just the beginning. And, while we remain optimistic, we are aware of the challenges that lies ahead.

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

Surinder P. Kanwar
Chairman & Managing Director



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“Geared for life embodies a process that is alive and constantly evolving. A system where new tools and techniques undergo continuous improvement. A method where competitiveness and innovation go hand in hand.”

BOARD OF DIRECTORS



Mr. Rakesh Chopra

Mr. Sameer Kanwar
Joint Managing Director

Mr. W. R. Schilha

Mr. S. G. Awasthi

Mr. Surinder P. Kanwar
Chairman & Managing Director

Dr. Ram S. Tarneja

Mr. V. K. Pargal

Mr. N. J. Kamath

AUDIT COMMITTEE

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

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

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

REMUNERATION COMMITTEE

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

REVIEW COMMITTEE

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

EXECUTIVE COMMITTEE

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

CHIEF FINANCIAL OFFICER

Mr. Milind Pujari

COMPANY SECRETARY

Mr. Ashish Pandey

AUDITORS

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

BANKERS

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

REGISTRAR & TRANSFER AGENT

M/s Link Intime India Pvt. Ltd.
(Formerly known as M/s. Intime Spectrum Registry Ltd.)
A-40, IIInd Floor, Naraina Industrial Area, Phase-II,
Near Batra Banquet Hall, New Delhi - 110 028.

REGISTERED OFFICE

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

CORPORATE OFFICE

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

PLANT LOCATIONS

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

BRANCH OFFICE

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

NOTICE

TO THE MEMBERS OF BHARAT GEARS LIMITED

NOTICE is hereby given that the 37th Annual General Meeting of the Members of Bharat Gears Limited will be held as under:

Day : Friday
Date : July 31, 2009
Time : 11:00 A.M.
Venue : Faridabad Industries Association,
FIA House, Bata Chowk,
Faridabad-121 001 (Haryana).

to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the year ended March 31, 2009 together with Reports of the Directors and Auditors thereon.
2. To declare dividend on Preference Shares.
3. To declare dividend on Equity Shares.
4. To appoint a Director in place of Mr. V. K. Pargal, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. N. J. Kamath, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Statutory Auditors for the financial year 2009-10 and fix their remuneration.

By Order of the Board



**Ashish Pandey
Group Head (Legal)
& Company Secretary**

Place : Faridabad
Dated : July 6, 2009

NOTES:

- i. **A Member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint one or more proxies to attend and vote on a poll instead of himself / herself and the proxy need not be a Member of the Company. The instrument appointing proxy (ies) must, however, be received at the Registered Office of the Company not less than forty-eight hours before commencement of the Meeting.**
- ii. **NO GIFTS OR COUPONS SHALL BE DISTRIBUTED AT THE MEETING.**
- iii. Members/Proxies are requested to submit the enclosed Attendance Slip duly filled in and signed at the entrance of the venue for attending the Meeting. Members who hold shares in dematerialized form are requested to mention their Client ID and DP ID details and those who hold shares in physical form are requested to write Folio number in the attendance slip. **No Attendance Slip shall be issued at the Meeting.**
- iv. The Register of Members and the Share Transfer Books of the Company shall remain closed from July 23, 2009 to July 31, 2009 (both days inclusive) for determining the names of Members eligible for dividend on Equity Shares, if declared at the Meeting.
- v. Dividend on the Equity Shares, if declared at the Meeting, will be paid to the Members whose names appear in the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company or its Registrars on or before July 22, 2009.

In respect of shares held in electronic form, the dividend will be paid to those 'beneficiaries' whose name appear on the statements of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose, at the end of the business hours on July 22, 2009. No income tax shall be deducted at the source from the dividend amount.
- vi. The Non Resident Indian Shareholders are requested to inform the Company immediately about:
 - a. The change in residential status on return to India for permanent settlement.

- b. The particulars of NRO Bank Account in India, if not furnished earlier.
- vii. Members are requested to intimate their dividend mandates like bank account number, type and bank addresses in which they intend to deposit the warrants. The banks details can also be printed on the warrants to avoid any incidence of fraudulent encashment.
- The change in address, nomination etc, if any, to be effective must reach to the Registrar & Transfer Agent or the Registered Office of the Company by July 15, 2009. (Relevant Forms for nomination and updating of Shareholders information is enclosed at the end of the Annual Report.)
- viii. Electronic Clearance System (ECS) is presently available at certain locations specified by Reserve Bank of India and/or State Bank of India. To avoid risk of loss and /or fraudulent encashment, Members are requested to avail ECS facility where dividends are directly and promptly credited in electronic form to their respective bank accounts.
- ix. The documents referred to in the accompanying Notice and the Annual Report are open for inspection at the Registered Office of the Company during the office hours between 11.00 A. M. and 1.00 P. M. on all working days except Sundays up to the date of the Meeting and shall also be available at the venue.
- x. Members seeking any further clarification/information relating to the Annual Accounts are requested to write at the Registered Office of the Company on or before July 22, 2009 so as to enable the management to keep the information ready at the Meeting.
- xi. Pursuant to Section 205C of the Companies Act, 1956, the unclaimed dividend till the financial year 1999-2000 has been transferred to the Investor Education and Protection Fund. There is not unclaimed/unpaid dividend, which is required to be transferred in Investor Education & Protection Fund.
- xii. As a measure of economy, copies of the Annual Report shall not be distributed at the Meeting therefore Members are requested to bring their own copies.
- xiii. The shares of the Company are compulsorily traded in demat mode. Hence, the Members who are still holding physical share certificates are advised that it is in their own interest to dematerialize their shareholding to avail benefit of dematerialization viz. easy liquidity, electronic transfer, savings in stamp duty and prevention of forgery.
- xiv. 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 6, 2009

DIRECTORS' REPORT

To The Members

The Directors have pleasure in presenting 37th Annual Report together with Audited Accounts of your Company for the year ended on March 31, 2009.

	(Rupees/Crores)	
	Financial year ended	
Financial Results	31.03.2009	31.03.2008
Sales and other income (gross)	267.61	271.55
Profit before interest & other finance charges and depreciation	23.07	32.48
Finance Interest & other finance charges	7.74	8.15
Depreciation	9.83	9.59
Profit before tax	5.50	14.74
Less: Current tax/deferred tax/fringe benefit tax(net)	1.46	4.66
Profit after tax	4.04	10.08
Add: Balance brought forward from previous year	2.16	(4.24)
Profit available for appropriation	6.20	5.84
Appropriations		
Proposed Dividend		
- Preference Shares including arrears	0.21	1.94
- Equity Shares	0.78	0.78
Tax on distributed profits	0.17	0.46
Transferred to General Reserve	0.50	0.50
Balance carried to Balance Sheet	4.54	2.16

DIVIDEND

The Directors recommend dividend of Rs.10 per share on preference shares for the year ended March 31, 2009, which will attract dividend tax of Rs. 0.04 crore. The Directors also recommend dividend of Re.1 per share on 7817833 equity shares of the Company, which will attract dividend tax amounting to Rs. 0.13 crore.

FINANCE

During the year, the Company has invested Rs. 20.13 crores towards expansion, balancing of manufacturing capacity and for technology upgradation. This was part financed by Rupee term loan of Rs. 6.63 crores from IDBI Bank Limited and also by way of lease finance of Rs. 5.57 crores. During the year scheduled repayments of Rs. 8.70 crores were made to Financial Institution & Banks.

MANAGEMENT DISCUSSION AND ANALYSIS

BGL continues to be the leader in India for manufacture and supply of Gear components for the LCV/ Medium/Heavy Commercial Vehicles, Utility Vehicles, Construction and for the Agricultural Tractors. In addition to Domestic OEM segment, export market is an important thrust area for the Company.

(a) Industry Structure & Developments 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.

In 2008-09 production of Passenger Vehicles registered a growth of only 3.44%. However Commercial Vehicles registered a sharp decline of 24% & Construction Equipment declined by more than 60%. During the year under review all the segments of the industry, except Ultra Light Vehicles and Tractors were in recession.

Tractor Industry:

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

However, our Company has maintained its share at 50% of the industry sale in the year.

Demand from the Indian tractor industry is encouraging; the export market for our customers is however in recession.

Commercial Vehicle Industry:

As reported in the Indian Automotive Manufactures Report for the year, the domestic industry recorded a negative growth of about 11% during the period and exports slumped by more than 35%.

Ultra Light LCV recorded a growth of 28%, while the production of Medium and Heavy Commercial Goods Vehicles was lower by 41% largely due to global recession.

Your Company continues to be important supplier to this sector.

Passenger Vehicles:

As reported in the Indian Automotive Manufactures Report for the year, Utility Vehicle (UV) sales grew by about 4% over that of the previous year, and the growth is expected at about 10% in the current year. All players are expected to widen their product range and introduce new models in the year 2009.

(b) Opportunities and Threats:

As defined in WTO agreement, foreign investment has been liberalized. Many foreign OEM as well as component manufacturers have entered the auto component industry in India, both for captive consumption and Global sourcing.

The alloy steel prices during the year under review have continued to be volatile and are putting pressures on margins.

Your Company continues its efforts to review and refine the manufacturing processes, affect economies wherever possible, maximize utilization of its resources in Men and Materials to bring about economical production and maintain its competitiveness.

Considering that the GDP growth rate may be above 6% in 2009, and as monsoon is expected to be normal, also with a majority Government in the centre, India's growth plans will develop into a very healthy economy.

(c) Outlook:

BGL achieved a negative growth of 1% over the previous year due to the global recession which started in second quarter of the year. The recessionary conditions in the Export markets are expected to continue good part of the year 2009.

In the Export markets - 13% of your Company's turnover is, for OEM orders emanating from Europe, China and USA. Your Company's products are also well accepted in the Middle East aftermarket.

The capital goods industry continues to be in deep recession and outlook, for furnace business is not promising in the current year.

