Geared for life

**BHARAT GEARS LIMITED**
Regd. Office & Works :
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@bglindia.com
Corporate Identity Number : L29130HR1971PLC034365

**BGL/SEC/NSE/3/AUGUST 2018-2019**

**BGL/SEC/BSE/2/AUGUST 2018-2019**

**August 06, 2018**

**The Manager (Listing)**
**National Stock Exchange of India Ltd**
"Exchange Plaza", 5th Floor,
Plot No. C-1, G - Block,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400051

**SYMBOL: BHARATGEAR**

**The Manager (Listing)**
**BSE Limited**
1st Floor, New Trading Ring,
Rotunda Building
PJ Towers, Dalal Street
Fort, Mumbai – 400001

**STOCKCODE: 505688**

**Sub: Compliance of Clause 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Dear Sir,

Pursuant to Clause 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Annual Report of "Bharat Gears Limited" for the year ended 31st March, 2018.

You are requested to take the same on your records.

Thanking you,

Yours faithfully,
For **Bharat Gears Limited**

BHARAT GEARS LIMITED ★ FARIDABAD ★

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

**Encl: As above**

BHARAT GEARS LIMITED

Geared for Life

# MOMENTUM OF GROWTH



## FROM EFFICIENCIES TO ACCELERATION

ANNUAL REPORT | 2017-18




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02-18 | 19-69 | 70-126

## CORPORATE OVERVIEW


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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENT

This Report may contain certain forward-looking statements relating to the future business, development and economic performance. Such Statements may be subject to a number of risks, uncertainties and other important factors, such as but not limited to (1) competitive pressure; (2) legislative and regulatory developments; (3) global, macro-economic and political trends; (4) fluctuations in currency exchange rates and general market conditions; (5) delay or inability in obtaining approvals from authorities; (6) technical developments; (7) litigations; (8) adverse publicity and news coverage, which could cause actual developments and results to differ materially from the statements made in this report. Bharat Gears Limited assumes no obligation to update or alter forward-looking statements whether as a result of new information, future events or otherwise.



## MOMENTUM OF GROWTH
FROM EFFICIENCIES TO ACCELERATION

Technological advancements and product innovation continued to be our key drivers of differentiation. Enhanced productivity, through retrofitting and refurbishing of machines, and tightening of efficiencies, at every level, gave us a considerable competitive edge during the year gone by.

Our LEAN manufacturing approach has resulted in cost optimisation and adherence to kaizen, TQM, quality circles, safety audits, machine health check-ups, visual management, machine risk assessment audits, etc. have contributed to better efficiencies at the plant level.

All these good practices have brought us this far and provide a strong foundation for our growth launch in the future. In addition, our customer-centric approach - in terms of its innovative customisation initiatives - enables us to secure repeat business and attract fresh clients.

These are a testimony to our systems and processes and management philosophy.

# ABOUT THE COMPANY

## WHAT DRIVES US

We are one of the world's leaders in gears technology and one of the India's largest gear manufacturer. We offer a wide range of gear products, including ring gears and pinions, transmission gears and shafts, differential gears and gear boxes to clients spread across the world.

We primarily cater to customer segments - commercial vehicle, agricultural machinery, construction equipment and utility vehicle manufacturers – in India and across the globe in European, American, Mexican and Asian markets.

Our modern manufacturing facilities are located at **Mumbra** near **Mumbai, Faridabad** near **Delhi** and **Lonand,** near **Pune.**

## OUR MISSION STATEMENT

To retain and reinforce our position as a leading Indian manufacturer of automotive gears and aggregates and meet the aspirations of customers in domestic and export markets. This will be achieved through on-time zero defect supplies backed by responsive service, empowered employees, vendor partnership and satisfied investors.

## OUR VISION STATEMENT

Shall strive vigorously to delight our customers and stakeholders who are our very purpose, by pursuing excellence and innovation through committed teamwork. To this end we shall promote continuous learning, achievement orientation and ethical business practices, which will make us shine as a global player.

## OUR STRENGTHS

We are dedicated to achieving excellence in our work by maintaining the highest ethical and professional standards. While our greatest strength is our ability to understand our client goals, our success can be attributed to strong teamwork, continuous R&D and the dedication and commitment of each and every member of the BGL family to deliver unsurpassed quality and reliable products & services to the total satisfaction of all our customers.

MUMBRA PLANT








FARIDABAD PLANT

New Customers added are:

1. Tuff Torq – Turkey
2. ZF Germany
3. International Tractors Limited

Product range expansion from the following customers:

1. Eaton Corporation
2. Carraro India Limited
3. John Deere India
4. John Deere Iberica
5. Dana India
6. VST Tillers & Tractors
7. Escorts

LONAND PLANT



# OUR BUSINESS SEGMENTS

## GEARS

For over four decades, we have led the most important advances in gear manufacturing in India. Not only are we the preferred supplier of automotive gears for heavy, medium & light trucks, utility vehicles, tractors and off highway vehicles but we have emerged as one of the largest gear manufacturer for OEMs in India and a major exporter to USA, Europe and Asian countries, as well. Today we embody the leading edge in gear technology.

We manufacture a range of nearby half of a million hypoid/ spiral ring gears and pinion sets to service a variety of vehicles. With state-of-the-art machines we are equipped to satisfy the most discerning customers, not only by offering them a choice of system (Gleason and Oerlikon) but also through our ability to design and develop hypoid/spiral gears. Our gear sets see application in heavy, medium and light duty trucks, buses, tractors, utility vehicles, forklift trucks, cooling towers and so on. In addition, we manufacture differential crosses of various sizes as well as complete sub-assemblies of differentials.

Where gear boxes are concerned, we manufacture synchromesh gear boxes (light-weight with aluminium housing) for light commercial vehicle applications, under licence from ZF Friedrichshafen of Germany.

Our facilities also includes state-of-the-art machines which enable us to undertake gear shaping, hobbing, shaving and gear grinding as well as gear testers & induction hardening machines. We manufacture over a million transmission components annually.

## AUTOMOTIVE COMPONENTS

Our Automotive Components Division supplies a wide array of automotive parts engineered to excellence. These include, Automotive Clutch and components, Turbo Chargers and components, Driveline Products, Axle Shafts, Fly Wheel Assemblies & Rings, Propeller Shaft components U-J Cross, Steering Components, Differential Cages, Steel Wheel Rims among many others.

These products carry the same lineage of reliability that Bharat Gears is trusted for by its Customers and Partners. Our Automotive Components Division is responsive, diligent and has a keen eye for the ever-growing demand of its products, and changing Customer requirements. In last couple of years, aftermarket segment faced major disruptions like de-monetisation and implementation of GST. Volumes are expected to improve in FY 2019 based on stable market conditions.



## FURNACES

Taking advantage of our core competency in heat treatment technology, we started constructing furnaces in 1978, initially for captive use. Within 4 years, we added a commercial dimension to this activity.

Furnace Division has been building batch and continuous heat treating furnaces since 1982, to the designs of AFC - Holcroft, USA. The furnaces have features that are time-tested for reliability and have proved to be operator-friendly, easy and economical to maintain in service under Indian conditions.

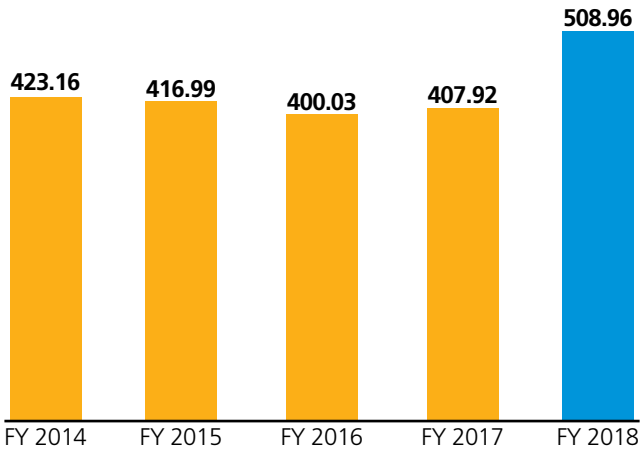
Our technology and experience in furnace building, coupled with our expertise in commissioning, operation and process control give us an edge in covering all aspects of heat-treating equipment to meet our customers requirements in full. On account of significant upturn in the auto component industry, capital investment proposals are being looked at by various customers. In view of this, the business plan for FY 2019 is significantly higher than FY 2018. Major customers being –

- Timken India Limited
- Avdhoot Heat Treat Pvt. Ltd.
- American Axle & Manufacturing Pvt. Ltd.

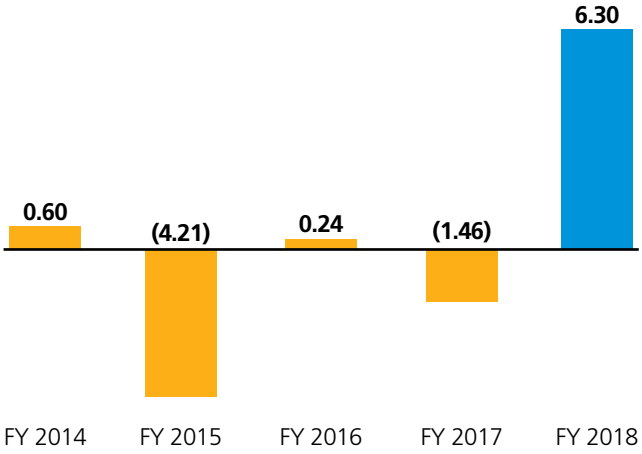
In addition to this, the furnace division shall construct heat treatment equipment at BGL's own plant.

# FINANCIAL HIGHLIGHTS

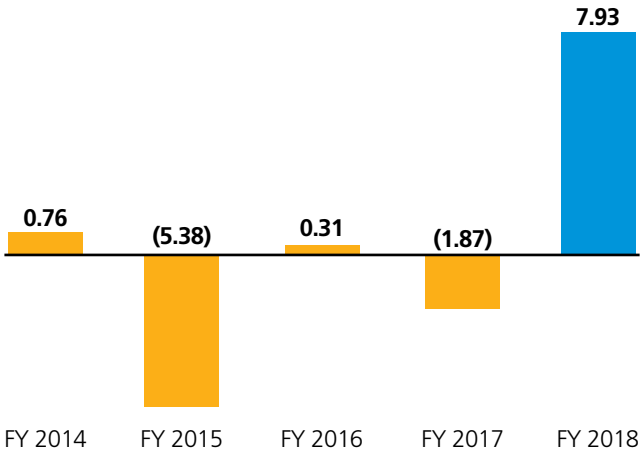
## Net Sales (₹ in Crores)



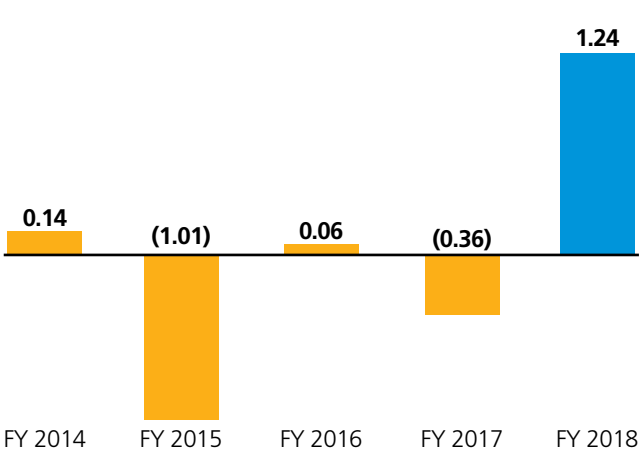

## Profit After Tax (₹ in Crores)



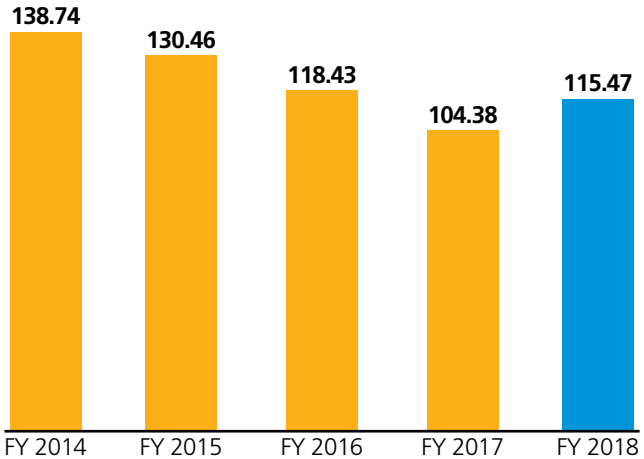

## Earning Per Share (₹ Per Share)



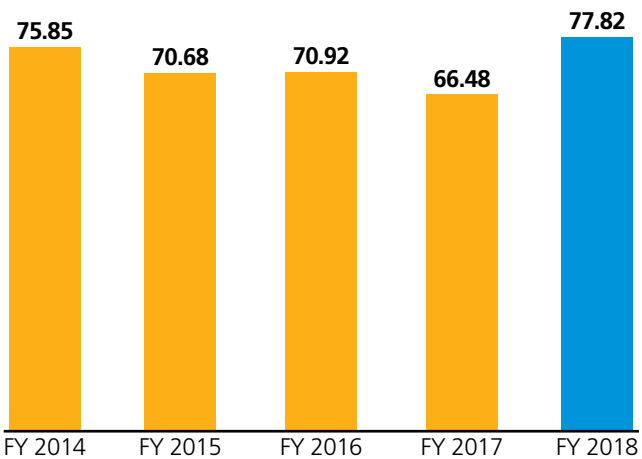

## Net Profit Margin (%)




## Fixed Assets (₹ in Crores)




## Shareholders' Fund (₹ in Crores)




*Figures from FY 2014 to FY 2016 are as per Indian GAAP and figures for FY 2017 and FY 2018 are as per IND-AS

# CLIENTELE AND DEALERS NETWORK

## OUR CLIENTELE

In our constant endeavor to expand our customer base, we are continuously seeking ways to improve our customer servicing capabilities across the globe. With these persistent efforts, our products have been able to make our presence felt in India as well as Europe, USA, Mexico, Latin America and Asia.




## OUR DEALERSHIP NETWORK

Over the years, we have cultivated an extensive network of dealers that expand across the length and breadth of the country. As our representatives, they stock an array of our auto-components which are designed, sourced, tested and distributed by BGL.

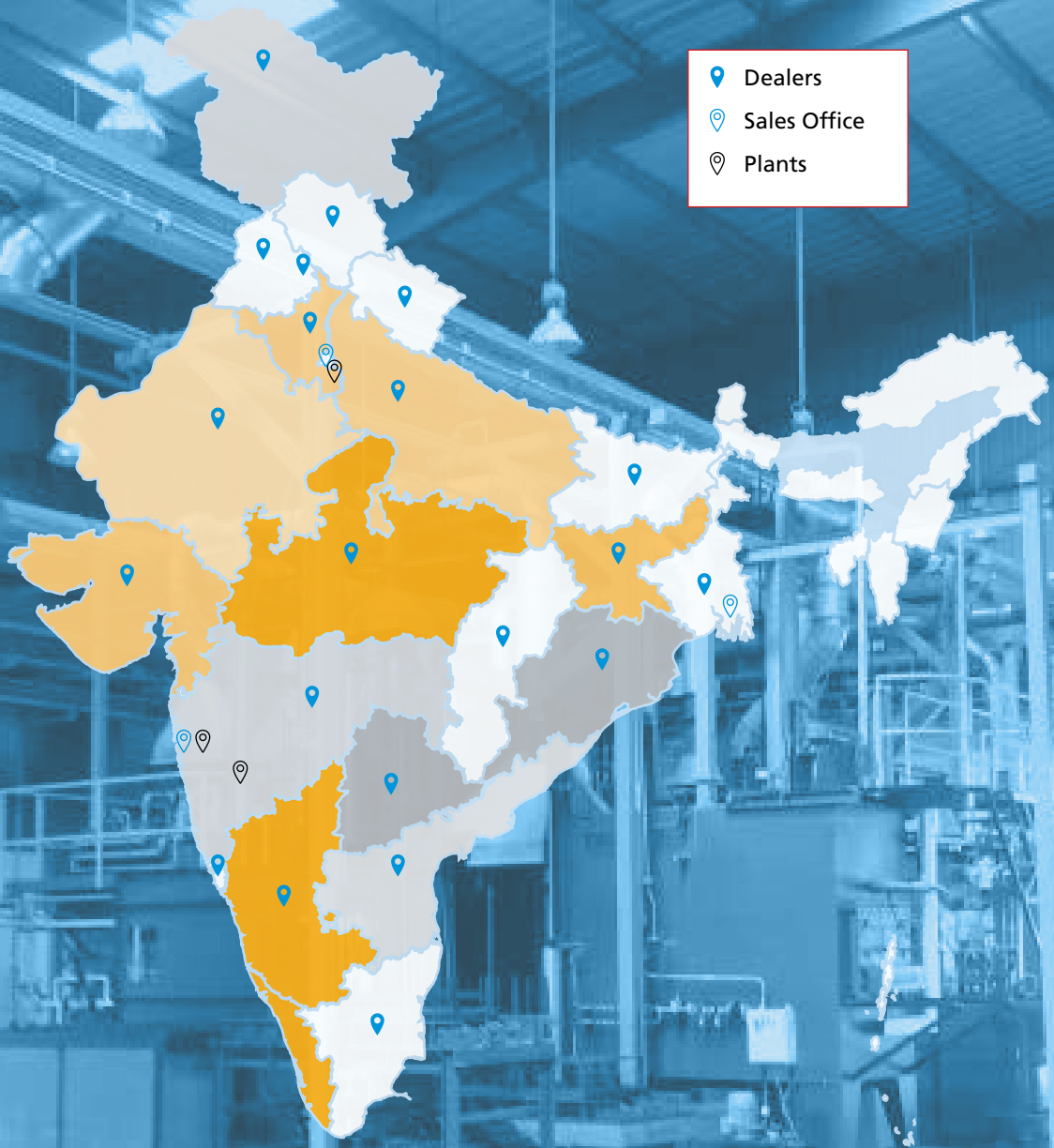
| | | | |
|---|---|---|---|
| Himachal Pradesh | 1 | Jammu & Kashmir | 2 |
| Punjab | 1 | Goa | 1 |
| Chandigarh | 1 | Bihar | 3 |
| Delhi | 6 | Jharkhand | 2 |
| Delhi | Sales Office | Chhattisgarh | 2 |
| Haryana | 2 | Odisha | 2 |
| Rajasthan | 3 | West Bengal | 4 |
| Uttar Pradesh | 2 | Kolkata | Sales Office |
| Uttarakhand | 1 | North Eastern States | 3 |
| Gujarat | 2 | Andhra Pradesh | 1 |
| Madhya Pradesh | 4 | Karnataka | 5 |
| Maharashtra | 9 | Tamil Nadu | 5 |
| Mumbai | Sales Office | Kerala | 5 |

## CLIENTELE FOR OUR FURNACES

With the capabilities that we have achieved in furnace building as well as expertise in commissioning, operating and process control in furnaces, we are able to meet our customers' furnace requirements completely and adequately.



# DEALERS AND GEOGRAPHIC FOOTPRINT




**Dealers** 67

**Plants** 3

**Sales Office** 3

From plants located at Mumbra, near Mumbai and Lonand, near Pune (Maharashtra) and Faridabad, Haryana, near Delhi, we have developed a client presence across the country through our branches, dealership networks and direct industrial end-consumer clients.

# GAINING GROWTH MOMENTUM

The year gone by marked a smart recovery for BGL, from the combination of adverse external and internal factors that impacted its business in FY 2017. To begin with, alongside the rest of the automotive components industry, BGL too was hit by the Government's demonetisation drive and the apprehension that surrounded the implementation of GST. With a robust turnaround in the demand scenario, it moved past these transient setbacks to put up a steady performance in FY 2018.

Looking ahead, both the external as well as internal landscapes for BGL have changed. As the clouds have rolled by, it has become clear that the Company is being favored by tailwinds in the form of external developments as well as internal strengths.

## EXTERNAL FACTORS

The economy is gearing up for greater growth.

After a period of transition, which was necessary to launch the economy on to a higher growth trajectory, it is once again back on the path of high growth. Amendments to real estate sector regulations boost to agriculture through various debottlenecking efforts, liberalisation of FDI norms, fast tracking of infrastructure projects, digitalisation of transactions in the financial sector, etc. will go a long way towards making the fresh impulses of growth sustainable.

## DEMAND DRIVERS FOR BGL PRODUCTS

Agriculture is still the backbone of the economy in terms of employment and as well as demand. While nature has been munificent, providing two good consecutive monsoons, the Government is also doing its bit to ensure that farmer incomes increase. Be it measures to ensure better prices for their produce, less post-harvest wastage due to agricultural logistical infrastructure or simply access to better funding. This, in turn, will lead to greater investments in farm equipment, including tractors, one of the main products of BGL clients.

Construction equipment manufacturers form a significant portion of BGL clients. The Government is relentlessly focused on building world-class infrastructure and has made significant allocations to this mission in the 12th Five-Year Plan as well as in the Union Budget 2018. Side by side international funding agencies have committed to this cause. This is expected to create a huge demand for construction equipment, the manufacture of which is expected to grow both in volume as well as in value terms. Once again, this translates into greater demand for BGL products.

On the back of better economic growth, the automobile sector is also seeing a robust pick-up, both domestically and in the international markets, too. With strong global economic growth expected to continue, by both the World Bank and the IMF, for at least the next 2-3 years and the Indian economic growth projected to hover above 7% in the near future, a pick-up in the auto and auto ancillary industry is imminent – both domestically as well as internationally. With clients spread across India as well as European, American, Mexican and Asian markets, BGL is well positioned to cater to this opportunity.

We are constantly looking for ways to advance the art of Gear Manufacturing and keeping abreast with the latest technology to ensure that we deliver only the highest quality product.

## INTERNAL FACTORS

At BGL, we are constantly focused on enhancing our process efficiency, product quality and customer connect. These attributes, together with our emphasis on manpower training, automation and product innovation ensure that we are able to leverage our edge in the marketplace for our products. Our quality-centric team approach to manufacturing ensures products of the finest quality, giving drive to some of the most advanced vehicles manufactured globally.

With the strong growth momentum in the automobile sector, especially in agriculture, in FY 2018, we witnessed higher demand from all the segments, particularly from domestic OEMs and overseas customers. The replacement market also posted marginal growth in the aftermath of demonetisation and the implementation of GST.

Being a highly capital intensive business, we faced transient capacity constraints in the light of this sudden spurt in demand. Despite this, by 31 March, 2018, BGL recorded a 25% YOY growth in revenue from operations by undertaking various innovative capacity enhancement initiatives.

We worked towards improving productivity by ensuring that all our facilities remained state-of-the-art, through an upgradation of our technology by adding new gear cutting/ grinding machines. We also undertook a considerable level of retrofitting and reconditioning of old conventional machines to bring them up to date. Altering our tooling and manufacturing techniques further extended our supply reach and in line with our broader objective of augmenting automation, we instituted low-cost automation for gear hobbing machines and gear shaping machines. All these initiatives enabled us to deliver revenue that was higher by 25% than last year. These higher volumes led to better absorption of fixed costs and resulted in better EBITDA margins.

We also pursued innovative ways to strengthen our financial base. Necessary provisions for financial resources have been made to support the growth initiatives. Investment plans for the coming fiscal year have been finalised.

We incessantly strive towards improvement of our quality management systems with our objective of doing things right, the first time and every time. We have a committed, competent and highly motivated workforce who have internalised our conducive and strong TQM culture. Quality being our backbone, we are continuously thriving towards 'Customer Delight' and our products see the light of most developed OEM's and After Markets of the world.

Our standards of customer service distinguish us from our competitors. Our focus is to identify the needs of the customer in terms of quality, performance, delivery and to provide the product at the right price. We pursue open and long-term relationships based on mutual gains and encourage win-win relationships with our customers and suppliers.



# CHAIRMAN'S COMMUNICATION TO SHAREHOLDERS

**Gears Business grew by**

**26.78%**

We are committed to continue with our LEAN enterprise and operational excellence journey in the coming financial year.

## DEAR SHAREHOLDERS

FY 2017-18 marked a reversal in the performance of the Indian economy. Although the GDP growth declining to 6.7% in FY 2017-18, after clocking 7.1% in FY 2016-17, there was a distinct improvement in growth in the second half of the year. Q3 FY 2017-18 was characterised by signs of acceleration in the growth of corporate sales, a depleting finished goods inventories and a revival in corporate investments in fixed assets and an overall pick-up in the CAPEX cycle. In fact, it is a matter of pride that India has now claimed the position of the world's sixth largest economy. While the IMF projects that India will grow at 7.4% in FY 2019 and 7.8% in FY 2020, the World Bank expects growth to reach 7.3% in FY 2019 and accelerate to 7.5% in FY 2020. All these factors, when seen against the backdrop of two consecutive good monsoons indicate good demand for your Company's products within the country, coming years.

The global economy also delivered a strong growth of 3.7% for FY 2017, on the back of robust growth in emerging markets and developing economies alongside steady growth in advanced economies. This bodes well for your Company, as it implies robust economic activity in our export markets.

In this optimistic environment, your Company has put up a good performance in FY 2017-18. The gross turnover increased 18.29% from ₹ 434.37 Crores in FY 2016-17 to ₹ 513.84 Crores in FY 2017-18 due to higher offtake from both domestic OEMs and overseas customers. The gears business grew by 26.78% in FY 2017-18 from a figure of ₹ 359.22 Crores in FY 2016-17. The Company has achieved a net profit of ₹ 6.30 Crores for the year ended 31 March, 2018, after incurring a loss of ₹ 1.46 Crores for the year ended 31 March, 2017.

In light of positive sentiments in both domestic & global markets, your Company is confident of posting similar growth in topline in upcoming financial year. Investment initiatives are being drawn up to support this as well as maintain our position as the leader in gear technology in India.

As in the past, we have focused on improving our efficiency and quality through in-house retrofitting and rebuilding of our capital equipment. Where necessary, we have invested in fresh equipment and latest technology. We have moved ahead with our automation drive and robotic solutions initiative, both in terms of softline and hardline technology.

We continued with our customer feedback programme in the form of score cards which give us critical inputs for improvement. After analysing these, we reconsider our actions on delivery, quality and communication to achieve greater efficiency and accuracy in our products.

While we have focused on improvement of our machinery, we have laid great emphasis on enhancing the quality of our human resources too as we realise that it is a crucial input component. We have recruited and given on-the-job training to fresh employees. At the same time, we ensure that we hone the skill sets and knowledge of existing staff by updating their education suitably in various facets including technology, behavioral training, Communicative aspects, Six-Sigma training, etc.

We are committed to continue with our LEAN enterprise and operational excellence journey in the coming financial year. Towards this end, we plan to undertake various initiatives at strategic and ground level to achieve these objectives.



**Net profit for FY 2017-18**
**₹ 6.30 Crores**

Before I conclude, I would like to thank our clients for their unstinted support. I would also like to convey my appreciation for the valuable advice provided by my colleagues on the Board and the management team; and for the steadfast dedication of all employees across various locations.

Last but not the least, I would like to thank our business associates, bankers and all stakeholders for the trust that they have reposed in Bharat Gears. We look forward to your continued support while we endeavor to take the momentum of growth ahead from efficiencies to acceleration.

Regards,

**Surinder Paul Kanwar**
Chairman & Managing Director

# OPERATIONAL HIGHLIGHTS

Policy of 'No Compromise' on safety led to accident free environment across all plants

Involved employees contributed to improve operating efficiencies

Initiatives on machine retrofitting, automation resulted in cost optimisation

Production ramp-up at new plant at Lonand, near Pune enabled to cater to rising demand from customers

## MUMBRA PLANT







## FARIDABAD PLANT





## LONAND PLANT








Focus on 'Customer delight' helped to significantly reduce customer complaints

Investment plans are in place to support further growth

Roofing replaced with MS Galvanised sheets including transparent Polycarbonate sheets to facilitate better lux level and turbo ventilators have been installed for better ventilation





# BOARD OF DIRECTORS

1

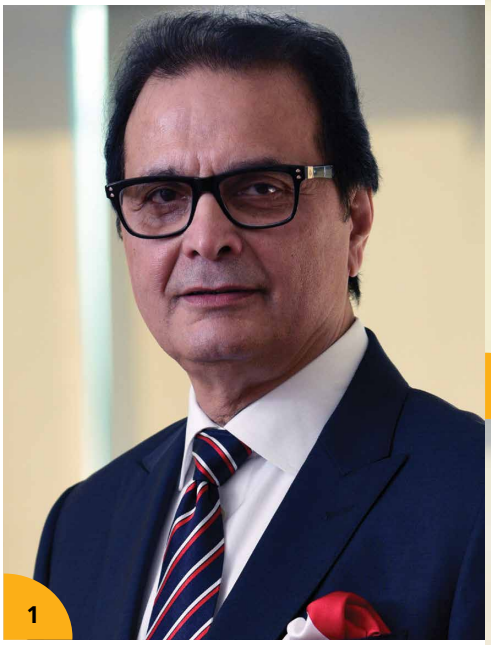
## MR. SURINDER PAUL KANWAR
DIRECTOR

Mr. Surinder Paul Kanwar is the Chairman and Managing Director of Bharat Gears Limited. A commerce graduate from Delhi University, Mr. Kanwar is immensely experienced and has in-depth knowledge of the core business of the Company i.e. Automotive Gears. He has wholesome exposure on all aspects of business of the Company and is engaged in supervision and conduct of business of the Company, along with a team of senior management personnel, who assist him in carrying out his activities, subject to the overall supervision and control of the Board. He has been associated with Late Dr. Raunaq Singh Group since 1975. He has also worked at various managerial positions in various Raunaq Group Companies viz. BST Manufacturing Limited (Bharat Steel Tubes Limited), Raunaq EPC International Limited, Raunaq and Company Pvt. Ltd., to name a few. Mr. Kanwar is on the Board of Bharat Gears Limited since 29 September, 1982. He is the Chairman and Managing Director of the Company since 29 October, 2002.

2

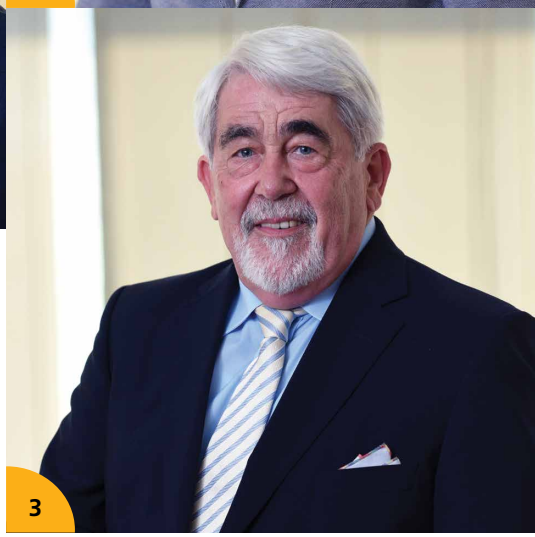
## MR. SAMEER KANWAR
DIRECTOR

Mr. Sameer Kanwar, a young and energetic person, is a third generation Entrepreneur. As Executive Director-Strategic Planning of Bharat Gears Limited, he has spearheaded the Business Operations of the Faridabad plant of the Company. He holds a Bachelor's Degree in Business Economics from York University, Canada. Subsequently, he received two years training in the areas of Planning, Finance and Control at ZF Friedrichshafen AG, Germany, the world's largest maker of drivelines and chassis for automobiles. He has overall experience and exposure in Marketing, Purchase and Management. He believes that creation of a successful organisation needs nurturing of people and developing a climate that recognizes performance and leadership. Mr. Sameer Kanwar is the Joint Management Director of the Company since 01 June, 2008 post Board of Directors approval in its meeting held on 28 May, 2008.










3

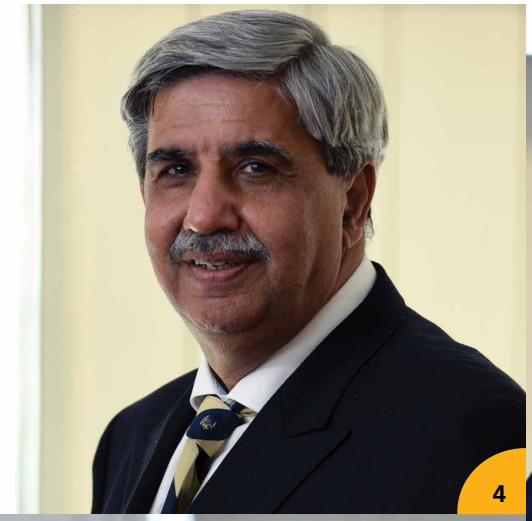
## MR. WOLFGANG RUDOLF SCHILHA
DIRECTOR

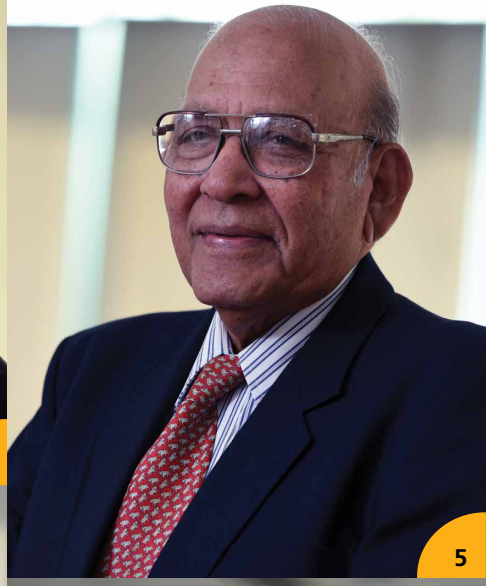
Mr. Wolfgang Rudolf Schilha is a Non-Executive Independent Director on the Board of the Company since 26 February, 1986. Mr. Schilha, in Tettnang, Germany is graduate of Business Administration. He retired from ZF Germany as the "Executive Vice President, International Strategic Projects of the Commercial Vehicle division of ZF, after having managed Truck and Bus Transmission Sales, ZF Corporate Worldwide Service Network and up to June 2013 the strategic business unit Bus Driveline Technology at ZF." He was also the Chairman of ZF Drivetech (Suzhou) Ltd. in Suzhou, PR China, ZF Beiben Drivetech Company Ltd. Chongqing PRC and Chairman of the Supervisory board at ZF Hungaria Kft. in Eger, Hungary. He is immensely experienced and has international exposure on various facets of Auto Industry as a whole including Gear Technology. He is having expertise in the area of sales, marketing and service.

4

## MR. RAKESH CHOPRA
DIRECTOR

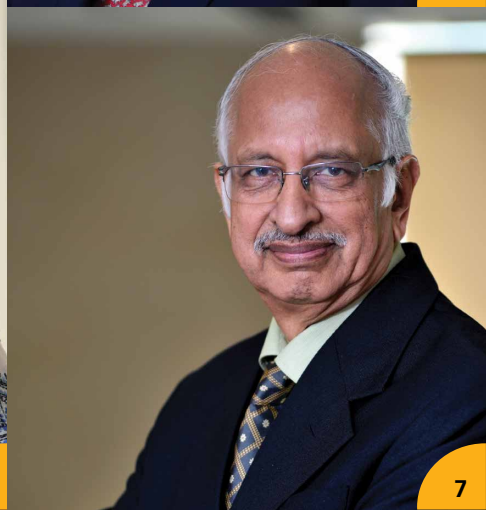
Mr. Rakesh Chopra, is a Non-Executive Independent Director of the Company. He has been associated with the Company with more than a decade. He is a qualified Chartered Accountant (England & Wales) and an MBA from Cranfield University, U.K. He has spearheaded various industry groups at top management levels including Escorts till September 2006. He has rich experience of around 37 years. He is also a director and Audit Committee Chairman in Minda Corporation Limited and director in G.P.R. Enterprises Pvt. Ltd., Kempty Cottages Pvt. Ltd. and Pragma Holdings Pvt. Ltd. He is also Founder member and Chairman of Indraprastha Cancer Society.










**5**

## MR. VIRENDRA KUMAR PARGAL
DIRECTOR

Mr. Virendra Kumar Pargal is a Non-Executive Independent Director of the Company since 24 January, 2002. Mr. Pargal is a qualified Chartered Engineer from England. He is also on the Board in Raunaq EPC International Limited and Xlerate Driveline India Limited "the Companies within the group".

**6**

## MS. HIROO SURESH ADVANI
DIRECTOR

Ms. Hiroo Suresh Advani has been associated with the Company as Non-Executive Independent Director w.e.f. 30 January, 2014. She has over 45 years work experience in the field of Trade Finance, Project Finance, Corporate Banking, Technology Upgradation Programme (TUF) etc. in the organisations viz. Reserve Bank of India, Industrial Development Bank of India, Export Import Bank of India etc. She has also served as Nodal officer of EXIM Bank for CDR Cell and represented EXIM Bank for TUF meetings Min. of Textiles, GOI. She worked as Chief General Manager with EXIM Bank till 2005 and subsequently upon retirement, she served as Adviser in EXIM Bank till March 2009. She is a Post Graduate in Arts and CAIIB from Indian Institute of Bankers.

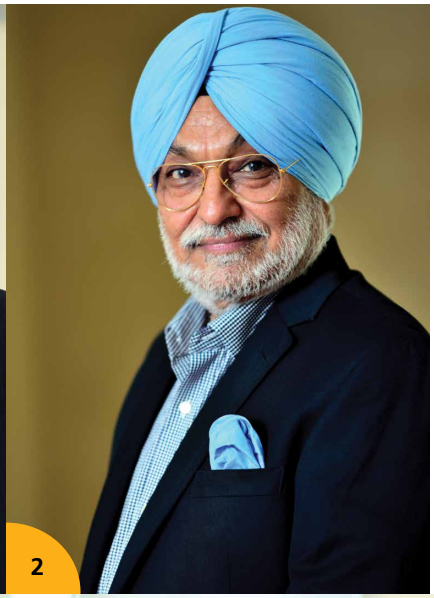
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## MR. NAGAR VENKATRAMAN SRINIVASAN
DIRECTOR

Mr. Nagar Venkatraman Srinivasan is a Non-Executive Director of the Company w.e.f. 03 November, 2017. He is a graduate in Mechanical Engineering. He has done MS in Industrial Engineering from University of Illinois and he is an MBA from Graduate School of Business of the University of Pittsburgh in USA. He has rich experience of 48 years. He is also the Non-Executive Director in Raunaq EPC International Limited ("the Company within the Group").

# SENIOR MANAGEMENT


1


2


3


4


5

1
**MR. NARESH VERMA**
CORPORATE HEAD -
HR & OPERATIONS

2
**MR. JAGDEEP SINGH**
BUSINESS HEAD - AFTER MARKET

3
**MR. MILIND PUJARI**
CHIEF FINANCIAL OFFICER

4
**MR. K.K. DESHPANDE**
HEAD - OE MARKETING & BUSINESS
DEVELOPMENT

5
**MR. PRASHANT KHATTRY**
HEAD - LEGAL & COMPANY
SECRETARY

# CSR INITIATIVES

BGL actively corporates to this cause with the support of Action for Autism (AFA), which is the largest non-profit non-government organisation that works for the betterment of persons with autism and their families.







