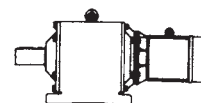
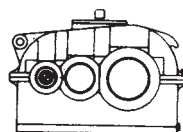
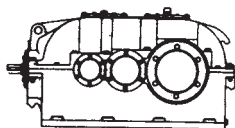
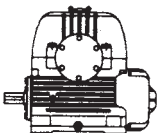
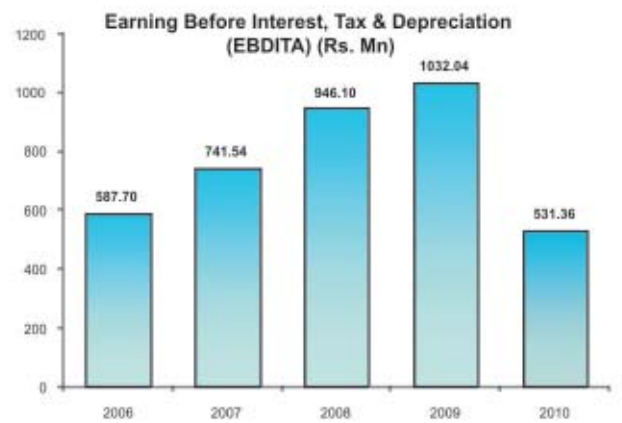
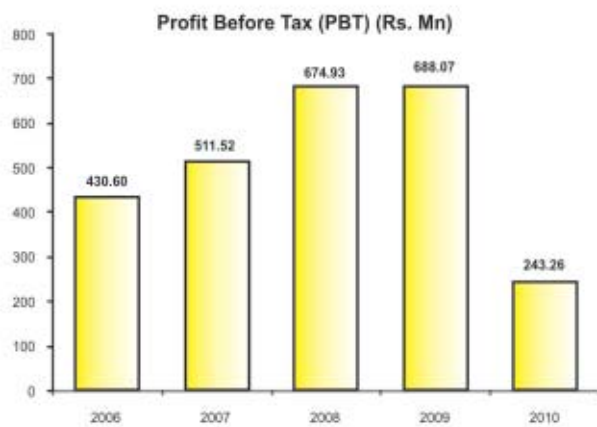
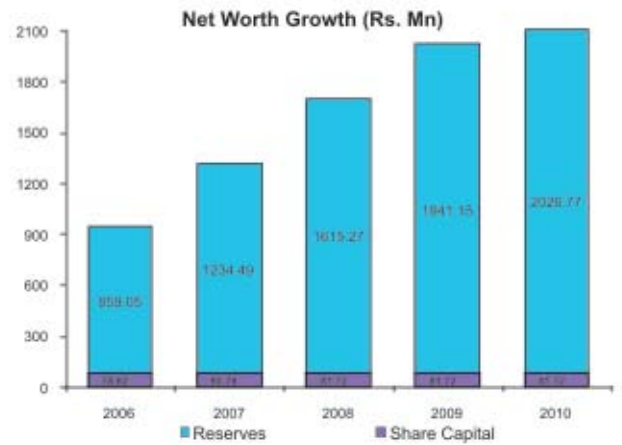
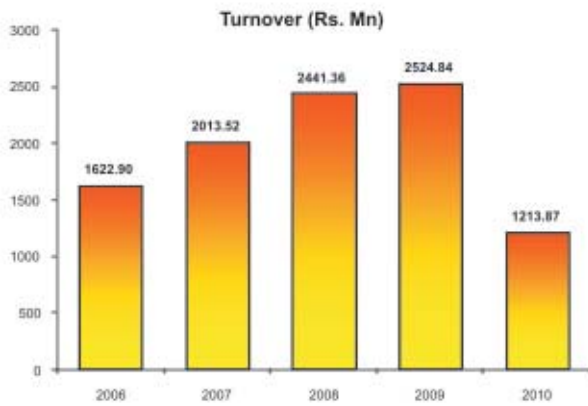