(d) Risks & Concerns:

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

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

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

(f) Discussion on Financial Performance with respect to Operational Performance:

Due to global recessionary conditions turnover decreased by 1% as compared to previous year. However, EBITDA was lower at 8.62% compared to 11.96% in the previous year. This is mainly on account of volatile input costs of steel & higher employee costs. These increases are sought to be mitigated by improvement in operational efficiencies & optimizing product mix. Depreciation for the year was Rs. 9.83 crores. As against this, the investment in fixed assets was Rs. 20.13 crores. Profit before tax was lower at Rs. 5.50 crores as against Rs.14.74 crores in the previous year. After provision for tax (net of MAT credit of Rs.1.06 crores and deferred tax credit of Rs. 1.23 crores) of Rs. 1.46 crores, net profit after tax is at Rs. 4.04 crores as against Rs.10.08 crores for the previous year.

To mitigate the effects of the continuing recession the Company is aggressively pursuing stringent cost reduction measures. Working capital position is being closely monitored with special emphasis on optimization of inventory levels.

(g) Developments in Human Resources and Industrial Relations:

Industrial relations at both plants continued to be satisfactory.

69 Employees Under the Voluntary Retirement Scheme, separated from the company at the cost of Rs. 2.63 crores.

Employees' headcount at the end of the year was 1239.

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. 1799 towards unclaimed interest on fixed deposits in respect of matured deposits was deposited with the said Fund during the Year.

CORPORATE GOVERNANCE

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

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

DIRECTORS

In accordance with Section 256 of the Companies Act, 1956 and the Articles of Association of your Company, Mr. V. K. Pargal and

Mr. N. J. Kamath, Directors, retire by rotation and being eligible, offer themselves for reappointment at the ensuing Annual General Meeting.

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2009 and of the profits of the Company for the period ended on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts have been prepared on a going concern basis.

PARTICULARS OF EMPLOYEES

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

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

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

AUDITORS

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

AUDITORS' REPORT

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

COST AUDIT

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, 2009.

SECRETARIAL AUDIT

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

The Secretarial Audit Reports as furnished by the Secretarial Auditor were forwarded on quarterly basis to the Stock Exchanges.

LISTING OF SHARES

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

ACKNOWLEDGEMENTS

The Board of Directors admirably recognizes 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



Surinder P. Kanwar
Chairman and Managing Director

Place : Mumbai
Dated : May 26, 2009

BHARAT GEARS LIMITED
Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies
(Particulars of Employees) Rules, 1975 as amended up to date and Forming Part
of the Directors' Report for the year ended March 31, 2009

Annexure-'A'

Sl. No.	Name	Age (in Years)	Qualification	Designation	Date of Employment	Years of Experience	Remuneration (Rs. in Lacs)	Particulars of Last Employment
A. <u>Employed for the Full Financial Year :</u>								
1.	Surinder P. Kanwar	56	B.Com	Chairman & Managing Director	01.10.1990	34	@117.39	Managing Director BST Mfg. Ltd.
2.	Sameer Kanwar	32	B. A. (Eco.)	Joint Managing Director	01.02.2002	09	@53.04	Management Trainee ZF (AG) Germany
3.	N.V. Srinivasan	65	BE Mech, MBA (USA) MS Ind Engg. (USA)	Corporate Business Head	16.01.1976	40	32.81	Head of Works Study & Data Processing Larsen & Toubro Ltd.
B. <u>Employed for the Part of the Financial Year:</u>				NIL				
NOTES :								
01.	Remuneration includes Salary, Allowances, Ex-gratia, Co.'s Contribution to Provident & Superannuation Funds and value of other perquisites on the basis of Income Tax Act, 1961.							
02.	Except Mr. Sameer Kanwar, Joint Managing Director (w.e.f. June 1, 2008), 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. @Remuneration of Rs. 44.90 lacs of Chairman & Managing Director and Rs. 2.93 lacs of Joint Managing Director included above are subject to approval of Members by way of Special Resolution in the forthcoming Extra Ordinary General Meeting & that of the Central Government.							
For and on behalf of the Board of Directors  Place : Mumbai Date : May 26, 2009 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, 2009

A. Conservation of energy

a) Energy conservation measures taken:

Energy saving is being achieved by reducing compressor pressure during non working hours like shift change, lunch time with necessary modification in electrical control circuits. All filament type working lights on the machines were replaced by CFL energy saver lamps.

Waste heat recovery project is taken up to heat up water required for washing machine in the heat treatment area.

Separate water lines were laid to use well water for toilets & bathrooms so as to save water supplied by MIDC.

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

At Faridabad plant, we have installed **Godrej Control Air Model** for energy conservation in our Air Compressors. The control system consists of flow control modules selected to operate at the required flow rate. An electronic PID controller continuously monitors the downstream demand and directs the modulating valves to increase or decrease flow accordingly to correct the deviation from set point. The quick response to the controller paces the flow dynamics of the system insuring that an adequate supply of air is always available to production facility. The Control system is selected to control at a balance point pressure with virtually no drop. It releases reserve energy from storage utilizing a controlled differential created across the upstream receiver tank & itself.

- 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. | The Company has invested in acquiring an Advanced Bevel Gear Design Software which will help in achieving better quality of Gear sets of the current customers and also new developments of noise sensitive gear sets. |
| 2 Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc. | Benefits accrue to the Company in terms of enhancement in capabilities to deliver better quality products to the end customers. |
| 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 | Not Applicable |
| b) Year of import | Not Applicable |
| c) Has technology been fully absorbed | Not Applicable |
| d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action. | Not Applicable |

C. Foreign Exchange Earnings and Outgo

- f) Activities relating to exports; initiatives taken to increase export; development of new export markets for products and services; and export plans.
- During the year the Company has entered into a long term supply agreement with a major OEM in USA. Further, fresh orders are received from existing customers for new products developed for them.

g) Total foreign exchange used and earned

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

	(Rs. In Lacs)	
	<u>2008-2009</u>	<u>2007-2008</u>
Foreign Exchange Earned	4844.10	4093.07
Foreign Exchange used	153.01	191.47
Net Foreign Exchange earnings	4691.09	3901.60

For and on behalf of the Board of Directors



Surinder P. Kanwar
Chairman & Managing Director

Place : Mumbai
Date : May 26, 2009

CORPORATE GOVERNANCE REPORT
For the Year ended March 31, 2009
(Pursuant to Clause 49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

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

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

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

2. BOARD OF DIRECTORS

Your Company has an optimum combination of executive and non-executive independent directors on the Board. As on March 31, 2009, the Board consists of 8 members, the Chairman of the Board is an executive director and more than half of the strength of the Board consists of non-executive independent directors. All non-executive independent directors bring a wide range of expertise and experience to the Board. The Board believes that the current size of the Board is appropriate based on the Company's present requirements.

A. Board's definition of independent director

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

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

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

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

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

Table 1

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

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

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

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

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

E Mr. V. K. Pargal is also a Director on the Board of Pargal Consultants Pvt. Ltd (PCPL) , which is providing consultancy service to the Company in its professional capacity. Professional fees paid to PCPL for the year 2008-2009 is Rs. 1,08,000/-. The Board is of the opinion that such payments in the context of overall expenditure by the Company, is not significant and does not affect his independence. Mr. V.K. Pargal is holding 100 shares of the Company.

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

B. Board Meetings

During the financial year 2008-09, 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:-

- 28th May, 2008;
- 31st July, 2008;
- 31st October, 2008 and
- 30th January, 2009

C. Information supplied to the Board

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

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

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

3. BOARD COMMITTEES

A. Audit Committee

I. Constitution and Composition

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

Table 2

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

*Mr. Rakesh Chopra was inducted as member of the Committee with effect from 30th January, 2009.

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

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

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

II. Audit Committee Meetings

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

- 27th May, 2008;
- 30th July, 2008;
- 31st October, 2008 and
- 30th January, 2009.

III. Terms of reference

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

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

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

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

B. Remuneration Committee

I. Constitution and Composition

In terms of the non-mandatory requirement of Clause 49 of the Listing Agreement, and Schedule XIII of the Companies Act, 1956, the "Remuneration Committee" was constituted on 22nd April, 2002. The

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

Table 3

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

During the year one meeting of the Committee was convened on May 27, 2008 and it was attended by all the members of the Committee.

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

Sl. No.	Name of Member	Designation	No. of meetings held/ attended
1.	Mr. N. J. Kamath	Chairman	3/3
2.	*Mr. Surinder P. Kanwar	Member	3/1
3.	Mr. Sameer Kanwar	Member	3/3
4.	*Mr. Rakesh Chopra	Member	3/1

*Mr. Rakesh Chopra has been inducted as Member of the Committee in place of Mr. Surinder P. Kanwar with effect from 28th May, 2008.

Mr. N. J. Kamath and Mr. Rakesh Chopra are the non-executive independent directors and Mr. Sameer Kanwar was appointed as Joint Managing Director w.e.f. June 1, 2008.

I. Shareholders'/Investors' Grievance Committee meetings

During the financial year 2008-09, the Committee met three (3) times on 27th May, 2008, 31st October, 2008 and 30th January, 2009 respectively

and 68 Letters/Requests/Complaints were received from the shareholders till 31st March, 2009; 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, 2009.

II. Sub-Committee

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

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

Any two of the above are authorised to consider and approve the share transfer/transmission/ split/consolidation of shares. The Sub-Committee 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, Mr. V. K. Pargal and Mr. N. J. Kamath being 1/3rd of the rotational directors, are liable to retire at the forthcoming Annual General Meeting and being eligible for re-appointment, have shown their willingness to be re-appointed. The Board recommends their re-appointment.

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

Table-5

SL. No.	Particulars of Directors
---------	--------------------------

1 Mr. V. K. Pargal, Director

Brief Resume: Mr. Virender K. Pargal (76 Years) is a non-executive director of the Company since 24th January, 2002. Mr. Pargal is a qualified Chartered Engineer from England. Presently, he is also managing a consultancy company specializing in business Strategies and 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 member of Audit Committee of Bharat Gears Ltd. He is holding 100 shares of Bharat Gears Limited, which is well below 1% of the total paid up equity share capital.

2 Mr. N. J. Kamath, Director

Brief Resume: Mr. N. J. Kamath aged 87 years is a non-executive independent director of the Company since 22nd 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 Chairman of 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.