## CSR

The Board of Directors of Bharat Gears Limited, in its meeting held on 28 January, 2015 approved the Corporate Social Responsibility (CSR) policy as recommended by the CSR Committee in terms of provisions of Section 135 of the Companies Act, 2013 (available on the Company's website i.e. www.bharatgears.com under the link: http://bharatgears.com/documents/corporate- social-responsibility-policy.pdf).

Once again, during FY 2017-18, Bharat Gears Limited (BGL), a pioneer of Gear Technology in India and one of the largest gear manufacturers, did not fall under the conditions necessary for complying with the CSR provisions.

Nevertheless, the Company continued to voluntarily work towards enhancing the standard of living of its stakeholder communities, through initiatives in the areas of health and environment which it has been undertaking over the past few decades. These initiatives form an integral part of the activities as enumerated in the CSR policy of the Company which has been adopted after the enactment of the Companies Act, 2013.

Tapping the knowledge and expertise of various NGOs in their respective fields, by enlisting them as implementing partners, Bharat Gears contributes to selected causes that could uplift segments of society. Some of the activities undertaken by us are mentioned below:

### CARING FOR AUTISM

There are nearly 2 million autistic persons in India and the diagnosis of autism is growing at an alarming rate. This neurological disability is a complex lifelong affliction which affects a person's communicative and imaginative skills and ability to relate with the people. A number of autistic children do not even develop proper speech while others do but are rarely able to use the language for clear communication as the symptoms range from mild learning and social disability to severe impairment.

BGL actively corporates to this cause with the support of Action for Autism (AFA), which is the largest non-profit non-government organisation that works for the betterment of persons with autism and their families.

### INFRASTRUCTURE ENHANCEMENTS AND GREEN INITIATIVES

BGL continues to undertake construction of infrastructure that facilitates the approach and local logistics surrounding its plant location.

In keeping with its concern for protection of the environment, the Company has also been actively supporting the causes that culminate in ensuring sustainability on the planet. It undertakes green initiative by developing and maintaining greenery in the vicinity of the plant, thus contributing towards creating a clean and green environment.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Executive Directors**

Mr. Surinder Paul Kanwar, Chairman & Managing Director

Mr. Sameer Kanwar, Joint Managing Director

**Non-Executive Director**

Mr. Nagar Venkatraman Srinivasan

**Independent Directors**

Mr. Wolfgang Rudolf Schilha
Mr. Rakesh Chopra
Mr. Virendra Kumar Pargal
Ms. Hiroo Suresh Advani

## AUDIT COMMITTEE

Mr. Rakesh Chopra, Chairman
Mr. Virendra Kumar Pargal
Ms. Hiroo Suresh Advani

## STAKEHOLDERS' RELATIONSHIP COMMITTEE

Mr. Rakesh Chopra, Chairman
Mr. Sameer Kanwar
Mr. Nagar Venkatraman Srinivasan

## NOMINATION & REMUNERATION COMMITTEE

Mr. Virendra Kumar Pargal, Chairman
Mr. Rakesh Chopra
Mr. Surinder Paul Kanwar
Mr. Nagar Venkatraman Srinivasan

## CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Surinder Paul Kanwar, Chairman
Mr. Sameer Kanwar
Mr. Rakesh Chopra

## FINANCE COMMITTEE

Mr. Rakesh Chopra, Chairman
Mr. Surinder Paul Kanwar
Mr. Sameer Kanwar
Mr. Virendra Kumar Pargal

## AUDITORS

S R B C & CO LLP
Chartered Accountants
22, Comac Street, Block 'C',
3rd Floor, Kolkata - 700 016

## BANKERS

State Bank of India
IDBI Bank Limited
HDFC Bank Limited

## NBFC

KKR India Financial Services Private Limited

## REGISTRAR & TRANSFER AGENT

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

## PLANT LOCATIONS

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

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

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

## REGISTERED OFFICE

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

## CORPORATE OFFICE

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

## BRANCH OFFICE

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

Mookherjee House
17, Brabourne Road,
Kolkata - 700 001

# MANAGEMENT DISCUSSION & ANALYSIS

## ECONOMIC OVERVIEW

### Global

According to the International Monetary Fund's (IMF's) World Economic Outlook, April 2018, global output has grown by 3.80% in 2017. In fact, the report states that the global economic upswing that begun around mid-2016 has become broader and stronger.

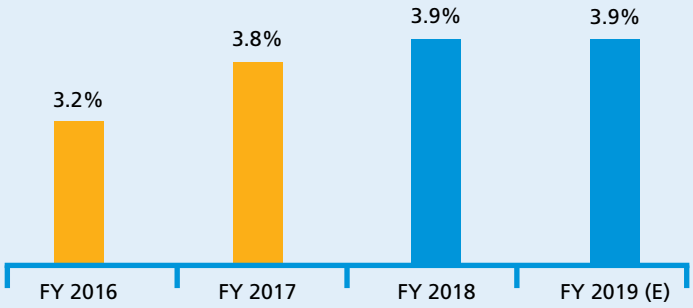
Global trade witnessed a notable rebound, driven by an investment recovery in advanced economies, continued strong growth in emerging Asia and a notable upswing in emerging Europe and several signs of recovery in commodity exporters.

Among advanced economies, Germany, Japan, Korea and the United States put up a good performance in 2017. At the same time, amongst the key emerging market and developing economies, Brazil, China, Mexico and emerging Europe posted stronger than expected growth during the year.

Advanced economies as a group will continue to expand above their potential growth rates this year and next year before decelerating, while growth in emerging market and developing economies will rise before leveling off. While the report stated that such strong and broad-based growth has not been seen since the world's initial sharp 2010 bounce back from the financial crisis in 2008-09, it also cautioned that over the medium term, global growth is projected to decline.

Accordingly, the IMF advises that policy makers should seize this opportunity to bolster growth, make it more durable and equip their Governments better to counter the next downturn. Within this milieu, it projected that in the emerging

**GLOBAL ECONOMIC GROWTH**




*(Source: IMF's World Economic Outlook, April 2018)*



and developing economies, growth would remain close to its 2018-19 levels as the gradual recovery in commodity exporters and a projected increase in India's growth will offset China's gradual slowdown to some extent.

### Domestic

According to Central Statistics Office, India's Gross Domestic Product (GDP) growth for FY 2018 is pegged at 6.70%. While this is lower than the 7.10% clocked in FY 2017, the intermittent dip in the growth rate is attributed to the fact that the economy recently received two major policy shocks in the form of demonetisation and the implementation of Goods and Services Tax (GST). The return to 7%+ growth, in the October-December quarter of FY 2018, which registered a growth of 7.20%, is viewed as an indicator that the economy has successfully adjusted to these shocks and recovered.

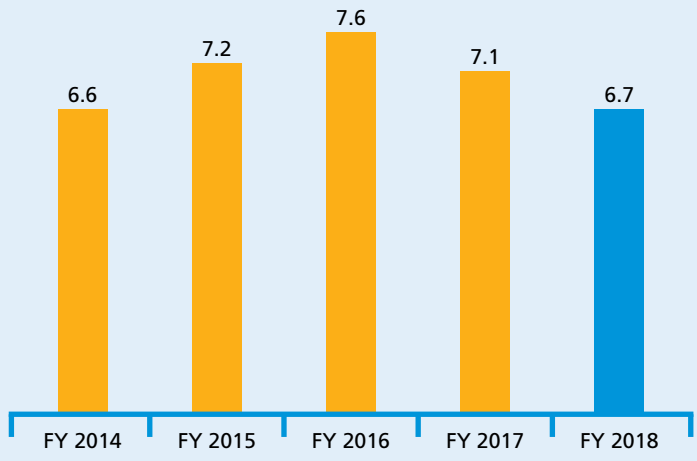
Taking a more optimistic view, the World Bank has projected that the Indian economy will grow at 7.30% in 2018 and 7.50% in the next two years. It stated that the Indian economy has enormous growth potential due to the implementation of comprehensive reforms. One of the World Bank's Directors has opined that in all likelihood, India will register a higher growth rate than other major emerging market economies in the next decade and therefore the focus should not be on short-term numbers. A look at the big picture for India reveals that the country has enormous potential.

Retail inflation, as measured by the Consumer Price Index (CPI), in India began to rise in July 2017, post GST implementation. However, after climbing steadily till December 2017, it began to decline, reaching a five month low of 4.28% in March 2018.

Accordingly, in its June 2018 bi-monthly monetary policy, projected that CPI inflation would be 4.60% in H1 FY 2018 and 4.70% in H2 FY 2018 (excluding the impact of HRA revisions). It also decided to increase the policy repo rate by 25 basis points and keep its stance neutral. The monetary policy committee also reiterated its commitment to achieving a medium-term target for headline inflation of 4.00% on a durable basis.

The Government proceeded with its reforms in various sectors, aiming to achieve a growth rate of 7.00 - 7.50% in FY 2019 and a growth of above 8.00% in the near future as manufacturing, services and exports return to their good growth path. The focus of the Union Budget 2018 was on strengthening agriculture, rural development, health, education, employment, MSME and infrastructure sectors. Some landmark proposals included the mission to increase farmer income by 2020 alongside the setting up of 22,000 rural haats to protect the interests of small and marginal farmers. Towards enhancing the country's existing infrastructure and creating world-class structures, the

**INDIA'S GDP GROWTH** (In %)




*(Source: CSO)*






Government allocated ₹ 5,97,000 Crores towards the sector and committed to build one crore houses in the rural areas towards fulfilling its target of Housing for All by 2020.

On the trade front, Indian exports rose 9.80% during FY 2017-18; this was the highest growth rate in six years. Imports went up nearly 20.00% as commodity prices pushed up the value of shipments in and out of the country along with a pick-up in global trade. However, the trade deficit was estimated to have widened to USD157 billion in FY 2017-18, compared to USD109 billion in FY 2016-17.

Overall, the optimistic global outlook as well as a strong pick-up in the domestic economy bode well for capital goods.

## INDUSTRY OVERVIEW

### Tractor Industry Overview

The Tractor industry in India is considered as a barometer of the rural economy's state of health. It accounts for about one-third of the global production of tractors and although it is relatively young, it has become the largest market worldwide too (excluding sub 20 hp belt driven tractors used in China), followed by China and the US. Today, the size of the Indian Tractor market has grown to over 7,00,000 units.

Until the 1960s, the demand of the tractors in India was catered to by imports. However, in 1961, indigenous manufacture of tractors begun. The Indian Tractor Industry has come a long way since then. Over the past 40 years, despite ups and downs from year to year and seasonal vagaries, tractor demand and consequentially the Industry volumes have grown at a CAGR of 7.50%.

The monsoon plays a great role in the growth of agricultural production in India, which, in turn determines rural demand, especially for capital goods including tractors. According

to the Tractor and Mechanisation Association (TMA), in FY 2017, the normal monsoon was a key driver of growth, fueling production and boosting farmers' income. This led to a subsequent growth in tractor demand. The Association further revealed that all key states such as Maharashtra, Madhya Pradesh, Bihar, Karnataka, Gujarat, Andhra Pradesh and Uttar Pradesh showed a positive growth. The southern region outpaced all other regions on a consistent basis over the past three years, with growth being led by a robust demand in Andhra Pradesh, Tamil Nadu and Telangana. Government's support programmes and improved rural sentiments helped to maintain the growth trajectory in these states. The eastern region also reported strong volume growth in FY 2017, albeit on a low base, benefiting from various government initiatives to boost farm mechanisation. The recovery in demand in the central and western regions had been led by improved farm sentiments on account of estimates of improved crop production and resulting higher farm income. The northern region continued to lag the pan India growth. Uttar Pradesh, the largest tractor market in the region, recorded healthy growth but other key markets of Rajasthan and Punjab continued to struggle as a result of weak haulage and replacement demand respectively.

Due to two successive good monsoons, improved crop production, easy financing options and a growing use of tractors for non-agricultural purposes, tractor sales have been on a continuous rise during FY 2018. Tractor manufacturers have also benefited from higher demand that emerged from the Government's focus on roads and highways development as seen in Bharatmala project. This was also a positive factor for the higher tonnage tractor segment. Although there were variations in growth rates in different regions across India, most regions clocked moderate to healthy growth in volumes. This boosted total industry volumes to a new peak of 7,11,400 during FY 2018.

| Financial Year | Total Tractor Sales |
|---|---|
| FY 2015-16 | 4,93,400 |
| FY 2016-17 | 5,81,500 |
| FY 2017-18 | 7,11,400 |

(Source: http://www.autopunditz.com/autopedia/tractor-sales-statistics-india/)

Going ahead, the Government's boost to the agricultural and rural segments will drive domestic sales in this segment while the global pick-up could boost OEM and tractor exports.

A research report from CRISIL projects that over the next five years (fiscal 2018 to 2022), the following factors will support 8-10% growth:

- The Government's objective of doubling farm incomes by 2022 via initiatives such as e-NAM (National Agricultural Market), expansion of crop insurance coverage and improvement in land productivity via soil health cards. These measures should improve farmers' affordability and boost tractor penetration.



- The Government's thrust on enhancing irrigation intensity and making the nation more drought-proof is expected to support agriculture growth and increase mechanisation.

- Tractor applications are now extending to other farming activities such as cultivation, seeding, inter-cultivation, weeding and spraying.

- Increased multi-cropping and commercial usage of tractors is propelling tractor demand.

- Custom-hiring centers are being promoted through government incentives and encouraging small farmers to lease tractors.

### Construction Equipment Industry

The Indian construction equipment industry holds immense potential due to the large demographic base and the infrastructure gap within the country. Alongside continuously expanding transport networks comprising roads, highways, bridges, ports, airports, etc., development of affordable housing solutions on a mammoth scale is inevitable. The Indian government and private players both domestic and foreign are making serious investments in power, transportation, airports and ports to cover the logistics deficit. The construction sector growth predicates the overall GDP growth rate and the Government is driving policies in order to provide a fillip to construction and infrastructure activities.

According to India Brand Equity Foundation (IBEF), with the sale of 76,000 units of construction equipment, the industry has witnessed growth at a CAGR of 4.76% during FY 2007-16. The sale of construction equipment in India is estimated to grow at a CAGR of 6.18%, in volume terms, and reach to 96,700 units by FY 2018 from 50,000 in FY 2007.

By FY 2020, construction equipment industry's revenue is estimated to reach to USD 5 billion. Revenues for the industry increased at a CAGR of 8.38% during FY 2007-14 and are estimated to rise at a CAGR of 2.34% between FY 2007-20, due to the rapid infrastructure development undertaken by the Government of India.

### Automobile Industry

The automobile industry, which comprises commercial vehicles, passenger cars, and three and two-wheelers, is one of the largest in the world. Due to a range of supportive factors, including availability of skilled labor at low cost, robust R&D centres and low cost steel production, the industry provides great opportunities for investment and direct & indirect employment to skilled and unskilled labor. According to IBEF, it accounts for 7.10% of the country's Gross Domestic Product (GDP).

According to SIAM, the automobile industry produced a total 2,90,75,605 vehicles including Passenger Vehicles, Commercial Vehicles, Three Wheelers, Two Wheelers and Quadricycle in April-March 2018 as against 2,53,30,967 in April-March 2017, registering a growth of 14.78% over the same period last year. According to IBEF, the Indian automotive aftermarket is estimated to grow at around 10-15% to reach USD 16.50 billion by 2021 from around USD 7 billion in 2016. It has the potential to generate up to USD 300 billion in annual revenue by 2026, create 65 million additional jobs and contribute over 12% to India's GDP.

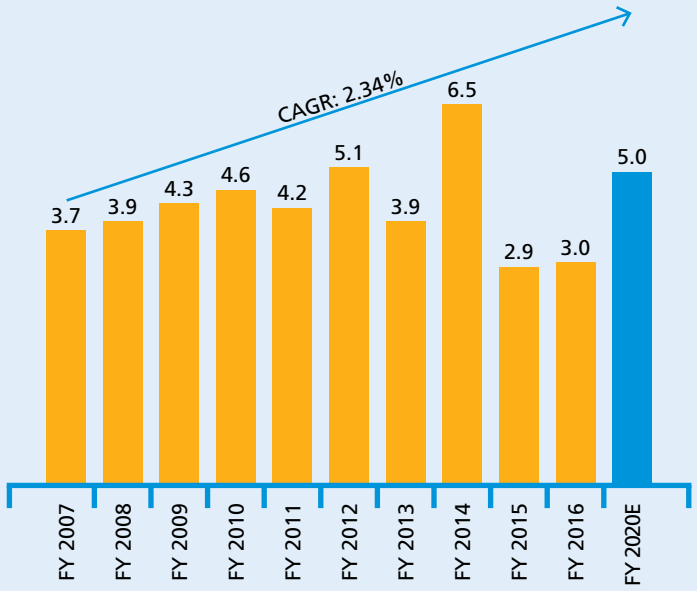
India is also a prominent auto exporter and has strong export growth expectations for the near future. According to SIAM, in April-March 2018, overall automobile exports increased by 16.12%.

## COMPANY REVIEW

### Operational Overview

Towards the beginning of FY 2018, the economy was still recovering from the economic shock of demonetisation and later by the

**GROWTH IN REVENUES FROM CONSTRUCTION EQUIPMENT (USD BILLION)**




*(Source: The Boston Consulting Group, Mahindra Website, TechSci Research)*

middle of the financial year, the implementation of GST caused some slowdown in some sectors. However, by the third quarter, the economy picked up and so did most capital goods sectors and demand for automobiles. Recovery in the global economy was reflected in an increase in demand for automobiles, especially commercial vehicles. With these developments, the Company clocked a steady pick-up in growth. BGL lowered the cost of production by use of effective tooling and production method. Further, with close monitoring of inventory levels, it minimised blockage of cash.

BGL made headway in initiatives like diversification of customer base, increase in volumes at Lonand by way of part transfer. In FY 2018, the Company has added fresh marquee customers to its existing list. These include Tuff Torq – Turkey, ZF Germany and International Tractors Limited. At the same time, the Company has augmented its product range for existing customers such as Eaton Corporation, Carraro India Limited, John Deere India, John Deere Iberica, Dana India, VST Tillers & Tractors and Escorts.

### Gears Business

BGL's gears business largely caters to the automotive industry. It manufactures a wide range of ring gears and pinions, transmission gears and shafts, differential gears and assemblies. The Company supplies its products to Original Equipment Manufacturers (OEMs) from the agriculture machinery, LCV and UV, M&HCV and construction equipment industry. In FY 2018, the net revenue of BGL's gear business grew from ₹ 359.22 Crores in FY 2017 to ₹ 455.44 Crores on the back of a pick-up in both domestic and overseas market. Export sales increased from ₹ 122.91 Crores in FY 2017 to ₹ 170.48 Crores in FY 2018.




### Auto Components distribution

Bharat Gears' auto-components division offers a wide range of automotive parts, engineered to excellence. As one of the most reputed names in the replacement gear market, it also produces for its customers automotive clutches and components, turbo chargers, driveline products, axle shafts, fly wheel assemblies and rings, propeller shaft components, U-J Cross, steering components and differential cages. During FY 2018, BGL's auto component division delivered a revenue of ₹ 31.24 Crores in comparison to ₹ 29.50 Crores in FY 2017.

### Furnace

BGL's furnace division builds batch and continuous heat-treating furnace systems in technical association with AFC-Holcroft, Michigan, USA. AFC-Holcroft is well known in the world for innovative technology, quality and reliability. The revenue from the furnace division decreased from ₹ 4.82 Crores in FY 2017 to ₹ 1.54 Crores in FY 2018.

### Business Operations

BGL has three manufacturing plants, two in State of Maharashtra and one in State of Haryana. The plants in Maharashtra are located at Mumbra, near Mumbai and Lonand, near Pune and the plant in Haryana is located at Faridabad, near Delhi. All three plants are certified under ISO/TS 16949 (quality). In addition, the Faridabad and Lonand plants are certified under ISO/14001 and OHSAS 18001 by BVC. The Company is in the process of obtaining IATF certification for Mumbra and Lonand plant, while Faridabad Plant has already been certified as IATF compliant.

Taking forward its legacy of performance efficiency, during FY 2018, BGL continued with a number of operational level best-practices and introduced some new ones as well. The Company achieved an improvement in productivity by altering its tooling and manufacturing techniques. Towards ensuring that its facilities remain state-of-the-art, BGL upgraded its technology by adding new gear cutting/ grinding machines.

It also undertook retrofitting and reconditioning of old conventional machines to bring them up to date. In line with its broader objective of augmenting automation, the Company installed low-cost automation for gear hobbing machines and gear shaping machines.

**Mumbra Plant**

The Mumbra plant is the Company's oldest plant. It has the capacity to produce bevel, transmission and differential gears. It is a pioneer in implementing the culture of safety, Kaizen and TQM, which results in greater employee engagement. As one of its major achievements, the plant has successfully achieved 1023 accident-free days during 2017 and 2018.

*Safety measures*

Safety has been incorporated into the operations of the Mumbra plant at various levels. The plant is kerosene and asbestos free, which goes a long way in prevention of chronic health hazards for its employees. For the protection of personnel on the shop floor, personal protective equipment and uniforms have been provided. BGL also continues the My machine campaign and 5'S Activity Drive that made operational in recent years.

*Energy Saving measures*

The Company is constantly seeking ways to become more energy efficient. While reviewing its machines in FY 2018, it has removed few underutilised old conventional machines from the plant. It has also replaced the roofing shed, which was made of asbestos, with MS galvanised sheet, as these afford better transparency and they permit natural light to permeate the entire shed during the day. The use of polycarbonate sheets has also resulted in a better level of lux. Further, to facilitate better ventilation, turbo ventilators were also fitted at these sheds. Overall, as a result of this exercise, the unit has become rain-water leakage-free and there is also a reduction in power consumption.

The plant is also implementing initiative to save energy with minimum transitional wastage.

*Quality Improvement measures*

By instituting various measures (including the Six Sigma culture) and paying attention to details, there is considerable improvement in both the quality and delivery of products. The Company plans to train more employees in this area to expedite results. The plant also conducts machine audit during the machine health check-ups, to assess the need for modification/ replacement of old machines.

*Delivery Improvements*

There was a sudden increase in demand by more than 20% across the product mix, for all customers. It was fulfilled by improving the utilisation of the available resources and adding new resources, and also by outsourcing. In fact, the backlog orders from export customers are now being efficiently met to a large extent.

*Productivity Enhancement*

The Heat Treatment shop capacity was falling short due to an increase in demand and a mixed load. To overcome this, the capacity at the plant was increased by 10% by reducing cycle times on CGC, modifying fixtures to improve loading per charge on batch furnaces and by reducing burn outs between change over times for some components, after due process validation.

The productivity on the CNC hard turning machines was increased by 20% by using better inserts and by developing parts on hard turning machines for grinding operations, productivity improved by 20%. Productivity improved on Phoenix machines by 30% by developing parts with carbide cutters.

*Resource upgradation*

In order to balance the capacities and to cater to the increase in demand and contingency for single source components, wherever applicable necessary investments in various types of equipment was done during the year. Two old shapers (unique machines) were upgraded with the latest CNC systems to reduce downtime. Further, the software for the P-40 testing machine was upgraded.

Machines that could be upgraded by reconditioning and retrofitting have been identified and a progammme of carrying out improvements have been developed. Accordingly, certain equipments have been upgraded.

Last but not the least, the laser marking machine was installed in the bevel and 80% of manual etching on parts was discontinued. The quality of marking improved and manpower was reduced.

**Faridabad Plant**

BGL has implemented various improvements at the Faridabad Plant to extract higher productivity. In addition to innovative steps like reconditioning or retrofitting of old conventional machines, low cost automation and the introduction of the new generation toolings, the plant continues to enhance efficiency with various other activities that promote its culture of safety, 5S, Kaizen, autonomous maintenance, visual management, standard work and lost time analysis. Every month a Kaizen ceremony is conducted to motivate further levels of employee engagement.

*Safety measures*

Towards making the Faridabad plant a safer workplace, the Company has

conducted safety training, mock fire drills, Kaizens on safety, monthly safety audits, third party inspection and other exercises to promote the safety culture.

*Energy conservation measures*

Various energy conservation measures such as transitioning to a more energy efficient means of lighting, replacement of old office equipment, replacement of overcapacity motors of old machines were adopted. This has helped to minimise power costs. The plant has also been equipped with transparent roofing sheets to maximise natural day light and wind ventilators have been installed as further energy saving measures.

Modifications have been made to hydraulic systems of machines so that the hydraulic pump cuts off during machine idling. Further, machines circuits are being modified to reduce power consumption while machines are idle for more than a defined time.

*Technology upgradation*

The plant has undertaken a range of measures to upgrade its technological base. At one level, it has reconditioned and retrofitted its gear hobbing machines. It has also installed low cost automation for its gear hobbing machine and gear shaping machine. At another level, BGL has developed differential gears (Straight Bevel) through the dry cutting process called Hypo flex for certain export customer at the Faridabad plant and installed a new vertical machining center for export customers with multiple machining requirements. It has also installed a vertical turning lathe for bevel gears bore finishing.

In FY 2018, it has commissioned a host of machines and furnaces, including a Klingelnberg C-30 Hypoid Gear Cutting Machine, a VTL-30 CNC Hard Turning machine, two LT 2LM-500 Plus Hard Turning Machines, Klingelnberg P-40 LP Tester and GPC Furnace.

*Productivity enhancement*

In addition to upgrading technology to enhance productivity at the plant, cycle times have been improved by changing/modifying processes and using optimum tooling. These initiatives include a change/ modification in tooling, developing alternate processes, modification to HT fixtures, advanced TIN coating for tools, etc. The conversion of existing conventional machines to CNC also contributed to a productivity uptick.

*Process Automation*

BGL is steadily moving towards greater automation, which will lead to enhanced standardisation of its workflows and products. The automation of taper shaping at Faridabad was completed and conveyer(s) was also installed on Hobbers. This has resulted in a significant improvement in the time available for production.

**Lonand Plant**

The Lonand Plant, which is the most recent of the three was set up in 2014. The focus of this plant is on manufacturing transmission gears.

*Productivity and Efficiency measures*

The Lonand Plant has made good progress in Kaizen with a total 700 Kaizens implemented by the employees in a year. The Cleaning, Lubrication, Inspection and Tightening (CLIT) activity is being carried out on the 1st of every month and has created momentum to achieve better 5S levels.

*Safety measures*

The plant has been established with a culture of "safety" in its systems and processes. It has remained "accident free" from the date of inauguration.

Sustained & improved 5'S activity resulted in a clean and good work environment and the plant is kerosene and asbestos free.

*Quality enhancement measures*

The culture of quality circle is being strengthened at the plant to bring major changes in the quality levels and reduce the cost of quality. There is a reduction in internal rejection PPM and the plant has recorded zero customer complaints for a key customer, which has been appreciated.

Efforts are on to create a good tier-2 supplier base around this plant, which will help to facilitate the ramp up of production.

*Energy Conservation measures*

We have started replacing HPMV Lamps with LED in phases, which has resulted in much better Lux levels and in savings of energy consumption too.

*Maintenance and Resource upgradation*

Towards enhancing productivity, the plant has upgraded its technology. In FY 2018, it has commissioned a host of machines including a Klingelnberg Viper 500W Gear Grinder, Lorenz LS152 Taper Shaping, two Lorenz LS150 Shaping Machines, and Nesco Spinner Hanger - Shot Blasting Machine.

Electro static precipitators were installed to avoid spill over of oil mist smoke in the plant. Total Productive Maintenance (TPM) activity has started and predictive maintenance is being done periodically.

An import substitution is being done for the carbide hobs being used for Speedo gear hobbing. Air saving units have been installed for air gauges being used on grinding machines.

The ISO 14001: 2015 / OHSAS 18001: 2007 recertification has been completed successfully.

### Support Systems

Alongside its focus on implementing appropriate and adequate technology, BGL has a strong support team of Human Resources and back-end Information Technology. It has been using a custom developed ERP system for the integrated management of core business processes. IT tools are utilised for product development and ensuring compliance and reporting to management. To strengthen the quality of its human resources and optimise talent, the Company has initiated various training and development initiatives. It has also utilised IT support to unlock cost-cutting and enhance quality. The Company has a well-considered and articulated succession plan in place.

As on 31 March, 2018, BGL's permanent workforce was 1,288.

### Financial Highlights

BGL clocked a steady performance in FY 2018 with a 18% growth in gross turnover over FY 2017 levels. With a combination of TQM and greater operational efficiency, we achieved a profit of ₹ 6.30 Crores as compared to a loss of ₹ 1.46 Crores in FY 2017.

During the year, the outflow on account of VRS compensation was ₹ 1.16 Crores, against ₹ 2.14 Crores in the previous year.

## RISKS AND CONCERNS

Across the world and in India too, business dynamics are fast changing. With greater digitisation, every manufacturing process as well as pre and post manufacturing parameters are being revisited and updated rapidly. Being a producer of components for end-user industries, which are characterised by their unique economic cycles, BGL has to remain alert to a range of factors that present themselves as risks and could upset the Company's sectoral growth path. Accordingly, wherever possible, BGL seeks to anticipate and pre-empt any foreseeable risk with robust mitigation strategies.

Here are some of the key risks which could emerge and the corresponding mitigation measures:

### Technology Risk

The Company has to constantly keep up with emerging technology to ensure superior quality and better efficiency of its products as its clients are marquee players in their industries and expect only the best. While investing in technology is the obvious solution, it could result in obsolescence before the technology investment has been fully depreciated.

**Mitigation:** While BGL is a leader in technology and processes, it follows a balanced approach to invest in new technology so as to meet the product requirements of its clients without over leveraging any single technological advancement.

### Market Risk

BGL supplies its products to end-user industries in the automobile, agri-equipment and construction equipment industries. These industries are impacted by economic cycles. These impact carries through to its suppliers, i.e. BGL.

**Mitigation:** BGL ensures that it caters to a diverse universe of clients within and outside the country. This product, industry and geographic diversification minimises the impact of a down-cycle on any single client segment.

### Raw Material Risk

Once the capital structure is in place, input costs form a bulk of BGL's business expenses. Any upward fluctuation in these costs could have a negative impact on the Company's bottom-line.

**Mitigation:** The ability to meet its clients' expectations in terms of deliverables has put BGL in a position to draw out long-term contracts with clients that includes pass through clauses to cover hikes in the cost of raw materials.

### Financial Risks

The Company faces many risks with respect to its financial transactions, driven by changes in foreign exchange rates, interest rates, credit availability and liquidity.

**Mitigation:** The Company is adequately equipped to deal with all types of financial risks. It takes into account its long-term growth objectives while managing its financial dealings.

### Regulatory Risks

There is always a chance that the policy scenario pertaining to the Company's processes and products, or to those of its clients, could change. These could be changes in

### Financial Highlights

₹ Crores

| Particulars | FY 2018 | FY 2017 |
|---|---|---|
| Turnover (Gross) | 515.42 | 435.51 |
| Profit Before Interest & Depreciation | 44.36 | 29.22 |
| Interest | 16.84 | 14.81 |
| Cash Profit | 27.52 | 14.41 |
| Depreciation | 18.28 | 16.69 |
| Profit/(Loss) Before Tax | 9.24 | (2.28) |
| Tax | 2.94 | (0.82) |
| Net Profit/(Loss) | 6.30 | (1.46) |

laws, regulations, policies and other Governmental actions including those affecting environmental matters, employee welfare, safety, wastage emissions. Such a policy change, either domestically or in the countries to which BGL exports, could cause a disruption to its business.

**Mitigation:** To pre-empt any business disruption due to regulatory changes, the Company has a dedicated compliance team in place which tracks laws applicable to BGL and suggests course corrections, if necessary.

### Product Risks

BGL manufactures products that are critical components for user industries, where precision and quality are prerequisites. Any deviation from expectations can impact the Company's revenue and more importantly, reputation.

**Mitigation:** BGL has put in place internal systems with very high standards for product design and quality. It also incorporates feedback from the clients on product supplies at regular intervals. The Company has adequate product liability insurance in place.

### Human Resource Risk

Skilled human resources are crucial to the production processes at BGL. Non-availability of the talent or high rates of attrition may impact the business.

**Mitigation:** The Company has an internal assessment and training programme for developing the skills of the existing workforce. Also, the Company undertakes recruitment and training on regular basis.

### Outlook

The Indian automobile industry is the third largest in the world and the seventh largest in terms of manufacturing commercial vehicles. With a strong growth of 14.41% year-on-year in production of passenger vehicles, commercial vehicles and two and three-wheelers, both domestic demand as well as exports continues to be strong. With India back on a high and sustainable growth path of over 7% per annum and the global economy growth also expected to stay buoyant for at least next 2-3 years (as estimated by both the IMF and World Bank), the capital goods sector is expected to play a crucial role in India and abroad. All these developments bode well for a sustained growth momentum in the markets which BGL serves.

BGL is constantly finding ways to raise its benchmarks of quality and efficiency to enhance customer delight. At the same time, innovation in both processes as well as products and customisation are at the core of the Company's DNA. These good practices provide a strong foundation for a growth launch in the future and will enable the Company to harness opportunities provided by expanding markets and evolving customer needs.

### Internal Control Systems and their Adequacy

BGL has a well-established internal financial control framework in place. Its system of internal controls are adequate to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposal. All transactions are duly authorised and recorded. To ensure the effectiveness of these controls, they are periodically reviewed across all critical processes.

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

### Cautionary Statement

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

# BOARD'S REPORT
(SECTION 134 OF THE COMPANIES ACT, 2013)

## TO THE MEMBERS

The Directors are pleased to present the 46th Annual Report and the Audited Financial Statements for the year ended 31 March, 2018.

(₹/Crores)

| Financial Results | Financial year ended 31.03.2018 | 31.03.2017 |
|---|---|---|
| Revenue from operations and other income (gross) | 515.42 | 435.51 |
| Profit before finance costs and depreciation and amortisation expense | 44.36 | 29.22 |
| Finance costs | 16.84 | 14.81 |
| Depreciation and amortisation expense | 18.28 | 16.69 |
| Profit/(loss) before tax | 9.24 | (2.28) |
| Less: Tax expense/(benefit) | 2.94 | (0.82) |
| Profit/(loss) after tax | 6.30 | (1.46) |
| Other comprehensive income | 0.03 | (0.23) |
| Total comprehensive income | 6.33 | (1.23) |
| **Statement of other equity** | | |
| Opening balance | 58.66 | 59.89 |
| Add: Profit/(loss) for the year | 6.33 | (1.23) |
| Add: Preferential issue of equity shares (net of share issue expenses) | 4.69 | - |
| **Closing balance** | 69.68 | 58.66 |

## DIVIDEND

In order to conserve the resources and make them available for growth initiatives of the Company, the directors of the Company have decided not to recommend any dividend on equity shares of the Company for the year ended 31 March, 2018.

## FINANCIAL PERFORMANCE

The continued growth momentum especially in the agricultural sector lead to a steady demand from Domestic OEM's and Overseas customer(s). This resulted in growth of 18% in revenue from operations during the year ended 31 March, 2018 vis a vis previous year.

Higher volumes led to better absorption of fixed costs and resulted in better EBIDTA margins; which was partially offset due to additional costs incurred to meet customer requirements. Further, employee benefits expense has increased on account of revision in statutory limit of maximum gratuity.

Profit after tax for the year ended 31 March, 2018 was ₹ 6.30 crores against loss of ₹ 1.46 crores in previous year.

During the year, outflow on account of Voluntary Retirement Scheme compensation was ₹ 1.16 crores.

During the year, the Company has availed the term loan of ₹ 80 crores from KKR India Financial Services Private Limited (KKR). This was primarily used for repayment of existing term debts, augmentation of long term working capital and capital expenditure. The Company has repaid ₹ 49.78 crores of existing borrowings to financial institutions and banks.

Interest free unsecured loan of ₹ 5.00 Crores infused by promoter in the previous year was fully repaid during the year.

During the year, 3,25,000 equity shares of face value ₹ 10/- each was allotted to promoter at a price of ₹ 157.32 per share (including a premium of ₹ 147.32 per share), aggregating to ₹ 5.11 crores on Preferential Allotment basis.

In order to support volume growth as a result of increase in offtake by customers across the segments, the Company embarked on capital expenditure program in FY 2017-18. Most of the machines/equipment are in place and thus enabled the Company to register significant increase in turnover. In the coming year, the Company envisages a similar growth in volumes. As a result, the Company has drawn up fresh plans for investment in capex and allied infrastructure. The capex plan shall be financed by way of a mix of equity, debt and internal accruals.

## ADOPTION OF INDIAN ACCOUNTING STANDARDS ("IND AS")

The Company has adopted Indian Accounting Standards ("Ind AS") and accordingly these financial statements have been prepared in accordance with the same as required under section 133 of the Companies Act, 2013 read with rules made there under. The date of transition to Ind AS is 01 April, 2016. These financial statements for the year ended 31 March, 2018 are the Company's first Ind AS financial statements. The impact of transition has been accounted for in the opening reserves and the comparative period figures have been reinstated accordingly.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) read with 134(5) of the Companies Act, 2013, your Directors confirm that:-

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March, 2018 and of the profit and loss of the Company for the period ended on that date;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis;

(e) the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

(f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## RELATED PARTY CONTRACTS AND ARRANGEMENTS

The contracts or arrangements of the Company with related parties during the period under review referred to in Section 188(1) of the Companies Act, 2013 were in ordinary course of business and on arm's length basis. During the year, the Company had not entered into the contract/arrangement/transaction with related parties which could be considered material in accordance with the related party transaction policy of the Company. The said policy as approved by the Board in terms of provisions of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Regulations") is available on the website of the Company i.e. www.bharatgears.com under the link http://bharatgears.com/documents/related_party_transaction_policy.pdf.

The prescribed form AOC-2 of the Companies (Accounts) Rules, 2014 is enclosed as **Annexure -"A"** to this report.

## PARTICULARS OF LOANS, GUARANTEES OR INVESTMENT

During the period under review, the Company has not made any loan, guarantee or investment in terms of provisions of Section 186 of the Companies Act, 2013.

## DIRECTORS

During the year, Mr. S.G. Awasthi ceased to be a Director of the Company pursuant to his resignation w.e.f. 09 August, 2017.

The tenure of Mr. Sameer Kanwar as Joint Managing Director of the Company shall be expiring on 31 May, 2018. The Board of Directors of the Company in its meeting held on 30 May, 2018 has re-appointed Mr. Sameer Kanwar as Joint Managing Director of the Company for a further period of 3 (Three) years w.e.f. 01 June, 2018 subject to the approval of shareholders at the ensuing Annual General Meeting of the Company.