# Shanthi Gears

## *Thirty Seventh Annual Report 2010*



## Financial Performance Indicators



# SHANTHI GEARS LIMITED

## **BOARD OF DIRECTORS**

**Shri P SUBRAMANIAN**  
Chairman & Managing Director

**Shri P N GOPAL (Upto 25-01-2010)**

**Shri. C G KUMAR (From 25-01-2010)**

**Dr. D PADMANABAN**

**Shri M J VIJAYARAAGHAVAN**

**Ms. S SANGEETHA**  
Wholetime Director

## **COMPANY SECRETARY**

**Shri C SUBRAMANIAM**

## **AUDITORS**

**M/s. S LAKSHMINARAYANAN ASSOCIATES**

## **INTERNAL AUDITOR**

**Shri T RAGHUNATHAN**

## **BANKERS**

State Bank of India  
The Toronto-Dominion Bank  
ICICI Bank Ltd  
The Bank of Nova Scotia  
IDBI Bank Ltd

## **REGISTRARS & SHARE TRANSFER AGENTS**

S.K.D.C. Consultants Limited,  
Kanapathy Towers, 3<sup>rd</sup> Floor,  
1391/A-1, Sathy Road,  
Ganapathy,  
Coimbatore – 641 006.

## **REGISTERED OFFICE**

304-A, Trichy Road, Singanallur,  
Coimbatore – 641 005

## **MANUFACTURING PLANTS**

### **A UNIT**

304-A, Trichy Road, Singanallur,  
Coimbatore – 641 005

### **B UNIT**

304-F, Trichy Road, Singanallur,  
Coimbatore – 641 005

### **C UNIT**

Avanashi Road, Muthugoundenpudur (PO),  
Coimbatore – 641 406

### **D UNIT**

K.Krishnapuram,  
Kamanaickenpalayam (PO),  
Coimbatore – 641 658

### **E UNIT**

2249 A-1, Trichy Road, Singanallur,  
Coimbatore – 641 005

## **FOUNDRY DIVISION**

Kannampalayam, Sulur Via,  
Coimbatore – 641 402

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## NOTICE

Notice is hereby given that the **37<sup>th</sup> Annual General Meeting** of the Company will be held on **Friday, the 13<sup>th</sup> day of August, 2010 at 10.00 a.m.** at the Registered Office of the Company at 304-A, Trichy Road, Singanallur, Coimbatore-641005 to transact the following business.

## A G E N D A

### Ordinary Business

1. To receive, consider and adopt the Directors' Report, Profit & Loss Account for the year ended 31<sup>st</sup> March, 2010 the Balance Sheet as on that date and the Auditor's Report thereon.
2. To declare a Dividend.
3. To appoint a Director in the place of Sri. M.J.Vijayaraaghavan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to authorise Board of Directors to fix their remuneration.

### Special Business

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT Sri.C.G.Kumar, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 25<sup>th</sup> January, 2010 and who holds office upto the date of this Annual General Meeting of the Company and in respect of whom a notice Under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Sri. C.G.Kumar as a candidate for the Office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by the retirement of Directors by rotation".

6. To Consider and if thought fit, to pass, the following resolution as an Ordinary Resolution.

" RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents, approvals, permissions and sanctions as may be necessary from the concerned Statutory Authorities to sell, lease or otherwise dispose off whole or substantially whole of the units which are not used for manufacturing purpose.

RESOLVED FURTHER that the Board of Directors of the company be and is hereby authorized to do such acts as may be necessary to give effect to this resolution".

7. To Consider and if thought fit, to pass, the following Resolution as a Special Resolution.

"RESOLVED THAT approval of Shareholders of the Company, be and is hereby accorded to alter Clause III (C) of the Memorandum of Association of the Company by inclusion of the new object as item Nos. 16 to 18 in sub-clause (C) of Clause III thereof:

16. To carry on the business of engineering, manufacturing and supply of and deal in all kinds of the material handling machineries and equipments such as bucket elevator, gravity rollers, overhead chain conveyors, cranes, hoists, slat conveyors, bag filling machines, stitching machines and all such other machines which are used in material handling and their spare parts & service.