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
2007-2008	Municipal Auditorium, N.I.T., Faridabad, Haryana-121001	31.07.2008	11:00 A.M.	Yes
2006-2007	Municipal Auditorium, N.I.T., Faridabad, Haryana-121001	26.07.2007	11:30 A.M.	Yes
2005-2006	Municipal Auditorium, N.I.T., Faridabad, Haryana-121001	21.07.2006	11:30 A.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, N.I.T., Faridabad, Haryana-121001	14.12.2005	2:30 P.M.	Yes

Postal Ballot

During the year 2008-09, the Company has obtained the approval of its members by passing the following resolution as Special Resolution by Postal Ballot in accordance with the procedure prescribed in terms of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 as amended. Mr. Surinder P. Kanwar, Chairman and Managing Director and Mr. Ashish Pandey, Group Head (Legal) and Company Secretary were authorized by the Board of Directors to conduct the Postal Ballot process and Mr. Ajay Garg of M/s Ajay Garg and Associates, Practicing Company Secretaries, was appointed as Scrutinizer by the Board.

The belowmentioned result of the voting, conducted through Postal Ballot on the Special Resolution under Section 31 of the Companies Act, 1956, relating to amendment to Articles of Association of the Company by inserting a new Article empowering Buy Back of securities (including shares), has already been announced by the Chairman and Managing Director on 23rd March, 2009 and the same is reproduced here.

Particulars	No. of postal ballot forms	No. of shares	% to total valid votes received (in terms of equity shares)
Number of valid postal ballot forms received	128	4142920	100.00
Votes in favour of the Resolution	119	4142053	99.98
Votes against the Resolution	9	867	00.02
Number of invalid postal ballot forms received	30	2861	00.06

None of the items transacted at the last Annual General Meeting held on 31st July, 2008 were required to be passed by Postal Ballot nor any resolution requiring a Postal Ballot is being proposed at the ensuing Annual General Meeting.

7. DISCLOSURES

A. Basis of Related Party Transactions

During the year 2008 – 2009, there were no material individual transactions with related parties, which are not in normal course of business or are not on an arm's length basis. The statements in summary form of transactions with related parties in the ordinary course of business are placed periodically before the Audit Committee for its consideration and review. All disclosures related to financial and commercial transactions where directors are interested are provided to the Board and the interested directors do not participate in the discussion nor do they vote on such matters. The details of the related party transactions during the year are given in the Notes to Accounts. (Refer Note no. 17 of Notes to Accounts)

B. Disclosure of Accounting Treatment in preparation of Financial Statements

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

C. Compliance by the Company

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

D. Whistle Blower

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

Committee and it will provide protection to whistle blower, if any, from adverse personnel action.

E. Remuneration of Directors for 2008-2009

(Rs. in lacs)

Name of Members	Sitting Fees	Salaries and Perquisites		Total
Mr. N. J. Kamath	0.60	Nil		0.60
Mr. V. K. Pargal	0.45	Nil		0.45
Dr. Ram S. Tarneja	0.40	Nil		0.40
Mr. W.R. Schilha	0.15	Nil		0.15
Mr. S.G. Awasthi	0.15	Nil		0.15
Mr. Rakesh Chopra	0.25	Nil		0.25
		Sub-Total (A)		2.00
Mr. Surinder P. Kanwar@	Nil	- Salary - Contribution to provident and other funds (*) - Monetary value of perquisites (**)	84.00 22.68 10.71	117.39
Mr. Sameer Kanwar@	Nil	- Salary and allowances - Contribution to provident and other funds (*) - Monetary value of perquisites (**)	40.26 09.41 03.37	53.04
		Sub-Total (B)		170.43
		Grand Total		172.43

*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.

@ In response to the Company's applications for approval of increase in remuneration to Chairman and Managing Director from 1st October, 2008 and for approval of appointment as well as remuneration to Joint Managing Director from 1st June, 2008, which was approved by the members in the Annual General Meeting held on 31st July, 2008, the Central Government has directed the Company to file fresh applications after getting the proposal approved by the Remuneration Committee, the Board of Directors and the members of the Company, stating clearly that the proposed remuneration is expected to exceed the limits prescribed under Schedule XIII of the Companies Act, 1956. Accordingly, remuneration of Rs. 44.90 lacs of Chairman and Managing Director and of Rs. 2.93 lacs of Joint Managing Director included above are subject to approval of members by way of special resolution in the forthcoming Extra Ordinary General Meeting and that of the Central Government.

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

F. CEO/CFO certification

Certificate from Mr. Surinder P. Kanwar, Chairman and Managing Director and Mr. Milind Pujari, Chief Financial Officer in terms of

Clause 49 (V) of the Listing Agreement with the Stock Exchanges for the financial year ended 31st March, 2009 was placed before the Board of Directors of the Company in its meeting held On 26th May, 2009.

G. Code of Conduct, Corporate Ethics and Social Responsibility

- Code of Business Conduct and Ethics

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

- Code of Conduct for Prevention of Insider Trading

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

- Social Responsibility

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

H. Mandatory Requirements

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

Particulars	Clause of Listing Agreement	Compliance Status
I. Board of Directors	49(I)	Yes
(A) Composition of Board	49(IA)	Yes
(B) Non-executive directors compensation and disclosure	49(IB)	Yes
(C) Other provisions as to Board and committees	49(IC)	Yes
(D) Code of Conduct	49(ID)	Yes
II. Audit Committee	49(II)	Yes
(A) Qualified and independent Audit Committee	49(IIA)	Yes
(B) Meeting of Audit Committee	49(IIB)	Yes
(C) Power of Audit Committee	49(IIC)	Yes
(D) Role of Audit Committee	49(IID)	Yes
(E) Review of information by Audit Committee	49(IIE)	Yes
III. Subsidiary Companies	49(III)	N.A
IV. Disclosures	49(IV)	Yes
(A) Basis of related party 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

I. Non-Mandatory Requirements

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

J. Means of Communication

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

Financial Results	Name(s) of Newspapers	Date(s) of Publication
Quarter/ Year ended 31 st March, 2008	The Economic Times, Navbharat Times (Hindi)	30 th May, 2008
Quarter ended 30 th June, 2008	The Economic Times, Navbharat Times (Hindi)	1 st August, 2008
Quarter/Half Year ended 30 th September, 2008	The Economic Times, Navbharat Times (Hindi)	1 st November, 2008
Quarter ended 31 st December, 2008	The Financial Express, Jansatta (Hindi)	31 st January, 2009

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 Friday, the 31st day of July, 2009 at Faridabad Industries Association, FIA House, Bata Chowk, Faridabad-121001 (Haryana)

B. Financial Year:

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

C. Date of Book Closure:

23rd July, 2009 to 31st July, 2009 (both days inclusive)

D. Dividend Payment Date:

The dividend warrants will be posted on or after August 1, 2009.

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 2009-2010 have been paid in advance to the aforesaid Stock Exchanges.

F. Market Price Data:

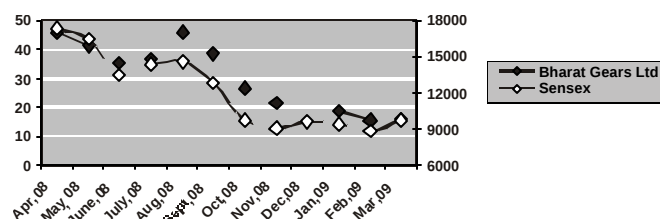
High and Low prices during each month of Financial Year 2008-2009 on National Stock Exchange of India Limited and Bombay Stock Exchange Limited are as under:

The Closing Price represents the price on the last trading day of each month of Financial Year 2008-2009.

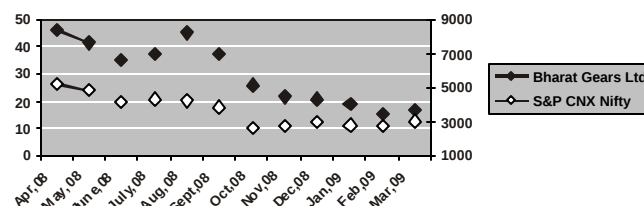
Month	High (Rs.)		Low (Rs.)		Closing (Rs.)	
	NSE	BSE	NSE	BSE	NSE	BSE
April	49.95	49.80	40.50	41.35	46.30	46.10
May	48.10	49.55	40.05	39.75	41.60	41.50
June	44.00	44.00	34.55	33.50	35.15	35.10
July	37.95	37.90	30.95	30.25	37.35	36.75
August	49.50	47.40	36.10	38.50	45.30	45.85
September	53.50	54.00	31.10	33.50	37.50	38.50
October	40.25	40.95	22.10	22.50	26.10	26.60
November	34.40	31.85	20.15	20.30	21.90	21.65
December	24.80	23.60	20.00	20.00	20.75	20.70
January	24.00	22.60	17.10	17.15	18.80	18.80
February	18.00	19.55	13.70	12.90	15.80	15.65
March	18.50	17.15	13.00	14.05	16.75	16.20

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

a. BHARAT GEARS' PRICES VERSUS SENSITIVITY AT BSE



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



G. Registrar and Transfer Agent, Share Transfer System:

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

H. Shareholding pattern of the Company as per category of shareholders as on March 31, 2009

	Category	No. of Shares Held	%age of Shareholding
A.	Promoters' Holding		
	1. Promoters		
	- Indian Promoters	2461749	31.49
	- Foreign Promoters	-	-
	2. Persons acting in Concert	1662213	21.26
B.	Non-Promoters Holding		
	3. Institutional Investors		
	a. Mutual Funds and Unit Trust of India	33521	0.43
	b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-Govt. Institutions)	275204	3.52
	c. Foreign Institutional Investor	50	0.00
	4. Others		
	a. Private Corporate Bodies	832946	10.65
	b. Indian Public	2445500	31.29
	c. Non Resident Indians/Overseas	106650	1.36
	d. Any Other	-	-
	Total	7817833	100.00

I. Distribution of Shareholding as on March 31, 2009:

No. of Equity Shares held	Number of Shareholders	Number of Shares	%age to total Shares
Up to 250	8493	627907	8.03
251 to 500	1055	415636	5.32
501 to 1000	484	388333	4.97
1001 to 2000	225	338719	4.33
2001 to 3000	74	191717	2.45
3001 to 4000	35	122993	1.57
4001 to 5000	33	153183	1.96
5001 to 10000	37	274561	3.51
10,001 and above	38	5304784	67.86
Total	10474	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, 2009 a total of 75,32,644 equity shares of the Company of Rs. 10/- each, which form 96.35% 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:

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

- Kausa Shil, Mumbra, Dist. Thane, Maharashtra, Pin-400 612

L. Addresses for Correspondence:

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

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

For Investor Assistance:-

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

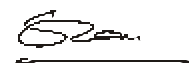
N. Nomination facility:

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 2008-2009. 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



Place : Mumbai
Date : May 26, 2009

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 2008– 2009 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 2008 – 2009;
- 3) Significant changes in accounting policies during the year 2008– 2009 and that the same have been disclosed in the notes to the financial statements;
- 4) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.