Mr. N.V. Srinivasan had been appointed as an Additional Director of the Company w.e.f. 03 November, 2017 till the conclusion of the ensuing Annual General Meeting.

Therefore, in terms of Section 152 of the Companies Act, 2013, it has been proposed to appoint Mr. N.V. Srinivasan as Non-Executive Director at the ensuing Annual General Meeting (AGM) of the Company upto the conclusion of the next Annual General Meeting (AGM) of the Company in the Calendar year 2019.

## NUMBER OF MEETINGS OF THE BOARD

During the financial year 2017-18, 5 (Five) Board Meetings were held on the following dates:-

- 23 May, 2017;
- 09 August, 2017;
- 03 November, 2017;
- 31 January, 2018; and
- 26 March, 2018

The gap between any two meetings was not more than one hundred twenty days as mandated under the provisions of Section 173 of the Companies Act, 2013 and Regulation 17(2) of the Regulations.

## INDEPENDENT DIRECTORS

In terms of provisions of Section 149(7) of the Companies Act, 2013, all the Independent Directors of the Company have furnished a declaration to the Compliance Officer of the Company at the meeting of the Board of Directors held on 30 May, 2018 stating that they fulfill the criteria of Independent Director as prescribed under Section 149(6) of the Companies Act, 2013 and are not being disqualified to act as an Independent Director.

In terms of the Regulation 25(7) of the Regulations, the Company has adopted a familiarization programme for the Independent Directors to familiarize them with working of the Company, nature of the industry in which the Company operates, business model of the Company, their roles, rights, responsibilities and other relevant details. The details of familiarization programme during the Financial Year 2017-18 are available on the official website of the Company i.e. www.bharatgears.com under the link i.e. http://bharatgears.com/documents/details-of-familiarization-programme-for-independent-director-FY17-18.pdf.

## POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION

In terms of provisions of Section 178 of the Companies Act, 2013 read with Regulation 19 of the Regulations, a policy relating to remuneration for the Directors, Key Managerial Personnel and other employees has been adopted by the Board of Directors of the Company in pursuance of its formulation and recommendation by the Nomination and Remuneration Committee thereby analyzing the criteria for determining qualifications, positive attributes and independence of a Director. The said policy is annexed as **Annexure -"B"** to this report and is also available on the website of the Company i.e. www.bharatgears.com under the link http://bharatgears.com/documents/company_policy_on_remuneration.pdf .

## EVALUATION PROCESS

The Board of Directors of the Company has established a framework for the evaluation of its own performance and individual Directors of the Company in consultation with the engaged consultant and fixed certain parameters covering the evaluation of the Chairman, Executive Directors, Non-executive Directors and Independent Directors on the basis of which the evaluation is being carried out on annual basis in terms of provisions of the Companies Act, 2013 and the Regulations.

During the year under review, the Board of Directors, at its meeting held on 26 March, 2018 have carried out the evaluation of its own performance and Independent Directors of the Company and the Independent Directors in their separate meeting held on even date have evaluated the performance of the Chairman and Non-Independent Director(s) of the Company respectively in accordance with the framework approved by the Board.

## KEY MANAGERIAL PERSONNEL

The following Directors/Officials of the Company have been designated as Key Managerial Personnel (KMP) of the Company by the Board of Directors in terms of provisions of Section 203 of the Companies Act, 2013 and the Regulations:

1. Mr. Surinder Paul Kanwar, Chairman & Managing Director
2. Mr. Sameer Kanwar, Joint Managing Director
3. Mr. Milind Pujari, Chief Financial Officer
4. Mr. Prashant Khattry, Head (Legal) & Company Secretary

No Key Managerial Personnel (KMP) of the Company has resigned during the financial year ended 31 March, 2018.

## DISCLOSURES UNDER THE COMPANIES (APPOINTMENT & REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Details pertaining to remuneration as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are enclosed as **Annexure -"C"** to this report.

## PARTICULARS OF EMPLOYEES

Information regarding employees in accordance with the provisions of Rule 5(2) and Rule 5(3) of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 is given in **Annexure- "D"** to this Report.

## RISK MANAGEMENT

A robust and integrated enterprise risk management framework is in existence under which the common prevailing risks in the Company are identified, the risks so identified are reviewed on periodic basis by the Audit Committee and the management's actions to mitigate the risk exposure in a timely manner are assessed.

A risk management policy under the above said enterprise risk management framework as approved by the Board has been adopted by the Company and being reviewed on yearly basis.

## CORPORATE SOCIAL RESPONSIBILITY

In terms of provisions of Section 135 of the Companies Act, 2013, the Corporate Social Responsibility Committee ("CSR Committee") is in existence to monitor the Corporate Social Responsibility Policy of the Company as approved by the Board and the said policy is available on website of the Company i.e. www.bharatgears.com.

The CSR Committee comprises of Mr. Surinder Paul Kanwar, Mr. Sameer Kanwar and Mr. Rakesh Chopra.

During the Financial Year 2017-18, the provisions of Section 135 of the Companies Act, 2013 were not applicable on the Company since the Company does not fall under the conditions necessary for complying with CSR provisions. Hence, no amount was required to be spent during the year.

## AUDIT COMMITTEE

The Audit Committee comprises of Mr. Rakesh Chopra, Mr. V.K. Pargal and Ms. Hiroo Suresh Advani.

During the year, Mr. S.G. Awasthi (the erstwhile member of Committee) ceased to be a member of the Committee due to his resignation with effect from 09 August, 2017. Pursuant to his resignation, Ms. Hiroo Suresh Advani has been inducted as a member of the Committee on 01 September, 2017, accordingly the Audit Committee had been reconstituted.

## INTERNAL COMPLAINTS COMMITTEE FOR PREVENTION OF SEXUAL HARASSMENT

Pursuant to Section 21 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 read with Rule 14 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013, the Company has constituted Internal Complaints Committee (ICC) at all its Units (i.e. Faridabad, Mumbra and Lonand) where any grievance of sexual harassment at workplace can be reported.

The Company has also adopted a policy on Prevention of Sexual Harassment at workplace. The objective of the policy is to provide its women employees, a workplace free from harassment/discrimination and every employee is treated with dignity and respect. The said policy is available on the website of the Company i.e. www.bharatgears.com under the link http://bharatgears.com/documents/policy-for-prevention-of-sexual-harassment.pdf.

During the year under review, ICC of all units of the Company has not received any complaint pertaining to sexual harassment of women at workplace.

## SUBSIDIARIES/JOINT VENTURES/ASSOCIATE COMPANIES

During the year under review, no Company has become or ceased to be subsidiary, joint venture or associate of the Company.

## DEPOSITS

During the year under review, the Company did not accept any deposits.

## Investor Education and Protection Fund (IEPF)

In terms of provisions of Section 124(5) of the Companies Act, 2013 read with the Investor Education and Protection Fund (IEPF) Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended, the Unclaimed Final Dividend pertaining to the Financial Year 2009-10 amount aggregating to ₹ 1,24,013.00 (Rupees One Lac Twenty Four Thousand Thirteen Only) had been transferred to the "Investor Education and Protection Fund" established by the Central Government.

Further, in terms of provisions of Section 124(6) of the Companies Act, 2013 read with the Investor Education & Protection Fund (IEPF) Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("the Rules") and the Investor Education & Protection Fund (IEPF) Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2017 ("the Amended Rules"), the Company is required to transfer the equity shares in respect of which dividends have remained unclaimed for a period of seven consecutive years to the IEPF Account established by the Central Government and a statement containing such details are required to be filed with the Ministry of Corporate Affairs (MCA).

In pursuance of the above, pursuant to the transfer of the unclaimed dividend for the year 2009-10 to the IEPF on 27 August, 2017 i.e. upon completion of seven years from transfer of dividend into unclaimed dividend account, 43,669 (Forty Three Thousand Six Hundred Sixty Nine) Equity Shares relating to such dividend on which the dividend has not been claimed for the consecutive seven years since 2009-10 have been transferred into demat account of IEPF Authority.

The unclaimed dividend for the year 2010-11 is proposed to be transferred to the Investor Education and Protection Fund (IEPF) on 24 August, 2018 i.e. upon completion of seven years from the transfer of said dividend into unclaimed dividend account. Subsequently, the equity shares relating to such dividend on which the dividend has not been claimed for the consecutive seven years since 2010-11 (net of the shares already transferred) shall also be transferred into IEPF.

In terms of the Rules dated 05 September, 2016 and the Amended Rules dated 28 February, 2017, the necessary communications have been made to the respective shareholders whose shares are required to be transferred to the IEPF during the Financial Year 2018-19 so as to enable them to claim their dividend attached to such shares before such dividend and shares are transferred to IEPF and further, the necessary information in this regard is available on the website of the Company i.e. www.bharatgears.com for the convenience of the shareholders.

The Equity shares once transferred into IEPF can only be claimed by the concerned shareholder from IEPF Authority after complying with the procedure prescribed under the Rules and the Amended Rules.

## PREFERENTIAL ISSUE OF EQUITY SHARES

During the year under review, the Company has issued 3,25,000 (Three Lakhs Twenty Five Thousand) Equity Shares to Mr. Surinder Paul Kanwar, Chairman and Managing Director of the Company on preferential basis in terms of provisions of Section 42 & 62 and such other applicable provisions of the Companies Act, 2013 read with the rules framed thereunder and Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

## RE-CLASSIFICATION OF SHARE CAPITAL

In terms of provisions of Section 61, 64 and other applicable provisions, if any, of the Companies Act, 2013 (including any amendment thereto or re-enactment thereof) and the rules framed there under, provisions of Articles of Association (AOA), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and such other rules/regulations as applicable, the Board of Directors of the Company in its meeting held on 26 March, 2018 has considered and approved the re-classification of Share Capital of the Company as per the following details, subject to the approval of Shareholders in the ensuing Annual General Meeting:

- Cancellation of 10,00,000 (Ten Lacs) Cumulative Redeemable Convertible or Non-Convertible Preference Shares of ₹ 100/- (Rupees Hundred) each and creation/addition of 1,00,00,000 (One Crore) Equity Shares of ₹ 10/- (Rupees Ten) each in lieu thereof.

Pursuant to said re-classification, the Authorised Share Capital of the Company shall be ₹ 25,00,00,000/- (Rupees Twenty Five Crores) divided into:

- 2,00,00,000 (Two Crores) Equity Shares of ₹ 10/- (Rupees Ten) each;

  and

- 5,00,000 (Five Lacs) Cumulative Redeemable Convertible or Non-Convertible Preference Shares of ₹ 100/- (Rupees Hundred) each.

## AUDITORS

The Statutory Auditors, M/s S R B C & CO LLP (SRBC), Chartered Accountants (ICAI Registration No. 324982E/E300003) had been appointed as Statutory Auditors of the Company in the 45th Annual General Meeting held on 09 August, 2017 for a period of 5 (Five) years in terms of provisions of Section 139 of the Companies Act, 2013 to hold office from the 45th AGM to the 50th AGM in the calendar year 2022.

## REPORT ON FINANCIAL STATEMENTS

The report of M/s S R B C & CO LLP (SRBC), Chartered Accountants (ICAI Registration No. 324982E/E300003), the Statutory Auditors of the Company on the financial statements of the Company for the year ended 31 March, 2018 is annexed to the financial statements in terms of provisions of Section 134(2) of the Companies Act, 2013. The observations of the Auditors in their report are self-explanatory and/or explained suitably in the Notes to the Financial Statements. The report of the Statutory Auditors does not contain any qualification, reservation or adverse remark which needs any explanation or comment of the Board.

## SECRETARIAL AUDIT

The Board has appointed M/s AGB & Associates, Practicing Company Secretaries as Secretarial Auditor for the Financial Year 2017-18 in terms of provisions of Section 204 of the Companies Act, 2013. The Secretarial Audit Report of the Company for the financial year ended 31 March, 2018 in the prescribed form MR-3 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is enclosed as **Annexure -"E"** to this report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark which needs any explanation or comment of the Board.

## INTERNAL FINANCIAL CONTROLS AND THEIR ADEQUACY

The Company has a proper and adequate system of internal financial controls which includes the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information. During the year, such controls were tested and no material weakness in the design or operations were observed.

## COST AUDIT

During the year under review, the Company had not been mandatorily required to get its Cost Records audited in terms of provisions of Section 148 of the Companies Act, 2013 read with the Companies

(Cost Records and Audit) Amendment Rules, 2014 notified by the Ministry of Corporate Affairs (MCA) on 31 December, 2014, as the Industry under which the Company falls has been exempted from the Cost Audit under the said rules.

## CORPORATE GOVERNANCE

The Company is committed to maintain the quality standards of Corporate Governance. The Report on Corporate Governance as stipulated under Schedule V(C) of the Regulations forms part of this Report.

The requisite Certificate of Compliance from Statutory Auditors, M/s S R B C & CO LLP (SRBC), confirming compliance with the conditions of Corporate Governance is attached to this Report.

## VIGIL MECHANISM

In terms of provisions of Section 177 of the Companies Act, 2013, the Company has established an effective mechanism called Vigil Mechanism (Whistle Blower Mechanism). The mechanism under the Policy has been appropriately communicated within the organisation. The purpose of this policy is to provide a framework to promote responsible whistle blowing by employees or by any other person who avails such mechanism. It protects employees or any other person who avails such mechanism wishing to raise a concern about serious irregularities, unethical behavior, actual or suspected fraud within the Company by reporting the same to the Audit Committee.

Protected disclosure can be made by the whistle blower in a closed and secured envelope or sent through e-mail to the Compliance Officer.

During the year under review, no employee was denied access to the Audit Committee.

The policy on vigil mechanism is available on the website of the Company i.e. www.bharatgears.com under the link http://bharatgears.com/documents/policy_on_vigil_mechanism.pdf.

## RECONCILIATION OF SHARE CAPITAL AUDIT

As per the directive of the Securities and Exchange Board of India (SEBI), the Reconciliation of Share Capital Audit is undertaken by a firm of Practicing Company Secretaries on quarterly basis. The audit is aimed at reconciliation of total shares held in CDSL, NSDL and in physical form with the admitted, issued and listed capital of the Company.

The Reconciliation of Share Capital Audit Reports as submitted by the Auditor on quarterly basis were filed with the National Stock Exchange of India Limited (NSE) through NSE Electronic Application Processing System (NEAPS) and with BSE Limited (BSE) through BSE Listing Centre, where the original shares of the Company are listed.

## LISTING OF SHARES

The Equity Shares of the Company are listed on the BSE Limited, Mumbai and National Stock Exchange of India Limited, Mumbai.

## DISCLOSURES UNDER SECTION 134 OF THE COMPANIES ACT, 2013

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

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

The information in accordance with the provisions of Section 134(3)(m) of the Companies Act, 2013 read with the Rule 8 of the Companies (Accounts) Rules, 2014 is given in **Annexure-"F"** to this Report.

## ANNUAL RETURN

In terms of provisions of Section 92(3) of the Companies Act, 2013 read with the Companies (Amendment) Act, 2017 and the relevant rules made thereunder, a copy of the Annual return as prescribed under Section 92 of the Companies Act, 2013, as amended shall be made available on the website of the Company www.bharatgears.com under the link http://bharatgears.com/documents/annual-returns-2017-18.pdf.

## COURT/TRIBUNAL ORDERS

There were no instances of any significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

## INDUSTRIAL RELATIONS

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

## ACKNOWLEDGEMENTS

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

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

**For and on behalf of the Board of Directors**



**Surinder Paul Kanwar**
Chairman and Managing Director
DIN: 00033524

Place: Mumbai
Date: 30 May, 2018

# Form No. AOC-2

[Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014]

**Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**

1. Details of contracts or arrangements or transactions not at arm's length basis:

   **NIL**

2. Details of material contracts or arrangements or transactions at arm's length basis:

| S. no. | Name(s) of the related party and nature of relationship | Nature of contracts/ arrangements/ transactions | Duration of the contracts/ arrangements/ transactions | Salient terms of the contracts or arrangements or transactions including the value, if any | Date(s) of approval by the Board, if any | Amount paid as advances, if any |
|---|---|---|---|---|---|---|
| 1. | Raunaq EPC International Limited (REIL), Company within the Group | Lease Agreement between the Company and REIL for portion of the leasehold office premises of the Company, situated at Mookerjee House, 17, Brabourne Road, Kolkata with facilities of water, electricity, repair & maintenance, security and housekeeping | 3 (Three) years effective from 01 December, 2016. Agreement entered on 01 April, 2017 | Monthly lease rent of ₹ 1,500/- (Rupees One Thousand Five Hundred Only i.e. ₹ 60/- per Sq. Ft.) | NA | - |
| 2. | Clip-Lok Simpak (India) Private Limited (CSIPL), Company within the Group | Agreement between the Company and CSIPL for purchase of reusable collapsible plywood boxes/clips etc. | 1 (One) year with effect from 01 April, 2017 till 31 March, 2018 | Transaction value not exceeding ₹ 50,00,000/- (Rupees Fifty Lacs only) either in one transaction singly or multiple transactions collectively | NA | - |
| 3. | Mr. N.V. Srinivasan, Director | Contract/arrangement between the Company and Mr. N.V. Srinivasan, Director for availing of technical advisory services | Ongoing retainership contract till 30 June, 2018 | Retainership fees of ₹ 2,50,000/- (Rupees Two Lacs Fifty Thousand Only) Per month. In addition to the retainership fees, he shall be entitled to re-imbursement of travelling, vehicle maintenance expenses (including driver salary etc.) and telephone expenses | NA | - |
| 4. | Mr. Sameer Kanwar, Joint Managing Director | License Agreement between the Company and Mr. Sameer Kanwar, Joint Managing Director for portion of premises owned by Mr. Sameer Kanwar situated at 402, Royale Retreat-II, Charmwood Village, Surajkund Road, Faridabad-121009 with area aggregated to 3000 Sq Ft (approx). | 3 (Three) years with effect from 01 February, 2018 | License fees of ₹ 2,90,400/- (Rupees Two Lacs Ninety Thousand Four Hundred Only) per month plus tax if applicable | NA | - |

**For and on behalf of the Board of Directors**



**Surinder Paul Kanwar**
Chairman and Managing Director
DIN: 00033524

Place: Mumbai
Date: 30 May, 2018

# POLICY ON NOMINATION AND REMUNERATION

## Introduction:

In pursuance of the Company's policy to consider human resources as its invaluable assets, to pay equitable remuneration to all Directors, Key Managerial Personnel (KMP) and other employees of the Company, to harmonize the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Regulations") as amended from time to time, this policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Nomination and Remuneration Committee (Committee) and has been approved by the Board of Directors.

## Objective and purpose of the Policy:

The objective and purpose of this policy are:

- To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration.
- To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the Auto Component industry.
- To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel.
- To provide them reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage. In the context of the aforesaid criteria the following policy has been formulated by the Nomination and Remuneration Committee and adopted by the Board of Directors at its meeting held on 01 August, 2014.

## Effective Date:

This policy shall be effective with retrospective effect from 01 April, 2014.

## Constitution of the Nomination and Remuneration Committee:

The Board has changed the nomenclature of Remuneration Committee constituted on 22 April, 2002 by renaming it as Nomination and Remuneration Committee on 07 May, 2014. The constitution of the Nomination and Remuneration Committee shall be as per following:

- The Committee shall comprise of at least three Directors.
- All members of the Committee shall be Non Executive Directors.
- At least 50% of the members shall be Independent Directors.
- Chairperson of the Nomination and Remuneration Committee shall be an Independent Director; provided that Chairperson of the Company, whether Executive or Non Executive may be appointed as member of the Nomination and Remuneration Committee but shall not chair such Committee.

The Board has the power to reconstitute the Committee consistent with the Company's policy and applicable statutory requirement.

## Definitions

- "Board" means Board of Directors of the Company.
- "Directors" means Directors of the Company.
- "Committee" means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.
- "Company" means Bharat Gears Limited.
- "Independent Director" means a director referred to in Section 149 (6) of the Companies Act, 2013.

**Key Managerial Personnel** (KMP) means-

(i) Executive Chairman and/or Managing Director;

(ii) Whole-time Director;

(iii) Chief Financial Officer;

(iv) Company Secretary;

(v) Such other officer, not more than one level below the Directors who is in whole-time employment, designated as Key Managerial Personnel (KMP) by the Board; and

(vi) Such other officer as may be prescribed.

- **Senior Management** means who are members of core management team excluding Board of Directors and all members of the management one level below the Executive Director, including the functional Heads. Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

**Applicability:**

The Policy is applicable to;

- Directors (Executive and Non-Executive)
- Key Managerial Personnel
- Senior Management Personnel

**General:**

- This Policy is divided in three parts:

  Part – A covers the matters to be dealt with and recommended by the Committee to the Board;

  Part – B covers the appointment and nomination;

  and

  Part – C covers remuneration and perquisites etc.

- The key features of this Company's policy shall be included in the Board's Report.

**PART – A**

**MATTERS TO BE DEALT WITH, PERUSED AND RECOMMENDED TO THE BOARD BY THE NOMINATION AND REMUNERATION COMMITTEE**

The Committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

**PART – B**

**POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT**

- **Appointment criteria and qualifications:**

  1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his/her appointment.

  2. A person should possess adequate qualification, expertise and experience for the position he/she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/satisfactory for the concerned position.

  3. The Company shall not appoint or continue the employment of any person as Whole time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

- **Term/Tenure:**

  **1. Managing Director/Whole-time Director:**

  The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

  **2. Independent Director:**

  - An Independent Director shall hold office for a term up to five (5) consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

  - At the time of appointment of Independent Director, it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company.

3. **Non-Executive Director:**

Non-Executive Director shall be retire by rotation as below mentioned:

- The office of two third directors of total number of directors shall be determined by rotation at every Annual General Meeting held next after the date of Annual General Meeting in which such directors are appointed.
- One third of such two third number of directors shall be liable to retire from the office of director on the Board of Directors of the Company.
- The directors to retire by rotation shall be in multiple of three, if not, then the number nearest to one third, shall retire from office.
- The directors who have been longest in office since their last appointment shall be liable to retire by rotation, if in any case, appointment of directors on the same day, the retirement by rotation shall be determined by lot among themselves.
- The office of Independent Director, Additional Director and Nominee Director shall not be determined by rotation.

- **Evaluation:**

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

- **Mechanism for evaluating non-executive Board members:**

The performance evaluation of non-executive members is done by the Board annually based on the criteria of attendance and contributions at Board/Committee Meetings as also for the role played other than at Meetings.

- **Removal:**

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

- **Retirement:**

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

## PART – C

## POLICY RELATING TO THE REMUNERATION FOR THE WHOLE-TIME DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL

- **General:**

1. The remuneration/compensation/commission etc. to the Chairman and Managing Director or Joint Managing Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration/ compensation/commission etc. shall be subject to the approval of the shareholders of the Company and Central Government, wherever required.

2. The remuneration and commission to be paid to the Chairman and Managing Director or Joint Managing Director, if any shall be in accordance with the percentage/slabs/ conditions laid down as per the provisions of the Companies Act, 2013, and the rules made thereunder.

3. Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director(s). Increments will be effective from 01 October and 01 June or as may be decided by the Central Government, if required in respect of a Chairman and Managing Director and Joint Managing Director respectively, and will be effective from 01 April in respect of other employees of the Company.

4. Where any insurance is taken by the Company on behalf of its Chairman and Managing Director, Joint Managing Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be

treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

- **Remuneration to Managing Director, Joint Managing Director, KMP and Senior Management Personnel:**

  1. **Fixed pay:**

     The Managing Director, Joint Managing Director/KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee.

     The break up of the pay scale and quantum of perquisites including employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

  2. **Minimum Remuneration:**

     If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director, Joint Managing Director in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

  3. **Provisions for excess remuneration:**

     If Managing Director, Joint Managing Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he/she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

- **Remuneration to Non-Executive/Independent Director:**

  1. **Sitting Fees:**

     The Non-Executive/Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rupees One lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

## Board's Diversity Policy

BGL recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of variety of skills, regional and industry experience, background, race, gender and other distinctions between Directors. This will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

All Board appointments, whenever required shall be made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

The Nomination and Remuneration Committee ('the Committee') shall review and assess Board composition on behalf of the Board and recommend the appointment of new Directors, whenever the need for the same arises.

In reviewing Board composition, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to enable it to discharge its duties and responsibilities effectively.

In identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

*The policy has been initially approved by the Board of Directors of the Company on 01 August, 2014, amended on 29 October, 2015 pursuant to the reconstitution of the Nomination and Remuneration Committee, amended on 24 May, 2016 with respect to the applicability of the Regulations and further amended on 30 May, 2018 pursuant to the reconstitution of the Nomination and Remuneration Committee and for other changes as deemed necessary.*

For **Bharat Gears Limited**

**Surinder Paul Kanwar**
Chairman and Managing Director

## Annexure -"C"

**Details pertaining to remuneration as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

1. The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year 2017-18:

| S.No. | Name of the Director | Ratio of Remuneration of each Director/to median remuneration of employees |
|---|---|---|
| 1. | Mr. Surinder Paul Kanwar<br>Chairman and Managing Director | 38.55 |
| 2. | Mr. Sameer Kanwar<br>Joint Managing Director | 38.52 |

Other directors are being paid sitting fees, fees for technical advisory services (wherever applicable) only, details of which are mentioned in the Corporate Governance Report.

2. The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

| S.No. | Name of the Director/KMP | % increase in Remuneration in the Financial Year 2017-18 |
|---|---|---|
| 1. | Mr. Surinder Paul Kanwar<br>Chairman and Managing Director | 1% |
| 2. | Mr. Sameer Kanwar<br>Joint Managing Director | 1% |
| 3. | Mr. Milind Pujari<br>Chief Financial Officer | 31% |
| 4. | Mr. Prashant Khattry<br>Head (Legal) and Company Secretary | 77% |

3. Percentage increase in the remuneration of the median employee is 17% in the Financial Year 2017-18.

4. There were 1288 permanent employees on the rolls of the Company as on 31 March, 2018.

5. The average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year 2017-18 was 13% whereas percentage increase in the managerial remuneration was 9% for the same financial year.

6. It is affirmed that the remuneration paid is as per the Remuneration policy for Directors, Key Managerial Personnel and other Employees.

**For and on behalf of the Board of Directors**

**Surinder Paul Kanwar**
Chairman and Managing Director
DIN: 00033524

Place: Mumbai
Date: 30 May, 2018

## Information Pursuant to Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 Forming Part of the Board's Report for the year ended 31 March, 2018

| S.No. | Name | Age in Years | Qualification | Designation | Date of Commencement of Employment | Years of Exp. | Remuneration (₹ in Lacs) | Particulars of Last Employment | Percentage of Shareholding in the Company |
|---|---|---|---|---|---|---|---|---|---|
| **A.** | **Top Ten Employees of the Company in terms of remuneration drawn for the year ended 31 March, 2018.** | | | | | | | | |
| 1. | Mr. Surinder Paul Kanwar | 65 | B.Com. | Chairman & Managing Director | 01.10.1990 | 43 | 132.23 | BST Mfg. Ltd. | 32.29 |
| 2. | Mr. Sameer Kanwar | 40 | B.A. (Eco.) | Joint Managing Director | 01.02.2002 | 18 | 132.12 | ZF (AG) Germany | Nil |
| 3. | Mr. Jagdeep Singh | 61 | B.A. | Business Head - After Market | 09.12.1991 | 41 | 79.94 | Escorts Limited | Nil |
| 4. | Mr. Naresh Verma | 57 | B.Com, M.Com, PG-PM & IR, DIP-HR | Corporate Head - HR & Operations | 04.02.2004 | 36 | 63.33 | Daikin Shriram Airconditioning India Private Limited | Nil |
| 5. | Mr. Milind V. Pujari | 48 | B.Com, FCA | Chief Financial Officer | 01.06.1995 | 24 | 57.25 | Caprihans India Limited | Nil |
| 6. | Mr. K.K. Deshpande | 59 | LME, BE, DMS | Head- OE Marketing & Business Development | 02.08.1982 | 36 | 50.13 | - | Nil |
| 7. | Mr. V.R. Pai | 60 | B. TECH., DMS | Head - Furnace Division | 11.06.1984 | 35 | 39.31 | Blue Star Limited | Nil |
| 8. | Mr. S.H. Patil | 57 | DME | Head - Operations, Mumbra Plant | 03.06.2002 | 36 | 35.62 | M G Auto Profile Private Limited, Zahirabad | Nil |
| 9. | Mr. Prashant Khattry | 40 | FCS, LLB, MBA (Finance) | Head - Legal and Company Secretary | 07.06.2010 | 17 | 30.69 | Fortis Healthcare Limited | Nil |
| 10. | Mr. S.G. Gandre | 58 | DEE, DBM, IMME | Head - Operations, Lonand Plant | 10.04.1981 | 39 | 30.15 | Mukund Iron and Steel Works Limited | Nil |
| **B.** | **Employed throughout the year ended 31 March, 2018 & were in receipt of Remuneration aggregating not less than ₹ 1,02,00,000/- per annum.** | | | | | | | | |
| 1. | Mr. Surinder Paul Kanwar | 65 | B.Com. | Chairman & Managing Director | 01.10.1990 | 43 | 132.23 | BST Mfg. Ltd. | 32.29 |
| 2. | Mr. Sameer Kanwar | 40 | B.A. (Eco.) | Joint Managing Director | 01.02.2002 | 18 | 132.12 | ZF (AG) Germany | Nil |
| **C.** | **Employed for the part of the year ended 31 March, 2018 & were in receipt of Remuneration aggregating not less than ₹ 8,50,000/- per month.** | | | | | | | | |
| | NIL | | | | | | | | |
| **D.** | If employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the Company. | | | | | | | | |
| | NIL | | | | | | | | |

**NOTES :**

01. Remuneration includes Salary, Allowances, Co's Contribution to Provident Fund & Superannuation Fund and Value of perquisites as per Income-tax Act, 1961.

02. Except Mr. Sameer Kanwar, Joint Managing Director, who is a relative of Mr. Surinder Paul 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 Paul Kanwar & Mr. Sameer Kanwar are Non-Contractual.

**For and on behalf of the Board of Directors**



**Surinder Paul Kanwar**
Chairman and Managing Director
DIN: 00033524

Place: Mumbai
Date: 30 May, 2018

# Form No. MR-3
# SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON 31 March, 2018

**[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]**

## SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON 31 March, 2018

To,
The Members
**Bharat Gears Limited**
**20 K.M. Mathura Road**
**P.O Amar Nagar**
**Faridabad- 121003**
**Haryana**

Dear Sirs,

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Bharat Gears Limited** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing opinion thereon.

Based on our verification and as per documents, information and explanations provided to us by the Company and on the basis of verification of books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31 March, 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March, 2018 according to the provisions of:

I. The Companies Act, 2013 ("the Act") and the Companies Act, 1956 to the extent applicable and rules made there under;

II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

III. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

IV. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; - **Not applicable as the Company has not issued any debt securities;**

f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; - **Not applicable as the Company has not delisted/propose to delist its equity shares from any stock exchange during the financial year under review; and**

h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998- **Not applicable as the Company has not bought back/propose to buy back any of its securities during the financial year under review.**

## VI. Other Laws applicable to the Company as a Business Unit and also Laws applicable to various Manufacturing Units and Other Offices:

- **Taxation Laws** – Income Tax Act, 1961; Service Tax Act, 1994; the Customs Act, 1962; Central Sales Tax Act, 1956; Central Excise Act, 1944, Haryana Value Added Tax Act, 2003, Goods and Services Tax Act, 2017, Maharashtra Value Added Tax Act, 2002; Maharashtra State Tax on Professionals, Trades, Callings and Employments Act, 1975.

- **Environment Laws -** The Environment (Protection) Act, 1986; Air (Prevention and Control of Pollution) Act, 1981; Water (Prevention and Control of Pollution) Act, 1974; Water (Prevention and Control of Pollution) Cess Act, 1977.

- **Labour and Social Security Laws -** Apprentices Act, 1961; Employees State Insurance Act, 1948; Factories Act, 1948; Payment of Wages Act, 1936; Minimum Wages Act, 1948; Industrial Disputes Act, 1947; Payment of Bonus Act, 1965; Payment of Gratuity Act, 1972; Workmen's Compensation Act, 1923; Punjab Labour Welfare Fund Act, 1965; The Trade Unions Act, 1926; Contract Labour (Regulation and Abolition) Act, 1970; Bombay Labour Welfare Fund Act, 1953; Maternity Benefit Act, 1961; Employment Exchanges (Compulsory Notification of vacancies) Act, 1956; Industrial Employment (Standing Orders) Act, 1946; Punjab Industrial Establishment (Holidays and Sick Leave) Act,1965; The Equal Remuneration Act 1976; Employees Provident Funds And Miscellaneous Act, 1952.

- **Safety Laws -** Indian Explosive Act, 1884; Petroleum Act, 1934; Public Liability Insurance Act, 1991; Hazardous Material Transportation Act, 1975; Maharashtra Fire Prevention and Life Safety Measures Act, 2006; Hazardous Waste (Management, Handling and Trans boundary Movement) Rules 2008.

- **Foreign Business-Related Laws -** FTDR Act, 1992.

- **IPR Laws -** Copyright Act, 1957; Trademark Act, 1999; Patent Act, 1957.

- **IT Related Laws** – Information Technology Act, 2000.

- **Miscellaneous Laws -** Electricity Act, 2003; Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013; Private Security Agencies (Regulation) Act, 2005; Legal Metrology Act, 2009; Motor Vehicles Act, 1988.

**We have also examined compliance with the applicable clauses of the following:**

a) Secretarial Standards issued by The Institute of Company Secretaries of India.

b) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that:**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes, if any.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the audit period, the Company has taken the following actions/specific events having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above: **Not applicable.**

***Annexure 1, 2 and 3 form part of this Secretarial Audit Report for the year 2017-18.***

**For AGB & Associates**
**Company Secretaries**



**(Nitin Rawat)**
Partner
FCS No.9050
CP No. 10554

Date: 26 April, 2018
Place:Faridabad

Forming part of Secretarial Audit Report for the year ending on 31 March, 2018

**Companies Act, 2013**

On the basis of examination and verification of the registers, records and documents produced to us and according to the information and explanations given to us by the Company, the Company has, in our opinion, complied with the provisions of the Companies Act, 2013 (hereinafter referred as "Act") and the Rules made under the Act, Companies Act, 1956 (hereinafter referred as "Act") and the Rules made under the Act (wherever still applicable) and the Memorandum and Articles of Association of the Company, with regard to:

**a.** Maintenance of statutory registers, documents, and making in them necessary entries;

**b.** Forms, returns, documents and resolutions required to be filed with the Registrar of Companies;

**c.** Service of documents by the Company to its Members and Registrar of Companies;

**d.** Minutes of proceedings of General Meeting/Postal Ballot, Meeting of Board of Directors and their Committees thereof were available;

**e.** Approval of shareholders, the Board of Directors, the Committee of Directors, wherever required including investment of funds of the Company;

**f.** Form of Balance Sheets prescribed under the Act;

**g.** Borrowings and Registration of Charges;

**h.** Records for the meeting of Audit Committee; Nomination and Remuneration Committee; Stakeholders' Relationship Committee; Finance Committee.

**i.** Contracts, common seal, registered office and publication of name of the Company; and

**j.** Generally, all other applicable provisions of the Act and the Rules made under that Act.

***It is further reported that:***

**1.** The status of the Company during the period under review has been "active" on MCA website.

**2.** The Company has not been a holding or subsidiary of another Company. The Company is a non-government Company or a non NBFC.

**3.** Adequate notice given to all the Directors to schedule the Board meeting, agenda and detailed notes on agenda are sent **at least seven days in advance**, a system exists for seeking and obtaining further information and clarification on the agenda items before the meeting and for meaningful participation at the meeting.

**4.** The Company has not made any changes with regard to the following: -

**(a)** Name of the Company;

**(b)** Registered Office of the Company;

**(c)** Principal Business is in conformity with the object;

**5.** During the period under review, the Company has issued 3,25,000 equity shares of Rs. 10/- each at a premium of Rs. 147.32 each to the Promoter of the Company on preferential basis in terms of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and all compliances have been done with respect to reporting of the same to the Registrar of Companies and SEBI, as applicable.

**6.** During the period, there are Related Party Transactions but reportedly in the Ordinary Course of Business at Arm's Length Price and same were reportedly disclosed in Audit Committee meetings and requisite approvals were obtained and proper method has been adopted for entering into those transactions, even if they are out of the purview of provisions of Section 188 of the Companies Act, 2013.

**7.** During the period under review, all the Directors have complied with the requirements as to disclosure of interests and concerns in the contracts and arrangements, shareholding/debenture holding and directorship in other Companies and interests in other entities.

**8.** During the period under review, we noted no default in the repayment of loans etc.

**9.** Updating website of the Company in reference to Stakeholders (more particularly investors/ shareholders) is outsourced to Smartech Interactive Services Private Limited and is being regularly updated. Website Updation is being regularly monitored by dedicated officials of the Company in reference to various provisions of the above laws.

**For AGB & Associates**
**Company Secretaries**



**(Nitin Rawat)**
Partner
FCS No.9050
CP No. 10554

Date: 26 April, 2018
Place:Faridabad

## ANNEXURE 2

Forming part of Secretarial Audit Report for the year ending on 31 March, 2018

**SEBI**

On the basis of examination and verification of the registers, records and documents produced to us and according to the information and explanations given to us by the Company, the Company has, in our opinion, complied with the provisions of the SEBI Act (hereinafter referred as "Act") and the Rules made under the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with regard to:

**a)** Time bound and Event based filing;

**b)** Reporting before Board Meeting;

**c)** Reporting after the meeting;

**d)** Updating website of the Company in reference to various provisions of the above laws–mechanism;

**e)** Forms, returns, documents and resolutions required to be filed with the Stock Exchanges – checklist and compliances;

**f)** Code of Conduct: Code of Business Conduct and Ethics; and Code of Conduct for Prevention of Insider Trading.

**For AGB & Associates**
**Company Secretaries**



**(Nitin Rawat)**
Partner
FCS No.9050
CP No. 10554

Date: 26 April, 2018
Place:Faridabad

## ANNEXURE 3

Forming part of Secretarial Audit Report for the year ending on 31 March, 2018

**Other Laws Applicable to the Company**

On the basis of examination and verification of the registers, records and documents and compliance data captured in compliance software produced to us and according to the information and explanations given to us by the Company, the Company has, in our opinion, complied with the provisions of the Other Laws applicable to the Company and rules made there under to its various Units and Offices, with regard to:

**a)** Preparation and Updation of List of Laws applicable to the Company;

**b)** Registrations and Renewals from time to time;

**c)** Filing of Challan, Forms and Returns from time to time;

**d)** Maintaining Registers and Records as per the provisions of various laws;

**e)** Maintaining Inspection Register;

**f)** Complying with the Notifications issued from time to time;

**g)** Reporting compliances to Board from time to time;

**h)** Statutory dues have been generally paid on time and satisfactory arrangements have been made for arrears of any such dues.