17. To carry on the business of engineering, manufacturing and supply of and deal in all types of Electric Powered Screw Air Compressors (EPSAC) and Diesel Powered Screw Air Compressors (DPSAC), Stationary Compressors and Air Blowers, all types of Industrial Reciprocating/Piston/Rotary Compressors, Centrifugal Air Compressors, Oil-injected rotary screw compressors, Oil-free industrial compressors, Air motors, Portable Compressors, Industrial generators, Portable

diesel powered generating sets, Compound Compressors & Boosters, Dryers, Oil/Water Separators, After coolers, Filters, Medical Air Systems, Air receivers, Electronic condensate drains, Compressed air piping system, Turbo compressors and Expansion turbines, and all types of pneumatic items, tools & equipments and their spare parts & service.

18. To carry on the business of engineering, manufacturing and supply of and deal in all kinds of mining equipments, both open cast and underground mining equipments, such as Turbo drills, Long hole drills, Rock bolters, Cable bolters, Loaders, Trucks, Support equipments etc., water well drills, blast hole drills, cages, mine shafts, dumpers, clarifying machinery, classifiers, cleaning machinery, coal and stone breakers, cutters and pulverizes, concentration machinery, crushers, feeders, grinders, hammer mills, loading machine, mining cars and trucks, ore crushing, washing, screening and loading machinery, pallet mills, plows scrapers, loaders, sedimentation machinery, separation machinery, shuttle cars, stamping mill machinery, washers, elevators and moving stairways, conveyors and conveying equipment, hoist industrial cranes, trailers and stackers and generally all types of metallurgical, mining, metal working and other related machinery equipment, tools and accessories, and their spare parts & service”.

8. To consider and if thought fit, to pass, the following resolution as a Special Resolution

“ RESOLVED THAT pursuant to the provisions of Section 149 (2A) and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or enactment thereof for the time being in force), consent of the shareholders be and is hereby accorded to commence the activities as specified in the sub-clause Nos. 16 to 18 of the other object clause i.e., under sub clauses (C) (16) to (18) of Clause III of Memorandum of Association of the Company.

RESOLVED FURTHER that the Board of Directors be and is hereby authorised to perform all such acts, deeds, things and matters in its absolute discretion, it may consider necessary, expedient or desirable and to settle any question, or doubt that may arise in relation thereto in order to give effect to the foregoing resolution or as may be otherwise considered, if any, to be in the best interest of the Company.”

Note: Resolution Nos.6, 7 & 8 require the consent of shareholders through Postal Ballot for which necessary steps have been taken as per the Companies (Passing of Resolution by Postal Ballot) Rules 2001.

Coimbatore  
24<sup>th</sup> May, 2010

By Order of the Board  
**P. Subramanian**  
Chairman & Managing Director

#### NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/ herself. Such proxy need not be a member of the Company. Proxy in order to be effective must be received by the Company not less than 48 hours before the Meeting. Corporate members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 31<sup>st</sup> July, 2010 to 13<sup>th</sup> August, 2010 (Both days inclusive)
3. Dividend on approval will be paid on 19<sup>th</sup> August, 2010 to the members whose name appear in Register of Members as on 13<sup>th</sup> August, 2010. In respect of shares held in Demat Form, the Dividend will be paid to the beneficial owners as on the closing hours of 30<sup>th</sup> July, 2010 as per the details forwarded by the RTA for this purpose.
4. In compliance with Section 205A and 205C of the Companies Act, 1956 unclaimed dividend upto the year ended 31<sup>st</sup> March, 2002 has been transferred to the “Investors Education and Protection Fund” established by the Central Government. Remaining unpaid dividends that are due for transfer are given below:

Dividend	For the Financial Year ended	Date of Payment	Due for Transfer on
Final	31.03.2003	01.08.2003	31.08.2010
Final	31.03.2004	05.07.2004	09.08.2011
Final	31.03.2005	14.07.2005	18.08.2012
Final	31.03.2006	17.07.2006	21.08.2013
Final	31.03.2007	20.07.2007	23.08.2014
Final	31.03.2008	18.07.2008	21.08.2015
Final	31.03.2009	14.07.2009	17.08.2016

Members who have not encashed their Dividend Warrants in respect of the year ended 31<sup>st</sup> March, 2003 and succeeding years, are requested to make their claim to the Company by surrendering the unencashed warrants immediately.