Place: Mumbai
Date: May 26, 2009

Ashish Pandey
Chief Financial Officer

For **Bharat Gears Limited**


Surinder P. Kanwar
Chairman & Managing Director

COMPLIANCE WITH CODE OF CONDUCT

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

It is hereby affirmed that during the year 2008-2009, all the Directors and Senior Managerial personnel have complied with the Code of Conduct and have given a confirmation in this regard.



Place: Mumbai
Date: May 26, 2009

Ashish Pandey
Group Head (Legal) &
Company Secretary

For **Bharat Gears Limited**


Surinder P. Kanwar
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, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

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

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

For **Deloitte Haskins & Sells**
Chartered Accountants



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

Place : Mumbai
Date : May 26, 2009

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, 2009 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. Without qualifying our opinion, we draw attention to Note 3 of Schedule 18. As stated in the Note, remuneration of Rs. 44.90 lacs to Chairman & Managing Director and of Rs. 2.93 lacs to Joint Managing Director are subject to approval of members by way of special resolution in the forthcoming Extra Ordinary General Meeting and of the Central Government thereafter.
3. 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, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 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, 2009;
 - (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 Deloitte Haskins & Sells
Chartered Accountants



U.M. NEOGI
Partner

Membership No.30235

Place : Mumbai
Date : May 26, 2009

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, 2009.

- (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, 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 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, 2009 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 dispute:

Name of the Statute	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) In our opinion, the term loan taken during the year has been applied for the purpose for which it was obtained.
- (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 Deloitte Haskins & Sells
Chartered Accountants



U.M. NEOGI
Partner
Membership No.30235

Place : Mumbai
Date : May 26, 2009

BHARAT GEARS LIMITED
BALANCE SHEET AS AT 31ST MARCH , 2009

	Schedule	As at 31 st March, 2009 (Rs. lacs)	As at 31 st March, 2008 (Rs. lacs)
I. Sources of funds :			
(1) SHAREHOLDERS' FUNDS			
Share capital	1	990.28	990.28
Reserves and surplus	2	3760.56	3486.33
		<u>4750.84</u>	<u>4476.61</u>
(2) LOAN FUNDS			
Secured loans	3	5029.44	4866.85
Finance lease obligations		654.40	195.35
		<u>5683.84</u>	<u>5062.20</u>
(3) DEFERRED TAX LIABILITIES (NET)(Note 20 of Schedule 18)			
		225.53	348.53
Total		<u>10660.21</u>	<u>9887.34</u>
II. Application of funds :			
(1) FIXED ASSETS			
Gross block	4	19753.24	17909.50
Less : Depreciation / Amortisation		12924.78	12080.05
Net block		6828.46	5829.45
Capital work in progress		146.43	173.00
Advances on capital account		21.79	174.94
		<u>6996.68</u>	<u>6177.39</u>
(2) CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	5	3243.05	3041.81
Sundry debtors	6	4809.82	5804.89
Cash and bank balances	7	459.39	739.79
Other current assets	8	123.18	175.13
Loans and advances	9	1057.07	946.20
		<u>9692.51</u>	<u>10707.82</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	10	5135.00	5923.80
Provisions	11	924.58	1145.74
		<u>6059.58</u>	<u>7069.54</u>
Net current assets		3632.93	3638.28
(3) MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)		30.60	71.67
(Note 15 of Schedule 18)			
Total		<u>10660.21</u>	<u>9887.34</u>
NOTES TO THE ACCOUNTS	18		

Per our report attached

For Deloitte Haskins & Sells
Chartered Accountants

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Joint Managing Director

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

U.M.NEOGI
Partner

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Chief Financial Officer

Place : Mumbai
Date : May 26, 2009



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2009**

	Schedule	Year Ended 31 st March, 2009 (Rs. lacs)	Year Ended 31 st March, 2008 (Rs. lacs)
Sales including processing charges (gross)		26068.99	26620.48
Less : Excise duty		2215.49	3020.01
Sales including processing charges (net)		23853.50	23600.47
Other income	12	692.14	535.24
TOTAL INCOME		24545.64	24135.71
EXPENDITURE			
Cost of materials	13	11265.61	9935.13
Payments to and provisions for employees	14	4141.35	3898.79
Other expenses	15	6831.51	7052.49
Interest and other financing charges	16	773.82	815.19
Depreciation / Amortisation	17	983.06	959.37
PROFIT BEFORE TAX		550.29	1474.74
Provision for tax			
- Current tax		339.62	230.00
- Less: MAT set off availed		(105.62)	(53.00)
- Deferred tax (net)		(123.00)	258.26
- Fringe benefit tax (FBT)		35.00	31.00
		146.00	466.26
PROFIT AFTER TAX		404.29	1008.48
Add: Balance brought forward from the previous year		215.80	(424.71)
PROFIT AVAILABLE FOR APPROPRIATION		620.09	583.77
APPROPRIATIONS			
Proposed dividends			
- Preference		20.85	193.60
- Equity		78.18	78.18
Tax on distributed profits		16.83	46.19
Transferred to general reserve		50.00	50.00
Balance carried to balance sheet		454.23	215.80
		620.09	583.77
Basic and diluted earnings per share (in Rs.) (Note 19 of Schedule 18)		4.86	12.59
NOTES TO THE ACCOUNTS	18		

Per our report attached to the balance sheet

For Deloitte Haskins & Sells
Chartered Accountants

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Joint Managing Director

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

U. M. NEOGI
Partner

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Chief Financial Officer

Place : Mumbai
Date : May 26, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	For the Year Ended 31 st March, 2009 (Rs. Lacs)	For the Year Ended 31 st March, 2008 (Rs. Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before tax	550.29	1474.74
Adjustments for :		
- Depreciation / Amortisation	983.06	959.37
- Unrealised exchange loss / (gain) (net)	109.53	(92.44)
- Profit on sale of fixed assets(net)	(13.57)	(54.67)
- Interest income	(32.60)	(27.05)
- Interest and bill discounting charges	686.19	744.11
Operating profit before working capital changes	2282.90	3004.06
Adjustments for :		
- Inventories	(201.24)	68.79
- Trade and other receivables	688.30	(694.04)
- Trade and other payables/Provisions	(719.21)	938.68
- Miscellaneous expenditure	41.07	44.31
Cash generated from operations	2091.82	3361.80
- Income taxes including Fringe Benefit Tax paid (net of refunds)	(385.97)	(140.89)
Net cash from operating activities	1705.85	3220.91
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(1270.22)	(668.04)
Sale of fixed assets	330.46	58.83
Interest received {inclusive of tax deducted at source Rs. 5.88 lacs ; (previous year: Rs 4.68 lacs)}	30.70	28.56
Fixed Deposits with bank not readily convertible in cash (Net)	(11.31)	(5.19)
Net cash used in investing activities	(920.37)	(585.84)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from long term borrowings	1516.55	-
Repayment of long term borrowings	(1723.16)	(998.34)
Equity dividend paid {including tax on distributed profits Rs. 13.29 lacs ; (previous year : Rs Nil)}	(89.63)	-
Preference dividend paid { including tax on distributed profits Rs. 32.90 lacs ; (previous year : Rs Nil)}	(226.50)	-
Increase / (Decrease) in cash credits and packing credits	208.00	(604.22)
Payments to Investor Education and Protection Fund	(0.02)	(0.95)
Lease rent paid	(98.21)	(39.58)
Interest and bill discounting charges paid	(664.22)	(685.94)
Net cash used in financing activities	(1077.19)	(2329.03)
Net increase / (decrease) in cash & cash equivalents (A+B+C)	(291.71)	306.04
Cash & cash equivalents at the beginning of the year	634.91	328.87
Cash and cash equivalents at the end of the year (see Note 2)	343.20	634.91
	(291.71)	306.04

Notes :

1. The cash flow is based on and derived from the accounts of the Company for the year ended 31st March, 2009 and 31st March, 2008.