**For AGB & Associates**
**Company Secretaries**



**(Nitin Rawat)**
Partner
FCS No.9050
CP No. 10554

Date: 26 April, 2018
Place:Faridabad

## Annexure -"F"

**Report on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo and forming part of Board's Report for the year ended 31 March, 2018**

### (A) Conservation of energy:

**(i) the steps taken or impact on conservation of energy:**

- Conversion of conventional lighting to LED lights.
- Replacing overcapacity motors of old machines to reduce electrical power consumption.
- High power consuming air conditioners in the machine panels are being replaced with air cooling on maximum machines.
- Hydraulic systems of machines are being modified so that the hydraulic pump will get off during machine idling.
- Machines circuits are being modified in order to reduce power consumption while machines are idle for more than a defined time.
- Replacement of old Air conditioned plant with new split Air conditioners resulting in electricity saving.
- We are maintaining the unity power factor.

**(ii) the steps taken by the Company for utilizing alternate sources of energy:**

- Plant roofing is provided with transparent sheets to use natural day light.
- Wind Ventilators are installed.

**(iii) the capital investment on energy conservation equipment's:**

NIL

**Impact of the measures of above for reduction of energy consumption and consequent impact on the cost of production of goods:**

- The result of above initiatives is reduction in the energy costs.
- We are continuing to avail discount on energy charges from MSEDCL for maintaining unity power factor.

### (B) Technology Absorption:

| | | | |
|---|---|---|---|
| 1. | The efforts made towards technology absorption | 1. | Introduction of new generation tooling material to enable higher productivity. |
| | | 2. | Low cost Automation for gear Hobbing gear shaping machine. |
| | | 3. | Developed Differential gears (Straight Bevel) through dry cutting process called Hypo flex. |
| | | 4. | Installed new vertical machining center having multiple machining requirements. |
| | | 5. | Installed vertical turning lathe for bevel gears bore finishing. |
| 2. | The benefits derived like product improvement, cost reduction, product development or import substitution | 1. | Increase in production, improved quality and machine utilization. |
| | | 2. | Reduction in PPM levels and reduction in manufacturing costs and release of capacity for addition of new business. |
| | | 3. | Reduction in Manpower costs. |

| | | | | |
|---|---|---|---|---|
| 3. | In case of imported technology (imported during the last three years reckoned from the beginning of the financial year): | | | |
| | a) The details of technology imported | **CNC High Helix Angle M/c** | **Grinding Lead Measuring instrument (Shaft Twist Tester)** | **1. Klingelnberg C-30 Hypoid Gear Cutting Machine**<br>**2. Klingelnberg BC 12 Blade checking Machine**<br>**3. Klingelnberg P-40 LP Tester**<br>**4. Klingelnberg Viper 500W Gear Grinder** |
| | b) the year of import | **2015-16** | **2016-17** | **2017-2018** |
| | c) whether the technology been fully absorbed | YES | YES | YES |
| | d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof | N.A. | N.A. | N.A. |
| 4. | The expenditure incurred on Research and Development | 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. | | |

## (C) Foreign Exchange Earnings and Outgo:

**(₹ In lacs)**

| | 2017-2018 | 2016-2017 |
|---|---|---|
| Foreign Exchange earned | 16947.55 | 12001.51 |
| Foreign Exchange used | 1876.53 | 405.14 |
| Net Foreign Exchange earnings | 15071.02 | 11596.37 |

**For and on behalf of the Board of Directors**

**Surinder Paul Kanwar**
Chairman and Managing Director
DIN: 00033524

Place: Mumbai
Date: 30 May, 2018

# CORPORATE GOVERNANCE REPORT

For the Year ended 31 March, 2018
[Pursuant to Schedule V(C) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("The Regulations")]

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

The Company is committed to pursue growth by adhering to the highest national 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 rights 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.

The Board of Directors ("the Board") is committed to sound principles of Corporate Governance in the Company. The Board plays a crucial role in overseeing how the management serves the short and long term interests of shareholders and other stakeholders. This belief is reflected in our corporate governance practices, under which we strive to maintain an effective, informed and Independent Board. We keep our governance practices under continuous review and benchmark ourselves to best practices.

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

## 2. GOVERNANCE STRUCTURE

The Company's Governance comprises a twofold layer, the Board of Directors and the Committees of the Board at the apex level and the Management of the Company at an operational level. This brings about a homogenous blend in governance as the Board lays down the overall corporate objectives and provides direction and independence to the Management to achieve these objectives within a given framework. This professionally managed process results in building a conducive environment for sustainable business operations and value creation for all stakeholders.

## 3. BOARD OF DIRECTORS

The Board of Directors is entrusted with the ultimate responsibility of the management, general affairs, direction and performance of the Company and has been vested with requisite powers, authorities and duties.

Your Company has an optimum combination of Executive and Non-Executive Independent Directors on the Board which includes one Woman Director in compliance of Regulation 17(1) of the Regulations. As on 31 March, 2018, the Board consists of 7 (Seven) 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. The composition of the Board represents an optimal mix of professionalism, knowledge, expertise and experience that enables the Board to discharge its responsibilities efficiently and provide effective leadership to the business in line with the Company's present requirements.

There is no Nominee Director in the Company.

A brief profile of the members of the Board is also available on the Company's website i.e. www.bharatgears.com.

## A. Board's definition of Independent Director

Independent Director shall mean a Non-Executive Director, other than a Nominee Director of the Company:

a. who, in the opinion of the Board of Directors, is a person of integrity and possesses relevant expertise and experience;

b. (i) who is or was not a promoter of the Company or its holding, subsidiary or associate Company;

(ii) who is not related to Promoters or Directors in the Company, its holding, subsidiary or associate Company;

c. who, apart from receiving Director's remuneration, has or had no material pecuniary relationship with the Company, its holding, subsidiary or associate Company, or their Promoters, or Directors, during the two immediately preceding financial years or during the current financial year;

d. none of whose relatives has or had pecuniary relationship or transaction with the Company, its holding, subsidiary or associate Company, or their Promoters, or Directors, amounting to two percent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;

e. who, neither himself/herself nor any of his/her relatives —

(i) holds or has held the position of a Key Managerial Personnel or is or has been employee of the Company or its holding, subsidiary or associate Company in any of the three financial years immediately preceding the current financial year;

(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —

(A) a firm of Auditors or Company Secretaries in Practice or Cost Auditors of the Company or its holding, subsidiary or associate Company; or

(B) any legal or a consulting firm that has or had any transaction with the Company, its holding, subsidiary or associate Company amounting to ten percent or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent or more of the total voting power of the Company; or

(iv) is a Chief Executive or Director, by whatever name called, of any non-profit organization that receives twenty-five percent or more of its receipts from the Company, any of its Promoters, Directors or its holding, subsidiary or associate Company or that holds two percent or more of the total voting power of the Company;

(v) is a material supplier, service provider or customer or a lessor or lessee of the Company;

f. is not less than 21 years of age.

The Board of Directors of the Company, vide its resolution dated 16 May, 2007 has decided that the materiality/ significance shall be ascertained on the following basis:

- The concept of 'materiality' is relevant from the total revenue inflow and/or outflow from and/or to a particular individual/body, directly or indirectly, during a particular financial year.

- The term 'material' needs to be defined in percentage. One per cent (1 per cent) or more of total turnover of the Company, as per latest audited annual financial statement.

It has been confirmed by all the Independent Directors of the Company that as on 31 March, 2018, they fulfill the criteria of being "Independent Director" as stipulated under Regulation 16 of the Regulations.

The **Table-1** gives Composition of the Board, Attendance record of the Directors at the Board Meetings and at the last Annual General Meeting (AGM); Number of their outside Directorships and their Memberships/ Chairmanships in Board Committees.

Table-1

| S.No. | Name of Director(s) | Category | No. of Board Meetings held/ attended | Attendance at last AGM | No. of outside Directorships held[A] | No. of Memberships/ Chairmanships in Board Committees[B] | |
|---|---|---|---|---|---|---|---|
| | | | | | | Member | Chairman |
| 1. | [C]Mr. Surinder Paul Kanwar | Chairman and Managing Director | 5/5 | Present | 2 | 1 | - |
| 2. | [C]Mr. Sameer Kanwar | Joint Managing Director | 5/5 | Present | - | 1 | - |
| 3. | Mr. W.R. Schilha | Non-Executive Independent Director | 5/3 | Present | - | - | - |
| 4. | [D]Mr. V.K. Pargal | Non-Executive Independent Director | 5/5 | Present | 2 | 3 | - |
| 5. | [E]Mr. S.G. Awasthi | Non-Executive Independent Director | 2/1 | Present | N.A. | N.A. | N.A. |
| 6. | [F]Mr. N.V. Srinivasan | Non-Executive Director | 2/2 | N.A. | 1 | 1 | - |
| 7. | Mr. Rakesh Chopra | Non-Executive Independent Director | 5/5 | Present | 1 | 0 | 3 |
| 8. | Ms. Hiroo Suresh Advani | Non-Executive Independent Director | 5/5 | Present | - | 1 | - |

[A]excluding directorship in Private Limited Companies, alternate directorship, Companies registered under Section 8 of the Companies Act, 2013 and Foreign Companies.

[B]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 Limited Companies, Foreign Companies and the Companies under Section 8 of the Companies Act, 2013 are excluded and further, it includes Membership/Chairmanship of Audit Committee and Stakeholders' Relationship Committee only in terms of Regulation 26(1) of the Regulations. None of the Directors of your Company is a Member of more than 10 (Ten) Committees or is the Chairman of more than 5 (Five) Committees across all Public Limited Companies in which they are Directors. The Membership/ Chairmanship also includes Membership/Chairmanship in Bharat Gears Limited.

In terms of Regulation 25(1) of the Regulations, none of the Independent Director of the Company holds the position of the Independent Director in more than 7 (Seven) listed Companies, including Independent Directorship in Bharat Gears Limited and any such Director serving as a whole time Director in a listed Company is not serving as an Independent Director in more than 3 (Three) listed Companies including Bharat Gears Limited.

[C]Mr. Surinder Paul Kanwar is father of Mr. Sameer Kanwar. Mr. Sameer Kanwar has been re-appointed as Joint Managing Director of the Company with effect from 01 June, 2013 for a period of 5 (Five) years. The Board has further re-appointed Mr. Sameer Kanwar as Joint Managing Director of the Company in its meeting held on 30 May, 2018 with effect from 01 June, 2018 for a period of 3 (Three) years.

[D]Mr. V.K. Pargal holds 100 Equity Shares of the Company. No other non-executive independent director holds any shares and convertible instruments.

[E]Mr. S.G. Awasthi has resigned from the directorship of the Company with effect from 09 August, 2017. 2 (Two) Board Meetings were held during the tenure of Mr. S.G. Awasthi in the Financial Year 2017-18.

[F]Mr. N.V. Srinivasan has been appointed as a Non-Executive Director of the Company with effect from 03 November, 2017. 2 (Two) Board Meetings were held after the appointment of Mr. N.V. Srinivasan in the Financial Year 2017-18.

Mr. N.V. Srinivasan is also providing technical advisory services to the Company in his individual capacity. Professional fees paid to him for Financial Year 2017-18 is ₹ 13,72,000/- (Rupees Thirteen Lakhs Seventy Two Thousand Only). The Board is of the opinion that such payments in the context of overall expenditure by the Company is not significant.

Apart from this, no other Non-Executive Director is related to any other Director inter-se and has any material pecuniary relationships/transactions vis-à-vis the Company (other than the sitting fees for attending the Board/Committee meetings).

The terms of appointment of the Directors appointed at the Annual General Meeting of the Company held on 09 August, 2017 are available on the website of the Company i.e. www.bharatgears.com.

In terms of Regulation 25(7) of the Regulations, the Company has adopted a familiarization programme for the Directors that covers familiarizing the Directors about the nature of the industry in which the Company operates, business model of the Company, their roles, rights, responsibilities, and other relevant details by way of:

- *Convening of meetings of the Board of Directors of the Company during each financial year at different manufacturing plants of the Company including visit of the respective plant, direct interaction with the heads of production processes to provide a brief idea to the Directors of the production processes and operations of the Company.*

- *Circulation of an elaborated note on business operations with regard to the operations and financial position of the Company as at the end of each quarter with the Agenda of each Board Meeting.*

- *Updating the Directors of any amendments in laws, rules and regulations as applicable on the Company through various presentations at the Board Meeting(s) in consultation with the Statutory Auditors, Internal Auditors and the Secretarial Auditors of the Company likewise the Companies Act, SEBI Laws, Listing Regulations and such other laws and regulations as may be applicable.*

- *Various presentations are conducted at meetings of the Board/Committees of the Board periodically to familiarize the Directors with the business performance, business strategy, operations and functions of the Company. Such presentations help Directors to understand the Company's Strategy, Operations, Market Competition, Organization Structure, Risk Analysis and such other areas.*

The details of familiarization programme during the Financial Year 2017-18 are available on the official website of the Company i.e. www.bharatgears.com under the link i.e. http://bharatgears.com/documents/details-of-familiarization-programme-for-independrent-director-FY17-18.pdf.

## B. Board Meetings

During the financial year 2017-18, 5 (Five) Board Meetings were held on the following dates. The gap between any two meetings was not more than 120 (one hundred and twenty) days as mandated in Regulation 17(2) of the Regulations:-

- 23 May, 2017;
- 09 August, 2017;
- 03 November, 2017;
- 31 January, 2018; and
- 26 March, 2018

The Company Secretary prepares the agenda and explanatory notes, in consultation with the Chairman and Managing Director, Joint Managing Director and Chief Financial Officer and circulates the same in advance to the Directors. The Board meets at least once every quarter inter alia to review the quarterly results. Additional meetings are held, when necessary. Presentations are made to the Board on the business operations and performance of the Company. The minutes of the proceedings of the meetings of the Board of Directors are noted and the draft minutes are circulated amongst the members of the Board for their perusal. Comments, if any received from the Directors are also incorporated in the minutes, in consultation with the Chairman and Managing Director. The Minutes are signed by Chairman of the Board at the next meeting and signed minutes are circulated amongst the members of the Board for their perusal. Senior management personnel are invited to provide additional inputs for the items being discussed by the Board of Directors as and when considered necessary.

**Post Meeting Follow Up System:** The Company has an effective post Board Meeting follow up procedure. Action Taken Report on the decisions taken in a meeting are placed at the immediately succeeding meeting for information of the Board.

## C. Information supplied to the Board

The Board has complete access to all information with the Company. The information is provided to the Board on regular basis and the agenda papers for the meetings are circulated in advance of each meeting. The information supplied to the Board includes the following, extent to the applicability during the year as per Regulation 17(7) read with Schedule II of the Regulations.

- Annual Operating Plans and Budgets and any updates.

- Capital budgets and any updates.

- Quarterly, Half Yearly and Yearly Results of the Company.

- Minutes of the Meetings of Audit Committee and other Committees of the Board.

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

## 4. BOARD COMMITTEES

### A. Audit Committee

*I. Constitution and Composition*

In terms of Section 177 of the Companies Act, 2013 and Regulation 18 of the Regulations, the "Audit Committee" comprises of the following 3 (Three) Non-Executive and Independent Directors, who have financial/accounting acumen to specifically look into internal controls and audit procedures. All the members are financially literate and have accounting and financial management expertise. The **Table-2** gives the composition of the Audit Committee and attendance record of members of the Committee:

**Table-2**

| S.No. | Name of Member | Designation | No. of meetings Held/ Attended |
|---|---|---|---|
| 1. | Mr. Rakesh Chopra | Chairman | 6/6 |
| 2. | Mr. V.K. Pargal | Member | 6/6 |
| 3. | Ms. Hiroo Suresh Advani** | Member | 4/4 |

During the year, Mr. S.G. Awasthi (the erstwhile member of Committee) ceased to be a member of the Committee due to his resignation with effect from 09 August, 2017. Pursuant to his resignation, Ms. Hiroo Suresh Advani has been inducted as a member of the Committee on 01 September, 2017, accordingly the Audit Committee had been reconstituted. During the tenure of Mr. S.G. Awasthi in the Financial Year 2017-18, 2 (Two) meetings of the Audit Committee were held and he attended 1(One) meeting of the Audit Committee.

** 4 (Four) meetings of the Committee were held after appointment of Ms. Hiroo Suresh Advani as member of the Committee.

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

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

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

*II. Audit Committee Meetings*

During the year, 6 (Six) meetings of the Audit Committee were held on the following dates in terms of Regulation 18 of the Regulations:

- 22 May, 2017;
- 08 August, 2017;
- 02 November, 2017;
- 03 November, 2017;
- 31 January, 2018; and
- 26 March, 2018

*III. Powers of Audit Committee*

The Audit Committee has been empowered with the adequate powers as mandated in Regulation 18 of the Regulations which includes the following:

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

*IV. Role of Audit Committee*

The role of the Audit Committee in terms of Regulation 18 of the Regulations includes the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
    a. matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013.
    b. changes, if any, in accounting policies and practices and reasons for the same.
    c. major accounting entries involving estimates based on the exercise of judgment by management.

d. significant adjustments made in the financial statements arising out of audit findings.

e. compliance with listing and other legal requirements relating to financial statements.

f. disclosure of any related party transactions.

g. modified opinion(s) in the draft audit report.

5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;

6. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

7. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;

8. Approval or any subsequent modification of transactions of the Company with related parties;

9. Scrutiny of inter-corporate loans and investments;

10. Valuation of undertakings or assets of the Company, wherever it is necessary;

11. Evaluation of internal financial controls and risk management systems;

12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

14. Discussion with internal auditors of any significant findings and follow up there on;

15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

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

18. To review the functioning of the whistle blower mechanism;

19. Approval of appointment of Chief Financial Officer (CFO) (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;

20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

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

*V. Review of Information by Audit Committee*

The Audit Committee reviews the following information:

1. Management Discussion and Analysis of financial condition and results of operations;

2. Statement of significant Related Party Transactions (as defined by the Audit Committee), submitted by Management;

3. Management letters/letters of internal control weaknesses issued by the Statutory Auditors;

4. Internal Audit Reports relating to internal control weaknesses;

5. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee; and

6. Statement of deviations, if required.

## B. Nomination and Remuneration Committee

*I. Constitution and Composition*

In terms of Section 178 of the Companies Act, 2013 and Regulation 19 of the Regulations, the Nomination and Remuneration Committee constitutes of following 4 (Four) Directors as members. **Table-3** gives the composition of the Nomination and Remuneration Committee and the attendance record of the members of the Committee.

**Table-3**

| S.No. | Name of Member | Designation | No. of meetings Held/ Attended |
|---|---|---|---|
| 1. | Mr. V.K. Pargal** | Chairman | 3/3 |
| 2. | Mr. Rakesh Chopra | Member | 3/3 |
| 3. | Mr. N.V. Srinivasan** | Member | 1/1 |
| 4. | Mr. Surinder Paul Kanwar | Member | 3/3 |

During the year, Mr. S.G. Awasthi (the erstwhile Chairman of Committee) ceased to be the Chairman of the Committee due to his resignation with effect from 09 August, 2017.

The Board appointed Mr. N.V. Srinivasan as an Additional Director of the Company with effect from 03 November, 2017 to hold the office till the conclusion of ensuing Annual General Meeting of the Company and categorized as Non-Executive Director.

Mr. V.K. Pargal had been inducted as the Chairman of the Committee and Mr. N.V. Srinivasan had been inducted as a member of the Committee on 03 November 2017, accordingly the Nomination and Remuneration Committee had been reconstituted. 1(One) meeting of the Nomination and Remuneration Committee was held during the tenure of Mr. S.G. Awasthi as Chairman of the Committee in the Financial Year 2017-18.

** 2(Two) meetings of the Committee were held during tenure of Mr. V.K. Pargal as member of the Committee and 1 (One) meeting of the Committee was held after appointment of Mr. V.K. Pargal as Chairman & Mr. N.V. Srinivasan as a member of the Committee.

Mr. V.K. Pargal and Mr. Rakesh Chopra are the Non-Executive Independent Directors, Mr. N.V. Srinivasan is a Non-Executive Director and Mr. Surinder Paul Kanwar is Chairman and Managing Director of the Company.

*II. Nomination and Remuneration Committee Meetings*

During the Financial Year 2017-18, 3 (Three) meetings of the Nomination and Remuneration Committee were held. **Table-4** gives the details of the date and purpose of the meetings of Nomination and Remuneration Committee:-

**Table-4**

| S.No. | Date of Meeting | Purpose |
|---|---|---|
| 1. | 22 May, 2017 | Consideration and recommendation of the appraisal of Key Managerial Personnel (KMP) and Senior Management Personnel of the Company |
| 2. | 02 November, 2017 | Consideration and recommendation of the appointment of Mr. N.V. Srinivasan as an Additional Director of the Company |
| 3. | 26 March, 2018 | Noting of the performance evaluation of Independent Directors carried on by Board of Directors and performance evaluation by the Independent Directors in their separate meeting |

Mr. V.K. Pargal (the Authorised Chairman of the Nomination and Remuneration Committee) in absence of Mr. S.G. Awasthi (the erstwhile Chairman of the Committee) was present at the last Annual General Meeting and replied to the queries of the shareholders to their satisfaction.

Mr. Prashant Khattry, Head (Legal) & Company Secretary of the Company acted as Secretary to the Nomination and Remuneration Committee meetings as aforesaid.

*III. Role of Nomination and Remuneration Committee*

The role of the Nomination and Remuneration Committee in terms of the Regulations includes the following:

1. formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration of the Directors, Key Managerial Personnel and other employees;
2. formulation of criteria for evaluation of performance of Independent Directors and the Board;
3. devising a policy on Board diversity;
4. identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal;
5. deciding whether to extend or continue the term of appointment of the Independent Directors, on the basis of the report of performance evaluation of Independent Directors.

Pursuant to Schedule V to the Companies Act, 2013, in case of no profits or inadequate profits, the Nomination and Remuneration Committee has been empowered to consider, approve and recommend the remuneration of Whole Time Director/Managing Director.

*IV. Nomination and Remuneration Policy*

Pursuant to the provisions of the Companies Act, 2013 read with Regulation 19 of the Regulations, the policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management as approved by the Board is available on the website of the Company i.e. www.bharatgears.com.

The objectives and purpose of the said policy are:

- To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration.
- To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the Auto Component industry.

- To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel.
- To provide them reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

While deciding the remuneration for Directors, Key Managerial Personnel and other employees, the Board and the Nomination and Remuneration Committee takes into consideration the performance of the Company, the current trends in the industry, the qualification of the appointee(s), positive attributes, their independence, expertise, past performance and other relevant factors. The Board/Committee regularly keeps track of the market trends in terms of compensation levels and practices in relevant industries. This information is used to review the Company's remuneration policy from time to time.

*V. Policy on Board Diversity*

In terms of Regulation 19 of the Regulations, the Nomination and Remuneration Committee formed the policy on Board Diversity to provide for having a broad experience and diversity on the Board. The said policy is a part of Nomination and Remuneration Policy.

*VI. Performance Evaluation*

In terms of Regulation 17 of the Regulations, the Board of Directors in its meeting held on 26 March, 2018 evaluated the performance of Independent Directors in terms of criteria of performance evaluation as laid down by Nomination and Remuneration Committee which covers the area relevant to their role as Independent Director in the Company.

During the Financial Year 2017-18, a separate meeting of the Independent Directors of the Company was held on 26 March, 2018 in terms of Regulation 25 of the Regulations.

The Independent Directors in their separate meeting:

i. reviewed the performance of non-independent Directors and the Board as a whole;

ii. reviewed the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors;

iii. assessed the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

*VII. Remuneration of Directors for 2017-18*

**Table-5**

**(₹ In lacs)**

| Name of Directors | Sitting Fees# | | Salaries and Perquisites | Total |
|---|---|---|---|---|
| | Board Meetings | Committee Meetings | | |
| **NON-EXECUTIVE DIRECTORS** | | | | |
| Mr. V.K. Pargal | 0.88 | 1.29 | Nil | 2.17 |
| Mr. W.R. Schilha | 0.53 | 0.00 | Nil | 0.53 |
| Mr. S.G. Awasthi& | 0.18 | 0.23 | Nil | 0.41 |
| Mr. Rakesh Chopra | 0.88 | 1.41 | Nil | 2.29 |
| Mr. N.V. Srinivasan@ | 0.35 | 0.06 | Nil | 0.41 |
| Ms. Hiroo Suresh Advani | 0.88 | 0.71 | Nil | 1.59 |
| | | | **Sub-Total (A)** | **7.40** |
| **EXECUTIVE DIRECTORS** | | | | |
| Mr. Surinder Paul Kanwar | | | • Salary | 90.00 |
| | | | • Contribution to provident and other funds (*) | 12.30 |
| | | | • Monetary value of perquisites (**) | 29.93 |
| Mr. Sameer Kanwar | | | • Salary | 90.00 |
| | | | • Contribution to provident and other funds (*) | 12.30 |
| | | | • Monetary value of perquisites (**) | 29.82 |
| | | | **Sub-Total (B)** | **264.35** |
| | | | **Grand Total** | **271.75** |

[#] Inclusive of Service Tax @ 15.00% & GST @ 18.00% as applicable during the year.

[&] Resigned with effect from 09 August, 2017.

[@] Appointed as Non-Executive Director with effect from 03 November, 2017.

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

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

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

The Company has paid remuneration to the Non-Executive Directors by way of sitting fees at the rate of ₹ 15,000/- (Rupees Fifteen Thousand Only) for attending each meeting of the Board and Audit Committee and ₹ 5,000/- (Rupees Five Thousand Only) for other Committees of the Board of Directors of the Company.

## C. Stakeholders' Relationship Committee

In terms of the provisions of the Companies Act, 2013 and Regulation 20 of the Regulations, the "Stakeholders' Relationship Committee" constitutes of following 3 (Three) Directors as members.

The "Stakeholders' Relationship Committee" has been empowered to consider and resolve the grievances of shareholders of the Company including grievances related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends and other miscellaneous grievances. 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-6** gives the composition of the Stakeholders' Relationship Committee and the attendance record of Members of the Stakeholders' Relationship Committee:

**Table-6**

| S.No. | Name of Member | Designation | No. of meetings Held/ Attended |
|---|---|---|---|
| 1. | Mr. Rakesh Chopra | Chairman | 1/1 |
| 2. | Mr. Sameer Kanwar | Member | 1/1 |
| 3. | Mr. N.V. Srinivasan** | Member | - |

During the year, Mr. S.G. Awasthi (the erstwhile Member of Committee) ceased to be Member of the Committee due to his resignation with effect from 09 August, 2017.

The Board of Directors of the Company appointed Mr. N.V. Srinivasan as Non-Executive Director of the Company with effect from 03 November, 2017.

Mr. N.V. Srinivasan inducted as member of the Committee on 03 November 2017, accordingly the Stakeholders' Relationship Committee had been reconstituted.

1(One) meeting of the Stakeholders' Relationship Committee was held on 22 May, 2017 during the tenure of Mr. S.G. Awasthi in the Financial Year 2017-18.

** No meeting of the Committee was held after induction of Mr. N.V. Srinivasan as member of the Committee.

Mr. Rakesh Chopra is the Non-Executive Independent Director, Mr. N.V. Srinivasan is a Non-Executive Director and Mr. Sameer Kanwar is Joint Managing Director of the Company.

The Chairman of the Stakeholders' Relationship Committee was present at the last Annual General Meeting and replied to the queries of the shareholders to their satisfaction.

*I. Stakeholders' Relationship Committee Meetings*

During the Financial Year 2017-18, the Committee met 1 (One) time on 22 May, 2017 and the Committee took note of status of requests received from the Shareholders for Dematerialisation, Rematerialisation, non-receipt of annual report, non-receipt of declared dividend, Transfers and Transmissions of Shares as on 31 March, 2017.

Mr. Prashant Khattry, Head (Legal) and Company Secretary of the Company acted as Secretary to the Stakeholders' Relationship Committee Meeting as aforesaid.

*II. Sub-Committee*

In order to have speedy disposal of the Shareholders'/ Investors' requests for transfer and transmission, a Sub-Committee consisting of the following Directors/ Officers of the Company is in place for effecting transfer/ transmission/split/consolidation of shares:

a. Mr. Surinder Paul Kanwar, Chairman and Managing Director

b. Mr. Sameer Kanwar, Joint Managing Director

c. Mr. Prashant Khattry, Head (Legal) and Company Secretary

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

*III. Status of Investor Complaints/Requests*

| | |
|---|---|
| No. of Complaints received during financial year 2017-18 | NIL |
| No. of Complaints resolved to the satisfaction of stakeholders during financial year 2017-18 | NOT APPLICABLE |

No. of pending requests for share transfers, transmissions, dematerialisations and rematerialisations as on 31 March, 2018.

| Particulars | No. of Requests | No. of Securities |
|---|---|---|
| Transfers and Transmissions | NIL | NIL |
| Dematerialisations and Rematerialisations | NIL | NIL |

In terms of Regulation 13 of the Regulations, the Company has filed the status of investor complaints at the end of each quarter with National Stock Exchange of India Limited (NSE) through NSE Electronic Application Processing System (NEAPS) and with BSE Limited (BSE) through BSE Listing Centre duly signed by Mr. Prashant Khattry, Compliance Officer of the Company.

## D. Corporate Social Responsibility Committee ("CSR Committee")

*I. Constitution and Composition*

In terms of provisions of Section 135 of the Companies Act, 2013 , the Corporate Social Responsibility Committee ("CSR Committee") constitutes of following 3 (Three) Directors as members to monitor the Corporate Social Responsibility Policy of the Company as approved by the Board and the said policy is available on website of the Company i.e. www.bharatgears.com.

The **Table-7** gives the composition of the CSR Committee:

**Table-7**

| S.No. | Name of Member | Designation |
|---|---|---|
| 1. | Mr. Surinder Paul Kanwar | Chairman |
| 2. | Mr. Sameer Kanwar | Member |
| 3. | Mr. Rakesh Chopra | Member |

During the year, Mr. S.G. Awasthi (the erstwhile Member of Committee) ceased to be Member of the Committee due to his resignation with effect from 09 August, 2017. Accordingly the CSR Committee had been reconstituted on 03 November, 2017.

Mr. Surinder Paul Kanwar is Chairman and Managing Director, Mr. Sameer Kanwar is Joint Managing Director and Mr. Rakesh Chopra is Non-Executive Independent Director of the Company.

*II. CSR Committee Meetings*

During the Financial Year 2017-18, no meeting of CSR Committee was held since the provisions of Section 135 of the Companies Act, 2013 were not applicable on the Company during the year because the Company does not fall under the conditions necessary for complying with CSR provisions. Hence, nil amount required to be spent during the year.

## E. Finance Committee

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

The **Table-8** gives the composition of the Finance Committee:

**Table-8**

| S.No. | Name of Member | Designation |
|---|---|---|
| 1. | Mr. Rakesh Chopra | Chairman |
| 2. | Mr. Surinder Paul Kanwar | Member |
| 3. | Mr. Sameer Kanwar | Member |
| 4. | Mr. V.K. Pargal** | Member |

During the year, Mr. S.G. Awasthi (the erstwhile Member of Committee) ceased to be Member of the Committee due to his resignation with effect from 09 August, 2017. Mr. V.K. Pargal had been inducted as member of the Committee on 01 September, 2017, accordingly the Finance Committee had been reconstituted.

Mr. Rakesh Chopra and Mr. V.K. Pargal are the Non-Executive Independent Directors, Mr. Surinder Paul Kanwar is Chairman and Managing Director and Mr. Sameer Kanwar is Joint Managing Director of the Company.

During the Financial Year 2017-18, 2 (Two) meetings of Finance Committee were held on 31 May 2017 and 18 September, 2017 respectively to discharge the functions delegated to the Committee.

*Each of these Committees of the Board have requisite expertise to handle the issues relevant to their field and spend considerable time and give focused attention to the various issues placed before it and guidance by these Committees lend immense values and enhances the decision making process of the Board. The Board reviews the functioning of these Committees from time to time. The Meetings of each of the Committee are convened by the respective Chairman, who also informs the Board about the summary of discussion held in the Committee Meetings. The Minutes of the Committee Meetings are sent to all the Directors individually and tabled at the respective Board/Committee Meeting.*

## 5. COMPLIANCE OFFICER

Mr. Prashant Khattry, Head (Legal) and Company Secretary is the Compliance Officer of the Company.

## 6. DIRECTORS

**Appointment/Re-appointment of existing Executive Director/Non-Executive Director**

The tenure of Mr. Sameer Kanwar as Joint Managing Director of the Company is expiring on 31 May, 2018. The Board of Directors of the Company in its meeting held on 30 May, 2018 has re-appointed Mr. Sameer Kanwar as Joint Managing Director of the Company for a further period of 3(Three) years w.e.f. 01 June, 2018 subject to the approval of shareholders at the ensuing Annual Meeting of the Company.

Mr. N.V. Srinivasan had been appointed as an Additional Director of the Company w.e.f. 03 November, 2017 till the conclusion of the ensuing Annual General Meeting.

Therefore, in terms of Section 152 of the Companies Act, 2013, it has been proposed to appoint Mr. N.V. Srinivasan as Non-Executive Director at the ensuing Annual General Meeting (AGM) of the Company upto the conclusion of the next Annual General Meeting (AGM) of the Company in the Calendar year 2019.

As required under Regulation 36 of the Regulations, the information or details pertaining to the Directors seeking appointment/re-appointment in the ensuing Annual General Meeting are furnished below:

The **Table-9** gives the information pertaining to the Directors who are to be appointed/re-appointed in terms of provisions of Companies Act, 2013 as applicable:

| S.No. | Particulars |
|---|---|
| 1. | **Mr. Sameer Kanwar, Joint Managing Director** |
| | **Brief Resume:** Mr. Sameer Kanwar, aged 40 years is presently designated as Joint Managing Director of the Company. He holds a Bachelor's Degree in Business Economics from York University, Canada. After completing his Graduation, he received two years training in the areas of Planning, Finance and Control at ZF Friedrichshafen AG, Germany, the world's largest maker of drivelines and chassis for Automobiles. |
| | He has deep exposure in Marketing, Purchase, Production and in HR Management. He has in-depth knowledge of the core business of the Company i.e. Automotive Gears. His belief lies in the fact that, creation of a successful organisation needs fostering of people and developing a climate that recognizes performance and leadership. |
| | He has been affiliated with the Company as a member of the Board of Directors since 01 February, 2002 and from then the Company has been taking the advantage of his guidance and supervision. He has an experience of about 18 years and wholesome exposure on all aspects of business of the Company and is engaged in supervision & conduct of business of industrial units of the Company located at Faridabad and Lonand, along with a team of senior management personnel, who assist him in carrying out his activities, subject to the overall supervision & control of the Board. |
| | Mr. Sameer Kanwar has been instrumental in pressing forward the art of gear manufacturing and keeping abreast with the latest technology for delivering the highest quality of products. He has inherited an enormous legacy and shouldered higher assignments during his tenure with the Company. His sincerity, commitment and ideas have resulted in opening up of new opportunities for the Company. |
| | Mr. Sameer Kanwar does not hold the position of Chairman of any of the Committee of Board of the Company. He is a Member of Stakeholders' Relationship Committee, Corporate Social Responsibility Committee and Finance Committee of the Company. |
| | As on 31 March, 2018, he does not hold any Share in the Company. |
| 2. | **Mr. N.V. Srinivasan, Director** |
| | **Brief Resume:** Mr. N.V. Srinivasan, aged 74 years is a Non-Executive Director of the Company since 03 November, 2017. He is a Graduate in Mechanical Engineering. He has done MS in Industrial Engineering from University of Illinois and he is an MBA from Graduate School of Business of the University of Pittsburgh in USA. He has a vast experience of 48 years. |
| | Mr. N.V. Srinivasan does not hold the position of Chairman of any of the Committee of Board of the Company. He is a Member of Nomination and Remuneration Committee and Stakeholders' Relationship Committee of the Company. |
| | He holds the position of Non-Executive Director in Raunaq EPC International Limited and does not hold the position of Chairman/Member of any of the Committees of Raunaq EPC International Limited. |
| | As on 31 March, 2018, he does not hold any Share in the Company. |

## 7. GENERAL BODY MEETINGS

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

**Annual General Meetings**

**Table-10**

| Financial Year | Venue | Date & Time | Special Resolution(s) Passed |
|---|---|---|---|
| 2016-17 | Ark Hall, Hotel Saffron Kiran, 12/6, NH-2, Further to Sarai Metro Station, Near to Badarpur Toll Plaza, Sarai Khwaja, Faridabad – 121003, Haryana | 09 August, 2017 03:00 P.M. | No |
| 2015-16 | Huda Convention Centre Sector-12 Faridabad-121007 (Haryana) | 04 August, 2016 11:30 A.M. | Yes<br>Consideration and approval of the payment of remuneration to Mr. Sameer Kanwar, Joint Managing Director of the Company for a further period of 2(Two) years w.e.f. 01 June, 2016 of his present tenure. |
| 2014-15 | Huda Convention Centre Sector-12 Faridabad-121007 (Haryana) | 31 July, 2015 11:30 A.M. | Yes<br>1. Alteration of Articles of Association (AOA) of the Company.<br>2. Re-appointment of Mr. Surinder Paul Kanwar as Chairman and Managing Director of the Company for a further period of 5 (Five) years with effect from 01 October, 2015 on the terms and conditions including remuneration payable to him for a period of 3 (Three) years with effect from 01 October, 2015. |

### Extra-ordinary General Meetings

No Extraordinary General Meeting of the Company was held during the Financial Year ended 31 March, 2018.

### Postal Ballot

During the Financial Year 2017-18, the Company has obtained the approval of its members through Postal Ballot (including voting by electronic means) in accordance with the procedure prescribed in terms of Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014, as amended and applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 on following resolution:

1. Consideration and approval of issue of 3,25,000 Equity Shares to the Promoter of the Company on preferential basis.

Mr. Nitin Rawat, Practicing Company Secretary was appointed as the Scrutinizer by the Board to conduct the said Postal Ballot Process in fair and transparent manner.

The results of voting, conducted through Postal Ballot (including voting by electronic means) for passing of the Special Resolution(s), had been announced by the Chairman and Managing Director on 24 October, 2017 as reproduced below:

**Resolution No. 1:** To consider and approve the issue of 3,25,000 Equity Shares to the Promoter of the Company on preferential basis.