5. Members are requested to notify immediately of any change in their address to the Registrars. Members holding shares in the electronic form are advised to notify any change in their address to the concerned Depository Participant.
6. Members are requested to bring their copies of Report and Accounts to the Meeting.
7. Company's Equity Shares are listed at  
National Stock Exchange of India Limited, Exchange plaza, Plot No. C/1, G Block, Bandra kurla Complex, Bandra (E), Mumbai - 400 051.      Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI- 400001.  
The Company has paid the Annual Listing fees for the financial year 2010-2011 in respect of the above Stock Exchanges.
8. Members requiring information on the Accounts are requested to write to the Company atleast seven (7) days in advance, so as to enable the Company to furnish such information.
9. In respect of Special Resolutions as per item Nos.6,7& 8 of the notice, these resolutions required to be passed through Postal Ballot pursuant to the provisions of Companies (Passing of the Resolution by Postal Ballot) Rules, 2001. A separate notice has been issued to the members in respect of the same. The Chairman will announce the results at the Annual General Meeting. If resolutions are assented to by the requisite majority of the shareholders in the Postal Ballot, it shall be deemed to have been passed at the said Annual General Meeting as per sub section (4) of Section 192A of the Companies Act,1956.
10. Information of Directors who are proposed to be appointed or re-appointed in this meeting is given below:

Name	Sri. C.G.Kumar	Sri. M.J.Vijayaraaghavan
Age	38 Years	77 Years
Date of Joining the Board	25.01.2010	31.10.2001
Qualification	B.A., B.L.,	FCA, Chartered Accountant
Experience in Specific Functional Area	He has vast experience in Law as an Advocate	An Eminent Chartered Accountant.
Director in Other Company	Nil	1. K G Denim Limited 2. KPR Mills Limited
Membership in Committees of Other Companies	Nil	KPR Mills Ltd Audit Committee Chairman & Remuneration Committee Member
Shareholding in Shanthi Gears Limited	Nil	520
Relationship with other Director	Nil	Nil

## **Explanatory Statement Under section 173(2) of the Companies Act, 1956**

### **Item No 5:**

Sri C.G.Kumar, an advocate aged 38 years, was appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 25<sup>th</sup> January, 2010. He holds office till ensuing Annual General Meeting and a resolution to appoint him as a Director of the Company is proposed.

Sri C.G.Kumar holds a Bachelor's Degree in English Literature and Law.

The Board is of the view that Sri C.G.Kumar's Knowledge and Experience will be of immense benefit and value to the Company and therefore, recommends his appointment to the members.

A Notice together with the required deposit has been received from a member proposing his candidature for the office of Director of the Company. Sri. C.G.Kumar has given his consent to act as a Director, if appointed.

Except Sri. C.G.Kumar, none of the other Directors is in any way concerned or interested in the resolution.

Sri. C.G.Kumar does not hold any Shares or other Securities of the Company.

### **Item No 6:**

With the restructuring and reorganizing of the manufacturing facilities, whole or substantially whole of the company's "D" unit and "E" Unit remains unutilised. To encash the value of the unutilised space in the above units for the benefit of the company the above resolution is brought before you to authorize the Directors to sell, lease or otherwise dispose off the whole or substantially whole of the undertaking.

Since the above item requires the approval of members by postal ballot, a separate notice as per Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 has been sent.

None of the Directors are deemed to be concerned or interested in the above resolution.

### **Item No 7:**

The company is at present manufacturing Gears, Gear Boxes, Gear Motors and Gear allied products. The above products are used as a part of major machineries and it plays predominant and vital role in operation of such machineries. The company has got facilities and capability to manufacture all types of machineries where gear plays major role, such as material handling equipments, compressors and mining equipments. To facilitate manufacturing of the same, the other object clause has been amended by adding the above objects. Amendment of Memorandum in case of listed companies requires approval of members by postal ballot. A separate notice has already been sent to members as per Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

None of the Directors are deemed to be concerned or interested in the above resolution.

### **Item No 8:**

As per the provisions of Section 149 (2A), of the Companies Act, 1956, the approval of the shareholders is required to commence the activities mentioned in the " Other Objects" Clause III ( C) (16) to (18) of the Memorandum of Association of the Company.