2. Cash and cash equivalents comprise of :

Cash on hand	5.38	6.88
Cheques on hand	13.06	134.78
With scheduled banks :		
On current accounts	144.20	193.02
On margin accounts	180.56	300.23
On fixed deposit accounts	116.19	104.88
	459.39	739.79

Less : Fixed deposits with bank not readily convertible in cash

Cash and cash equivalents at the end of the year

343.20 634.91

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

Per our report attached to the balance sheet

For Deloitte Haskins & Sells
Chartered Accountants

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Joint Managing Director

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

U.M. NEOGI
Partner

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Chief Financial Officer

Place : Mumbai
Date : May 26, 2009

SCHEDULES FORMING PART OF THE BALANCE SHEET

		As at 31 st March, 2009 (Rs. lacs)	As at 31 st March, 2008 (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
		<u>2500.00</u>	<u>2500.00</u>
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
		<u>990.28</u>	<u>990.28</u>
Note :			
Series VI, VII & VIII aggregating Rs. 208.50 lacs were allotted on 29 th 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 31 st March, 2011 and 31 st March, 2012.			
(2) RESERVES AND SURPLUS			
Capital redemption reserve			
Per last balance sheet		380.00	380.00
Securities premium account			
Per last balance sheet		924.60	924.60
		<u>924.60</u>	<u>924.60</u>
Revaluation reserve			
Per last balance sheet		695.13	709.33
Less : Transferred to profit and loss account, being depreciation on amount added on revaluation of fixed assets (Schedule 17)		14.20	14.20
		<u>680.93</u>	<u>695.13</u>
General reserve			
Per last balance sheet		1270.80	1354.92
Less: Increase (net of deferred tax asset of Rs. 68.04 lacs) in employee benefits liability as at April 01, 2007 consequent to application of Accounting Standard -15- Employee Benefits		-	134.12
Add : Transferred from profit & loss account		50.00	50.00
		<u>1320.80</u>	<u>1270.80</u>
Balance in the profit and loss account		454.23	215.80
		<u>3760.56</u>	<u>3486.33</u>

(3) SECURED LOANS	As at 31st March, 2009 (Rs. lacs)	As at 31st March, 2008 (Rs. lacs)
From Banks :		
Cash credits (including funded interest thereon) and packing credits (note 1 below)	1629.48	1448.79
Rupee loan from The Federal Bank Limited (notes 2, 8 & 9 below)	160.85	210.20
Rupee loan from The Federal Bank Limited (notes 2 & 9 below)	32.20	40.95
Rupee loan from State Bank of India (notes 2 & 9 below)	61.68	83.00
Rupee loan from State Bank of India (note 6 below)	161.70	222.33
Rupee loan from Indian Overseas Bank (notes 2 & 9 below)	33.77	43.25
Rupee loan from The Federal Bank Limited (note 3 below)	413.92	549.80
Rupee loan from Bank of Baroda (notes 2 & 9 below)	49.95	63.58
Rupee loan from Industrial Development Bank of India Limited (note 3 below)	694.44	913.67
Rupee loan from Industrial Development Bank of India Limited (note 7 below)	663.33	-
Rupee loan from Industrial Development Bank of India Limited (note 5 below)	246.00	325.18
Rupee loan from Industrial Development Bank of India Limited (notes 2 & 9 below)	200.39	259.23
Vehicle loans from ICICI Bank Ltd. (note 4 below)	13.74	21.65
	4361.45	4181.63
From Others :		
Foreign Currency loan from Export-Import Bank of India (note 3 below)	550.79	567.26
Foreign Currency loan from Export-Import Bank of India (notes 2 & 9 below)	117.20	117.96
	667.99	685.22
	5029.44	4866.85

Notes :

- 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, 6 and 7.
- 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 plant, on pari passu basis with loans referred to in note 5 and 7.
- 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 and machinery attached to the earth and by way of hypothecation of all moveable fixed assets at Faridabad plant ranking pari passu with each other and with loan referred to in note 7.
- Secured against the hypothecation of respective vehicles.
- Rupee loan from 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 and future, which ranks pari passu with charges created in respect of loans referred to in note 2 and 7.
- Rupee loan from State Bank of India is secured by a first charge by way of hypothecation of specific plant and machinery purchased out of the loan.
- Rupee loan from Industrial Development Bank of India Limited is secured by an exclusive first charge by way of Hypothecation of specific plant and machinery, spares, tools and accessories and all other specific movables, both present and future, purchased and/or to be purchased out of the loan and hypothecation of movable (save & except book debts) including movable plant and machinery, spares, tools and accessories, both present and future subject to prior charges created in respect of loans referred to in note 1 and 6 above. Also by mortgage of Company's immovable properties located at Mumbra plant and Faridabad plant together with all buildings and structures and plant and machinery thereon on pari passu basis with loans referred to in note 2, 3 and 5.
- Rupee loan from The Federal Bank Limited is also secured by mortgage of company's office premises at Nariman Point, Mumbai.
- Rupee loans referred to in note 2 are also guaranteed by a Director of the Company aggregating Rs. 656.04 lacs (previous year: Rs. 818.17 lacs) (from banks: Rs. 538.84 lacs; (previous year: Rs. 700.21 lacs) from others: Rs. 117.20 lacs; (previous year: Rs 117.96 lacs)).

(4) FIXED ASSETS

(Rs.in lacs)

Assets	Gross Block				Depreciation/Amortisation				Net Block	
	As at 31.03.2008	Additions/ Adjustments	Deductions	As at 31.03.2009	Upto 31.03.2008	For the year	On Deductions	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
1. Tangible Assets:										
Land - Freehold	139.43	-	-	(*) 139.43	-	-	-	-	139.43	139.43
Land - Leasehold	581.40	-	-	(*) 581.40	78.20	7.82	-	86.02	495.38	503.20
Buildings and roads	1711.35	8.79	-	(*) 1720.14	719.55	48.34	-	767.89	952.25	991.80
				(**)						
Leasehold improvements	1.77	-	-	1.77	1.68	-	-	1.68	0.09	0.09
Plant and machinery	13844.04	1276.04	153.43	14966.65	10332.90	787.25	140.87	10979.28	3987.37	3511.14
				(@)					(@)	
Electrical installations	342.95	-	-	342.95	166.92	12.94	-	179.86	163.09	176.03
Water supply installations	75.06	-	-	75.06	34.58	3.53	-	38.11	36.95	40.48
Furniture and fixtures	169.34	5.69	0.18	174.85	137.53	6.08	0.18	143.43	31.42	31.81
Computers, office and miscellaneous equipment	630.57	16.95	-	647.52	496.97	35.51	-	532.48	115.04	133.60
Vehicles	58.25	-	15.81	42.44	33.34	5.36	11.48	27.22	15.22	24.91
Assets acquired under finance lease										
Plant and machinery	262.89	648.24	-	911.13	29.66	60.13	-	89.79	821.34	233.23
Vehicles	18.10	-	-	18.10	11.02	1.83	-	12.85	5.25	7.08
2. Intangible Assets:										
Computer Software - acquired	74.35	57.45	-	131.80	37.70	28.47	-	66.17	65.63	36.65
	17909.50	2013.16	169.42	19753.24	12080.05	997.26	152.53	12924.78	6828.46	
As at 31 st March, 2008	17656.15	652.89	399.54	17909.50	11201.86	973.57	95.38	12080.05		5829.45
Capital work-in-progress									146.43	173.00
Advances on capital account									21.79	174.94
									168.22	347.94
									6996.68	6177.39

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

	(#) on 31.7.84	(#) on 30.04.85	(#) on 25.11.97	Total
Land	117.48	92.99	488.41	698.88
Buildings & roads	147.25	93.20	51.13	291.58
	264.73	186.19	539.54	990.46

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

(#) Relating to the erstwhile USAL

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

(@) Includes assets held for disposal - Gross Block as at March 31, 2009 Rs. 50.03 lacs; Net Block as at March 31, 2009 Rs. 2.51 lacs.

	As at 31 st March, 2009 (Rs. lacs)	As at 31 st March, 2008 (Rs. lacs)
(5) INVENTORIES		
Stores and spare parts	364.48	400.55
Loose tools	649.09	554.77
Stock-in-trade		
Raw materials and components	537.88	663.98
Finished goods - manufactured	886.10	386.85
Work in progress	803.15	1035.04
Scrap	2.35	0.62
	3243.05	3041.81

	As at 31 st March, 2009 (Rs. lacs)	As at 31 st March, 2008 (Rs. lacs)
(6) SUNDRY DEBTORS (UNSECURED & CONSIDERED GOOD UNLESS OTHERWISE STATED)		
Debts outstanding for a period exceeding six months		
Doubtful	25.12	18.93
Others	237.40	168.81
	262.52	187.74
Other debts (Refer Note 23 of schedule 18)	4572.42	5636.08
	4834.94	5823.82
Less : Provision for doubtful debts	25.12	18.93
	4809.82	5804.89
(7) CASH AND BANK BALANCES		
Cash on hand	5.38	6.88
Cheques on hand	13.06	134.78
With scheduled banks :		
On current accounts [includes Rs. 0.06 lac (previous year : Rs. 0.06 lac) being unclaimed rights issue application money refundable to shareholders]	144.20	193.02
On margin accounts	180.56	300.23
On fixed deposit accounts	116.19	104.88
[Deposits receipts are held by Industrial Development Bank of India Limited towards redemption of preference shares].		
	459.39	739.79
(8) OTHER CURRENT ASSETS		
Interest receivable on term deposits with banks etc.	5.24	3.34
Export incentive receivable	117.94	171.79
	123.18	175.13
(9) LOANS AND ADVANCES		
UNSECURED AND CONSIDERED GOOD :		
Advances recoverable in cash or in kind or for value to be received	696.65	674.75
Security deposits	111.49	86.91
Balances with excise authorities etc.	141.14	98.73
Income-tax payments less provisions	72.45	50.47
Fringe benefit tax payments less provisions	35.34	35.34
	1057.07	946.20
(10) CURRENT LIABILITIES		
Acceptances	935.12	1091.87
Sundry Creditors		
(i) Total outstanding dues of Micro and Small Enterprises (Refer Note 13 of Schedule 18)	221.14	-
(ii) Total outstanding dues of sundry creditors other than (i) above	3064.64	3791.86
Customers advances and credit balances	782.86	902.13
Security deposits	4.58	9.08
Investor Education and Protection Fund *		
(a) Unpaid dividends	1.84	-
(b) Unpaid interest accrued on fixed deposits	-	0.02
(c) Unpaid rights issue share application money	0.06	0.06
	1.90	0.08
Other current liabilities	115.48	118.07
Interest accrued but not due on loans	9.28	10.71
	5135.00	5923.80