Type of Resolution: (Special)

| Category | No. of shares held (1) | No. of votes polled (2) | % of Votes Polled on outstanding shares (3)=[(2)/(1)]*100 | No. of Votes - in favour (4) | No. of Votes - against (5) | % of Votes in favour on votes polled (6)=[(4)/(2)]*100 | % of Votes against on votes polled (7)=[(5)/(2)]*100 |
|---|---|---|---|---|---|---|---|
| Promoter and Promoter Group | 4141738 | 4141133 | 99.99 | 4141133 | 0 | 100.00 | 0.00 |
| Public – Institutions | 0 | 0 | 0.00 | 0 | 0 | 0.00 | 0.00 |
| Public – Non Institutions | 3676095 | 43464 | 1.18 | 41408 | 2056 | 95.27 | 4.73 |
| **Total** | **7817833** | **4184597** | **53.53** | **4182541** | **2056** | **99.95** | **0.05** |

The above special resolution was passed with requisite majority.

As on date, no special resolution is proposed to be conducted through postal ballot.

## 8. MEANS OF COMMUNICATION

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

**Table-11**

| Financial Results | Name(s) of Newspapers | Date(s) of Publication |
|---|---|---|
| Quarter/Year ended 31 March, 2017 | Financial Express# Jansatta(Hindi)## | 24 May, 2017 |
| Quarter ended 30 June, 2017 | Financial Express# Jansatta(Hindi)## | 10 August, 2017 11 August, 2017 |
| Quarter/Half Year ended 30 September, 2017 | Financial Express# Jansatta(Hindi)## | 04 November, 2017 |
| Quarter/Nine Months ended 31 December, 2017 | Financial Express# Jansatta(Hindi)## | 01 February, 2018 |

# Financial Express- Delhi, Mumbai, Ahmedabad, Bengaluru, Chandigarh, Chennai, Hyderabad, Kochi, Kolkata, Lucknow, Pune Editions.

## Jansatta (Hindi)- Delhi Edition.

In addition to the above, the quarterly/half yearly and the annual financial results and official releases, if any, are also displayed under the "Investors" section on the Company's official website i.e. www.bharatgears.com for the information of all the shareholders.

Also, the Quarterly Results, Corporate Governance Report and Shareholding Pattern of the Company as mandated under Regulation 33, Regulation 27 and Regulation 31 of the Regulations respectively are filed with the National Stock Exchange of India Limited (NSE) through NSE Electronic Application Processing System (NEAPS) and with BSE Limited (BSE) through BSE Listing Centre.

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

### Green Initiative:

In support of the "Green Initiative" undertaken by Ministry of Corporate Affairs (MCA), the Company had sent soft copies of Annual Reports for the year 2016-17 to all those shareholders whose e-mail addresses were made available to the depositories or the Registrar and Transfer Agents (RTA). Physical copies were sent to only those shareholders whose e-mail addresses were not available and for the bounced e-mail cases.

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

## 9. GENERAL SHAREHOLDERS' INFORMATION

### A. Company Registration Details:

The Company is registered under the Registrar of Companies, NCT of Delhi and Haryana.

The Corporate Identification Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L29130HR1971PLC034365.

### B. Annual General Meeting Details:

The forthcoming AGM of the Company shall be held at 11:30 A.M. on Friday, the 03 August, 2018 at Gulmohar hall, Vibe By The LaLiT Traveller, 12/7 Mathura Road Just After Toll Plaza, Faridabad-121003, Haryana.

### C. Financial Year:

Financial year of the Company commences on 01 April and ends on 31 March. The four Quarters of the Company ends on 30 June, 30 September, 31 December and 31 March respectively.

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

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

1. BSE Limited [BSE]
   [Stock Code: 505688]

2. National Stock Exchange of India Limited [NSE]
   [Symbol: BHARATGEAR]

The Annual Listing Fees for the year 2018-19 has been paid in advance to the aforesaid Stock Exchanges.

### E. Market Price Data:

High and Low prices during each month of Financial Year 2017-18 on National Stock Exchange of India Limited and BSE Limited are as under:

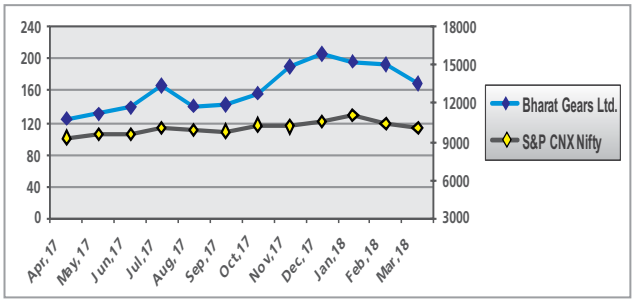
The Closing Price represents the price on the last trading day of each month of Financial Year 2017-18.

**Table-12**

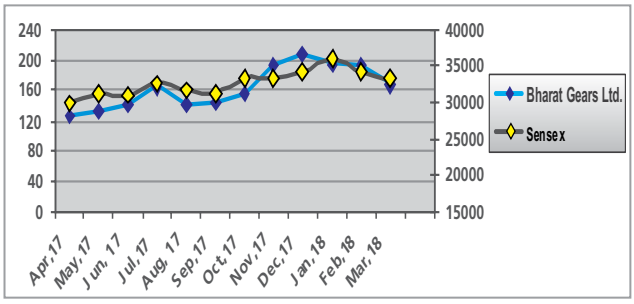
| Month | High (₹) | | Low (₹) | | Closing (₹) | |
|---|---|---|---|---|---|---|
| | NSE | BSE | NSE | BSE | NSE | BSE |
| April | 135.85 | 135.65 | 116.50 | 117.00 | 125.35 | 125.40 |
| May | 134.90 | 135.45 | 116.20 | 113.15 | 130.60 | 130.95 |
| June | 149.00 | 148.50 | 128.90 | 129.05 | 139.20 | 139.65 |
| July | 192.80 | 192.45 | 129.00 | 139.15 | 166.15 | 165.75 |
| August | 175.05 | 174.80 | 132.10 | 133.00 | 140.35 | 140.10 |
| September | 172.30 | 170.00 | 139.50 | 140.00 | 142.55 | 142.95 |
| October | 164.80 | 165.00 | 140.00 | 138.00 | 155.95 | 156.30 |
| November | 212.10 | 212.45 | 153.00 | 153.90 | 191.05 | 192.25 |
| December | 221.50 | 221.15 | 175.10 | 175.00 | 206.65 | 206.75 |
| January | 231.70 | 231.90 | 181.10 | 181.00 | 197.10 | 195.90 |
| February | 221.00 | 221.00 | 175.00 | 177.00 | 192.05 | 193.00 |
| March | 196.75 | 196.00 | 161.95 | 161.55 | 168.25 | 169.20 |

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

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




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




### F. Registrar and Transfer Agent:

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

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

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

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

In terms of Regulation 7 of the Regulations, the Company has filed a compliance certificate with National Stock Exchange of India Limited (NSE) through NSE Electronic Application Processing System (NEAPS) and with BSE Limited (BSE) through BSE Listing Centre duly signed by Mr. Prashant Khattry, Compliance Officer of the Company and the authorized representative of Registrar & Transfer Agent of the Company certifying that all activities in relation to both physical and electronic share transfer facility are maintained by the Registrar & Transfer Agent of the Company.

### G. Share Transfer System:

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

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

a. Mr. Surinder Paul Kanwar, Chairman and Managing Director

b. Mr. Sameer Kanwar, Joint Managing Director

c. Mr. Prashant Khattry, Head(Legal) and Company Secretary

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

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

As per the requirements of Regulation 40(9) of the Regulations, the Company has obtained the Half Yearly Compliance Certificate from a Company Secretary in Practice for due compliance of Share Transfer formalities and the same has been filed with National Stock Exchange of India Limited (NSE) through NSE Electronic Application Processing System (NEAPS) and with BSE Limited (BSE) through BSE Listing Centre accordingly.

### H. Shareholding pattern of the Company as per category of shareholders as on 31 March, 2018

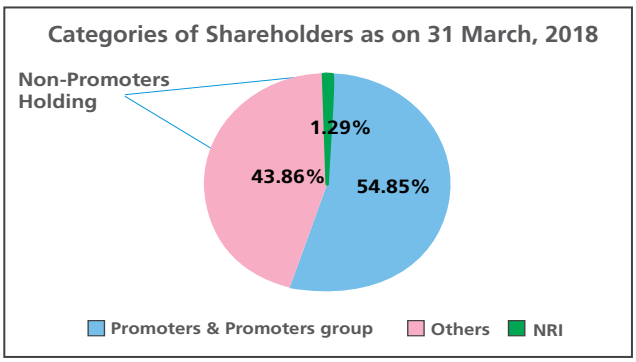


Table-13

| Category | | No. of Shares Held | %age of Share Holding |
|---|---|---|---|
| A | Promoters' holding | | |
| 1. | Promoters | | |
| - | Indian Promoters | 2629525 | 32.29 |
| - | Foreign Promoters | - | |
| 2. | Persons acting in Concert | 1837213 | 22.56 |
| B. | Non-Promoters' Holding | | |
| 3. | Institutional Investors | | |
| a. | Mutual Funds and Unit Trust of India | 3350 | 0.04 |
| b. | Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt. Institutions) | 15976 | 0.20 |
| c. | Foreign Institutional Investor | 12906 | 0.16 |
| 4. | Others | | |
| a. | Private Corporate Bodies | 542388 | 6.66 |
| b. | Indian Public | 2881016 | 35.38 |
| c. | Non Resident Indians/Overseas | 105266 | 1.29 |
| d. | Any Other | 115193 | 1.42 |
| | Total | 8142833 | 100.00 |

## I. Distribution of Shareholding as on 31 March, 2018:

Table-14

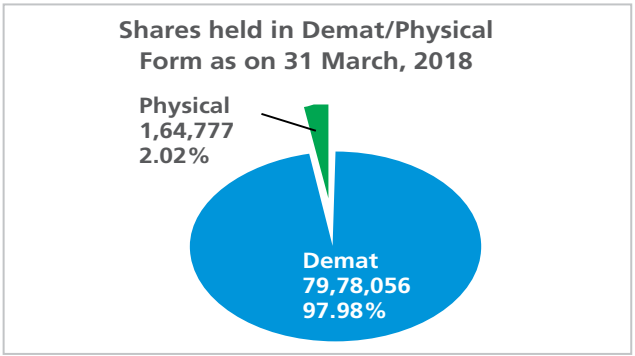
| No. of Equity shares held | Number of Shareholders | Number of Shares | %age to total shares |
|---|---|---|---|
| Up to 500 | 12793 | 1061871 | 13.04 |
| 501 to 1000 | 518 | 420649 | 5.17 |
| 1001 to 2000 | 240 | 363576 | 4.46 |
| 2001 to 3000 | 95 | 248670 | 3.05 |
| 3001 to 4000 | 34 | 122218 | 1.51 |
| 4001 to 5000 | 37 | 174672 | 2.15 |
| 5001 to 10000 | 42 | 303035 | 3.72 |
| 10001 and above | 41 | 5448142 | 66.90 |
| **Total** | **13800** | **8142833** | **100.00** |

## J. Share Dematerialisation System:

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

## K. 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 31 March, 2018 a total of 79,78,056 equity shares of the Company of ₹ 10/- each, which form 97.98% of the paid up Equity Share Capital, stand dematerialized.

Table-15

| PARTICULARS | | | | | |
|---|---|---|---|---|---|
| DEMAT | | | | PHYSICAL | |
| NSDL | | CDSL | | | |
| No. of shares | % | No. of shares | % | No. of shares | % |
| 67,02,526 | 82.31 | 12,75,530 | 15.67 | 1,64,777 | 2.02 |

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

## L. Unclaimed Shares in Physical Mode:

As per Part F of Schedule V of the Regulations, there are no unclaimed shares in the Company.

In terms of provisions of Section 124(6) of the Companies Act, 2013 read with the Investor Education & Protection Fund (IEPF) Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("the Rules") and the Investor Education & Protection Fund (IEPF) Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2017 ("the Amended Rules"), the Company is required to transfer the equity shares in respect of which dividends have remained unclaimed for a period of seven consecutive years to the IEPF Account established by the Central Government and a statement containing such details are required to be filed with the Ministry of Corporate Affairs (MCA).

In terms of above, pursuant to the transfer of the unclaimed dividend for the year 2009-10 to the IEPF on 27 August, 2017 i.e. upon completion of seven years from transfer of dividend into unclaimed dividend

account, 43,669 (Forty Three Thousand Six Hundred Sixty Nine) Equity Shares relating to such dividend on which the dividend has not been claimed for the consecutive seven years since 2009-10 have been transferred into demat account of IEPF Authority.

Further, upon transfer of the unclaimed dividend for the year 2010-11 to the Investor Education and Protection Fund (IEPF) on 24 August, 2018 i.e. upon completion of seven years from the transfer of dividend into unclaimed dividend account, the equity shares relating to such dividend on which the dividend has not been claimed for the consecutive seven years since 2010-11 (net of the shares already transferred) shall also be transferred into IEPF.

In terms of the Rule 6(3) of Investor Education and Protection Fund (IEPF) Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2016, the necessary communications have been made to the respective shareholders whose shares are required to be transferred to the IEPF so as to enable them to claim their dividend attached to such shares before such dividend and shares are transferred to IEPF during the Financial Year 2018-19 and further, the necessary information in this regard is available on the website of the Company i.e. www.bharatgears.com for the convenience of the shareholders.

The Equity shares once transferred into IEPF can only be claimed by the concerned shareholder from IEPF Authority after complying with the procedure prescribed under the Rules and the Amended Rules.

### M. Corporate Benefits

### Dividend History:

Table-16

| Financial Year | Rate (%) | Amount(₹ in Lacs) |
|---|---|---|
| **2017-18** | **NIL** | **NIL** |
| 2016-17 | NIL | NIL |
| 2015-16 | NIL | NIL |
| 2014-15 | NIL | NIL |
| 2013-14 | 10 | 78.00 |

### N. Plant locations:

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

- 20 K.M., Mathura Road, P.O. Amar Nagar, Faridabad, Haryana, Pin–121 003
- Kausa Shil, Mumbra, Dist. Thane, Maharashtra, Pin-400 612
- Lonand, Taluka Khandala, District Satara, Maharashtra, Pin: 415 521

### O. Addresses for Correspondence:

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

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

*For Investor Assistance:-*

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

## 10. OTHER DISCLOSURES

### A. Related Party Transactions:

During the year 2017–18, 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 in terms of Regulation 23 of the Regulations. 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 approval. All disclosures related to financial and commercial transactions where Directors are interested are provided to the Board and the interested Directors neither participated in the discussion nor did they vote on such matters. The details of the Related Party Transactions during the year are given in the Notes forming part of the financial statements.

Further, the Company has formulated a policy on materiality of Related Party Transactions in accordance with the Regulation 23 of the Regulations and the same is available on the website of the Company i.e. www.bharatgears.com under the link http://www.bharatgears.com/corporate-governance.htm.

### 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.

### Adoption of Indian Accounting Standards ("IND AS")

The Company has adopted Indian Accounting Standards ("Ind AS") and accordingly the Financial Statements for the year ended 31 March, 2018 have been prepared in accordance with the same as required under section 133 of the Companies Act, 2013 read with rules made there under. The date of transition to Ind AS is 01 April, 2016. The Financial Statements for the year ended 31 March, 2018 are the Company's first Ind AS financial statements. The impact of transition has been accounted for in the opening reserves and the comparative period figures have been reinstated accordingly.

## C. Risk Management Framework:

In pursuance to the Companies Act, 2013 and Regulation 17(9) of the Regulations, the Board of Directors of the Company has adopted a comprehensive Enterprise Risk Management Framework wherein the risks faced by the Company have been identified and assessed and on the basis of the same, the various risks have been prioritized and further the procedures have been devised upon to mitigate such risks. The progress checks on all the risks are done at the Senior Management level and the summary of the same is placed before the Board on a quarterly basis.

The process of risk identification, assessment, prioritization and the devising of the procedures for mitigation of risks is repeated on an annual basis to make the risk management framework inline with the changing requirements of the Industry vis-à-vis the operations of the Company.

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

## D. Management:

Management Discussion and Analysis forms part of the Annual Report to the Shareholders for the Financial Year 2017-18.

## E. Compliance by the Company:

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

## F. Whistle Blower Policy/Vigil Mechanism:

The Whistle Blower Policy/Vigil Mechanism of the Company has been formulated as per Regulation 22 of the Regulations and Section 177 of the Companies Act, 2013. The policy provides a channel to the employees, Directors and any other person who avails such mechanism to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the Codes of Conduct or Policy. The mechanism of policy provides for adequate safeguards against victimization of employees, Directors and any other person who avails such mechanism and also provide for direct access to the Chairman of the Audit Committee in appropriate and exceptional cases. The said policy has been communicated to all the personnel of the Company and is available on the website of the Company i.e www.bharatgears.com.

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

## G. Policy on Preservation of Documents/Archival Policy on Website Disclosure:

The Policy on Preservation of Documents/Archival Policy on Website Disclosure in accordance with Regulation 9 and Regulation 30(8) of the Regulations is in existence which provides the framework for preservation of documents and records of the Company for a specified period and the records of the Company which are no longer needed or are of no value are discarded after following the due process for discarding the same. This Policy aids the employees of the Company in understanding their obligations in retaining and preserving the documents and records which are required to be maintained as per the applicable statutory and regulatory requirements. The said policy is available on the website of the Company i.e. www.bharatgears.com.

## H. Policy on criteria for Determining Materiality of Events:

The Policy on criteria for determining Materiality of Events has been framed in accordance with Regulation 30 of the Regulations which defines the criteria for determining the materiality of events or information related to the Company, provides that such information should be adequately disseminated in pursuance with the Regulations and further provides for the overall governance framework for such determination of materiality. The said policy is available on the website of the Company i.e. www.bharatgears.com.

## I. CEO/CFO certification:

Certificate from Mr. Surinder Paul Kanwar, Chairman and Managing Director and Mr. Milind Pujari, Chief Financial Officer in terms of Regulation 17(8) of the Regulations for the Financial Year ended 31 March, 2018 was placed before the Board of Directors of the Company in its meeting held on 30 May, 2018.

## J. Code of Conduct and Corporate Ethics:

*Code of Business Conduct and Ethics*

Bharat Gears Limited believes that Good Corporate Governance is the key to the Conduct of Company's Business in a transparent, reliable and vibrant manner. It is of paramount importance for any Company to create an atmosphere of faith, integrity, accountability, responsibility and financial stability by adhering to commitment, ethical business conduct, a high degree of transparency thereby unlocking the individual intellectual capabilities and enabling its Board of Directors to conduct its duties under a moral authority, which ultimately leads to enhance legitimate needs and value of the stakeholders. A copy of this code formulated in terms of Regulation 17 of the Regulations 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 in compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015. 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.

## K. Legal Compliance Reporting:

The Board of Directors reviews in detail, on a quarterly basis, the reports of compliance to all applicable laws and regulations in terms of Regulation 17 of the Regulations. The Company has developed a very comprehensive Legal compliance manual, which drills down from the Senior Management Personnel to the executive-level person (who is primarily responsible for compliance) within the Company. The process of compliance reporting is fully automated, using the legal compliance software. System based alerts are generated till the user submits the compliance report, with provision for escalation to the higher-ups in the hierarchy. Any non-compliance is seriously taken up by the Board, with fixation of accountability and reporting of steps taken for rectification of non compliance.

## L. Mandatory Requirements:

The Company has complied with all the mandatory requirements of Regulation 17 to 27 and Clause (b) to (i) of sub-regulation (2) of Regulation 46 of the Regulations. Details of compliances are given below:

**Table-17**

| I. Disclosure on website in terms of Listing Regulations | Compliance status (Yes/No/NA) |
|---|---|
| **Item** | |
| Details of business | Yes |
| Terms and conditions of appointment of independent directors | Yes |
| Composition of various committees of board of directors | Yes |
| Code of conduct of board of directors and senior management personnel | Yes |
| Details of establishment of vigil mechanism/Whistle Blower policy | Yes |
| Criteria of making payments to non-executive directors | Yes |
| Policy on dealing with related party transactions | Yes |
| Policy for determining 'material' subsidiaries | NA |
| Details of familiarization programmes imparted to independent directors | Yes |
| Contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances | Yes |
| Email address for grievance redressal and other relevant details | Yes |
| Financial results | Yes |
| Shareholding pattern | Yes |
| Details of agreements entered into with the media companies and/or their associates | NA |
| New name and the old name of the listed entity | NA |

| II. Annual Affirmations | | |
|---|---|---|
| **Particulars** | **Regulation Number** | **Compliance status (Yes/No/NA)** |
| Independent director(s) have been appointed in terms of specified criteria of 'independence' and/or 'eligibility' | 16(1)(b) & 25(6) | Yes |
| Board composition | 17(1) | Yes |
| Meeting of Board of directors | 17(2) | Yes |
| Review of Compliance Reports | 17(3) | Yes |
| Plans for orderly succession for appointments | 17(4) | Yes |
| Code of Conduct | 17(5) | Yes |

| II. Annual Affirmations.... Contd. | | |
|---|---|---|
| Particulars | Regulation Number | Compliance status (Yes/No/NA) |
| Fees/compensation | 17(6) | Yes |
| Minimum Information | 17(7) | Yes |
| Compliance Certificate | 17(8) | Yes |
| Risk Assessment & Management | 17(9) | Yes |
| Performance Evaluation of Independent Directors | 17(10) | Yes |
| Composition of Audit Committee | 18(1) | Yes |
| Meeting of Audit Committee | 18(2) | Yes |
| Composition of Nomination & Remuneration committee | 19(1) & (2) | Yes |
| Composition of Stakeholders' Relationship Committee | 20(1) & (2) | Yes |
| Composition and role of Risk Management Committee | 21(1),(2),(3),(4) | NA |
| Vigil Mechanism | 22 | Yes |
| Policy for Related Party Transaction | 23(1),(5),(6),(7) & (8) | Yes |
| Prior or Omnibus approval of Audit Committee for all Related Party Transactions | 23(2),(3) | Yes |
| Approval for material Related Party transactions | 23(4) | NA |
| Composition of Board of Directors of unlisted material Subsidiary | 24(1) | NA |
| Other Corporate Governance requirements with respect to subsidiary of Company | 24(2),(3),(4),(5) & (6) | NA |
| Maximum Directorship & Tenure | 25(1) & (2) | Yes |
| Meeting of Independent Directors | 25(3) & (4) | Yes |
| Familiarization of Independent Directors | 25(7) | Yes |
| Memberships in Committees | 26(1) | Yes |
| Affirmation with compliance to code of conduct from members of Board of Directors and Senior Management Personnel | 26(3) | Yes |
| Disclosure of Shareholding by Non-Executive Directors | 26(4) | Yes |
| Policy with respect to Obligations of Directors and Senior Management | 26(2) & 26(5) | Yes |

## M. Non-Mandatory Requirements:

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

## N. Investor Relations:

The growing requirements of disclosure, transparency and corporate governance have made it imperative for Companies to manage information flow and communicate more effectively with shareholders. Investor Relations at BGL aims at seamless two way communication with the Investor Community. It is based on the tenets of transparency, accuracy and timeliness of disclosures. There is a conscious effort towards the effective dissemination of information to the shareholders to communicate the Company's long term vision and goals.

## O. E-mail for investors:

The Company has designated investor@bglindia.com as e-mail address especially for investors' grievances. Alternatively, the investors can send their complaints/ requests at info@bglindia.com.

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

## P. Nomination facility:

The Shareholders holding Shares in physical form may, if they so want, send their nominations in prescribed Form SH-13 of the Companies (Share Capital and Debentures) Rules 2014, to the Company's RTA. The said form can be obtained from the Company's RTA or downloaded from the Company's Website http://bharatgears.com/documents/form_sh_13_nomination.pdf. The Shareholders who wish to change or cancel their nominations, if already made may send their requests in prescribed Form SH-14 of the Companies (Share Capital and Debentures) Rules 2014, to the Company's RTA which can be obtained from the Company's RTA or downloaded from the Company's Website http://bharatgears.com/documents/form-sh-14-validation-or-cancellation.pdf. Those holding shares in dematerialized form may contact their respective Depository Participant (DP) to avail the nomination facility or further change in nominations.

**Q. Updation of Shareholders information:**

The Shareholders of the Company are requested to intimate their latest Residential Address along with the details of their Shareholding in "Updation of Shareholder's Information Form" (which can be obtained from the Registered Office of the Company or downloaded from the Company's Website under the link http://bharatgears.com/documents/form_updation_shareholders_information.pdf. The duly filled form for Updation of information may either be sent to the Company at its Registered Office or be hand-delivered at the Annual General Meeting of the Company.

**For and on behalf of the Board of Directors**



**Surinder Paul Kanwar**
Chairman and Managing Director
DIN: 00033524

Place: Mumbai
Dated: 30 May, 2018

## COMPLIANCE CERTIFICATE AS PER REGULATION 17(8) OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

We have reviewed financial statements and the cash flow statement for the year 2017-18 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 have been entered into by the Company during the above said period, which are 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 2017–18;

3) Significant changes in accounting policies during the year 2017–18 and that the same have been disclosed in the notes to the financial statements;

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

**For Bharat Gears Limited**





Place: Mumbai
Date: 30 May, 2018

**Milind Pujari**
Chief Financial Officer

**Surinder Paul Kanwar**
Chairman and Managing Director

## COMPLIANCE WITH CODE OF CONDUCT

The Company has adopted "Code of Business Conduct and Ethics" pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("the Regulations"). 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.

In terms of the Regulations, it is hereby affirmed that during the year 2017-18, all the Directors and Senior Managerial personnel have complied with the Code of Conduct and have given a confirmation in this regard.

**For Bharat Gears Limited**





Dated: 30 May, 2018

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

**Surinder Paul Kanwar**
Chairman and Managing Director

## Independent Auditor's Report on compliance with the conditions of Corporate Governance as per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Members
Bharat Gears Limited
20 K.M. Mathura Road,
P.O. Amar Nagar,
Faridabad,
Haryana -121003.

1. The Corporate Governance Report prepared by Bharat Gears Limited (hereinafter the "Company"), contains details as required by the provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") ('Applicable criteria') with respect to Corporate Governance for the year ended 31 March, 2018. This report is required by the Company for annual submission to the Stock Exchanges and to be sent to the Shareholders of the Company.

### Management's Responsibility

2. The preparation of the Corporate Governance Report is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.

3. The Management along with the Board of Directors are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

### Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to express a reasonable assurance in the form of an opinion whether the Company has complied with the specific requirements of the Listing Regulations referred to in paragraph 3 above.

5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

7. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. Summary of key procedures performed include:

   i. Reading and understanding of the information prepared by the Company and included in its Corporate Governance Report;

   ii. Obtained and verified that the composition of the Board of Directors w.r.t executive and non-executive directors has been met throughout the reporting period;

   iii. Obtained and read the Directors Register as on 31 March, 2018 and verified that atleast one women director was on the Board during the year;

   iv. Obtained and read the minutes of the following meetings held between 22 May, 2017 to 26 March, 2018

      (a) Board of Directors Meeting;

      (b) Audit Committee Meeting;

      (c) Annual General Meeting;

      (d) Nomination and Remuneration Committee Meeting;

      (e) Stakeholders' Relationship Committee Meeting;

      (f) Independent Directors Meeting; and

      (g) Finance Committee Meeting;

v. Obtained and read special resolution dated October 21, 2017 approving preferential allotment of shares under Section 42, Section 62 and other applicable provisions of the Companies Act, 2013; and

vi. Performed necessary inquiries with the management and also obtained necessary specific representations from management.

The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

## Opinion

8. Based on the procedures performed by us as referred in paragraph 7 above, and according to the information and explanations given to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations, as applicable for the year ended 31 March, 2018, referred to in paragraph 2 above.

## Other matters and Restriction on Use

9. This report is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

10. This report is addressed to and provided to the members of the Company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of Corporate Governance and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

**For S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003



**per Pramod Kumar Bapna**
Partner
Membership Number: 105497

Place: Mumbai
Date: 30 May, 2018

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BHARAT GEARS LIMITED

## Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of **Bharat Gears Limited** ("the Company"), which comprise the Balance Sheet as at 31 March, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March, 2018, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

## Other Matter

The comparative financial information of the Company for the year ended 31 March, 2017 and the transition date opening balance sheet as at 01 April, 2016 included in these Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 audited by the predecessor auditor whose report for the year ended 31 March, 2017 and 31 March, 2016 dated 23 May, 2017 and 24 May, 2016 respectively expressed an unmodified opinion on those financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

   (e) On the basis of written representations received from the directors as on 31 March, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2018, from being appointed as a director in terms of section 164 (2) of the Act;

   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

   (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 29.1(i) to the Ind AS financial statements;

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003



**per Pramod Kumar Bapna**
Partner
Membership Number: 105497

Place: Mumbai
Date: 30 May, 2018

## Annexure 1 referred to in paragraph 1 to Report on Other Legal and Regulatory Requirements of our report of even date

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

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deeds provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings, are held in the name of the Company as at the balance sheet date. Immovable properties of land and buildings whose title deeds have been pledged as security for loans taken by the Company are held in the name of the Company based on the confirmations directly received by us from lenders. In respect of immovable property of land that has been taken on lease and building constructed thereon, the lease agreement is in the name of the Company, where the Company is the lessee in the agreement. However, in case of freehold land at one of the locations, the Company observed that the area and name mentioned in the records of the Government does not match with the Indenture of Conveyance, for which the Company has initiated necessary action for correction.

(ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) 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 148(1) of the Companies Act, 2013, related to the manufacture of certain products of the Company and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and services tax, cess and other statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and services tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

| Name of the statute | Nature of the dues | Amount (₹) | Period to which the amount relates | Forum where the dispute is pending |
|---|---|---|---|---|
| Income Tax Act, 1961 | Income Tax | 730,115 | Assessment Year 2013-2014 | Income Tax Appellate Tribunal |

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.

(ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of term loans for the purposes for which they were raised. The Company has not raised money by way of initial public offer, further public offer or debt instruments.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid/provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion, the Company is not a Nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given by the management, the Company has complied with provisions of section 42 of the Companies Act, 2013 in respect of the preferential allotment of shares during the year. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes for which the funds were raised.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003



**per Pramod Kumar Bapna**
Partner
Membership Number: 105497

Place: Mumbai
Date: 30 May, 2018

## Annexure 2 to the Independent auditor's report of even date on the Ind AS Financial Statements of Bharat Gears Limited

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **Bharat Gears Limited** ("the Company") as of 31 March, 2018 in conjunction with our audit of the Ind AS Financial Statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these financial statements.

### Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting with reference to these financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting with reference to these financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these financial statements to future periods are subject to the risk that the internal financial

control over financial reporting with reference to these financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these financial statements and such internal financial controls over financial reporting with reference to these financial statements were operating effectively as at 31 March, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003



**per Pramod Kumar Bapna**
Partner
Membership Number: 105497

Place: Mumbai
Date: 30 May, 2018

# BALANCE SHEET

as at 31 March, 2018

₹ lacs

| Particulars | Notes | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| **A. ASSETS** | | | | |
| **1. Non-current assets** | | | | |
| (a) Property, plant and equipment | 5(A) | 11210.68 | 10162.06 | 11073.15 |
| (b) Capital work-in-progress | | 236.32 | 159.46 | 347.94 |
| (c) Intangible assets | 5(B) | 100.23 | 116.63 | 141.34 |
| (d) Financial assets | | | | |
| (i) Loans | 6(A) | 128.66 | 114.24 | 98.46 |
| (ii) Others | 7(A) | 157.81 | 203.25 | 200.11 |
| (e) Deferred tax assets (net) | 30(C) | 208.14 | 78.51 | 7.70 |
| (f) Other non-current assets | 8 | 450.93 | 494.93 | 573.28 |
| **Total non-current assets** | | **12492.77** | **11329.08** | **12441.98** |
| **2. Current assets** | | | | |
| (a) Inventories | 9 | 7702.76 | 6242.95 | 5734.42 |
| (b) Financial assets | | | | |
| (i) Trade receivables | 10 | 12817.78 | 9232.05 | 7983.53 |
| (ii) Cash and cash equivalents | 11(A) | 24.65 | 46.01 | 68.08 |
| (iii) Bank balances other than (ii) above | 11(B) | 509.15 | 517.53 | 514.39 |
| (iv) Loans | 6(B) | 52.16 | 36.50 | 33.50 |
| (v) Others | 7(B) | 356.93 | 198.44 | 152.39 |
| (c) Other current assets | 12 | 2558.26 | 1414.22 | 1179.35 |
| (d) Current tax assets (net) | 13 | 58.72 | 37.91 | 62.95 |
| **Total current assets** | | **24080.41** | **17725.61** | **15728.61** |
| **Total assets** | | **36573.18** | **29054.69** | **28170.59** |
| **B. EQUITY AND LIABILITIES** | | | | |
| **1. EQUITY** | | | | |
| (a) Equity share capital | 14(A) | 814.28 | 781.78 | 781.78 |
| (b) Other equity | 14(B) | 6967.92 | 5865.74 | 5989.17 |
| **Total equity** | | **7782.20** | **6647.52** | **6770.95** |
| **LIABILITIES** | | | | |
| **2. Non-current liabilities** | | | | |
| (a) Financial liabilities | | | | |
| (i) Borrowings | 15 | 7867.70 | 3725.12 | 5121.58 |
| (ii) Other financial liabilities | 16(A) | 114.72 | - | - |
| (b) Provisions | 17(A) | 449.57 | 435.51 | 447.97 |
| (c) Other non-current liabilities | 18 | 1256.32 | 1186.63 | 1059.69 |
| **Total non-current liabilities** | | **9688.31** | **5347.26** | **6629.24** |
| **3. Current liabilities** | | | | |
| (a) Financial liabilities | | | | |
| (i) Borrowings | 19 | 4982.51 | 5237.38 | 4271.67 |
| (ii) Trade payables | 20 | 11706.80 | 8902.77 | 7551.97 |
| (iii) Other financial liabilities | 16(B) | 1772.88 | 2428.72 | 2338.95 |
| (b) Provisions | 17(B) | 91.42 | 90.47 | 111.70 |
| (c) Other current liabilities | 21 | 307.68 | 400.57 | 496.11 |
| (d) Current tax liabilities (net) | 17(C) | 241.38 | - | - |
| **Total current liabilities** | | **19102.67** | **17059.91** | **14770.40** |
| **Total equity and liabilities** | | **36573.18** | **29054.69** | **28170.59** |

**See accompanying notes to the Financial Statements**

As per our report of even date

For **S R B C & CO LLP**
ICAI Firm Registration Number:- 324982E/E300003
Chartered Accountants

**For and on behalf of the Board of Directors of Bharat Gears Limited**

**per Pramod Kumar Bapna**
Partner
Membership No: 105497

**Surinder Paul Kanwar**
Chairman and Managing Director
(DIN : 00033524)

**Sameer Kanwar**
Joint Managing Director
(DIN : 00033622)

**V.K. Pargal** (DIN : 00076639)
**W.R. Schilha** (DIN : 00374415)
**Rakesh Chopra** (DIN : 00032818)
**Hiroo Suresh Advani** (DIN : 00265233)
Directors

Place: Mumbai
Date: 30 May, 2018

**Milind Pujari**
Chief Financial Officer
(PAN : AAAPP3554C)

**Prashant Khattry**
Head (Legal) & Company Secretary
(PAN : AOQPK8734B)

# STATEMENT OF PROFIT AND LOSS

for the year ended 31 March, 2018

₹ lacs

| | Particulars | Notes | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|---|---|
| 1. | Revenue from operations | 22 | 51383.67 | 43437.38 |
| 2. | Other income | 23 | 157.96 | 114.05 |
| 3. | **Total income (1+2)** | | **51541.63** | **43551.43** |
| 4. | **Expenses** | | | |
| | (a) Cost of materials and components consumed | 24(A) | 24347.81 | 18974.37 |
| | (b) Changes in inventories of finished goods and work-in-progress | 24(B) | (743.93) | (387.32) |
| | (c) Excise duty on sale of goods (including scrap sale) | | 645.41 | 2759.28 |
| | (d) Employee benefits expense | 25 | 8726.34 | 7716.46 |
| | (e) Finance costs | 26 | 1684.24 | 1481.44 |
| | (f) Depreciation and amortisation expense | 27 | 1828.11 | 1669.26 |
| | (g) Other expenses | 28 | 14129.35 | 11566.02 |
| | **Total expenses** | | **50617.33** | **43779.51** |
| 5. | **Profit/(Loss) before tax (3-4)** | | 924.30 | (228.08) |
| 6. | **Tax expense/(credit) (net)** | | | |
| | (a) Current tax | 30(A) | 425.00 | - |
| | (b) Deferred tax | 30(C) | (131.00) | (82.00) |
| | Total tax expense/(credit) | | 294.00 | (82.00) |
| 7. | **Profit/(Loss) for the year (5-6)** | | **630.30** | **(146.08)** |
| 8. | **Other comprehensive income** | | | |
| | Items that will not be reclassified to profit or loss | | | |
| | - Re-measurement gains on defined benefits obligations | | 3.95 | 33.84 |
| | - Income tax effect | | (1.37) | (11.19) |
| | Other comprehensive income for the year (net of tax) | | 2.58 | 22.65 |
| 9. | **Total comprehensive income for the year (7+8)** | | **632.88** | **(123.43)** |
| 10. | **Earnings per share (Face value of ₹ 10/- each):** | | | |
| | Basic and Diluted - in ₹ | 34 | **7.93** | **(1.87)** |

**See accompanying notes to the Financial Statements**

As per our report of even date

For **S R B C & CO LLP**
ICAI Firm Registration Number:- 324982E/E300003
Chartered Accountants

**per Pramod Kumar Bapna**
Partner
Membership No: 105497

**For and on behalf of the Board of Directors of Bharat Gears Limited**

**Surinder Paul Kanwar**
Chairman and Managing Director
(DIN : 00033524)

**Sameer Kanwar**
Joint Managing Director
(DIN : 00033622)

**V.K. Pargal** (DIN : 00076639)
**W.R. Schilha** (DIN : 00374415)
**Rakesh Chopra** (DIN : 00032818)
**Hiroo Suresh Advani** (DIN : 00265233)
Directors

Place: Mumbai
Date: 30 May, 2018

**Milind Pujari**
Chief Financial Officer
(PAN : AAAPP3554C)

**Prashant Khattry**
Head (Legal) & Company Secretary
(PAN : AOQPK8734B)

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March, 2018

## (A) Equity share capital

| Particulars | ₹ lacs |
|---|---|
| Balance as at 01 April, 2016 | 781.78 |
| Balance as at 31 March, 2017 | 781.78 |
| Change in equity during the year: Preferential issue of equity shares (Refer Note 14(A)) | 32.50 |
| **Balance as at 31 March, 2018** | **814.28** |