Pursuant to the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the consent of the shareholders is sought to be obtained through Postal Ballot by way of Special Resolution.

None of the Directors are deemed to be concerned or interested in the above resolution.

Coimbatore  
24<sup>th</sup> May, 2010

By Order of the Board  
**P. Subramanian**  
Chairman & Managing Director

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting to you the Thirty Seventh Annual Report, together with the audited accounts of your Company, for the year ended 31st March, 2010.

### FINANCIAL RESULTS

	Year Ended 31-03-2010	Year Ended 31-03-2009
	Rs. in Million	
Gross Profit before Interest & Depreciation	<b>531.784</b>	1032.573
Less: Interest	<b>18.833</b>	86.247
Depreciation	<b>269.266</b>	257.723
Donations	<b>0.423</b>	0.533
Provision for Taxation / Withholding Tax Paid	<b>110.275</b>	231.196
Fringe Benefit Tax	-	2.500
Deferred Tax	<b>(25.934)</b>	10.261
Prior Year Tax	-	3.618
	<b>158.921</b>	440.495
Add: Excess Provision no longer required	<b>2.927</b>	0.115
Surplus brought forward	<b>98.028</b>	72.142
	<b>259.876</b>	512.752
Appropriations:		
Proposed Dividend	<b>65.373</b>	98.059
Tax on Dividend	<b>10.857</b>	16.665
General Reserve	<b>100.000</b>	300.000
Surplus in Profit & Loss Account	<b>83.646</b>	98.028
	<b>259.876</b>	512.752

### DIVIDEND

Your Directors recommend a Dividend of **Rs. 0.80** per Equity Share of Re. 1 each fully paid up (**80%** on the paid up share capital of the Company)

### OPERATING RESULTS

The Company has achieved a Turnover of **Rs. 1213.871** Million for the year under review as against the turnover of **Rs. 2524.842** Million of the previous year. Various factors such as change in management team, labour unrest, the measures taken by the Company to revamp, restructure and relocating of machines, scaling down of plant operations has resulted in decrease in turnover. The Company's policy of manufacturing niche and value added products have helped the Company to maintain profitability irrespective of reduction in sales. The Company proposes to follow the same policy during the current year.

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

The Company is making continuous efforts to conserve and optimise energy wherever practicable by economising on fuel and power. For the Company's existing product line, there is no technical collaboration/arrangement. Your Company has made export sales of **Rs. 93.579** Million during the year. The outflow of foreign exchange on Import of Machinery, Raw Materials, Consumable Stores & Tools, Machinery and Electrical Spares, Interest on ECBs, Advertisement, Subscription and Germany Liaison Office Expenses amounted **Rs. 47.71** Million.

### FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year.



## **DIRECTORS**

Sri P.N. Gopal resigned from the Board on 25<sup>th</sup> January, 2010 due to health condition. He was associated with the Company from 17.03.1986. The Directors place on record the valuable guidance and support rendered by Sri. P.N.Gopal during his tenure of office as Director.

Sri.M.J. Vijayaraaghavan retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-election.

Sri. C.G.Kumar was appointed as additional Director on 25<sup>th</sup> January, 2010, retires at the ensuing Annual General Meeting. A member has given a notice in writing proposing Sri. C.G.Kumar for the office of Director along with required deposit amount.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

In compliance to the Provisions of Section 217 (2AA) of the Companies Act, 1956 your Directors wish to place on record-

- (i) that in preparing the Annual Accounts, all applicable accounting standards have been followed;
- (ii) that the accounting policies adopted are consistently followed and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit and Loss Account of the Company for the Financial year;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities;
- (iv) that the Directors have prepared the Annual Accounts on going concern basis.

## **CORPORATE GOVERNANCE**

Pursuant to the requirements of Listing Agreements with the Stock Exchanges, your Directors are pleased to annex the following:

1. Management Discussion and Analysis Report
2. A Report on Corporate Governance
3. Auditors' Certificate regarding Compliance of conditions of Corporate Governance.

## **AUDITOR**

Your Company's auditors M/s. S. Lakshminarayanan Associates are due to retire at the ensuing Annual General Meeting and are eligible for re-appointment.