* 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 31 st March, 2009 (Rs. lacs)	As at 31 st March, 2008 (Rs. lacs)
For proposed dividends	99.03	271.78
Tax on distributed profit	16.83	46.19
Provision for income tax less payment	5.48	100.47
Provision for Compensated Absences	498.78	488.06
Provision for Gratuity	253.15	181.85
Provision for Other Employee Benefits	48.25	50.43
Provision for Warranty	3.06	6.96
	<u>924.58</u>	<u>1145.74</u>
(12) OTHER INCOME	Year Ended 31 st March, 2009 (Rs. lacs)	Year Ended 31 st March, 2008 (Rs. lacs)
Export incentives	147.54	166.89
Interest	32.60	27.05
-on security deposits, deposits with banks, income tax refunds etc. (Tax deducted at source on interest received: Rs. 5.88 lacs; previous year : Rs. 4.68 lacs)		
Income from scrap (net of excise duty: Rs. 25.72 lacs; previous year : Rs. 39.47 lacs)	309.82	256.77
Rent	1.80	1.49
Credit balances no longer payable written back	2.73	1.29
Profit on sale of fixed assets	14.58	54.75
Exchange gain (net)	105.78	-
Miscellaneous income	77.29	27.00
	<u>692.14</u>	<u>535.24</u>
(13) COST OF MATERIALS		
Raw materials and components consumed	11532.97	9768.10
Increase in stock of Finished Goods and Work in progress		
Opening stock :		
Finished goods	386.85	513.27
Work in progress	1035.04	1075.65
	<u>1421.89</u>	<u>1588.92</u>
Less: Closing Stock		
Finished goods	886.10	386.85
Work in progress	803.15	1035.04
	<u>1689.25</u>	<u>1421.89</u>
	<u>(267.36)</u>	<u>167.03</u>
	<u>11265.61</u>	<u>9935.13</u>
(14) PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, wages and bonus (Refer Note 27 of Schedule 18)	3335.60	3146.49
Contribution to provident, superannuation, gratuity and other funds	390.10	324.20
Employees' welfare expenses	415.65	428.10
	<u>4141.35</u>	<u>3898.79</u>

	Year Ended 31 st March, 2009 (Rs. lacs)	Year Ended 31 st March, 2008 (Rs. lacs)
(15) OTHER EXPENSES		
Stores, spares & packing materials consumed	1270.68	1233.68
Loose tools consumed	732.74	615.14
Processing charges	957.15	1220.62
Power and fuel	2042.92	2221.54
Repairs and maintenance		
- Machinery	130.53	170.68
- Buildings	82.45	82.55
- Others	262.94	281.52
Travelling, conveyance and car expenses	284.84	269.88
Insurance	41.95	34.00
Rent	72.54	27.53
Rates and taxes	45.33	64.50
Freight, forwarding and other charges	231.72	256.58
Commission to selling agents	69.10	57.18
Excise duty (Refer Note 25 of Schedule 18)	47.69	4.45
Exchange loss (net)	-	3.00
Miscellaneous expenses (Includes loss on sale / write off of fixed assets Rs. 1.01 lacs; previous year : Rs. 0.08 lac)	558.93	509.64
	6831.51	7052.49
(16) INTEREST AND OTHER FINANCING CHARGES		
Interest on fixed period loans	457.02	468.43
Other interest and bill discounting charges	229.17	275.68
Bank and other financing charges (Refer Note 2 of Schedule 18)	87.63	71.08
	773.82	815.19
(17) DEPRECIATION/AMORTISATION		
For the year	997.26	973.57
Less: Transferred from revaluation reserve, being depreciation on amount added on revaluation of fixed assets (Schedule 2)	14.20	14.20
	983.06	959.37

(18) NOTES TO THE ACCOUNTS :

1. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Accounting:

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

ii) Fixed assets and depreciation:

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

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

Depreciation is provided on the basis stated hereunder:

(a) Tangible assets

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

Depreciation on revalued amounts is transferred from revaluation reserve to the Profit and Loss Account.

Leasehold land is amortised over the remaining period of lease.

(b) Intangible assets

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

iii) Inventories:

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

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

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

iv) Contracts for furnace construction:

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

v) Foreign Currency Transactions:

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

vi) Revenue recognition:

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

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

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

Interest Income is recognised on time proportion basis.

vii) Amortisation of Miscellaneous Expenditure:

Payments made to employees who 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 immediately in the Profit and Loss Account as an income or expense.

ix) Taxation:

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

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

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

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

x) Contingencies/Provisions:

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

xi) Use of estimates:

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which results are known / materialised.

- 2 During the year, the Company's proposal for exit from Corporate Debt Restructuring (CDR) scheme has been approved subject to finalisation and payment of recompense amount to the six participating lenders. In respect of two participating lenders, the recompense amount of Rs. 2.02 lacs has been finalised and paid which is included in Bank and other financing charges in Schedule 16 – 'Interest and Other Financing Charges'. In respect of other participating lenders, recompense amount will be accounted as and when determined.

3. i) Managerial remuneration:

	Year Ended 31st March, 2009 (Rs. in lacs)	Year Ended 31 st March, 2008 (Rs. in lacs)
(a) Chairman & Managing Director:		
- Salary	84.00	63.00
- Contribution to provident and other Funds (*)	22.68	18.90
- Monetary value of perquisites (**)	10.71	14.61
	@ 117.39	96.51
(b) Joint Managing Director (Executive Director up to 31 st May, 2008)		
- Salary and allowances	40.26	32.76
- Contribution to provident and other Funds (*)	9.41	8.41
- Monetary value of perquisites (**)	3.37	3.64
	@ 53.04	44.81

*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.

@ In response to the Company's applications for approval of increase in remuneration to Chairman & Managing Director from 1st October, 2008 and for approval of appointment as well as remuneration to Joint Managing Director from 1st June, 2008, as approved by the members in the Annual General Meeting held on 31st July, 2008, the Central Government has directed the Company to file fresh applications after getting the proposal approved by the Remuneration Committee, the Board of Directors and the members of the Company, stating clearly that the proposed remuneration is expected to exceed the limits prescribed under Schedule XIII of the Companies Act, 1956. Accordingly, remuneration of Rs. 44.90 lacs of Chairman & Managing Director and of Rs. 2.93 lacs of Joint Managing Director included above are subject to approval of members by way of special resolution in the forthcoming Extra Ordinary General Meeting and that of the Central Government.

- ii) Directors sitting fees: **2.00** 1.57

4. Contingent liabilities:

- A. *In respect of claims against the company not acknowledged as debt (Sales tax, ESIC) Rs. 8.58 lacs; (previous year: Rs. 8.58 lacs) against which the Company's appeals are pending with the relevant appellate authorities.
- B. *In respect of Income tax for assessment years 1994-95 mainly on account of disallowance of expenditure on reconditioning of machinery – Rs. 50.41 lacs; (previous year: Rs. 50.41 lacs) for which the Company's appeal against ITAT order is pending with the High Court.
- C. In respect of guarantee given to Housing Development Finance Corporation Limited for loans availed by employees Rs. 0.31 lac; (previous year: Rs. 1.59 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. 1009.75 lacs (previous year: Rs 2095.49 lacs) [including for intangible assets Rs. Nil; (previous year: Rs. 63.07 lacs)]

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

		Year Ended 31 st March, 2009	Year Ended 31 st March, 2008
	Units	Installed	Installed
(i) <u>Manufactured Goods @</u>			
Capacities:			
Automotive gears	Nos.	4466000	4160000
Industrial furnaces	Nos.	20	20
Gear box	Nos.	2500	2500
Production:			
Automotive gears	Nos.	3241070	3717871
Furnaces built	Nos.	3	1
Gear boxes	Nos.	Nil	Nil
	Unit (Nos.)	(Rs. in lacs)	Unit (Nos.)
- Opening stock:			
Automotive gears	83359	386.85	111682
Gear boxes	-	Nil	-
		386.85	513.27
- Sales:			
Automotive gears #	3204443	20735.79	3744938
Automotive components		2407.30	1671.24
Industrial furnaces (\$)	3	37.48	1
Gear boxes	-	Nil	-
Tooling Development		335.95	200.73
Others		336.98	793.04
		23853.50	23600.47
- Closing stock:			
Automotive gears	*119762	799.27	*83359
Gear boxes		Nil	Nil
Automotive components		86.83	Nil
		886.10	386.85

Includes processing charges Rs. 1789.15 lacs; 333844 nos. (previous year: Rs.3567.03 lacs; 637274 nos.)

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

*Excludes 224 nos.(previous year 1256 nos.) scrapped during the year.

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

(ii) Consumption of raw materials and components:

		Year Ended 31 st March, 2009	Year Ended 31 st March, 2008
	Unit	Qty.	Qty.
		Value (Rs. in lacs)	Value (Rs. in lacs)
Forgings	Nos.	3184087	9335.48
Automotive Components		2057.58	3820371
Others		139.91	7934.42
		11532.97	1406.39
			472.29
			9768.10

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, sales and stocks thereof has not been disclosed.
 - e) The installed capacity is as certified by the management but not verified by the auditors, as this is a technical matter.
7. Value of imported and indigenous materials consumed and the percentage of each to the total consumption thereof:

	Year Ended 31 st March, 2009		Year Ended 31 st March, 2008	
	%	Value (Rs. in lacs)	%	Value (Rs. in lacs)
Imported:				
- Raw materials and components	0.44	50.98	0.13	12.95
- Loose tools, stores & spare parts	5.53	110.70	11.11	205.33
Indigenous:				
- Raw materials and components	99.56	11481.99	99.87	9755.15
- Loose tools, stores & spare parts	94.47	1892.72	88.89	1643.49

8. CIF Value of imports:

	Year Ended 31 st March, 2009 (Rs. in lacs)	Year Ended 31 st March, 2008 (Rs. in lacs)
- Raw materials and components	47.09	11.45
- Loose tools, stores & spare parts	142.20	200.93
- Capital goods * (includes Rs. 425.78 lacs of fixed assets imported by lessor under finance lease)	* 1303.30	46.32

9. Expenditure in foreign currency:

(Gross) subject to deduction of tax wherever applicable		
- Management Consultancy Charges [includes tax deductible at source Rs. 5.54 lacs (Previous Year: Rs. 7.39 lacs)]	43.53	58.04
- Professional Fees [includes tax deductible at source Rs. 4.41 lacs (Previous Year: Rs. 2.72 lacs)]	20.16	14.39
- Interest on foreign currency loans	52.23	70.59
- Exchange Loss (net)	Nil	3.00
- Others (Travel, commission, rejection claims, etc.)	37.09	45.45

10. Earnings in foreign exchange:

- Export of goods on F.O.B. basis	4510.68	3996.75
- Tooling development income	155.57	Nil
- Exchange Gain (net)	105.78	Nil
- Others (Freight, insurance, etc.)	72.07	96.32

11. Miscellaneous expenses include:

	Year Ended 31 st March, 2009 (Rs. in lacs)	Year Ended 31 st March, 2008 (Rs. in lacs)
Auditor's Remuneration(Includes service tax, where applicable)		
i) Audit fees	13.78	14.05
ii) Fees for other services:		
- others *	8.43	7.58
iii) Reimbursement of out of pocket expenses **	0.36	1.13

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

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

12. Income from service rendered Rs. 248.55 lacs; (previous year: Rs. 431.68 lacs) is included in sales including processing charges.