## (B) Other equity

₹ lacs

| Particulars | Reserve and Surplus | | | | Other comprehensive income | Total |
|---|---|---|---|---|---|---|
| | Capital redemption reserve | Securities premium account | General reserve | Retained earnings | Remeasurements of the defined benefit obligations | |
| Balance as at 1 April, 2016 | 588.50 | 924.60 | 1756.45 | 2719.62 | - | 5989.17 |
| Loss for the year | - | - | - | (146.08) | - | (146.08) |
| Other comprehensive income (net of tax) | - | - | - | - | 22.65 | 22.65 |
| **Balance as at 31 March, 2017** | **588.50** | **924.60** | **1756.45** | **2573.54** | **22.65** | **5865.74** |
| Profit for the year | - | - | - | 630.30 | - | 630.30 |
| Other comprehensive income (net of tax) | - | - | - | - | 2.58 | 2.58 |
| Change in equity during the year: Preferential issue of equity shares (net of share issue expenses of ₹ 9.49 lacs (Refer Footnote (iii) of Note 14(A))) | - | 469.30 | - | - | - | 469.30 |
| **Balance as at 31 March, 2018** | **588.50** | **1393.90** | **1756.45** | **3203.84** | **25.23** | **6967.92** |
| **See accompanying notes to the Financial Statements** | | | | | | |

As per our report of even date

For **S R B C & CO LLP**
ICAI Firm Registration Number:- 324982E/E300003
Chartered Accountants

**For and on behalf of the Board of Directors of Bharat Gears Limited**

**per Pramod Kumar Bapna**
Partner
Membership No: 105497

**Surinder Paul Kanwar**
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Directors

Place: Mumbai
Date: 30 May, 2018

**Milind Pujari**
Chief Financial Officer
(PAN : AAAPP3554C)

**Prashant Khattry**
Head (Legal) & Company Secretary
(PAN : AOQPK8734B)

# STATEMENT OF CASH FLOWS

for the year ended 31 March, 2018

₹ lacs

| | Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|---|
| **A.** | **Cash flows from operating activities:** | | |
| | Net profit/(loss) before tax | 924.30 | (228.08) |
| | Adjustments to reconcile profit before tax to net cash flows: | | |
| | Depreciation and amortisation expense | 1828.11 | 1669.26 |
| | Loss on sale/write off of property, plant and equipment (net) | 0.65 | 1.57 |
| | Finance costs | 1375.71 | 1259.80 |
| | Interest income | (70.35) | (95.59) |
| | Rent expenses | 8.10 | 7.66 |
| | Employee benefits expense | 7.65 | 6.27 |
| | Liabilities/provisions no longer required written back | (28.53) | (16.54) |
| | Allowance for doubtful debts | 23.17 | 20.94 |
| | Bad debts written off | 9.08 | 6.53 |
| | Provision for slow and non-moving inventory | 46.00 | - |
| | Other amounts written off | 0.99 | - |
| | Unrealised exchange loss (net) | 10.50 | 33.75 |
| | **Operating profit before working capital changes** | **4135.38** | **2665.57** |
| | Changes in working capital | | |
| | Adjustments for (increase)/decrease in operating assets: | | |
| | Inventories | (1505.81) | (508.53) |
| | Trade receivables | (3517.86) | (1322.66) |
| | Financial assets - loans | (26.30) | (21.34) |
| | Financial assets - others | (98.86) | (43.76) |
| | Other current and non-current assets | (1079.44) | (309.14) |
| | Adjustments for increase/(decrease) in operating liabilities: | | |
| | Trade payables | 2816.75 | 1367.42 |
| | Other financial liabilities | (70.96) | (7.09) |
| | Other current and non-current liabilities | (16.98) | 65.24 |
| | Provisions | 36.91 | (33.69) |
| | **Cash generated from operations** | **672.83** | **1852.02** |
| | Income tax (paid)/refund (net) | (59.64) | 173.56 |
| | **Net cash flows from operating activities (A)** | **613.19** | **2025.58** |
| **B.** | **Cash flows from investing activities:** | | |
| | Purchase of property, plant and equipment and intangible assets (including capital work-in-progress, capital advances) | (2141.22) | (581.60) |
| | Proceeds from sale of property, plant and equipment | 17.67 | 15.85 |
| | Bank balances (including non-current) not considered as cash and cash equivalents (net) | (2.17) | (9.37) |
| | Interest received | 48.27 | 84.47 |
| | Increase in balance in unpaid dividend account | 5.86 | 1.91 |
| | **Net cash flows used in investing activities (B)** | **(2071.59)** | **(488.74)** |

₹ lacs

| | Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|---|
| C. | **Cash flows from financing activities:** | | |
| | Proceeds from long-term borrowings | 8000.00 | 700.00 |
| | Preferential issue of equity shares (net of share issue expenses of ₹ 9.49 lacs) | 501.80 | - |
| | Unsecured loan from Director | (500.00) | 500.00 |
| | Repayment of long-term borrowings | (4978.33) | (2470.96) |
| | Net increase/(decrease) in short-term borrowings | 1007.94 | 703.74 |
| | Interest paid | (1332.93) | (1252.17) |
| | Dividends paid | (5.86) | (1.91) |
| | Finance lease obligation | - | (12.43) |
| | **Net cash flows from/(used in) financing activities (C)** | **2692.62** | **(1833.73)** |
| | **Net (decrease)/increase in cash and cash equivalents (A+B+C)** | **1234.22** | **(296.89)** |
| | Cash and cash equivalents at the beginning of the year | (2794.45) | (2510.41) |
| | Add: Effect of exchange differences on restatement of foreign currency Cash and cash equivalents | 7.23 | 12.85 |
| | **Cash and cash equivalents at the end of the year (Refer Note 11(C))** | **(1553.00)** | **(2794.45)** |
| | The above Statement of Cash Flows has been prepared under the 'indirect method' as set out in Indian Accounting Standard 7 'Statement of Cash Flows' | | |
| | **See accompanying notes to the Financial Statements** | | |

As per our report of even date

For **S R B C & CO LLP**
ICAI Firm Registration Number:- 324982E/E300003
Chartered Accountants

**For and on behalf of the Board of Directors of Bharat Gears Limited**

**per Pramod Kumar Bapna**
Partner
Membership No: 105497

**Surinder Paul Kanwar**
Chairman and Managing Director
(DIN : 00033524)

**Sameer Kanwar**
Joint Managing Director
(DIN : 00033622)

**V.K. Pargal** (DIN : 00076639)
**W.R. Schilha** (DIN : 00374415)
**Rakesh Chopra** (DIN : 00032818)
**Hiroo Suresh Advani** (DIN : 00265233)
Directors

Place: Mumbai
Date: 30 May, 2018

**Milind Pujari**
Chief Financial Officer
(PAN : AAAPP3554C)

**Prashant Khattry**
Head (Legal) & Company Secretary
(PAN : AOQPK8734B)

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March, 2018

## Note 1 : Corporate information

| Particulars |
|---|
| Bharat Gears Limited is a public limited company domiciled in India and is incorporated on 23 December, 1971. The registered office of the Company is located at 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad, Haryana -121003. The Company has three manufacturing locations; two in the state Maharashtra at Mumbra, Thane and Lonand, Satara and one in the state of Haryana at Faridabad. Its shares are listed on two recognized stock exchanges in India. The Company is primarily engaged in the Automotive Gears business and all other activities revolving around the same. |
| The financial statements were approved by the Board of Directors and authorised for issue on 30 May, 2018. |

## Note 2 : Significant accounting policies

| Note | Particulars |
|---|---|
| **2.1** | **Basis of preparation:** |
| | The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) Rules, 2016. For all periods up to and including the year ended 31 March 2017, the Company prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended 31 March, 2018 are the Company's first Ind AS financial statements. The date of transition to Ind AS is 01 April, 2016. Refer Note 4 for information on how the Company adopted Ind AS. |
| | The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. |
| | The financial statements are presented in Indian Rupees (₹) which is also the Company's functional currency. All values are rounded to nearest lacs with two decimal except when otherwise indicated. |
| **2.2** | **Current versus non-current classification:** |
| | Based on the nature of products/activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as twelve months for the purpose of classification of its assets and liabilities as current and non-current. |
| | Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively. |
| **2.3** | **Foreign currencies:** |
| | Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. |
| | At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognised in the Statement of Profit and Loss in the period in which they arise. |
| | Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. |
| **2.4** | **Fair value measurement:** |
| | Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value for measurement and/or disclosure in these financial statements is determined on such a basis. |
| | All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, which are described as follows: |

## Note 2 : Significant accounting policies.... Contd.

| Note | Particulars |
|---|---|

**Level 1 inputs**

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions. If an entity holds a position in a single asset or liability and the asset or liability is traded in an active market, the fair value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

**Level 2 inputs**

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include:

-quoted prices for similar assets or liabilities in active markets

-quoted prices for identical or similar assets or liabilities in markets that are not active

-inputs other than quoted prices that are observable for the asset or liability, for example-interest rates and yield curves observable at commonly quoted interval

-implied volatilities

-credit spreads

-inputs that are derived principally from or corroborated by observable market data by correlation or other means (‘market-corroborated inputs’)

**Level 3 inputs**

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**2.5 Property, plant and equipment:**

Capital work-in-progress, property, plant and equipment are stated at cost of acquisition or construction, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes financing cost relating to borrowed funds attributable to the construction or acquisition of qualifying tangible assets upto the date the assets are ready for use. The estimated useful lives, residual values, are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When an item of property, plant and equipment is scrapped or otherwise disposed off, the cost and related depreciation are removed from the books of account and resultant profit or loss, if any, is reflected in the Statement of Profit and Loss.

Depreciation on property, plant and equipment has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013.

## Note 2 : Significant accounting policies.... Contd.

| Note | Particulars | | |
|---|---|---|---|
| | Estimated useful lives of the the assests are as follows: | | |
| | Builidings | : | 3 - 60 years |
| | Plant and equipments (owned/on lease) | : | 15 years |
| | Office equipments | : | 3 - 6 years |
| | Furniture and fixtures | : | 8 -10 years |
| | Vehicles | : | 8 years |
| | The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. | | |
| | Leasehold land was amortised over the remaining period of lease. | | |
| **2.6** | **Intangible assets:** | | |
| | Intangible assets (i.e computer software) are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. | | |
| | Computer software are amortised on straight line basis over the estimated useful life of 6 years. | | |
| | Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised. | | |
| **2.7** | **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 is arrived at on weighted average basis. | | |
| | Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. | | |
| **2.8** | **Impairment of assets:** | | |
| | At the end of each reporting period, the Company assesses whether there is any indication that an asset or a group of assets (cash generating unit) may be impaired. If any such indication exists, the recoverable amount of the asset or cash generating unit is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. | | |
| | Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted at their present value using the pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted. | | |
| | If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Profit and Loss. | | |
| | When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit and Loss. | | |

## Note 2 : Significant accounting policies.... Contd.

| Note | Particulars |
|---|---|
| 2.9 | **Cash and cash equivalents:** |

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

**2.10 Financial instruments:**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when a Company becomes a party to the contractual provisions of the instruments.

**(i) Initial recognition and measurement:**

Financial assets and financial liabilities are recognized when a Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the Statement of Profit and Loss.

**(ii) Subsequent measurement of financial assets:**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**(iii) Derecognition of financial assets:**

The Company derecognises a financial asset when and only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the Statement of Profit and Loss if such gain or loss would have otherwise been recognised in the Statement of Profit and Loss on disposal of that financial asset.

**(iv) Impairment of financial assets:**

The Company applies the expected credit loss model for recognising impairment loss on financial assets. The Company follows 'simplified approach' for recognition of impairment loss allowance. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

**(v) Subsequent measurement of financial liabilities:**

All the financial liabilities are subsequently measured at amortised cost using the effective interest rate method or at fair value through profit and loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

**(vi) Derecognition of financial liabilities:**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

## Note 2 : Significant accounting policies.... Contd.

| Note | Particulars |
|---|---|
| 2.11 | **Provisions & Contingencies:** |

Provisions are recognised when the Company has a present obligation (legal or constructive) 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 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. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Contingent liability is disclosed in the case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;

- a present obligation arising from past events, when no reliable estimate is possible;

- a possible obligation arising from past events, unless the probability of outflow of resources is remote.

A contingent asset is disclosed where an inflow of economic benefits is probable.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

A contingent asset is disclosed where an inflow of economic benefits is probable.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

**2.12 Revenue recognition:**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and inclusive of excise duty but excluding other taxes or duties collected on behalf of the government.

The specific recognition criteria described below must also be met before revenue is recognised.

**(a) Sale of goods and rendering of services:**

Revenue from sale of goods and rendering of services including export benefits thereon are recognised when the products are shipped or services rendered, i.e. when significant risks and rewards of ownership are passed on to the customers. Sales are net of sales tax/value added tax, GST and trade discounts.

**(b) Construction contracts:**

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

**(c) Tooling development income:**

Net income, if any, from development of tools is recognised as income as and when the development of tool is complete or on expiry of five years from completion of development, whichever is earlier.

**(d) Interest income:**

Interest income is recorded on time proportion basis using the effective interest rate (EIR).

## Note 2 : Significant accounting policies.... Contd.

| Note | Particulars |
|---|---|
| **2.13** | **Retirement and other employee benefits:** |

**(i) Retirement benefit costs and long term compensated absences**

Payment to defined contribution retirement benefit plans i.e recognised provident fund and superannuation fund are recognised as an expense when employees have rendered service entitling them to the contributions.

Company's liability towards gratuity, compensated absences and terminal ex-gratia is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the return of plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income (OCI) in the period in which they occur. Remeasurement recognised in the other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement

The Company presents the first two components of defined benefit costs in the Statement of Profit and Loss in the line item "Employee benefits expense". Curtailment gains and losses are accounted for as past service cost.

The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

**(ii) Other employee benefits**

A liability is recognized for benefits accruing to the employees in respect of wages and salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange of that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange of related service.

Voluntary retirement scheme payouts are recognised as an expense in the period in which they are incurred.

**2.14 Borrowing costs:**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

**2.15 Leases:**

Assets leased by the Company in its capacity as a lessee, where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

## Note 2 : Significant accounting policies.... Contd.

| Note | Particulars |
|---|---|
| | Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the lease term. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. |
| **2.16** | **Taxes on income:** |
| | Income tax expense represents the sum of the tax currently payable and deferred tax. |
| | **(a) Current tax:** |
| | Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Current income tax relating to items recognised outside profit or loss are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant taxpaying units intend to settle the asset and liability on a net basis. |
| | **(b) Deferred tax:** |
| | Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. |
| | Deferred tax liabilities are recognised for all taxable temporary differences. |
| | Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. |
| | Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. |
| | The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. |
| | Deferred tax relating to items recognised outside profit or loss is recognised outside profit and loss (either in other comprehensive income or in equity). |
| **2.17** | **Earnings per share:** |
| | Basic earnings per share is calculated by dividing the net profit/(loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of shares outstanding during the year is adjusted for events such as bonus issue that have changed the number of shares outstanding, without a corresponding change in resources. |
| | For the purpose of calculating diluted earnings per share, the net profit/(loss) for the year attributable to equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity. |

## Note 3 : Use of estimates and judgements

| Particulars |
|---|
| 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. |
| In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes: |
| (i) Property, plant and equipment - Refer Notes 2.5 & 5(A) |
| (ii) Intangible assets - Refer Notes 2.6 & 5(B) |
| (iii) Revenue recognition from Construction contracts - Refer Notes 2.12(b) & 22 |
| (iv) Taxes on income - Refer Notes 2.16 & 30 |
| (v) Retirement and other employee benefits - Refer Notes 2.13 & 32 |

## Note 4 : First-time adoption of Ind AS – mandatory exceptions and optional exemptions:

| Note | Particulars |
|---|---|
| **A.** | **Overall principle:** |
| | The Company has prepared the opening Balance Sheet as per Ind AS as of 01 April, 2016 (the transition date) by recognizing all assets and liabilities whose recognition is required by Ind AS, not recognizing items of assets and liabilities which are not permitted by Ind AS, by reclassifying items from previous GAAP to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognized assets and liabilities. However, this principle is subject to certain exceptions and certain optional exemptions availed by the Company as detailed below: |
| | **(a) Mandatory exceptions:** |
| | **(i) Accounting estimates:** |
| | The Company's estimates in accordance with Ind AS at the date of transition are consistent with previous GAAP (after adjustments to reflect any difference in accounting policies) or are required under Ind AS but not under previous GAAP. |
| | **(ii) De-recognition of financial assets and financial liabilities:** |
| | The Company has applied the de-recognition requirements of financial assets and financial liabilities prospectively for transactions occurring on or after 01 April, 2016 (the transition date). |
| | **(iii) Classification and measurement of financial assets:** |
| | The Company has determined the classification and measurement of financial assets in terms of whether they meet the amortised cost criteria or the fair value criteria based on the facts and circumstances that existed as on the transition date. |
| | **(iv) Impairment of financial assets:** |
| | The Company has applied the impairment requirements of Ind AS 109 retrospectively; however, as permitted by Ind AS 101, it has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised in order to compare it with the credit risk at the transition date. Further, the Company has not undertaken an exhaustive search for information when determining, at the date of transition to Ind AS, whether there have been significant increases in credit risk since initial recognition, as permitted by Ind AS 101. |

## Note 4 : First-time adoption of Ind AS – mandatory exceptions and optional exemptions: .... Contd.

| Note | Particulars |
|---|---|
| | **(b) Optional Exemptions:** |
| | **(i) Deemed cost for property, plant and equipment and intangible assets:** |
| | Since there is no change in the functional currency, the Company has elected the exemption of previous GAAP carrying value of all its Property, plant and equipment and Intangible assets recognised as of 01 April, 2016 (transition date) as deemed cost. |
| | **(ii) Determining whether an arrangement contains a lease:** |
| | The Company has applied Appendix C of Ind AS 17 to determine whether an arrangement existing at the transition date contains a lease on the basis of facts and circumstances existing at that date. |
| **B.** | **Standards issued but not effective:** |
| | On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115- Revenue from Contract with Customers and certain amendment to existing Ind AS. These amendments shall be applicable to the Company from 01 April, 2018. |
| | **(a) Issue of Ind AS 115 - Revenue from Contracts with Customers:** |
| | Ind AS 115 will supersede the current revenue recognition guidance including Ind AS 18 Revenue, Ind AS 11 Construction Contracts and the related interpretations. Ind AS 115 provides a single model of accounting for revenue arising from contracts with customers based on the identification and satisfaction of performance obligations. The Company principally satisfies its performance obligation at a point in time and the amounts of revenue recognized relating to performance obligation satisfied over time are not significant. The accounting for revenue under Ind AS 115 does not, therefore, represent a substantive change from the Company's current practice of recognising revenue from sale to customers. |
| | **(b) Amendment to existing issued Ind AS:** |
| | The MCA has also carried out amendments to the following accounting standards. These are: |
| | (i) Ind AS 12 – Income Taxes |
| | (ii) Ind AS 21 – The Effects of Changes in Foreign Exchange Rates |
| | Application of the above standards is not expected to have any significant impact on the Company's Financial Statements. |

## Note 5(A) : Property, plant and equipment

₹ lacs

| | Description of assets | Land - freehold @ | Buildings ** | Plant and equipments - owned | Plant and equipments - on lease $ | Office equipments $$ | Furniture and fixtures | Vehicles | Leasehold improvement | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| I. | **At cost or deemed cost** | | | | | | | | | |
| | Balance as at 01 April, 2016 (Deemed cost) | 672.11 | 2580.24 | 7122.53 | 176.18 | 178.17 | 342.97 | 0.86 | 0.09 | 11073.15 |
| | Additions | - | 42.41 | 613.57 | - | 65.07 | 11.40 | - | - | 732.45 |
| | Disposals | - | - | (15.50) | - | (1.91) | - | - | - | (17.41) |
| | **Balance as at 31 March, 2017** | **672.11** | **2622.65** | **7720.60** | **176.18** | **241.33** | **354.37** | **0.86** | **0.09** | **11788.19** |
| | Additions | - | 86.26 | 2672.06 | - | 72.58 | 22.51 | - | - | 2853.41 |
| | Disposals | - | - | (17.70) | - | (0.43) | (0.17) | - | - | (18.30) |
| | **Balance as at 31 March, 2018** | **672.11** | **2708.91** | **10374.96** | **176.18** | **313.48** | **376.71** | **0.86** | **0.09** | **14623.30** |
| II. | **Depreciation/Impairment** | | | | | | | | | |
| | Balance as at 01 April, 2016 | - | - | - | - | - | - | - | - | - |
| | Depreciation charge for the year | - | 119.28 | 1351.53 | 40.47 | 61.07 | 53.56 | 0.22 | - | 1626.13 |
| | **Balance as at 31 March, 2017** | **-** | **119.28** | **1351.53** | **40.47** | **61.07** | **53.56** | **0.22** | **-** | **1626.13** |
| | Depreciation charge for the year | - | 121.42 | 1507.93 | 40.47 | 61.97 | 54.49 | 0.21 | - | 1786.49 |
| | **Balance as at 31 March, 2018** | **-** | **240.70** | **2859.46** | **80.94** | **123.04** | **108.05** | **0.43** | **-** | **3412.62** |
| | **Net book value (I-II)** | | | | | | | | | |
| | **Balance as at 31 March, 2018** | **672.11** | **2468.21** | **7515.50** | **95.24** | **190.44** | **268.66** | **0.43** | **0.09** | **11210.68** |
| | Balance as at 31 March, 2017 | 672.11 | 2503.37 | 6369.07 | 135.71 | 180.26 | 300.81 | 0.64 | 0.09 | 10162.06 |
| | Balance as at 01 April, 2016 | 672.11 | 2580.24 | 7122.53 | 176.18 | 178.17 | 342.97 | 0.86 | 0.09 | 11073.15 |

(@) Includes certain area of freehold land, where the name mentioned in the records of the Government do not match with the indenture of conveyance available with the Company in respect of such land. The Company has initiated necessary action for correction.

(**) Building include 10 shares of ₹ 50/- each in Venkatesh Premises Co-operative Society Ltd. - Total ₹ 500/- (As at 31 March, 2017: ₹ 500; As at 01 April, 2016: ₹ 500/-).

($) Includes items of Plant and equipment having Net book value of ₹ 95.24 lacs (As at 31 March, 2017: ₹ 135.71 lacs; As at 01 April, 2016: ₹ 132.26 lacs) in respect of which lease periods have expired, the transfer in the name of Company is under process.

($$) Includes Computers and miscellaneous equipment.

## Note 5(B) : Intangible assets

₹ lacs

| | Description of assets | Computer software acquired |
|---|---|---|
| I. | **At cost or deemed cost** | |
| | **Balance as at 01 April, 2016 (Deemed cost)** | 141.34 |
| | Additions | 18.42 |
| | Disposals | - |
| | **Balance as at 31 March, 2017** | **159.76** |
| | Additions | 25.22 |
| | Disposals | - |
| | **Balance as at 31 March, 2018** | **184.98** |
| II. | **Amortisation** | |
| | Balance as at 01 April, 2016 | - |
| | Amortisation expense for the year | 43.13 |
| | **Balance as at 31 March, 2017** | **43.13** |
| | Amortisation expense for the year | 41.62 |
| | **Balance as at 31 March, 2018** | **84.75** |
| | **Net book value (I-II)** | |
| | **Balance as at 31 March, 2018** | **100.23** |
| | Balance as at 31 March, 2017 | 116.63 |
| | Balance as at 01 April, 2016 | 141.34 |

**Footnotes:**

(i) For details of Property, plant and equipment charged as security for borrowings Refer Note 15.

(ii) For Property, plant and equipment and Intangible assets existing as at 01 April, 2016 i.e date of transition to Ind AS, the Company has used previous GAAP carrying values as deemed cost as permitted by Ind AS 101- First time adoption. Accordingly, the net written down value as per previous GAAP as at 01 April, 2016 has been considered as deemed cost under Ind AS.

## Note 6 : Financial assets - Loans

**(A) Non-current**

₹ lacs

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| Loans and advances to employees | | | |
| Unsecured, considered good | 128.66 | 114.24 | 98.46 |
| **Total** | **128.66** | **114.24** | **98.46** |

**(B) Current**

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| Loans and advances to employees | | | |
| Unsecured, considered good | 52.16 | 36.50 | 33.50 |
| **Total** | **52.16** | **36.50** | **33.50** |

## Note 7 : Financial assets - Others

**(A) Non-current**

₹ lacs

| | Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| (a) | Security deposits (Refer Footnote (i) below) | | | |
| | Unsecured, considered good | 97.36 | 147.52 | 148.71 |
| (b) | Balances with banks | | | |
| | In fixed deposits (Refer Footnote (ii) below) | 60.18 | 55.49 | 51.17 |
| (c) | Interest accrued and receivable | | | |
| | Unsecured, considered good | 0.27 | 0.24 | 0.23 |
| | **Total** | **157.81** | **203.25** | **200.11** |

**Footnote**:

(i) Security deposits include ₹ 7.26 lacs (As at 31 March, 2017: ₹ 53.57 lacs, As at 01 April, 2016: ₹ 55.80 lacs) due from directors and ₹ 2.23 lacs (As at 31 March, 2017: ₹ 4.22 lacs, As at 01 April, 2016: ₹ 3.77 lacs) due from a private limited company, in which directors of the Company are directors.

(ii) Represent deposit, the receipts for which are held by Tata Capital Financial Services Limited towards security deposit for availing operating lease facility.

**(B) Current**

| | Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| **Unsecured, considered good** | | | | |
| (a) | Security deposit (Refer Footnote below) | 139.40 | 78.53 | 76.00 |
| (b) | Accruals | | | |
| | Interest accrued on deposits | 3.34 | 0.82 | 8.04 |
| (c) | Due from customers for contract work | | | |
| | (Refer Note 35(A)) | - | 15.75 | - |
| (d) | Due from Related party | | | |
| | Services rendered to Xlerate Driveline India Limited (XDIL) (Refer Note 33(C)) | 41.96 | 42.31 | 32.18 |
| (e) | Other recoveries | 8.22 | 19.56 | 20.24 |
| (f) | Others | 164.01 | 41.47 | 15.93 |
| | **Total** | **356.93** | **198.44** | **152.39** |

**Footnote:**

Security deposits include ₹ 60.00 lacs (As at 31 March, 2017: ₹ 8.93 lacs, As at 01 April, 2016: ₹ Nil) due from director and ₹ 2.50 lacs (As at 31 March, 2017: ₹ Nil, As at 01 April, 2016: ₹ Nil) due from a private limited company, in which directors of the Company are directors.

## Note 8 : Other non-current assets

₹ lacs

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| **Unsecured, considered good** | | | |
| (a) Capital advances | 187.41 | 32.08 | 28.87 |
| (b) Prepaid expenses | 50.12 | 51.43 | 50.81 |
| (c) Prepaid tooling expenses | 153.12 | 185.03 | 118.69 |
| (d) Advance income tax (net of provisions ₹ Nil (As at 31 March, 2017: ₹ 35.00 lacs, As at 01 April, 2016: ₹ 343.65 lacs)) | - | 166.11 | 314.63 |
| (e) Others | 60.28 | 60.28 | 60.28 |
| **Total** | **450.93** | **494.93** | **573.28** |

## Note 9 : Inventories

₹ lacs

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| (a) Raw materials and components: | | | |
| - Automotive gears | 1232.69 | 587.50 | 489.89 |
| - Automotive components | 81.27 | 68.39 | 35.53 |
| | **1313.96** | **655.89** | **525.42** |
| (b) Work-in-progress: | | | |
| - Automotive gears | 3626.55 | 2464.09 | 2184.55 |
| (c) Finished goods: | | | |
| - Automotive gears | 1008.44 | 1371.06 | 1280.71 |
| - Automotive components | 190.98 | 246.89 | 229.46 |
| | **1199.42** | **1617.95** | **1510.17** |
| (d) Stores and spares | 499.37 | 523.84 | 518.63 |
| (e) Loose tools | 1056.51 | 976.67 | 988.16 |
| (f) Scrap | 6.95 | 4.51 | 7.49 |
| **Total** | **7702.76** | **6242.95** | **5734.42** |

**Footnotes:**

(i) The cost of inventories recognised as an expense during the year ₹ 23603.88 lacs (Year ended 31 March, 2017: ₹ 18587.05 lacs).

(ii) The cost of inventories recognized as an expense includes ₹ 62.72 lacs (Year ended 31 March, 2017: ₹ 87.68 lacs) in respect of provision for slow and non moving inventory and write-down (net) of inventory to net realisable value.

(iii) The mode of valuation of inventories has been stated in Note 2.7

(iv) For details of inventories provided as security for borrowings Refer Note 19.

## Note 10 : Trade receivables

₹ lacs

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| Trade receivables outstanding for a period exceeding six months from the date they were due for payment | | | |
| Unsecured, considered good | 56.43 | 15.67 | 29.26 |
| Doubtful debts | 22.28 | 28.41 | 7.47 |
| | 78.71 | 44.08 | 36.73 |
| Less: Allowance for doubful debts | 22.28 | 28.41 | 7.47 |
| | 56.43 | 15.67 | 29.26 |
| Other trade receivables | | | |
| Unsecured, considered good | 12779.75 | 9216.38 | 7954.27 |
| Less: Impairment for trade receivable | 18.40 | - | - |
| **Total** | **12817.78** | **9232.05** | **7983.53** |

**Footnotes**:

(i) Other trade receivables include ₹ 53.24 lacs (As at 31 March, 2017: ₹ 42.14 lacs, As at 01 April, 2016: ₹ Nil) due from a Company, in which directors of the Company are directors.

(ii) The Company is primarily engaged in manufacturing and selling of Automotive Gears and Components. Credit period varies from customer to customer. Average credit period is 30 - 90 days in respect of export customers and 30 - 60 days from the date of receipt of goods in respect of domestic customers. No interest is recovered on trade receivables for payments received after due date.

(iii) At 31 March, 2018, the Company had 5 customers (31 March 2017: 4 customers; 01 April, 2016: 4 customers) that owed the Company more than ₹ 500 lacs each and accounted for approximately 56.93 % of all the receivables outstanding (31 March, 2017: 46.03%; 01 April, 2016: 45.66%).

(iv) The Company maintains an allowance for impairment of receivables accounts based on aging of customer receivables, overdues and historical experience of collections from customer(s).

**Movement of impairment of trade receivable (including allowance for doubtful debts):**

| Particulars | ₹ lacs |
|---|---|
| **Balance as at 01 April, 2016** | **7.47** |
| Add: Created during the year | 20.94 |
| Less: Released during the year | - |
| **Balance as at 31 March, 2017** | **28.41** |
| Add: Created during the year | 28.59 |
| Less: Released during the year | 16.32 |
| **Balance as at 31 March, 2018** | **40.68** |

## Note 11 : Cash and cash equivalents and other bank balances

**(A) Cash and cash equivalents**

₹ lacs

| | Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| (a) | Cash on hand | 5.62 | 3.84 | 14.60 |
| (b) | Balances with banks: | | | |
| | In current accounts | 19.03 | 42.17 | 53.48 |
| | **Total** | **24.65** | **46.01** | **68.08** |

## Note 11 : Cash and cash equivalents and other bank balances....Contd.

**(B) Other bank balances**

₹ lacs

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| (a) In earmarked accounts (Refer Footnote below) | | | |
| - Unpaid dividend accounts | 6.50 | 12.36 | 14.27 |
| (b) Balances held as margin money or security against borrowings, guarantees and other commitments | 502.65 | 505.17 | 500.12 |
| **Total** | **509.15** | **517.53** | **514.39** |

**Footnote:**

Balances with banks which have restrictions on utilisation.

**(C) For the purpose of Statement of Cash flows, cash and cash equivalents comprise of the following:**

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| Cash and cash equivalents as above | 24.65 | 46.01 | 68.08 |
| Loans repayable on demand - from banks (Refer Note 19) | (1577.65) | (2840.46) | (2578.49) |
| **Total** | **(1553.00)** | **(2794.45)** | **(2510.41)** |

## Note 12 : Other current assets

₹ lacs

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| Unsecured, considered good | | | |
| (a) Prepaid expenses | 122.55 | 106.85 | 123.68 |
| (b) Prepaid tooling expenses | - | - | 6.60 |
| (c) Advances to suppliers | 55.34 | 69.86 | 111.25 |
| (d) Balances with government authorities | | | |
| (i) CENVAT credit receivable | - | 429.02 | 193.78 |
| (ii) VAT credit receivable | 80.14 | 58.06 | 36.34 |
| (iii) Service Tax credit receivable | - | 250.89 | 145.17 |
| (iv) Goods and Services Tax receivable | 1630.94 | - | - |
| (e) Export incentives receivable | 574.24 | 425.89 | 540.83 |
| (f) Others | 95.05 | 73.65 | 21.70 |
| **Total** | **2558.26** | **1414.22** | **1179.35** |

## Note 13 : Current tax assets

₹ lacs

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| Advance income tax | | | |
| (net of provisions ₹ 35.00 lacs (As at 31 March, 2017: ₹ 11.00 lacs, As at 01 April, 2016: ₹ Nil)) | | | |
| Unsecured, considered good | 58.72 | 37.91 | 62.95 |
| **Total** | **58.72** | **37.91** | **62.95** |

## Note 14 (A) : Equity share capital

₹ lacs

| Particulars | | As at 31 March, 2018 | | As at 31 March, 2017 | | As at 01 April, 2016 | |
|---|---|---|---|---|---|---|---|
| | | Number of shares | ₹ lacs | Number of shares | ₹ lacs | Number of shares | ₹ lacs |
| (a) | **Authorised** | | | | | | |
| | Equity shares of ₹ 10 each | 10000000 | 1000.00 | 10000000 | 1000.00 | 10000000 | 1000.00 |
| | Cumulative redeemable convertible or non convertible preference shares of ₹ 100 each | 1500000 | 1500.00 | 1500000 | 1500.00 | 1500000 | 1500.00 |
| | **Total** | **11500000** | **2500.00** | **11500000** | **2500.00** | **11500000** | **2500.00** |
| (b) | **Issued, Subscribed and paid up** | | | | | | |
| | Equity shares of ₹ 10 each, fully paid up, outstanding at the end of the year | 8142833 | 814.28 | 7817833 | 781.78 | 7817833 | 781.78 |
| | **Total** | **8142833** | **814.28** | **7817833** | **781.78** | **7817833** | **781.78** |
| (c) | **Reconciliation of the equity shares outstanding at the beginning and at the end of the reporting period:** | | | | | | |
| | Opening balance | 7817833 | 781.78 | 7817833 | 781.78 | 7817833 | 781.78 |
| | Add: Preferential issue of equity shares (Refer Footnote (iii) below) | 325000 | 32.50 | - | - | - | - |
| | **Closing balance** | **8142833** | **814.28** | **7817833** | **781.78** | **7817833** | **781.78** |

**Footnotes:**

(i) The Company has only one class of Equity shares having a face value of ₹ 10 each. Every member shall be entitled to be present, and to speak and vote and upon a poll the voting right of every member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company. The Company in General Meeting may declare dividends to be paid to members according to their respective rights. While no dividends shall exceed the amount recommended by the Board, the Company in General Meeting may declare a smaller dividend.

(ii) In the event of liquidation of the Company, the holders of Equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.

(iii) In terms of shareholders approval obtained by way of a postal ballot on 21 October, 2017, the Company has, on 03 November, 2017 allotted 3,25,000 equity shares of face value of ₹ 10/- each to a promoter at a price of ₹ 157.32 per share (including a premium of ₹147.32 per share), aggregating to ₹ 511.29 lacs on Preferential Allotment basis. Pursuant to this allotment, the share premium account stands increased by ₹ 469.30 lacs net of share issue expenses of ₹ 9.49 lacs.

(iv) Details of shares held by each shareholder holding more than 5% shares:

| Class of shares/Name of shareholder | As at 31 March, 2018 | | As at 31 March, 2017 | | As at 01 April, 2016 | |
|---|---|---|---|---|---|---|
| | Number of shares held | Percentage of shares held | Number of shares held | Percentage of shares held | Number of shares held | Percentage of shares held |
| **Equity shares** | | | | | | |
| Surinder Paul Kanwar | **2628920** | **32.29** | 2289667 | 29.29 | 2289667 | 29.29 |
| Ultra Consultants Private Limited | **766038** | **9.41** | 766038 | 9.80 | 766038 | 9.80 |
| Future Consultants Private Limited | **645071** | **7.92** | 645071 | 8.25 | 645071 | 8.25 |

## Note 14 (B) : Other equity

₹ lacs

| | Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| (a) | Capital redemption reserve | 588.50 | 588.50 | 588.50 |
| (b) | Securities premium account (Refer Footnote (iii) of Note 14(A)) | 1393.90 | 924.60 | 924.60 |
| (c) | General reserve | 1756.45 | 1756.45 | 1756.45 |
| (d) | Retained earnings | 3203.84 | 2573.54 | 2719.62 |
| (e) | Other comprehensive income | 25.23 | 22.65 | - |
| | **Total** | **6967.92** | **5865.74** | **5989.17** |

**Footnotes:**

**(i) Description of nature and purpose of reserve**

**(a) Capital redemption reserve:**

Capital redemption reserve was created pursuant to the redemption of preference shares issued in earlier years.

The capital redemption reserve account may be applied by the Company, in paying up unissued shares of the Company to be issued to shareholders of the Company as fully paid bonus shares.

**(b) Securities premium account:**

Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premium received on those shares shall be transferred to "Securities Premium account". The Company may issue fully paid-up bonus shares to its members out of balance lying in securities premium account and the Company can also use this reserve for buy-back of shares.

**(c) General reserve:**

General Reserve is created out of the profits earned by the Company by way of transfer from surplus in the Statement of Profit and Loss. The Company can use this reserve for payment of dividend and issue of fully paid-up shares.

**(ii)** The disaggregation of changes in each type of reserve, retained earnings and other comprehensive income are disclosed in Statement of Changes in Equity.

## Note 15 : Non current borrowings

₹ lacs

| | Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| (a) | Term loans - Secured (Refer Footnotes (i) and (ii)) | | | |
| | From banks | 497.72 | 1664.68 | 1465.68 |
| | Less: Current maturities of long-term debts (Refer Note 16(B) (a)) | 205.02 | 800.55 | 490.00 |
| | | **292.70** | **864.13** | **975.68** |
| | From others | 7905.00 | 3794.32 | 5762.83 |
| | Less: Current maturities of long-term debts (Refer Note 16(B) (a)) | 330.00 | 1433.33 | 1616.93 |
| | | **7575.00** | **2360.99** | **4145.90** |
| (b) | Long-term maturities of finance lease obligations - Secured | - | - | 12.43 |
| | Less: Current maturities of finance lease obligations (Refer Note 16(B) (b)) (Refer Footnote (iii) and Note 31(A) (ii)) | - | - | 12.43 |
| (c) | Loan from Director - Unsecured (Refer Footnotes (iv) and Note 33(C) | - | 500.00 | - |
| | **Total** | **7867.70** | **3725.12** | **5121.58** |

**Footnotes:**

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

**(A) Rupee loan from State Bank of India:**

₹ **Nil** (As at 31 March, 2017: ₹ 357.27 lacs, As at 31 March, 2016: ₹ 594.53 lacs): fully repaid during the year.