## **PERSONNEL**

In accordance with the requirements of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, particulars of employees are given in the annexure to this report.

## **APPRECIATION**

The relationship between Management and Staff & Workers is very cordial and your Directors wish to place on record their sincere appreciation for the devoted and efficient services rendered by all employees of the Company. Your Directors thankfully acknowledge the continued co-operation and support rendered by Banks and Financial Institutions. The Board conveys its thanks to the Central and State Governments. It also thanks its customers and suppliers for their support and investors for reposing faith in the Company.

Coimbatore  
24<sup>th</sup> May,2010

For the Board of Directors  
**P. Subramanian**  
Chairman & Managing Director

**Statement Under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2010.**

Sl. No.	Name	Age (Years)	Designation/ Nature of duties	Remuneration Rs.	Qualification	Experience	Date of Commencement of Employment	Previous Employment
1	Mr.P.Subramanian*	67	Chairman & Managing Director Overall Management of the affairs of the Company	1,31,05,917	L.M.E P.D.Prod.E.	45 Years	01/07/1972	Managing Partner Shanthy Engg & Trading Company.
2	Ms.S.Sangeetha*	35	Wholetime Director Day to day Management of the Company	52,42,367	B.B.M.	14 Years	05/01/1996	-

\* Note : The nature of employment is contractual  
Mr. P. Subramanian and Ms. S. Sangeetha are related

Coimbatore  
24<sup>th</sup> May, 2010

For the Board of Directors  
**P. Subramanian**  
Chairman & Managing Director

**REPORT ON CORPORATE GOVERNANCE**

1. Company's Philosophy of Corporate Governance

The Company firmly believes in good Corporate Governance and envisage the attainment of transparency in all matters of Management of the Company and in reporting to the Share Holders and all others concerned.

2. Board of Directors

- The Board of Directors consists of 5 Directors, of whom 3 are Independent Non- executive Directors. An Executive Chairman heads the Board.
- Attendance of each Director at the Board Meetings and the Last Annual General Meeting (AGM).

Name of the Directors	Category of Directorship	No. of Board Meetings Attended	Attendance at the Last AGM
Sri. P. Subramanian	Chairman & Managing Director Executive Director	4	Present
Sri. P.N. Gopal (Upto 25.01.2010)	Independent Director Non Executive	Nil	Absent
Dr. D. Padmanaban	Independent Director Non Executive	4	Absent
Sri. M.J. Vijayaraaghavan	Independent Director Non Executive	4	Present
Ms. S. Sangeetha	Wholetime Director Executive Director	4	Present
Sri. C.G.Kumar (From 25.01.2010)	Independent Director Non-Executive	1	Not Applicable

- c) Number of other Companies or Committees, the Directors of the Company is a Director/ Member/Chairman

Name of the Directors	Other Directorship	Other Committee Positions	
		Member	Chairman
Sri. P. Subramanian	1	- NIL -	- NIL -
Sri. P.N. Gopal	- NIL -	- NIL -	- NIL -
Dr. D. Padmanaban	2	- NIL -	- NIL -
Sri. M.J. Vijayaraaghavan	2	1	1
Ms. S. Sangeetha	- NIL -	- NIL -	- NIL -
Sri. C.G. Kumar	- NIL-	- NIL-	- NIL-

- d) Details of Board Meetings held during the Period 01.04.2009 to 31.03.2010

Sl. No.	Date of the Meeting
1	27/05/2009
2	27/07/2009
3	31/10/2009
4	25/01/2010

- e) There is no inter-se relationship between Directors other than Mr. P. Subramanian and Ms. S. Sangeetha. Mr. P. Subramanian and Ms. S. Sangeetha are related to each other as father and daughter respectively.

### 3. Audit Committee

The Audit Committee consists of 3 Independent Directors.