13. In response to the Company's request made in March, 2008 to the suppliers for providing copy of the registration certificate if registered under Micro, Small and Medium Enterprises Development Act, 2006 (the Act), no response was received by the Company. However in response to the similar request made in February 2009, some of the suppliers have intimated the status to the company and forwarded copy of the acknowledgement for filing of Memorandum under the Act with the prescribed authority. Based on these intimations the relevant information as on 31st March, 2009 is provided herein below and in Schedule 10 - 'Current Liabilities'.

In case of suppliers referred to above, where the date of filing of Memorandum is on or before 31st March, 2008, the relevant information as at 31st March, 2008 has not been complied and provided as the Company was not aware of the status of the relevant suppliers as at 31st March, 2008. Further, the Company has been advised that no interest is payable under the Act for payments made as per the credit period agreed with the suppliers which exceed the period specified in the Act, in respect of purchases of goods and services by the Company from these suppliers before the date of receipt of intimation of the status. The information of the principal amount due and of interest given below is compiled on this basis.

- i) The principal amount and the interest due thereon remaining unpaid as at the year end – Rs. Nil.
- ii) The interest paid in terms of Section 16 of the Act along with the amount paid – Rs. Nil.
- iii) The amount of interest due and payable for the period of delay in making payments during the year – Rs. Nil.
- iv) The amount of interest accrued and remaining unpaid as at year end – Rs. Nil.
- v) The amount of interest due and payable for prior years. – Rs. Nil.

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. 30.60 lacs (previous year: Rs. 71.67 lacs) shown in the balance sheet is arrived as under:

	Year Ended 31 st March, 2009 (Rs.in lacs)	Year Ended 31 st March, 2008 (Rs. in lacs)
(a) <u>Payments under Voluntary Retirement Scheme :</u>		
Balance brought forward	54.67	93.32
Less: Amortised during the year(Included in Salaries, wages and bonus under Schedule - 14)	35.41	38.65
Balance at the end of the year	19.26	54.67
(b) <u>Share issue expenses :</u>		
Balance brought forward	17.00	22.66
Add : Share issue expenses incurred during the year	Nil	Nil
Less : Amortised during the year(Included in Miscellaneous expenses under Schedule - 15)	5.66	5.66
Balance at the end of the year	11.34	17.00
Total	30.60	71.67

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

17. Related Party Disclosures

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

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

Bharat Gears Officers Provident Fund (BGOPF)

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

Raunaq International Ltd. (RIL)

Vibrant Finance & Investments Pvt. Ltd. (VFIPL)

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

(c) Key Management Personnel:

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

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

(ii) Transactions with the related parties during the year ended 31st March, 2009.

Enterprises over which key management personnel is able to exercise significant influence	2008-2009 (Rs. in lacs)	2007-2008 (Rs. in lacs)
Rent & other expenses(VFIPL)	10.20	10.20
Rent income (RIL)	1.74	1.43
Rent income (CSIPL)	0.06	0.06
Reimbursement of traveling expenses(CSIPL)	1.41	Nil
Repair & Maintenance Plant and Machinery and Building (RIL)	83.48	85.65
Purchases of packing material (CSIPL)	18.79	13.51
Contribution to Provident Fund (BGOPF)	22.46	19.05
The investing company of which the Company is an associate	2008-2009 (Rs. in lacs)	2007-2008 (Rs. in lacs)
Availment of management consultancy services	Nil	4.31
Key Management Personnel	2008-2009 Rs. in lacs	2007-2008 Rs. in lacs
Rent paid for premises taken on lease (SPK)	35.00	Nil
Sale of Fixed Assets (SPK)	Nil	330.00
Remuneration	Refer note 3 (i) of Schedule 18 to the accounts.	

(iii) Balances outstanding as at the year end:

	(Rs. lacs) Amount payable as at 31 st March, 2009	(Rs. lacs) Amount payable as at 31 st March, 2008	(Rs. lacs) Amount Receivable as at 31 st March, 2009	(Rs. lacs) Amount Receivable as at 31 st March, 2008
Enterprises over which key management personnel is able to exercise significant influence	29.47	37.03	6.41	13.62
Key Management Personnel	38.35	6.87	Nil	300.00

- (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, 2009 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, 2009	Interest not due	Present value of minimum lease payments
Not later than one year	212.61 (65.19)	70.62 (18.04)	141.99 (47.15)
Later than one year but not later than five years	616.05 (171.26)	103.64 (23.06)	512.41 (148.20)
Total	828.66 (236.45)	174.26 (41.10)	654.40 (195.35)

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, 2009 (Rs. in lacs)	Year Ended 31st March, 2008 (Rs. in lacs)
Residential flats / offices / godowns	57.71	16.65

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

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

	Unit	Year Ended 31st March, 2009	Year Ended 31 st March, 2008
Profit after tax as per Profit and Loss Account	Rs. in lacs	404.29	1008.48
Less: Dividend on Cumulative Preference shares (including tax on distributed profits Rs. 3.54 lacs; previous year Rs. 3.54 lacs)	Rs. in lacs	24.39	24.39
Net profit after tax attributed to Equity shareholders	Rs. in lacs	379.90	984.09
Weighted average number of equity shares of Rs. 10 each outstanding as at year end	Nos.	7817833	7817833
Nominal value of share	Rs.	10	10
Earning per share (basic and diluted)	Rs.	4.86	12.59

20. Taxes on income:
Components of deferred tax balances:

	Year Ended 31 st March, 2009 (Rs. in lacs)	Year Ended 31 st March, 2008 (Rs. in lacs)
Deferred tax liabilities		
Fiscal allowances on fixed assets	613.56	690.77
Other items	13.21	—
(A)	626.77	690.77
Deferred tax assets		
Voluntary retirement scheme	106.89	48.61
Bonus/ex-gratia	43.10	38.84
Provision for gratuity	86.05	61.81
Provision for compensated absences	148.41	144.77
Other items	16.79	48.21
(B)	401.24	342.24
Deferred tax liability (net) (A-B)	225.53	348.53

21. Disclosures for long-term contracts:

	Year Ended 31 st March, 2009 (Rs. in lacs)	Year Ended 31 st March, 2008 (Rs. in lacs)
Contract revenue recognised during the year	301.96	663.72
Method used to determine contract revenue and the stage of completion of contracts in progress	Refer note 1(vi)	Refer note 1(vi)
Disclosure in respect of contracts in progress as at the year end		
- aggregate amounts of costs incurred and recognised profits	50.02	387.73
- the gross amount due from customers for contract work (included under Sundry Debtors- Schedule 6)	14.22	126.79
- the gross amount due to customer for contract work	Nil	Nil
- the amount of advance received	16.50	95.45
- retention (included under Sundry Debtors – Schedule 6)	Nil	Nil

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

Provision for warranties	2008 – 2009 (Rs. in lacs)	2007 – 2008 (Rs. in lacs)
Carrying amount at the beginning of the year	6.96	5.82
Additional provision made during the year	0.19	5.29
Amount used during the current year	(4.09)	(4.15)
Unused amount reversed during the year	Nil	Nil
Carrying amount at the end of the year	3.06	6.96

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. Nil; (previous year: Rs. 300.00 lacs) being the balance due from a Director. The maximum amount due from a Director of the company at any time during the year is Rs. 300.00 lacs ; (previous year: Rs. 300.00 lacs).

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

1. **Defined Contribution Plans**

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

(Rs. in lacs.)

	Year Ended 31 st March, 2009	Year Ended 31 st March, 2008
- Employers' contribution to Provident Fund and Family Pension Fund	167.52	151.28
- Employers' contribution to Superannuation Fund	82.96	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

(Rs. in lacs)

Particulars	Gratuity – Funded Year Ended 31 st March, 2009	Gratuity – Funded Year Ended 31 st March, 2008	Terminal Ex-gratia Unfunded Year Ended 31 st March, 2009	Terminal Ex-gratia Unfunded Year Ended 31 st March, 2008
I Components of employers expenses				
1 Current service cost	39.26	40.97	2.14	2.17
2 Interest Cost	65.77	58.85	3.84	3.86
3 Expected return on Plan Assets	(51.23)	(47.53)	—	—
4 Actuarial Losses/(Gains)	59.90	23.34	3.14	1.58
5 Total expenses recognised in the Profit & Loss Account	*113.70	*75.63	**9.12	**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 provisions for employees in Schedule 14')

II Actual Contribution and Benefits Payments for the year				
1 Actual Benefits Payments	(135.67)	(56.38)	(11.30)	(6.30)
2 Actual Contributions	42.40	57.20	11.30	6.30

(Rs. in lacs)