**(B) Rupee loan from IDBI Bank Limited:**

₹ **Nil** (As at 31 March, 2017: ₹ 622.31 lacs, As at 31 March, 2016: ₹ 871.15 lacs): fully repaid during the year.

**(C) Rupee loan from HDFC Bank Limited:**

₹ **497.72 lacs** (As at 31 March, 2017: ₹ 685.10 lacs; As at 01 April, 2016: ₹ Nil): Secured by exclusive charge on office premises situated at Nariman Point, Mumbai. Repayable in forty eight monthly installments by 20 March, 2021 and carries an interest rate of 12.00% p.a.

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

**(A) Rupee loan from Export-Import Bank of India:**

(a) ₹ **Nil** (As at 31 March, 2017: ₹ 200.00 lacs, As at 31 March, 2016: ₹ 600.00 lacs): fully repaid during the year.

(b) ₹ **Nil** (As at 31 March, 2017: ₹ 525.00 lacs, As at 31 March, 2016: ₹ 825.00 lacs): fully repaid during the year.

(c) ₹ **Nil** (As at 31 March, 2017: ₹ 1800.00 lacs, As at 31 March, 2016: ₹ 2400.00 lacs): fully repaid during the year.

**(B) Rupee loan from Hero FinCorp Limited:**

₹ **Nil** (As at 31 March, 2017: ₹ Nil, As at 31 March, 2016: ₹ 448.45 lacs) was fully repaid as at 31 March, 2017

**(C) Rupee loan from Tata Capital Financial Services Limited:**

₹ **Nil** (As at 31 March, 2017: ₹ 1269.32 lacs, As at 31 March, 2016: ₹ 1489.38 lacs): fully repaid during the year.

**(D) Rupee loan from KKR India Financial Services Private Limited:**

₹ **7905.00 lacs** (As at 31 March, 2017: ₹ Nil; As at 01 April, 2016: ₹ Nil): Secured by first pari passu charge created on Fixed Assets of the Company located at Mumbra plant, Faridabad plant and Satara plant. Repayable in quarterly installments commencing from 31 March, 2019 and carries an interest rate of 13% p.a.p.m.

**(iii) Finance leases:**

₹ **Nil** (As at 31 March, 2017: ₹ Nil, As at 31 March, 2016: ₹ 12.43 lacs): fully repaid as at 31 March, 2017.

**(iv) Loan from Director - Unsecured**

₹ **Nil** (As at 31 March, 2017: ₹ 500 lacs, As at 31 March, 2016: ₹ Nil): fully repaid during the year.

## Note 16 : Other financial liabilities

**(A) Non-current**

₹ lacs

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| Interest accrued but not due on borrowings | 114.72 | - | - |
| **Total** | **114.72** | **-** | **-** |

**(B) Current**

| | Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| (a) | Current maturities of long-term debts (Refer Note 15): | | | |
| | From banks | 205.02 | 800.55 | 490.00 |
| | From others | 330.00 | 1433.33 | 1616.93 |
| (b) | Current maturities of finance lease obligations (Refer Note 15 and Note 31(A) (ii)) | - | - | 12.43 |
| (c) | Interest accrued but not due on borrowings | 26.30 | 37.24 | 51.97 |
| (d) | Unpaid dividends (Refer Footnote below) | 6.50 | 12.36 | 14.27 |
| (e) | Other payables: | | | |
| | (i) Payables on purchase of property, plant and equipment (Refer Note 29.1(ii)) | 1108.66 | 59.36 | 75.36 |
| | (ii) Interest accrued on others | 28.00 | - | 3.71 |
| | (iii) Others | 68.40 | 85.88 | 74.28 |
| | **Total** | **1772.88** | **2428.72** | **2338.95** |

**Footnote:**

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

## Note 17 : Provisions

**(A) Non-current**

₹ lacs

| | Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| (a) | Employee benefits: | | | |
| | (i) Compensated absences | 419.93 | 382.81 | 392.18 |
| | (ii) Other employee benefits (Terminal Ex-gratia) (Refer Note 32(B)) | 29.64 | 30.80 | 33.89 |
| (b) | Provision - Others - tax (net of advance tax ₹ Nil (As at 31 March, 2017: ₹ 1213.15 lacs, As at 01 April, 2016: ₹ 1198.21 lacs)) | - | 21.90 | 21.90 |
| | **Total** | **449.57** | **435.51** | **447.97** |

**(B) Current**

₹ lacs

| | Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| (a) | Employee benefits: | | | |
| | (i) Compensated absences | 82.78 | 78.32 | 99.84 |
| | (ii) Other employee benefits (Terminal Ex-gratia) (Refer Note 32(B)) | 4.93 | 7.59 | 8.83 |
| | | **87.71** | **85.91** | **108.67** |
| | (b) Provision for warranty (Refer Note 35(B)) | 3.71 | 4.56 | 3.03 |
| | | **3.71** | **4.56** | **3.03** |
| | **Total** | **91.42** | **90.47** | **111.70** |

## Note 17 (C) : Current tax liabilities (net)

₹ lacs

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| Provision for tax (net of advance tax ₹ 1429.72 lacs (As at 31 March, 2017: ₹ Nil, As at 01 April, 2016: ₹ Nil)) | 241.38 | - | - |
| **Total** | **241.38** | **-** | **-** |

## Note 18 : Other non-current liabilities

₹ lacs

| | Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| (a) | Advances from customers | 94.61 | 165.92 | 145.90 |
| (b) | Provision for gratuity (net) (Refer Note 32(B)) | 1161.71 | 1020.71 | 913.79 |
| | **Total** | **1256.32** | **1186.63** | **1059.69** |

## Note 19 : Current borrowings

₹ lacs

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| Loans repayable on demand | | | |
| From banks - Secured (Refer Footnote below) | 1577.65 | 2840.46 | 2578.49 |
| From others - Unsecured | 3404.86 | 2396.92 | 1693.18 |
| **Total** | **4982.51** | **5237.38** | **4271.67** |

**Footnote:**

Loans repayable on demand from banks are secured by hypothecation of stocks of raw materials, stock in process, semi finished and finished goods, loose tools, general stores and book debts and all other moveables, both present and future, and by joint mortgage created for all immoveable properties of the Company located at Mumbra, Faridabad and Satara plants together with all buildings, plant and machinery thereon which rank second subject and subservient to charges created in favour of loans referred to in footnote (ii)(D) of Note 15.

## Note 20 : Trade Payables

₹ lacs

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| Total outstanding dues of micro enterprises and small enterprises (Refer Note 29.2) | 132.23 | 245.51 | 96.63 |
| Total outstanding dues of trade payables other than micro enterprises and small enterprises | | | |
| Acceptances | 4454.53 | 3278.63 | 3312.44 |
| Other than Acceptances | 7112.95 | 5373.52 | 4130.44 |
| Payable to related party (Refer Note 33(C) (i)) | 7.09 | 5.11 | 12.46 |
| **Total** | **11706.80** | **8902.77** | **7551.97** |

**Footnote:**

Trade payables are non-interest bearing and generally have a payment terms of 30 to 120 days.

## Note 21 : Other current liabilities

₹ lacs

| | Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| (a) | Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, GST, etc.) | 182.09 | 307.38 | 236.03 |
| (b) | Advances from customers | 15.26 | 15.95 | 136.79 |
| (c) | Trade/security deposits received | 22.75 | 23.29 | 23.29 |
| (d) | Provision for gratuity (net) (Refer Note 32(B)) | 87.58 | 53.95 | 100.00 |
| | **Total** | **307.68** | **400.57** | **496.11** |

## Note 22 : Revenue from operations

₹ lacs

| | Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|---|
| (a) | Sale of products (including excise duty ₹ 645.41 lacs (Year ended 31 March, 2017: ₹ 2759.28 lacs)) (Refer Footnotes (i) and (iv) below) | 49811.13 | 42129.69 |
| (b) | Services rendered | 150.13 | 340.97 |
| (c) | Other operating revenues (Refer Footnote (ii) below) | 1422.41 | 966.72 |
| | **Revenue from operations** | **51383.67** | **43437.38** |

**Footnotes:**

| | Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|---|
| (i) | Sale of products comprises: | | |
| | Manufactured goods: | | |
| | - Automotive gears (Includes processing charges ₹ 385.73 lacs (Year ended 31 March, 2017: ₹ 363.37 lacs)) | 46188.98 | 38680.82 |
| | - Automotive components | 3123.72 | 2949.83 |
| | - Industrial furnaces (Refer Footnote (iii) below) (Excludes ₹ 12.10 lacs (Year ended 31 March, 2017: ₹ 208.34 lacs) which is included in services rendered) | 141.63 | 273.59 |
| | - Tooling development | 356.80 | 225.45 |
| | **Total - Sale of products** | **49811.13** | **42129.69** |
| (ii) | Other operating revenues comprises: | | |
| | - Sale of scrap | 430.13 | 329.03 |
| | - Export incentives | 794.67 | 608.87 |
| | - Liabilities/provisions no longer required written back | 27.96 | 12.83 |
| | - Miscellaneous income | 169.65 | 15.99 |
| | **Total - Other operating revenues** | **1422.41** | **966.72** |
| (iii) | Revenue from contracts is recognized as stated in Note 2.12(b) | | |
| (iv) | Consequent to the introduction of Goods and Services Tax (GST) with effect from 01 July, 2017, Central Excise, Value Added Tax (VAT), etc. have been subsumed into GST. Revenue from operations is reported inclusive of excise duty and corresponding excise duty on sale of goods (including scrap sale) is disclosed as a part of expenses. | | |

## Note 23 : Other income

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| (a) Interest income (Refer Footnote (i) below) | 70.35 | 95.59 |
| (b) Net gain on foreign currency transactions and translation | 73.14 | - |
| (c) Other non-operating income (Refer Footnote (ii) below) | 14.47 | 18.46 |
| **Total** | **157.96** | **114.05** |

**Footnotes:**

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| (i) Interest income comprises : | | |
| Interest on Financial assets at amortised cost: | | |
| - On bank Deposits | 5.38 | 4.82 |
| - On margin money with banks | 32.40 | 34.69 |
| - On security deposits and loans to employees | 19.53 | 18.34 |
| Others | 1.65 | 1.41 |
| Interest on income tax refund | 11.39 | 36.33 |
| **Total - Interest income** | **70.35** | **95.59** |
| (ii) Other non-operating income comprises: | | |
| Rent | 12.32 | 10.83 |
| Profit on sale of property, plant and equipment | 1.58 | 3.92 |
| Liabilities/provisions no longer required written back | 0.57 | 3.71 |
| **Total - Other non-operating income** | **14.47** | **18.46** |

## Note 24(A) : Cost of material and components consumed

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| Opening stock | 655.89 | 525.42 |
| Add: Purchases | 25005.88 | 19104.84 |
| | 25661.77 | 19630.26 |
| Less: Closing stock | 1313.96 | 655.89 |
| **Cost of materials and components consumed** | **24347.81** | **18974.37** |
| Material and components consumed comprises: | | |
| Forgings | 22101.66 | 16597.73 |
| Automotive components | 2173.52 | 2113.90 |
| Others | 72.63 | 262.74 |
| **Total** | **24347.81** | **18974.37** |

## Note 24(B) : Changes in inventories of finished goods and work-in-progress

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| Inventories at the end of the year: | | |
| Finished goods | 1199.42 | 1617.95 |
| Work-in-progress | 3626.55 | 2464.09 |
| | **4825.97** | **4082.04** |
| Inventories at the beginning of the year: | | |
| Finished goods | 1617.95 | 1510.17 |
| Work-in-progress | 2464.09 | 2184.55 |
| | 4082.04 | 3694.72 |
| **Net (increase)/decrease** | **(743.93)** | **(387.32)** |

## Note 25 : Employee benefits expense

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| Salaries and wages | 7125.11 | 6287.81 |
| Contributions to provident and other funds | 407.18 | 367.62 |
| Gratuity expenses (Refer Footnote below) | 239.91 | 151.37 |
| Staff welfare expenses | 954.14 | 909.66 |
| **Total** | **8726.34** | **7716.46** |

**Footnote:**

Pursuant to amendment to The Payment of Gratuity Act, 1972, notifying the increase in limit of maximum gratuity, the gratuity expenses for the year has increased by ₹ 84.56 lacs (for the year ended 31 March, 2017: ₹ Nil) on account of past service costs.

## Note 26 : Finance costs

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| (a) Interest expense on: | | |
| (i) Borrowings | 1083.00 | 1008.57 |
| (ii) Others | | |
| - Discounting charges | 264.71 | 251.23 |
| - Interest on delayed/deferred payment of income tax | 28.00 | - |
| (b) Other borrowing costs (Bank and other financing charges) | 308.53 | 221.64 |
| **Total** | **1684.24** | **1481.44** |

## Note 27 : Depreciation and amortisation expense

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| Depreciation of tangible assets | 1786.49 | 1626.13 |
| Amortisation of intangible assets | 41.62 | 43.13 |
| **Total** | **1828.11** | **1669.26** |

## Note 28 : Other expenses

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| Consumption of stores and spare parts | 1336.40 | 1211.37 |
| Consumption of loose tools | 1519.47 | 1077.64 |
| Consumption of packing materials | 1084.14 | 846.29 |
| Excise duty on changes in inventory | (142.66) | 44.41 |
| Processing charges | 2431.73 | 1618.51 |
| Power and fuel | 3484.30 | 2938.01 |
| Rent including lease rentals (Refer Note 31.B (i)) | 487.41 | 505.51 |
| Repairs and maintenance: | | |
| - Buildings | 98.25 | 63.13 |
| - Machinery | 418.28 | 380.63 |
| - Others | 699.04 | 582.80 |
| Travelling, conveyance and car expenses | 475.13 | 464.83 |
| Freight, forwarding and other charges | 1053.65 | 591.68 |
| Auditors' remuneration (Refer Footnote below) | 34.61 | 39.94 |
| Exchange loss (net loss on foreign currency transactions and translation) | - | 0.21 |
| Bad debts written off | 9.08 | 6.53 |
| Loss on sale/write off of property, plant and equipment | 2.23 | 5.49 |
| Allowance for doubtful debts | 23.17 | 20.94 |
| Miscellaneous expenses | 1115.12 | 1168.10 |
| **Total** | **14129.35** | **11566.02** |

**Footnote:**

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| Auditors' remuneration (net of service tax/GST): | | |
| As auditors: | | |
| - Statutory audit | 14.50 | 22.75 |
| - Limited review | 11.75 | 11.25 |
| In other capacity: | | |
| - For certification (Refer Note (i) below) | 2.40 | 1.42 |
| - For other services | 5.00 | 4.00 |
| Reimbursement of expenses | 0.96 | 0.52 |
| **Total** | **34.61** | **39.94** |

(i) Excludes certification charges of ₹ 1.00 lac (for the year ended 31 March, 2017: ₹ Nil) paid to statutory auditors, debited to securities premium account related to preferential issue of equity shares.

## Note 29 : Additional information to the financial statements

₹ lacs

| Note | Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| **29.1** | **Contingent liabilities and commitments (to the extent not provided for)** | | | |
| **(i)** | **Contingent liabilities:** | | | |
| | **Claims against the Company not acknowledged as debt:** | | | |
| | 1. In respect of Employees: | | | |
| | (i) The Company has filed an appeal in the Bombay High Court against the order passed by Third Labour Court on issue of back wages and reinstatement of 11 employees. | 40.26 | 40.26 | 40.26 |
| | (ii) In respect of claim of permanency of services and/or back wages (less subsistence allowance paid, if any) filed by set of temporary/permanent workmen before the Hon'ble Industrial Tribunal, Thane/labour court. | Not ascertainable | Not ascertainable | Not ascertainable |
| | 2. Others: | | | |
| | (i) The Company has filed an appeal in the Employees' Provident Fund Appellate Tribunal, Delhi against the order passed by Regional Provident Fund Commissioner, on issue of provident fund dues on subsistence allowance. | 1.27 | 1.27 | 1.27 |
| | (ii) The Company has filed an appeal in the Employees' Provident Fund Appellate Tribunal, Delhi against the order passed by Regional Provident Fund Commissioner, on issue of Provident fund dues on difference of wages of certain employees. | 0.87 | 0.87 | 0.87 |
| | 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. | | | |
| **(ii)** | **Commitments:** | | | |
| | Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances): | | | |
| | Property, plant and equipment | 2733.22 | 1636.41 | 122.89 |
| | Intangible assets | 0.84 | - | - |
| | | **2734.06** | **1636.41** | **122.89** |

**29.2 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006**

₹ lacs

| | Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| (i) | Principal amount remaining unpaid to any supplier as at the end of the accounting year | 70.28 | 151.45 | 46.20 |
| (ii) | Interest due thereon remaining unpaid to any supplier as at the end of the accounting year | - | - | - |
| (iii) | The amount of principal paid beyond the appointed day | 257.25 | 457.64 | 444.37 |
| (iv) | The amount of interest due and payable for the year | - | - | - |
| (v) | The amount of interest accrued and remaining unpaid at the end of the accounting year | - | - | - |
| (vi) | The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid | - | - | - |

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

## Note 30: Income Tax

₹ lacs

### (A) Major components of income tax expense:

| Note | Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|---|
| (a) | **Statement of Profit and Loss:** | | |
| | (i) Current income tax: | | |
| | - In respect of current year | 425.00 | - |
| | (ii) Deferred tax: | | |
| | Relating to origination and reversal of temporary differences | (131.00) | (82.00) |
| | **Total tax expense recognised in Statement of Profit and Loss** | **294.00** | **(82.00)** |
| (b) | **Other comprehensive income:** | | |
| | Deferred Tax - Remeasurement of the defined benefit obligation | 1.37 | 11.19 |
| | **Total tax expense recognised in other comprehensive income** | **1.37** | **11.19** |

### (B) Reconciliation of income tax expense and the accounting profit multiplied by Company's domestic tax rate:

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| **Profit/(loss) before tax** | 924.30 | (228.08) |
| Applicable tax rate | 34.608% | 33.063% |
| Computed tax expense | 319.88 | (75.41) |
| Effect of expenses that is non-deductible in determining taxable profit | 9.69 | 27.86 |
| Adjustments in respect of current income tax of previous years | - | (28.99) |
| Others | (35.57) | (5.46) |
| **Income tax expense recognised in Statement of Profit or Loss** | **294.00** | **(82.00)** |
| **Effective tax rate** | **31.808%** | **35.952%** |

## Note 30 (C) : Deferred tax

₹ lacs

| Note | Particulars | For the year ended 31 March, 2018 | | | |
|---|---|---|---|---|---|
| | | Balance as at 31 March, 2017 | Recognised in | | Balance as at 31 March, 2018 |
| | | | Profit and loss | OCI | |
| | Tax effect of items constituting deferred tax liability on: | | | | |
| | Property, plant and equipment and intangible assets | 598.38 | (84.89) | - | 513.49 |
| | Lease rent | 113.50 | (44.10) | - | 69.40 |
| | Others | 6.75 | 27.29 | - | 34.04 |
| | **(A)** | **718.63** | **(101.70)** | **-** | **616.93** |
| | Tax effect of items constituting deferred tax assets: | | | | |
| | Provision for compensated absences, gratuity and other employee benefits | 531.65 | 98.14 | - | 629.79 |
| | Other disallowances under Section 43B of the Income-tax Act, 1961 | 70.34 | 1.50 | - | 71.84 |
| | Unabsorbed depreciation | 69.23 | (69.23) | - | - |
| | Payments made under Voluntary Retirement Scheme | 101.72 | 0.51 | - | 102.23 |
| | Minimum alternate tax credit | 26.00 | (26.00) | - | - |
| | Remeasurement of defined benefit plans | (11.19) | - | (1.37) | (12.56) |
| | Others | 9.39 | 24.38 | - | 33.77 |
| | **(B)** | **797.14** | **29.30** | **(1.37)** | **825.07** |
| | **Deferred tax liabilities/(assets) (net)** | **(78.51)** | **(131.00)** | **1.37** | **(208.14)** |

₹ lacs

| Note | Particulars | For the year ended 31 March, 2017 | | | |
|---|---|---|---|---|---|
| | | Balance as at 01 April, 2016 | Recognised in | | Balance as at 31 March, 2017 |
| | | | Profit and loss | OCI | |
| | Tax effect of items constituting deferred tax liability on: | | | | |
| | Property, plant and equipment and intangible assets | 657.13 | (58.75) | - | 598.38 |
| | Lease rent | 150.14 | (36.64) | - | 113.50 |
| | Others | 7.23 | (0.48) | - | 6.75 |
| | **(A)** | **814.50** | **(95.87)** | **-** | **718.63** |
| | Tax effect of items constituting deferred tax assets: | | | | |
| | Provision for compensated absences, gratuity and other employee benefits | 511.99 | 19.66 | - | 531.65 |
| | Other disallowances under Section 43B of the Income-tax Act, 1961 | 61.65 | 8.69 | - | 70.34 |
| | Unabsorbed depreciation | 150.71 | (81.48) | - | 69.23 |
| | Payments made under Voluntary Retirement Scheme | 69.32 | 32.40 | - | 101.72 |
| | Minimum alternate tax credit | 26.00 | - | - | 26.00 |
| | Remeasurement of defined benefit plans | - | - | (11.19) | (11.19) |
| | Others | 2.53 | 6.86 | - | 9.39 |
| | **(B)** | **822.20** | **(13.87)** | **(11.19)** | **797.14** |
| | **Deferred tax liabilities/(assets) (net)** | **(7.70)** | **(82.00)** | **11.19** | **(78.51)** |

## Note 31 : Details of Leasing arrangements

### (A) Finance Lease: Company as a lessee

(i) For net carrying amount as at 31 March, 2018 for assets acquired under finance lease. (Refer Note 5(A) Property, plant and equipment)

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

₹ lacs

| Particulars | | Total minimum lease payments outstanding | Interest not due | Present value of minimum lease payments |
|---|---|---|---|---|
| Not later than one year | As at 31 March, 2018 | - | - | - |
| | As at 31 March, 2017 | - | - | - |
| | As at 01 April, 2016 | 13.13 | 0.70 | 12.43 |
| Later than one year but not later than five years | As at 31 March, 2018 | - | - | - |
| | As at 31 March, 2017 | - | - | - |
| | As at 01 April, 2016 | - | - | - |
| **Total** | As at 31 March, 2018 | - | - | - |
| | As at 31 March, 2017 | - | - | - |
| | As at 01 April, 2016 | 13.13 | 0.70 | 12.43 |

(iii) General description of these agreements:

- Some of these agreements contains renewal clause.
-

### (B) Operating Lease: Company as a lessee

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

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| Residential flats/offices/godowns | 258.40 | 244.78 |
| Vehicle/Plant and machinery/Air conditioner/Returnable packaging | 229.01 | 258.24 |

(ii) Future minimum lease payments under the agreement, which is non-cancellable is as follows:

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| not later than one year | 107.45 | 129.12 |
| later than one year and not later than five years | 46.22 | 170.37 |
| later than five years | - | - |

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

## Note 32 : Employee benefits

| Note | Particulars |
|---|---|

(A) Defined Contribution Plans

The Company has recognized the following amounts in the Statement of Profit and Loss:

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| - Employers' contribution to Provident Fund and Family Pension Fund | 287.10 | 264.74 |
| - Employers' contribution to Superannuation Fund | 113.43 | 92.66 |

The above amounts are included in Contributions to provident and other funds under Note 25 Employee benefits expense.

(B) Defined Benefit Plans

A general description of the Employees Benefit Plans:

(i) Gratuity (Funded)

The Company operates a defined benefit final salary gratuity plan which covers qualifying employees. The benefit payable is the amount calculated as per the Payment of Gratuity Act, 1972 or maximum gratuity payable under the said Act, which ever is lower. The benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in sevice, the gratuity is payable irrespective of vesting. The gratuity benefits payable to the employees are based on the employee's service and last drawn salary at the time of leaving. The employees do not contribute towards this plan and the full cost of providing these benefits are met by the Company.

The Company has set up an income tax approved irrevocable trust fund to finance the plan liability. The trustees of the trust fund are responsible for the overall governance of the plan. The plan is funded under Group Gratuity Scheme which is administered by LIC. The Company makes annual contribution to the plan. There are no minimum funding requirements. The trustees of the gratuity fund have a fiduciary responsibility to act according to the provisions of the trust deed and rules. Since the fund is income tax approved, the Company and the trustees have to ensure that they are at all times fully compliant with the relevant provisions of the Income Tax Act and Rules.

The plan is of a final salary defined benefit in nature which is sponsored by the Company and hence it underwrites all the risks pertaining to the plan. In particular, there is a risk for the Company that any adverse salary growth or demographic experience or inadequate returns on underlying plan assets can result in an increase in cost of providing these benefits to employees in future. Since the benefits are lump sum in nature, the plan is not subject to any longevity risks.

(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 service to vested employees on completion of employment. Vesting occurs upon the completion of 15 years of service. Since the benefits are lump sum in nature, the plan is not subject to any longevity risks.

The following tables summarise the components of net benefit expense recognised in the Statement of Profit and Loss and the funded status and amounts recognised in the Balance Sheet :

## Note 32 : Employee benefits....Contd.

| Note | Particulars |
|---|---|

**(a) Expense recognized in the Statement of Profit and Loss:**

₹ lacs

| Particulars | Year ended 31 March, 2018 | | Year ended 31 March, 2017 | |
|---|---|---|---|---|
| | Gratuity | Terminal Ex-gratia | Gratuity | Terminal Ex-gratia |
| **(i) Under profit and loss section** | | | | |
| Current service cost | 77.50 | 1.47 | 78.59 | 1.65 |
| Interest on net defined benefit liability/(asset) | 77.86 | 2.78 | 72.78 | 3.02 |
| Expected return on plan assets | - | - | - | - |
| Past service cost | 84.55 | - | - | - |
| Actuarial gains/(losses) | - | - | - | (0.50) |
| **Total expense recognised in the Statement of Profit and Loss** | ***239.91** | ****4.25** | ***151.37** | ****4.17** |
| **(ii) Under other comprehensive income section** | | | | |
| **Actuarial (gains)/losses** | | | | |
| Due to change in demographic assumptions | - | - | - | - |
| Due to change in financial assumptions | (6.06) | (1.03) | 31.14 | - |
| Due to change in experience adjustments | (8.27) | 0.11 | (65.66) | - |
| Actual return on plan assets in excess of the expected return | 11.30 | - | 0.68 | - |
| **Sub-total - Included in Other comprehensive income** | **(3.03)** | **(0.92)** | **(33.84)** | **-** |
| **Total expense** | **236.88** | **3.33** | **117.53** | **4.17** |

₹ lacs

| Particulars | As at 31 March, 2018 | | As at 31 March, 2017 | | As at 01 April, 2016 | |
|---|---|---|---|---|---|---|
| | Gratuity | Terminal Ex-gratia | Gratuity | Terminal Ex-gratia | Gratuity | Terminal Ex-gratia |
| **(b) Net liability recognised in the Balance Sheet :** | | | | | | |
| Present value of defined benefit obligation | 1528.33 | 34.57 | 1441.30 | 38.39 | 1488.42 | 42.72 |
| Fair value of plan assets | 279.04 | - | 366.64 | - | 474.63 | - |
| Funded status (deficit) | (1249.29) | (34.57) | (1074.66) | (38.39) | (1013.79) | (42.72) |
| **Net liability recognised in the Balance Sheet accounted as below:** | **(1249.29)** | **(34.57)** | **(1074.66)** | **(38.39)** | **(1013.79)** | **(42.72)** |
| - Other non-current liabilities (Refer Note 18(b)) | (1161.71) | - | (1020.71) | - | (913.79) | - |
| - Other current liabilities (Refer Note 21(d)) | (87.58) | - | (53.95) | - | (100.00) | - |
| - Provisions non-current (Refer Note 17(A)(a)(ii)) | - | (29.64) | - | (30.80) | - | (33.89) |
| - Provisions current (Refer Note 17(B)(a)(ii)) | - | (4.93) | - | (7.59) | - | (8.83) |

(* Included in Gratuity expense under Employee benefits expense in Note 25).

(** Included in 'Salaries and wages' under Employee benefits expense in Note 25).

## Note 32 : Employee benefits....Contd.

₹ lacs

| Particulars | As at 31 March, 2018 | | As at 31 March, 2017 | | As at 01 April, 2016 | |
|---|---|---|---|---|---|---|
| | Gratuity | Terminal Ex-gratia | Gratuity | Terminal Ex-gratia | Gratuity | Terminal Ex-gratia |
| **(c) Present value of defined benefit obligation:** | | | | | | |
| Present value of defined benefit obligation at beginning of the year | 1441.30 | 38.39 | 1488.42 | 42.72 | 1400.29 | 42.81 |
| Current service cost | 77.50 | 1.47 | 78.59 | 1.65 | 74.17 | 1.68 |
| Interest on defined benefit obligation | 104.42 | 2.78 | 104.15 | 3.02 | 108.30 | 3.16 |
| Remeasurements due to: | | | | | | |
| Actuarial loss/(gain) arising from change in financial assumptions | (6.06) | (1.03) | 31.13 | (0.50) | 41.51 | 1.12 |
| Actuarial loss/(gain) arising on account of experience changes | (8.27) | 0.11 | (65.66) | - | 60.92 | - |
| Past service cost | 84.55 | - | - | - | - | - |
| Benefits paid | (165.11) | (7.15) | (195.33) | (8.50) | (196.77) | (6.05) |
| Present value of defined benefit obligation at the end of the year | 1528.33 | 34.57 | 1441.30 | 38.39 | 1488.42 | 42.72 |
| **(d) Fair value of plan assets:** | | | | | | |
| Opening fair value of plan assets | 366.64 | - | 474.63 | - | 571.64 | - |
| Employer contributions | 62.25 | - | 56.66 | - | 64.70 | - |
| Interest on plan assets | 26.56 | - | 31.37 | - | 36.52 | - |
| Actual return on plan assets in excess of the expected return | (11.30) | - | (0.69) | - | (1.46) | - |
| Benefits paid | (165.11) | - | (195.33) | - | (196.77) | - |
| Closing fair value of plan assets | 279.04 | - | 366.64 | - | 474.63 | - |
| **(e) Movement of net liability recognised in the Balance Sheet:** | | | | | | |
| Opening net defined benefit liability/(asset) | 1074.66 | 38.39 | 1013.79 | 42.72 | 828.65 | 42.81 |
| Expense charged to Statement of Profit and Loss | 239.91 | 4.25 | 151.37 | 4.17 | 145.94 | 5.96 |
| Amount recognised in other comprehensive income | (3.03) | (0.92) | (33.84) | - | 103.90 | - |
| Employer contributions | (62.25) | (7.15) | (56.66) | (8.50) | (64.70) | (6.05) |
| **Closing net defined benefit liability/(asset)** | **1249.29** | **34.57** | **1074.66** | **38.39** | **1013.79** | **42.72** |
| **(f) The major categories of plan assets as a percentage of the fair value of total plan assets:** | | | | | | |
| Insurer Managed funds | 100% | - | 100% | - | 100% | - |
| The plan does not invest directly in any property occupied by the Company nor in any financial securities issued by the Company. | | | | | | |
| **(g) The principal assumptions used in determining defined benefit obligations:** | | | | | | |
| **(i) Financial assumptions:** | | | | | | |
| Discount rate | 7.80% | 7.80% | 7.25% | 7.25% | 7.55% | 7.55% |
| Expected return on plan assets | 7.80% | | 7.25% | | 7.55% | |
| Salary escalation | 6.50% | | 6.00% | | 6.00% | |

## Note 32 : Employee benefits....Contd.

₹ lacs

| Note | Particulars | As at 31 March, 2018 | | As at 31 March, 2017 | | As at 01 April, 2016 | |
|---|---|---|---|---|---|---|---|
| | | Gratuity | Terminal Ex-gratia | Gratuity | Terminal Ex-gratia | Gratuity | Terminal Ex-gratia |
| | **(ii) Demographic assumptions:** | | | | | | |
| | Retirement age: | | | | | | |
| | For Mumbra employees | 60 years | | 60 years | | 60 years | |
| | For Faridabad and Satara employees | 58 years | | 58 years | | 58 years | |
| | Attrition rate: | | | | | | |
| | Age Banks - 21 -44 | 2.00% | | 2.00% | | 2.00% | |
| | Age Banks - 44 & above | 1.00% | | 1.00% | | 1.00% | |
| | Mortality tables | **Indian Assured Lives Mortality (2006-08) Ult table** | | Indian Assured Lives Mortality (2006-08) Ult table | | Indian Assured Lives Mortality (2006-08) Ult table | |

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

### (h) Sensitivity analysis:

Gratuity is a lump sum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The key actuarial assumptions to which the benefit obligation results are particularly sensitive to are discount rate and future salary escalation rate. The following table summarizes the impact in percentage terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 50 basis points.

| | As at 31 March, 2018 | | As at 31 March, 2017 | |
|---|---|---|---|---|
| | Gratuity | Terminal Ex-gratia | Gratuity | Terminal Ex-gratia |
| **Discount rate** | | | | |
| Impact of increase in 50 bps on defined benefit obligation | -3.62% | -2.60% | -3.55% | -2.80% |
| Impact of decrease in 50 bps on defined benefit obligation | 3.89% | 2.70% | 3.81% | 2.90% |
| **Salary escalation** | | | | |
| Impact of increase in 50 bps on defined benefit obligation | 3.84% | - | 3.48% | - |
| Impact of decrease in 50 bps on defined benefit obligation | -3.61% | - | -3.32% | - |

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analysis.

### (i) Funding Arragements & Policy:

The money contributed by the Company to the fund to finance the liabilities of the plan has to be invested. The trustees of the plan have outsourced the investment management of the fund to an insurance company. The insurance company in turn manages these funds as per the mandate provided to them by the trustees and the asset allocation which is within the permissible limits prescribed in the insurance regulations. Due to the restrictions in the type of investments that can be held by the fund, it is not possible to explicitly follow an asset-liability matching strategy to manage risk actively.

There is no compulsion on the part of the Company to fully pre fund the liability of the Plan. The Company's philosophy is to fund the benefits based on its own liquidity and tax position as well as level of under funding of the plan.

The expected contribution payable to the plan next year is ₹ 87,57,534/-.

## Note 32 : Employee benefits....Contd.

₹ lacs

| Note | Particulars | As at 31 March, 2018 | | As at 31 March, 2017 | | As at 01 April, 2016 | |
|---|---|---|---|---|---|---|---|
| | | Gratuity | Terminal Ex-gratia | Gratuity | Terminal Ex-gratia | Gratuity | Terminal Ex-gratia |
| (j) | **Maturity profile** | | | | | | |
| | Expected benefits for year 1 | 217.26 | 4.93 | 208.20 | 7.59 | 217.95 | 8.83 |
| | Expected benefits for year 2 | 161.63 | 4.88 | 122.96 | 4.19 | 124.73 | 4.96 |
| | Expected benefits for year 3 | 116.89 | 4.05 | 130.97 | 4.82 | 140.33 | 4.44 |
| | Expected benefits for year 4 | 142.51 | 4.72 | 143.34 | 4.14 | 153.92 | 5.92 |
| | Expected benefits for year 5 | 131.75 | 4.28 | 152.14 | 4.88 | 157.59 | 4.60 |
| | Expected benefits for year 6 | 191.75 | 5.06 | 146.36 | 4.43 | 163.06 | 5.52 |
| | Expected benefits for year 7 | 207.24 | 5.32 | 186.08 | 5.14 | 150.36 | 4.63 |
| | Expected benefits for year 8 | 179.44 | 4.36 | 156.06 | 5.16 | 200.22 | 5.31 |
| | Expected benefits for year 9 | 194.70 | 4.53 | 214.38 | 4.24 | 153.83 | 5.40 |
| | Expected benefits for year 10 and above | 1801.77 | 14.93 | 1456.81 | 18.48 | 1569.46 | 22.46 |
| | The weighted average duration to the payment (years) | 7.55 | 5.19 | 7.35 | 5.39 | 7.16 | 5.44 |

## Note 33 : Related party transactions

| Note | Particulars |
|---|---|

**(A) Details of related parties with whom the Company had transactions during the year.**

| Description of relationship | Names of related parties |
|---|---|
| Key Management Personnel (KMP) | (i) Mr. Surinder Paul Kanwar - Chairman and Managing Director (who also has ability to exercise 'significant influence' over the Company) |
| | (ii) Mr. Sameer Kanwar – Joint Managing Director (Son of Chairman and Managing Director of the Company) |
| | (iii) Mr. Rakesh Chopra - Non Executive Independent Director |
| | (iv) Mr. Virendra Kumar Pargal - Non Executive Independent Director |
| | (v) Mr. Wolfgang Rudolf Schilha - Non Executive Independent Director |
| | (vi) Mr. Shiv Gopal Awasthi - Non Executive Independent Director (upto 09 August, 2017) |
| | (vii) Mrs. Hiroo Suresh Advani - Non Executive Independent Director |
| | (viii) Mr. N.V. Srinivasan - Non Executive Director (w.e.f. 03 November, 2017) |
| Enterprises over which KMP is able to exercise significant influence | (i) Cliplok Simpak (India) Private Limited (CSIPL) |
| | (ii) Raunaq EPC International Limited (REIL) |
| | (iii) Vibrant Finance & Investment Private Limited (VFIPL) |
| | (iv) Xlerate Driveline India Limited (XDIL) |

Note: Related parties have been identified by the Management.