Particulars		Gratuity –Funded Year Ended 31 st March, 2009	Gratuity –Funded Year Ended 31 st March, 2008	Terminal Ex-gratia Unfunded Year Ended 31 st March, 2009	Terminal Ex-gratia Unfunded Year Ended 31 st March, 2008
III	Net asset/(liability) recognised in the Balance Sheet				
1	Present Value of Defined Benefits Obligation	881.30	845.80	48.25	50.43
2	Fair value of Plan Assets	628.15	663.95	-	-
3	Funded Status [Surplus/(Deficit)]	(253.15)	(181.85)	(48.25)	(50.43)
4	Net asset /(liability) recognised in the Balance Sheet	(253.15)	(181.85)	(48.25)	(50.43)
IV	Change in Defined Benefit Obligation during the year				
1	Present value of Defined Benefit Obligation as at 1 st April	845.80	771.06	50.43	49.12
2	Current Service Cost	39.26	40.97	2.14	2.17
3	Interest Cost	65.77	58.85	3.84	3.86
4	Actuarial Losses /(Gains)	66.14	31.30	3.14	1.58
5	Benefits paid	(135.67)	(56.38)	(11.30)	(6.30)
6	Present value of defined Benefits Obligation as at 31 st March	881.30	845.80	48.25	50.43
V	Change in Fair Value of the Plan Assets during the year				
1	Plan Asset as at 1 st April	663.95	607.64	-	-
2	Expected return on Plan Assets	51.23	47.53	-	-
3	Actuarial Gains /(Losses)	6.24	7.96	-	-
4	Actual Company Contributions	42.40	57.20	11.30	6.30
5	Benefits Paid	(135.67)	(56.38)	(11.30)	(6.30)
6	Plan Assets as at 31 st March	628.15	663.95	-	-
VI	Actuarial Assumptions				
1	Discount Rate	7.00%	7.70%	7.00%	7.70%
2	Expected return on plan assets	7.50%	7.50%	-	-
3	Salary escalation Rate	6.00%	6.00%	6.00%	6.00%
VII	The expected rate of return on the plan asset (Gratuity Funded) is based on the average long term rate of return expected on investments of funds during estimated term of obligation. Actual return on Plan Assets (Gratuity Funded) is Rs. 57.47 lacs. (previous year: Rs. 55.50 lacs.)				
VIII	The assumption of the future salary increases, considered in actuarial valuation, takes into account the inflation, seniority, promotion and other relevant factors.				
IX	The major categories of plan assets as a percentage of the total plan assets				
	Insurer Managed funds	100%	100%	-	-

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

X	Experience Adjustments				
1	Present value of Defined Benefit Obligation as at 31 st March	881.30	845.80	48.25	50.43
2	Fair value of plan asset as at 31 st March	628.15	663.95	-	-
3	Funded Status [Surplus/(Deficit)]	(253.15)	(181.85)	(48.25)	(50.43)
4	Experience adjustment on Plan Liabilities	16.55	21.09	(0.92)	48.86
5	Experience adjustment on Plan Asset	6.24	7.96	-	-

XI	Contribution expected to be paid to the plan during the subsequent year ending 31st March	100.00			
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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. 28.26 lacs debit (Previous Year: Rs. 19.89 lacs (credit)) and (ii) the excise duty on free supplies under sales promotion schemes, free replacement, shortages, etc. Rs. 19.43 lacs (Previous Year : Rs. 24.34 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	USD	1375195.47	697.42
		(1792604.55)	(716.49)
	CHF	74628.00	29.11
		(0.00)	(0.00)
Receivables	USD	2107446.82	1070.78
		(2338326.34)	(933.86)
	EURO	134340.95	90.68
		(508579.00)	(321.07)
	CHF	12389.55	5.51
		(23922.16)	(9.62)

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

27. Salaries, wages and bonus in Schedule 14 – 'Payments to and provision for Employees' includes Rs. 262.84 lacs (Previous Year: Rs. 124.71 lacs) on account of payments made under the Voluntary Retirement Scheme.
28. Previous years figures have been regrouped wherever necessary.

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Joint Managing Director

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

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Chief Financial Officer

Place : Mumbai
Date : May 26, 2009

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):

L	2	9	1	3	0	H	R	1	9	7	1	P	L	C	0	3	4	3	6	5
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

 State Code :

0	5
---	---

Balance Sheet Date :

3	1
---	---

0	3
---	---

2	0	0	9
---	---	---	---

Date Month Year

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

Public Issue :

			N	I	L			
--	--	--	---	---	---	--	--	--

 Rights Issue :

			N	I	L			
--	--	--	---	---	---	--	--	--

Bonus Issue :

			N	I	L			
--	--	--	---	---	---	--	--	--

 Private Placement :

			N	I	L			
--	--	--	---	---	---	--	--	--

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

Total Liabilities :

	1	0	6	6	0	2	1	*
--	---	---	---	---	---	---	---	---

 Total Assets :

1	0	6	6	0	2	1	*	*
---	---	---	---	---	---	---	---	---

* Excludes Current Liabilities - 605958
** Net of Current Liabilities - 605958

SOURCES OF FUNDS :

Paid - up Capital :

				9	9	0	2	8
--	--	--	--	---	---	---	---	---

 Reserves & Surplus :

			3	7	6	0	5	6
--	--	--	---	---	---	---	---	---

Secured Loans :

		5	6	8	3	8	4	*
--	--	---	---	---	---	---	---	---

 Unsecured Loans :

			N	I	L			
--	--	--	---	---	---	--	--	--

* includes Finance Lease - 65440
Deferred Tax liabilities (net):

				2	2	5	5	3
--	--	--	--	---	---	---	---	---

APPLICATION OF FUNDS :

Net Fixed Assets :

			6	9	9	6	6	8
--	--	--	---	---	---	---	---	---

 Investments :

			N	I	L			
--	--	--	---	---	---	--	--	--

Net Current assets :

			3	6	3	2	9	3
--	--	--	---	---	---	---	---	---

 Misc. Expenditure :

						3	0	6	0
--	--	--	--	--	--	---	---	---	---

Accumulated Losses :

			N	I	L			
--	--	--	---	---	---	--	--	--

 Deferred tax assets :

							N	I	L
--	--	--	--	--	--	--	---	---	---

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

Turnover :

	2	6	7	6	1	1	3	*
--	---	---	---	---	---	---	---	---

 Total Expenditure :

		2	6	2	1	0	8	4
--	--	---	---	---	---	---	---	---

* Includes other income -

				6	9	2	1	4
--	--	--	--	---	---	---	---	---

Profit before tax :

				5	5	0	2	9
--	--	--	--	---	---	---	---	---

 Profit after tax :

					4	0	4	2	9
--	--	--	--	--	---	---	---	---	---

Earning Per Share (Rs.) :

					4	.	8	6
--	--	--	--	--	---	---	---	---

 Dividend Rate % : Equity

					1	0
--	--	--	--	--	---	---

: Preference

					1	0
--	--	--	--	--	---	---

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF COMPANY :

Item code No.

8	7	0	8	9	9	0	0										
---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--

Product Description :

A	U	T	O	M	O	T	I	V	E		G	E	A	R	S		
---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	--	--

Item code No.

8	7	0	8	4	0	0	0										
---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--

Product Description :

G	E	A	R		B	O	X										
---	---	---	---	--	---	---	---	--	--	--	--	--	--	--	--	--	--

Item code No.

8	4	1	7	1	0	0	0										
---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--

Product Description :

I	N	D	U	S	T	R	I	A	L		F	U	R	N	A	C	E
---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---

For and on behalf of the Board :
SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Joint Managing Director

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

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Chief Financial Officer

Place : Mumbai
Date : May 26, 2009

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

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 E VEN 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																			
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Occupation																			
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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)
37TH 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 37th Annual General Meeting of the Company on Friday, July 31, 2009 at 11.00 A.M. at FARIDABAD INDUSTRIES ASSOCIATION, FIA HOUSE, BATA CHOWK, FARIDABAD-121001, (HARYANA).

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

Note : 1. Members/Proxy holders are requested to bring this Attendance Slip duly filled 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 requested 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 37th Annual General Meeting of the Company to be held on Friday, July 31, 2009 at 11.00 A.M. at FARIDABAD INDUSTRIES ASSOCIATION, FIA HOUSE, BATA CHOWK, FARIDABAD-121001, (HARYANA) and at any adjournment thereof.

AS WITNESS my/our hand(s) this.....day of.....2009.

Signature (s).....

Revenue
Stamp

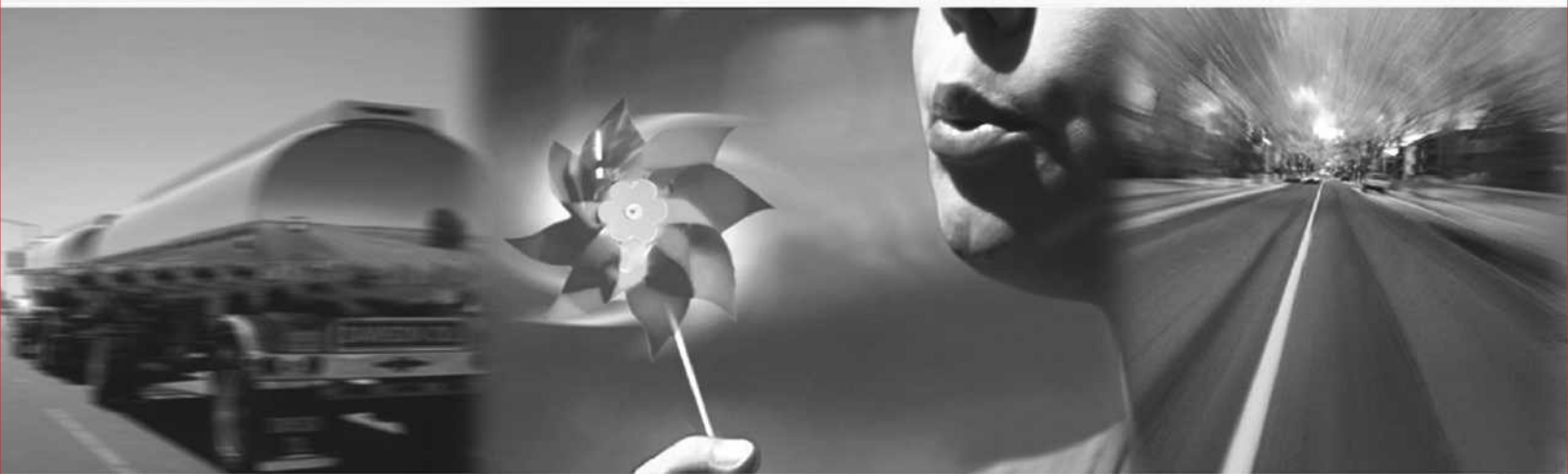
Regd. Folio No. /Demat A/c No. DP ID No.

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

BOOK- POST



If undelivered, please return to:

BHARAT GEARS LIMITED

20 K.M. Mathura Road, P.O. Box 328, P.O. Amar Nagar, Faridabad-121003 (Haryana) INDIA

Tel.: +91-129-4288888 Fax: +91-129-4288822-23

E-mail : info@bharatgears.com