## Note 33 : Related party transactions....Contd.

| Note | Particulars |
|---|---|

**(B) Details of related party transactions during the year ended 31 March, 2018:**

**(i) Key Management Personnel (KMP):**

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| **(a) Mr. Surinder Paul Kanwar** | | |
| - Compensation - Short term employee benefits | 132.23 | 130.42 |
| - Rent paid for premises taken on lease | 72.00 | 72.00 |
| - Reimbursement of maintenance charges paid for premises taken on lease | 3.73 | 3.75 |
| - Unsecured loan - availed by the Company | - | 500.00 |
| - Repayment of unsecured loan | 500.00 | - |
| - Equity allotment - Preferential issue of equity shares | 511.29 | - |
| **(b) Mr. Sameer Kanwar** | | |
| - Compensation - Short term employee benefits | 132.12 | 130.63 |
| - Rent paid for premises taken on lease | 34.89 | 35.02 |
| - Reimbursement of maintenance charges paid for premises taken on lease | 1.60 | 1.52 |
| **(c) Mr. N.V. Srinivasan** | | |
| - Fees for technical advisory services | 13.72 | - |
| - Director's sitting fees | 0.35 | - |
| **(d) Mr. Rakesh Chopra** | | |
| - Director's sitting fees | 1.95 | 2.01 |
| **(e) Mr. Virendra Kumar Pargal** | | |
| - Director's sitting fees | 1.85 | 1.84 |
| **(f) Mr. Wolfgang Rudolf Schilha** | | |
| - Director's sitting fees | 0.45 | 0.52 |
| **(g) Mr. Shiv Gopal Awasthi** | | |
| - Director's sitting fees | 0.35 | 2.01 |
| **(h) Mrs. Hiroo Suresh Advani** | | |
| - Director's sitting fees | 1.35 | 0.86 |

**(ii) Enterprises over which KMP is able to exercise significant influence:**

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| **(a) Cliplok Simpak (India) Private Limited** | | |
| - Purchase of packing material | 28.68 | 17.33 |
| - Rent income | 0.55 | 0.54 |
| **(b) Vibrant Finance & Investment Private Limited** | | |
| - Rent and other expenses | 17.78 | 16.73 |
| **(c) Raunaq EPC International Limited** | | |
| - Rent income | 11.77 | 10.28 |
| **(d) Xlerate Driveline India Limited** | | |
| - Marketing service income | 135.31 | 131.37 |

## Note 33 : Related party transactions....Contd.

| Note | Particulars |
|---|---|

**(C) Outstanding balances:**

**(i) Key Management Personnel (KMP):**

₹ lacs

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| **(a) Mr. Surinder Paul Kanwar** | | | |
| Receivable | 60.00 | 60.00 | 60.00 |
| Payable | - | 500.00 | 6.36 |
| **(b) Mr. Sameer Kanwar** | | | |
| Receivable | 10.00 | 10.00 | 10.00 |
| Payable | 4.13 | 5.11 | 6.10 |
| **(c) Mr. N.V. Srinivasan** | | | |
| Payable | 2.96 | - | - |

**(ii) Enterprises over which KMP is able to exercise significant influence:**

₹ lacs

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| **(a) Vibrant Finance & Investment Private Limited** | | | |
| Receivable | 5.00 | 5.00 | 5.00 |
| **(b) Raunaq EPC International Limited** | | | |
| Receivable | 3.47 | - | - |
| **(c) Xlerate Driveline India Limited** | | | |
| Receivable | 91.73 | 84.45 | 32.18 |

**(D) Notes:**

**(i)** Key Management Personnel compensation does not include provision for gratuity and leave encashment, which is determined for the Company as a whole.

**(ii)** All transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances for receivables, payables are unsecured, interest free and settlement occurs in cash. The Company has not recorded any impairment of balances relating to amounts owed by related parties during the year ended 31 March, 2018 (31 March, 2017: ₹ Nil; 1 April, 2016: ₹ Nil). The assessment is undertaken each financial year through evaluating the financial position of the related party and the market in which the related party operates.

## Note 34 : Earnings per share

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| **Basic and diluted:** | | |
| Net profit/(loss) after tax for the year attributable to the equity shareholders | 630.30 | (146.08) |
| Weighted average number of equity shares (Nos.) | 7950504 | 7817833 |
| Face value per share (In ₹) | 10.00 | 10.00 |
| Earnings per share - Basic and diluted (In ₹) | 7.93 | (1.87) |

## Note 35(A) : Disclosure under Ind AS 11 "Construction contracts"

₹ lacs

| Note | Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|---|
| (i) | Contract revenue recognised during the year (Excludes Sale of spares ₹ 81.17 lacs (Year ended 31 March, 2017: ₹ 102.87 lacs)) | 72.56 | 379.06 |
| (ii) | Method used to determine contract revenue and the stage of completion of contracts in progress | (Refer Note 2.12(b)) | (Refer Note 2.12(b)) |

₹ lacs

| Note | Particulars | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| (i) | Aggregate of contract costs incurred and recognised profits upto the reporting date in respect of contracts in progress | 316.96 | 244.40 | 59.84 |
| (ii) | Advances received for contracts in progress | - | 5.94 | 11.16 |
| (iii) | Retention money for contracts in progress | - | - | - |
| (iv) | Gross amount due from customers for contract work (Refer Note 7(B)(c)) | - | 15.75 | - |
| (v) | Gross amount due to customers for contract work | - | - | - |

## Note 35(B) : Disclosures in pursuance of the Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets":

₹ lacs

| Provision for warranties | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| Opening balance | 4.56 | 3.03 | 9.36 |
| Additional provision | 0.73 | 3.79 | 1.39 |
| Amount used | - | - | 0.88 |
| Unused amount reversed | 1.58 | 2.26 | 6.84 |
| Closing balance (Refer Note 17(B)(b)) | 3.71 | 4.56 | 3.03 |

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.

## Note 36 : Segment information

| Note | Particulars |
|---|---|

(a) The Company is primarily engaged in the Automotive Gears business and all other activities revolving around the same. Information reported to and evaluated regularly by the Chief Operational Decision Maker (CODM) i.e. Chairman and Managing Director for the purpose of resource allocation and assessing performance focuses on the business as a whole. Accordingly, there is no other separate reportable segment as defined by Ind AS 108 "Operating Segments".

(b) Information about Geographical area:

The revenue of the Company from the external customers are attributed to (i) the Company's country of domicile i.e. India and (ii) all foreign countries in total from which the Company derives revenue. Details are as follows:

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| India | 34167.43 | 30796.03 |
| Outside India: | | |
| USA | 10310.74 | 7616.48 |
| Mexico | 2069.65 | 975.88 |
| Spain | 2758.21 | 1586.16 |
| Other countries | 2077.64 | 2462.83 |
| **Total** | **51383.67** | **43437.38** |

(c) All the non-current assets of the Company are located in India.

(d) Information about major customers having revenue amounting to 10% or more of the Company's revenue:

₹ lacs

| Particulars | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
|---|---|---|
| Customer A | 11929.43 | 8024.96 |
| Customer B | - | 4589.45 |
| Customer C | 5399.38 | - |

No other customer individually contributed 10% or more to the Company's revenue for the current year ended 31 March, 2018 and previous ended 31 March, 2017.

## Note 37 : Financial Instruments

| Note | Particulars |
|---|---|

### I Capital management

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity.

The Company manages its capital structure and makes adjustments in the light of changes in economic conditions and the requirements of the financials covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The capital structure is monitored on the basis of net debt to equity and maturity profile of the overall debt portfolio of the Company.

₹ lacs

| | | 31 March, 2018 | 31 March, 2017 | 01 April, 2016 |
|---|---|---|---|---|
| Short term borrowing and current portion of long term borrowing | | 5517.53 | 7471.26 | 6391.03 |
| Long term borrowing | | 7867.70 | 3725.12 | 5121.58 |
| Total borrowing | | 13385.23 | 11196.38 | 11512.61 |
| Less:- Cash and cash equivalents including other bank balances | | 527.30 | 551.18 | 568.20 |
| Net debt | A | 12857.93 | 10645.20 | 10944.41 |
| Total shareholders' equity as reported in Balance Sheet | B | 7782.20 | 6647.52 | 6770.95 |
| **Total capital and debt** | **(A+B)** | **20640.13** | **17292.72** | **17715.36** |

In order to achieve the overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the banks/lenders to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest bearing loans and borrowings in the current year.

No changes were made in the objectives, policies and processes for managing capital during the years ended 31 March, 2018 and 31 March, 2017.

### II Financial Risk Management Framework

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. In order to manage the aforementioned risks, the Company operates a risk management policy and a program that performs close monitoring of and responding to each risk factors.

### (A) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

(i) Trade receivables

Customer credit risk is managed by the Company subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on payment performance over the period of time and wherever required a detailed financial analysis. Outstanding customer receivables are regularly monitored. At 31 March, 2018, the Company had 5 customers (31 March 2017: 4 customers; 01 April, 2016: 4 customers) that owed the Company more than ₹ 500 lacs each and accounted for approximately 56.93% of all the receivables outstanding (31 March, 2017: 46.03%; 01 April, 2016: 45.66%).

An impairment analysis is performed at each reporting date on an individual basis for each customers. The Company does not hold collateral as security.

(ii) Financial instruments and cash deposits:

Credit risk from balances with banks and financial institutions is managed by the Company in accordance with the Company's policy. The credit risk is limited because counter parties are banks/institutions with high credit ratings.

| Note | Particulars |
|---|---|

**(B) Liquidity risk**

(i) Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves, banking facilities/borrowings and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

(ii) Maturities of financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amount disclosed in the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table include both interest and principal cash flows.

₹ lacs

| | Less than 1 Year | 1-3 Years | 3-5 Years | 5 Years and above | Total | Carrying amount |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | |
| **31 March, 2018** | | | | | | |
| Variable interest rate instruments | 5569.83 | 3820.79 | 3520.00 | 740.00 | 13650.62 | 13554.25 |
| Non-interest bearing | 12890.36 | - | - | - | 12890.36 | 12890.36 |
| **Total** | **18460.19** | **3820.79** | **3520.00** | **740.00** | **26540.98** | **26444.61** |
| **31 March, 2017** | | | | | | |
| Variable interest rate instruments | 7508.51 | 2884.75 | 860.78 | - | 11254.04 | 11233.62 |
| Non-interest bearing | 9060.37 | - | - | - | 9060.37 | 9060.37 |
| **Total** | **16568.88** | **2884.75** | **860.78** | **-** | **20314.41** | **20293.99** |
| **01 April, 2016** | | | | | | |
| Variable interest rate instruments | 6446.71 | 3681.14 | 1462.31 | - | 11590.16 | 11568.29 |
| Non-interest bearing | 7715.88 | - | - | - | 7715.88 | 7715.88 |
| **Total** | **14162.59** | **3681.14** | **1462.31** | **-** | **19306.04** | **19284.17** |

**Interest rate sensitivity:**

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating variable rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used for the purpose of sensitivity analysis.

If interest rates had been 100 basis points higher/lower and all other variables held constant, the Company's profit for the year ended 31 March, 2018 would decrease/increase by ₹ 135.52 lacs (loss for the year ended 31 March, 2017 decrease/increase by ₹ 112.33 lacs). This is mainly attributable to the Company's exposure to interest rate on its variable rate borrowings.

The amounts included above for variable interest rate instruments for both non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

## Note 37 : Financial Instruments....Contd.

| Note | Particulars |
|---|---|

### (iii) Financing arrangements

The Company had access to following undrawn borrowing facilities at the end of the reporting period:

₹ lacs

| | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|
| **Fund Based:** | | | |
| **Cash Credit/packing credit** | 1922.35 | 659.54 | 921.51 |
| - Expiring within one year | 1922.35 | 659.54 | 921.51 |
| - Expiring beyond one year | - | - | - |
| **Sales Bill discounting** | 395.13 | 1278.98 | 2506.82 |
| - Expiring within one year | 395.13 | 1278.98 | 2506.82 |
| - Expiring beyond one year | - | - | - |
| **Non-fund based - Letter of Credit/Bank Guarantees** | 370.41 | 1053.96 | 746.13 |
| - Expiring within one year | 370.41 | 1053.96 | 746.13 |
| - Expiring beyond one year | - | - | - |
| **Term Loan** | 3000.00 | - | - |
| - Expiring within one year | 3000.00 | - | - |
| - Expiring beyond one year | - | - | - |

## (C) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### (i) Currency Risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's exposure to currency risk relates primarily to the Company's operating activities and borrowings when transactions are denominated in a different currency from the Company's functional currency.

The Company manages its foreign currency risk by effective monitoring movement in foreign currency rates and seeks to minimize the effect of currency risk by using non derivative financing instrument to hedge risk exposures.

The carrying amounts of the Company's unhedged foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | | In foreign currency | | | ₹ lacs | | |
|---|---|---|---|---|---|---|---|
| | Currency | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 | As at 31 March, 2018 | As at 31 March, 2017 | As at 01 April, 2016 |
| Receivable | USD | 4339262.92 | 2921485.71 | 2951272.19 | 2821.82 | 1894.29 | 1958.61 |
| | EURO | 1089637.35 | 1043024.50 | 677830.20 | 878.25 | 722.59 | 508.98 |
| | SGD | - | 40.90 | 40.90 | - | 0.02 | 0.02 |
| | JPY | 1788242.40 | - | 951283.00 | 11.01 | - | 5.43 |
| Payables | USD | 1585359.89 | 562204.15 | 1462910.88 | 1031.12 | 364.59 | 971.01 |
| | EURO | 1076522.00 | 24257.88 | - | 868.11 | 16.81 | - |

## Note 37 : Financial Instruments....Contd.

| Note | Particulars |
|---|---|

### (ii) Foreign currency sensitivity

The following table demonstrates the sensitivity in the USD, Euro and other currencies to the functional currency of the Company, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of the monetary assets and liabilities including currency derivatives.

₹ lacs

| Particulars | Change in currency exchange rate | Effect on profit before tax | | Effect on equity | |
|---|---|---|---|---|---|
| | | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 | For the year ended 31 March, 2018 | For the year ended 31 March, 2017 |
| USD | + 5% | 89.53 | 76.49 | 59.93 | 51.20 |
| | - 5% | (89.53) | (76.49) | (59.93) | (51.20) |
| EURO | + 5% | 0.51 | 35.29 | 0.34 | 23.62 |
| | - 5% | (0.51) | (35.29) | (0.34) | (23.62) |
| SGD | + 5% | - | 0.00 | 0.00 | - |
| | - 5% | - | (0.00) | (0.00) | - |
| JPY | + 5% | 0.55 | - | 0.37 | - |
| | - 5% | (0.55) | - | (0.37) | - |

### (ii) Interest rate risk

Refer comment given above in maturities of financial liabilities under liquidity risk.

### (iii) Raw material price risk

The Company does not have significant risk in raw material price variations. In case of any variation in price, the same is passed on to customers through appropriate adjustment to selling prices.

## Note 38 : Fair value

| Note | Particulars |
|---|---|

### A Fair value measurement:

All the financial assets and financial liabilities of the Company are carried at amortised cost.

The management assessed that financial instruments such as trade receivables, cash and cash equivalents, other bank balances, other financial assets (except security deposits), trade payables, other financial liabilities (except current maturities of long term debts) approximate their carrying value largely due to the short-term maturities of these instruments.

### B Fair value hierarcy:

Quantative disclosure fair value measurement hierarchy:

₹ lacs

| Particulars | As at 31 March, 2018 | | As at 31 March, 2017 | | As at 01 April, 2016 | | Fair Value Hireachy |
|---|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value | |
| **Assets for which fair values are disclosed:** | | | | | | | |
| Loans and advances to employees | 180.82 | 180.82 | 150.74 | 150.74 | 131.96 | 131.96 | Level 2 |
| Security deposits | 236.76 | 236.76 | 226.05 | 226.05 | 224.71 | 224.71 | Level 2 |
| **Liabilities for which fair values are disclosed:** | | | | | | | |
| Borrowings | 8402.72 | 8402.72 | 5459.00 | 5459.00 | 7228.51 | 7228.51 | Level 2 |

Fair value of loans and advances to employees, security deposits and borrowings are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and maturities.

## Note 39 : First-time adoption of Ind AS

The Company has prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2018, together with the comparative period data as at and for the year ended 31 March 2017, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 01 April 2016, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 01 April 2016 and the financial statements as at and for the year ended 31 March 2017.

### (i) Effect of adoption of Ind AS on the Balance Sheet as at 31 March, 2017 and 01 April, 2016

₹ lacs

| Particulars | Footnotes | As at 31 March, 2017 (End of last period presented under previous GAAP) | | | As at 01 April, 2016 (Date of transition) | | |
|---|---|---|---|---|---|---|---|
| | | Previous GAAP | Effect of Ind AS | Ind AS | Previous GAAP | Effect of Ind AS | Ind AS |
| **A. ASSETS** | | | | | | | |
| **1. Non-current assets** | | | | | | | |
| (a) Property, plant and equipment | 1 | 10008.91 | 153.15 | 10162.06 | 11353.77 | (280.62) | 11073.15 |
| (b) Capital work-in-progress | | 159.46 | - | 159.46 | 347.94 | - | 347.94 |
| (c) Intangible assets | | 116.63 | - | 116.63 | 141.34 | - | 141.34 |
| (d) Financial assets | | | | | | | |
| (i) Loans | 2 | 144.39 | (30.15) | 114.24 | 126.23 | (27.77) | 98.46 |
| (ii) Others | 3 | 214.01 | (10.76) | 203.25 | 220.27 | (20.16) | 200.11 |
| (e) Deferred tax assets (net) | 8 | 110.70 | (32.19) | 78.51 | 40.76 | (33.06) | 7.70 |
| (f) Other non-current assets | 2 and 3 | 457.00 | 37.93 | 494.93 | 532.97 | 40.31 | 573.28 |
| **Total non-current assets** | | **11211.10** | **117.98** | **11329.08** | **12763.28** | **(321.30)** | **12441.98** |
| **2. Current assets** | | | | | | | |
| (a) Inventories | | 6242.95 | - | 6242.95 | 5734.42 | - | 5734.42 |
| (b) Financial assets | | | | | | | |
| (i) Trade receivables | 7 | 6835.13 | 2396.92 | 9232.05 | 6290.35 | 1693.18 | 7983.53 |
| (ii) Cash and cash equivalents | | 46.01 | - | 46.01 | 68.08 | - | 68.08 |
| (iii) Bank balances other than (ii) above | | 517.53 | - | 517.53 | 514.39 | - | 514.39 |
| (iv) Loans | 2 | 45.25 | (8.75) | 36.50 | 42.07 | (8.57) | 33.50 |
| (v) Others | 3 | 199.51 | (1.07) | 198.44 | 152.39 | - | 152.39 |
| (c) Other current assets | 2,3 and 8 | 1426.12 | (11.89) | 1414.23 | 1192.26 | (12.91) | 1179.35 |
| (d) Current tax assets (net) | | 37.91 | - | 37.91 | 62.95 | - | 62.95 |
| **Total current assets** | | **15350.41** | **2375.21** | **17725.62** | **14056.91** | **1671.70** | **15728.61** |
| **TOTAL** | | **26561.51** | **2493.19** | **29054.70** | **26820.19** | **1350.40** | **28170.59** |
| **B. EQUITY AND LIABILITIES** | | | | | | | |
| **1. EQUITY** | | | | | | | |
| (a) Equity share capital | | 781.78 | - | 781.78 | 781.78 | - | 781.78 |
| (b) Other equity (Refer Note 39(ii)) | | 5749.06 | 116.69 | 5865.75 | 6310.08 | (320.91) | 5989.17 |
| **Total equity** | | **6530.84** | **116.69** | **6647.53** | **7091.86** | **(320.91)** | **6770.95** |
| **LIABILITIES** | | | | | | | |
| **2. Non-current liabilities** | | | | | | | |
| (a) Financial liabilities | | | | | | | |
| Borrowings | 4 | 3745.54 | (20.42) | 3725.12 | 5143.45 | (21.87) | 5121.58 |
| (b) Provisions | | 435.51 | - | 435.51 | 447.97 | - | 447.97 |
| (c) Other non-current liabilities | | 1186.63 | - | 1186.63 | 1059.69 | - | 1059.69 |
| **Total non-current liabilities** | | 5367.68 | (20.42) | 5347.26 | 6651.11 | (21.87) | 6629.24 |
| **3. Current liabilities** | | | | | | | |
| (a) Financial liabilities | | | | | | | |
| (i) Borrowings | 7 | 2840.46 | 2396.92 | 5237.38 | 2578.49 | 1693.18 | 4271.67 |
| (ii) Trade payables | | 8902.77 | - | 8902.77 | 7551.97 | - | 7551.97 |
| (iii) Other financial liabilities | | 2428.72 | - | 2428.72 | 2338.95 | - | 2338.95 |
| (b) Provisions | | 90.47 | - | 90.47 | 111.70 | - | 111.70 |
| (c) Other current liabilities | | 400.57 | - | 400.57 | 496.11 | - | 496.11 |
| **Total current liabilities** | | **14662.99** | **2396.92** | **17059.91** | **13077.22** | **1693.18** | **14770.40** |
| **TOTAL** | | **26561.51** | **2493.19** | **29054.70** | **26820.19** | **1350.40** | **28170.59** |

## Note 39 : First-time adoption of Ind AS.... Contd.

### (ii) Reconciliation of total equity as at 31 March, 2017 (End of last period presented under previous GAAP) and 01 April, 2016 (Date of transition)

₹ lacs

| Sr. No. | Particulars | Footnotes | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| | **Total equity as reported under previous GAAP** | | **6530.84** | **7091.86** |
| | **Ind AS: Adjustments increase/(decrease)** | | | |
| (a) | Effective interest rate adjustment impact on borrowings | 4 | 20.42 | 21.87 |
| (b) | Deferred tax liability impact on (a) above | 4 | (6.75) | (7.23) |
| (c) | Reversal of revaluation reserve pertaining to freehold land | 1 | 154.35 | - |
| (d) | Impact of Ind AS adjustment of security deposits | 3 | (2.43) | (3.10) |
| (e) | Impact of Ind AS adjustment on employee loans | 2 | 3.74 | - |
| (f) | Depreciation on revalued assets | 1 | (1.20) | - |
| (g) | Reversal of revaluation reserve pertaining to leasehold land | 1 | - | (280.62) |
| (h) | Deferred tax liability on revaluation pertaining to freehold land and Building | 8 | (51.44) | (51.83) |
| | **Total equity as reported under Ind AS** | | **6647.53** | **6770.95** |

### (iii) Effect of adoption of Ind AS on the Statement of Profit and Loss for the year ended 31 March, 2017

₹ lacs

| | Particulars | Footnotes | For the year ended 31 March, 2017 (Latest period presented under previous GAAP) | | |
|---|---|---|---|---|---|
| | | | Previous GAAP | Effect of Ind AS | Ind AS |
| **1.** | **Revenue from operations** | 5 | 40678.10 | 2759.28 | 43437.38 |
| **2.** | **Other income** | 2 and 3 | 95.71 | 18.34 | 114.05 |
| **3.** | **Total Income (1+2)** | | **40773.81** | **2777.62** | **43551.43** |
| **4.** | **Expenses** | | | | |
| | (a) Cost of materials and components consumed | | 18974.37 | - | 18974.37 |
| | (b) Changes in inventories of finished goods and work-in-progress | | (387.32) | - | (387.32) |
| | (c) Excise duty on sale of goods (including scrap sale) | 5 | - | 2759.28 | 2759.28 |
| | (d) Employee benefits expense | 2 and 6 | 7676.35 | 40.11 | 7716.46 |
| | (e) Finance costs | 4 | 1479.99 | 1.45 | 1481.44 |
| | (f) Depreciation and amortisation expense | 1 | 1668.06 | 1.20 | 1669.26 |
| | (g) Other expenses | 3 | 11558.36 | 7.66 | 11566.02 |
| | **Total expenses** | | **40969.81** | **2809.70** | **43779.51** |
| **5.** | **(Loss)/Profit before tax (3-4)** | | (196.00) | (32.08) | (228.08) |
| **6.** | **Tax expense** | | | | |
| | (a) Current tax expense | | - | - | - |
| | (b) Deferred tax (benefit)/expense | 4 and 6 | (69.94) | (12.06) | (82.00) |
| | Net tax (benefit)/expense | | (69.94) | (12.06) | (82.00) |
| **7.** | **(Loss)/Profit for the year (5-6)** | | (126.06) | (20.02) | (146.08) |
| **8.** | **Other comprehensive income** | | | | |
| | Items that will not be reclassified to profit or loss | | | | |
| | - Re-measurement gains on defined benefits obligation | 6 | - | 33.84 | 33.84 |
| | - Income tax effect | 6 | - | (11.19) | (11.19) |
| | **Other comprehensive income for the year net of tax** | | - | 22.65 | 22.65 |
| **9.** | **Total comprehensive income for the year (7+8)** | | **(126.06)** | **2.63** | **(123.43)** |

## Note 39 : First-time adoption of Ind AS.... Contd.

### (iv) Reconciliation of total comprehensive income for the year ended 31 March, 2017 (Latest period presented under previous GAAP)

₹ lacs

| Sr. No. | | Particulars | Footnotes | Year ended 31 March, 2017 |
|---|---|---|---|---|
| | | **Net loss for the year under Previous GAAP** | | **(126.06)** |
| (a) | (+) | Interest income on account of fair valuation | 2 and 3 | 18.34 |
| (b) | (-) | Actuarial gain on employees defined benefits plans recognized | 6 | 33.84 |
| (c) | (-) | Amortisation of transaction costs/processing charges on borrowings | 4 | 1.45 |
| (d) | (-) | Depreciation on revalued assets reinstated in books | 1 | 1.20 |
| (e) | (-) | Amortisation of prepaid rent | 3 | 7.66 |
| (f) | (-) | Employee cost on fair valuation of employee loans | 2 | 6.27 |
| (g) | (+) | Impact of deferred tax on above adjustments [(b,c & d))*33.063%] | | 12.06 |
| | | **Net loss for the year under Ind AS** | | **(146.08)** |
| (h) | (+) | Other comprehensive Income (net of tax of ₹ 11.19 lacs) | 6 | 22.65 |
| | | **Total comprehensive income for the year under Ind AS** | | **(123.43)** |

Note: Under previous GAAP, total comprehensive income was not reported. Therefore, the above reconcilitaion starts with loss under the previous GAAP.

(v) Under Ind AS, bank overdrafts which are repayable on demand and form an integral part of an entity's cash management system are included in cash and cash equivalents for the purpose of presentation of the Statement of Cash Flows. Whereas under previous GAAP, there was no similar guidance and hence bank overdrafts were considered similar to other borrowings and the movements therein were reflected in cash flows from financing activities. The effect of this is that the bank overdrafts of ₹ 2853.31 lacs as at 31 March, 2017 and ₹ 2578.49 lacs at 01 April, 2016 have been considered as part of cash and cash equivalents under Ind AS for the purpose of presentation of the Statement of Cash Flows. Consequently, the cash outflow from financing activities as per the Statement of Cash Flows for the year ended 31 March, 2017 prepared as per Ind AS is lower to the extent of this net movement of ₹ 274.82 lacs.

### Effect of adoption of Ind AS on the Statement of Cash Flows for the year ended 31 March, 2017

₹ lacs

| Sr. No. | Particulars | As at 31 March, 2017 (End of last period presented under previous GAAP) | | |
|---|---|---|---|---|
| | | Previous GAAP | Effect of Ind AS | Ind AS |
| (a) | Net cash flows from operating activities | 2729.32 | (703.74) | 2025.58 |
| (b) | Net cash flows from investing activities | (488.74) | - | (488.74) |
| (c) | Net cash flows from financing activities | (2262.65) | 428.92 | (1833.73) |
| (d) | Net increase/(decrease) in cash and cash equivalents | (22.07) | (274.82) | (296.89) |
| (e) | Cash and cash equivalents at beginning of period | 68.08 | - | (2510.41) |
| | Effect of exchange differences on restatement of foreign currency Cash and cash equivalents | - | 12.85 | 12.85 |
| (f) | Cash and cash equivalents at end of period | 46.01 | - | (2794.45) |

### Analysis of cash and cash equivalents as at 31 March, 2017 (End of last period presented under previous GAAP) and 01 April, 2016 (Date of transition) for the purpose of Statement of Cash flows under Ind AS

₹ lacs

| Particulars | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|
| Cash and cash equivalents for the purpose of the Statement of Cash Flow as per previous GAAP | 46.01 | 68.08 |
| Loan repayable on demand from banks (Refer Note 19) | (2840.46) | (2578.49) |
| Cash and cash equivalents at the end of the year | (2794.45) | (2510.41) |

## Note 39 : First-time adoption of Ind AS.... Contd.

**Footnotes to reconciliations:**

1. Under the previous GAAP, leasehold land was considered as part of property, plant and equipment and was amortised over the period of the lease. Under Ind AS, interest in leasehold land is considered as lease as per the definition and classification criteria in Ind AS 17. The Company has a leasehold land at Faridabad, which was revalued. This leasehold land has a carrying value of ₹ 280.62 lacs and revaluation reserve of ₹ 291.27 lacs as at 01 April, 2016. Accordingly, the carrying value of the leasehold land has been adjusted against the revaluation reserve as at 01 April, 2016, resulting in an excess revaluation reserve of ₹ 10.65 lacs which has been transferred to retained earnings.

   The net effect of this change is ₹ Nil as at 31 March, 2017 (as at 01 April, 2016 decrease in total equity by ₹ 280.62 lacs) and there is no change in loss for the year ended 31 March, 2017.

   Further, Accounting Standard (AS) 10 'Property, plant and equipment' amended by the Central Government, became applicable to the Company from 01 April, 2016. In accordance with the transitional provisions prescribed in the said AS, the Company has adopted the cost model as its accounting policy. Accordingly, Revaluation reserve of ₹ 156.76 lacs pertaining to freehold land and buildings was adjusted against the carrying value of the respective items (Gross block of ₹ 409.06 lacs and accumulated depreciation of ₹ 255.91 lacs) and excess Revaluation reserve of ₹ 2.41 lacs was transferred to General reserve as at 01 April, 2016. The Company has elected to continue with the carrying values under previous GAAP for all the items of property, plant and equipment and intangible assets as deemed cost at the date of the transition. Accordingly, the same has been reinstated.

   The net effect of these changes is increase in loss by ₹ 0.81 lac (net of deferred tax of ₹ 0.39 lac) for the year ended 31 March, 2017.

2. Under previous GAAP, interest free loans to employees were carried at the undiscounted amount. Under Ind AS, such loans are to be measured initially at discounted amounts, if the effect of time value of money is material. Accordingly, the Company has identified loans to employees which qualify as financial assets and has discounted such loans to their present value at the reporting dates. After initial recognition, the loans are being measured at amortised cost i.e. interest based on the market rate has been recognised under the effective rate method as part of interest income. The prepayments are charged to the Statement of Profit and Loss on the straight line basis over the period of loans given.

   The net effect of these changes are:

   Reduction in loan balances is of ₹ 38.90 lacs (₹ 30.15 lacs from non-current and ₹ 8.75 lacs from current assets) and corresponding increase in prepayments under other non-current assets and other currents assets by ₹ 36.19 lacs and ₹ 6.45 lacs respectively as at 31 March, 2017 [₹ 36.34 lacs (₹ 27.77 lacs from non current and ₹ 8.57 lacs from current assets) and corresponding increase in prepayments under other non-current assets and other currents assets by ₹ 30.91 lacs and ₹ 5.43 lacs respectively as at 01 April, 2016].

   Increase in employee benefits expense of ₹ 6.27 lacs and increase in other income of ₹ 10.01 lacs which resulted in net decrease in loss before tax of ₹ 3.74 lacs for the year ended 31 March, 2017.

3. Under previous GAAP, interest free security deposits given were at the undiscounted amount. Under Ind AS, such deposits are to be measured initially at discounted amounts, if the effect of time value of money is material. Accordingly, the Company has identified deposits which qualify as financial assets and has discounted such deposits to their present value at the reporting date. After initial recognition, the deposits are subsequently measured at amortised cost i.e. interest based on the market rate has been recognised under the effective rate method as part of interest income. The prepayments are charged to the Statement of Profit and Loss on the straight line basis over the period of security deposit.

The net effect of these changes are:

Decrease of deposit balances by ₹11.83 lacs (₹ 10.76 lacs from non-current and ₹ 1.07 lacs from current assets) and corresponding increase in prepayments under other non-current assets and other currents assets by ₹ 1.74 lacs and ₹ 7.66 lacs respectively as at 31 March, 2017 (₹ 20.16 lacs (₹ 10.76 lacs from non-current and ₹ Nil from current assets) and corresponding increase in prepayments under other non-current assets and other currents assets by ₹ 9.40 lacs and ₹ 7.66 lacs respectively and corresponding impact of ₹ 3.10 lacs has been adjusted in retained earnings as at 01 April, 2016).

Increase in rent expenses of ₹ 7.66 lacs and increase in other income of ₹ 8.33 lacs which resulted in net decrease in loss before tax of ₹ 0.67 lac for the year ended 31 March, 2017.

4. Under the previous GAAP, long-term borrowings were carried at at the undiscounted amount and upfront fee and processing/other charges paid were charged off to the Statement of Profit and Loss. Under Ind AS, such borrowings are to be recorded net of the aforesaid charges. Accordingly, existing borrowings as at reporting dates have been re-stated by computing the revised interest charge using the effective interest rate method.

   The net effect of these changes are:

   Decrease in borrowings by ₹ 20.42 lacs as at 31 March, 2017 [₹ 21.87 lacs and corresponding increase in retained earnings of ₹ 14.64 lacs (net of deferred tax of ₹ 7.23 lacs) as at 01 April, 2016].

   Increase in loss before tax of ₹ 1.45 lacs for the year ended 31 March, 2017.

5. Under previous GAAP, sale of goods was presented as net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise duty on sale of goods is separately presented on the face of the Statement of Profit and Loss. Thus, sale of goods under Ind AS has increased by ₹ 2759.28 lacs with a corresponding increase in other expenses.

6. Under previous GAAP, there is no concept of Other Comprehensive Income (OCI). Under Ind AS specified items of income, expenses, gains and losses are required to be presented in OCI.

   Both under previous GAAP and Ind AS, the Company recognized costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, were charged to profit or loss. Under Ind AS, remeasurements comprising of actuarial gains and losses are recognized immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through Other Comprehensive Income. Consequently, the tax effect of the same has also been recognized in other comprehensive income under Ind AS instead of the Statement of Profit and Loss. The actuarial gain for the year ended 31 March, 2017 was ₹ 33.84 lacs and the tax effect thereon ₹ 11.19 lacs. This change does not affect total equity, but there is an increase in loss before tax of ₹ 33.84 lacs and loss for the year ended 31 March, 2017 of ₹ 22.65 lacs.

7. Under previous GAAP, the Company de-recognized invoices discounted/factored of trade receivables with lenders and disclosed the same as contingent liablities. However, under Ind AS, based on evaluation of risks and rewards and control, the same does not meet the criteria for de-recognition. Accordingly, the same has been recognized as borrowings as at 31 March, 2017 (₹ 2396.92 lacs) and 01 April, 2016 (₹ 1693.18 lacs).

8. Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires accounting for deferred taxes using the balance sheet approach, which focuses on temporary difference between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP. In addition, the various transitional adjustments lead to temporary differences and the Company has accounted for such differences. Deferred tax adjustment are recognized in correlation to the underlying transaction either in retained earnings or a separate component in equity.

MAT credit entitlement is to be presented under loans and advance in accordance with Guidance Note on 'Accounting for Credit available in respect of MAT under the Income tax Act, 1961' issued by the Institute of Chartered Accountants of India. However, as per Ind AS, MAT credit entitlement is recognized as a deferred tax asset with a corresponding deferred tax benefit in the statement of profit and loss. Accordingly, the Company has reclassified the MAT credit entitlement from loans and advances to deferred tax assets.

Due to transition to Ind AS from previous GAAP, following adjustments were made to deferred tax asset (net) as at 31 March, 2017 and 01 April, 2016.

₹ lacs

| Sr. No. | Particulars | Footnotes | As at 31 March, 2017 | As at 01 April, 2016 |
|---|---|---|---|---|
| | **Balance as reported under previous GAAP** | | **110.70** | **40.76** |
| | **Ind AS: Adjustments increase/(decrease)** | | | |
| (a) | DTL on reversal of processing charges | 4 | (6.75) | (7.23) |
| (b) | DTL on revaluation portion of freehold land and building | 1 | (51.44) | (51.83) |
| (c) | MAT credit entitlement | | 26.00 | 26.00 |
| | **Balance as reported under Ind AS** | | **78.51** | **7.70** |

## Note 40 : Previous year's figures

| Particulars |
|---|
| The comparative financial information of the Company for the year ended 31 March, 2017 prepared in accordance with Ind AS included in this Financial Statements is based on Financial Statements audited under Indian GAAP by predecessor auditor M/s. Deloitte Haskins & Sells, Chartered Accountants vide their report dated 23 May, 2017.<br><br>Previous GAAP figures have been reclassified/regrouped wherever necessary to confirm with Financial Statements prepared under Ind AS. |

As per our report of even date

For **S R B C & CO LLP**
ICAI Firm Registration Number:- 324982E/E300003
Chartered Accountants

**For and on behalf of the Board of Directors of Bharat Gears Limited**

**per Pramod Kumar Bapna**
Partner
Membership No: 105497

**Surinder Paul Kanwar**
Chairman and Managing Director
(DIN : 00033524)

**Sameer Kanwar**
Joint Managing Director
(DIN : 00033622)

**V.K. Pargal** (DIN : 00076639)
**W.R. Schilha** (DIN : 00374415)
**Rakesh Chopra** (DIN : 00032818)
**Hiroo Suresh Advani** (DIN : 00265233)
Directors

Place: Mumbai
Date: 30 May, 2018

**Milind Pujari**
Chief Financial Officer
(PAN : AAAPP3554C)

**Prashant Khattry**
Head (Legal) & Company Secretary
(PAN : AOQPK8734B)

# Form No. SH-13
# Nomination Form

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

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

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

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

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

**(2) PARTICULARS OF NOMINEE/S**

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

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

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

**(4) PARTICULARS OF NOMINEE IN CASE MINOR NOMINEE DIES BEFORE ATTAINING AGE OF MAJORITY**

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

Name:
Address:

Name of the Security Holder(s) Signature

Witness with name and address Signature

Geared for Life

# Form No. SH-14
# Cancellation or Variation of Nomination

[Pursuant to sub-section (3) of Section 72 of the Companies Act, 2013 and rule 19(9) of the Companies (Share Capital and Debentures) Rules 2014]

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

I/We hereby cancel the nomination(s) made by me/us in favor of_____ _____ (name and address of the nominee) in respect of the below mentioned securities.

Or

I/We hereby nominate the following person in place of _____ as nominee in respect of the below mentioned securities in whom shall vest all rights in respect of such securities in the event of my/our death.

**(1) PARTICULARS OF THE SECURITIES (in respect of which nomination is being cancelled /varied)**

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

**(2) (a) PARTICULARS OF THE NEW NOMINEE:**

i. Name:
ii. Date of Birth:
iii. Father's/Mother's/Spouse's name:
iv. Nationality:
v. Address:
vi. E-mail id:
vii. Relationship with the Security holder:

**(b) IN CASE NEW NOMINEE IS A MINOR**

i. Date of birth:
ii. Date of attaining majority:
iii. Name of guardian:
iv. Address of guardian:

**(3) PARTICULARS OF NOMINEE IN CASE MINOR NOMINEE DIES BEFORE ATTAINING AGE OF MAJORITY**

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

Signature

Name of the Security Holder(s)

Witness with name and address

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# 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 | | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |

Pin Code | | | | | | |

E-mail Id _____

Cert. Nos. | | | | | | |

| | FROM | | FROM |
|---|---|---|---|
| Dist. Nos. | | | |
| | TO | | TO |
| | | | |

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













**Notes**



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**Notes**



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BHARAT GEARS LIMITED

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