The Details of Audit Committee Meetings held

Sl. No.	Date of the Meeting
1	26/05/2009
2	25/07/2009
3	30/10/2009
4	23/01/2010

Composition of Audit Committee and Meeting Attendance

Sl. No.	Members of Audit Committee	No. of Meetings Attended
1	Sri. M.J. Vijayaraaghavan, Chairman	4
2	Sri. P.N. Gopal	- NIL -
3	Dr. D. Padmanaban	4
4	Sri. C.G.Kumar	Not Applicable

The terms of reference to the Audit Committee are wide enough to cover all matters specified under the Listing Agreement and the Companies Act, 1956.

The Committee has met 4 times during the Financial Year ended 31<sup>st</sup> March, 2010.

### 4. Remuneration paid to Chairman & Managing Director and Wholetime Director

The Board of Directors at their Meeting held on 14.05.2008 have approved the re-appointment of Chairman & Managing Director and remuneration payable to him as recommended by the Remuneration Committee at their meeting held on 09.05.2008. The members in the General Meeting held on 14.07.2008 have approved the re-appointment of Mr.P.Subramanian as Chairman & Managing Director for a period of 5 years from 01.04.2009 and remuneration payable to him.

The aggregate value of salary, perquisites and commission for the period 01.04.2009 to 31.03.2010 paid to the Chairman & Managing Director are given below:

Salary	Rs. 2,400,000
Commission	Rs. 10,705,917
	<u>Rs. 13,105,917</u>

The Board of Directors at their Meeting held on 16.05.2007 have approved the re-appointment of Wholetime Director and remuneration payable to her as recommended by the Remuneration Committee at their meeting held on 15.05.2007. The members in the General Meeting held on 16.07.2007 have approved the re-appointment of Ms.S.Sangeetha as Wholetime Director for a period of 5 years from 24.07.2007 and remuneration payable to her.

The aggregate value of salary, perquisites and commission for the period 01.04.2009 to 31.03.2010 paid to the Wholetime Director are given below:

Salary	Rs. 1,200,000
Perquisite	Rs. 144,000
Commission	Rs. 3,898,367
	<u>Rs. 5,242,367</u>

5. Remuneration paid to Non Executive Directors

No Remuneration is paid to Non Executive Directors except Sitting Fees payable for attending Board Meetings/Committee Meetings which are as under:

Name of the Directors	Sitting Fees Paid
Sri. P.N. Gopal	Nil
Dr. D. Padmanaban	Rs. 40,000
Sri. M. J. Vijayaraaghavan	Rs. 40,000
Sri.C.G. Kumar	Rs. 5,000

Non Executive Directors are not holding any Convertible Instruments. Details of shares held by them are as under. None of them are holding shares on beneficial basis by/for other persons.

Name of Director	Number of shares held
Sri. P. N. Gopal	50558
Sri. M. J. Vijayaraaghavan	520
Dr. D. Padmanaban	NIL
Sri.C.G. Kumar	NIL

6. Shareholders/ Investors Grievance Committee

- a) The Shareholders/ Investors Grievance Committee consists of 3 Independent Directors.  
b) Composition of Shareholders/ Investors Grievance Committee.

Sl. No.	Members
1	Sri. P.N. Gopal, Chairman (Upto 25.01.2010)
2	Sri. C.G.Kumar, Chariman (From 25.01.2010)
3	Sri. M.J. Vijayaraaghavan
4	Dr. D. Padmanaban

c) Compliance Officer

Sri. C. Subramaniam, Company Secretary

d) Complaints

During the year 9 letters/complaints were received from the Investors, which were replied/resolved to the satisfaction of the investors and none of the compliant is pending. None of the complaints required the attention of Investors Committee since they were routine in nature and it was resolved by the Company officials / RTA.

There was no Share Transfer pending as on 31<sup>st</sup> March, 2010.

There was no Share Dematerialisation pending as on 31<sup>st</sup> March, 2010.

- e) The Company has exclusively designated the following e-mail id for Investor Relations .  
**cs@shanthigears.com**

7. Remuneration Committee

- a) The Remuneration Committee consists of 3 Independent Directors.  
 b) Composition of Remuneration Committee

Sl. No.	Members of Remuneration Committee
1	Sri. M.J. Vijayaraaghavan, Chairman
2	Sri. P.N. Gopal (Upto 25.01.2010)
3	Dr. D. Padmanaban
4	Sri. C.G. Kumar (From 25.01.2010)

8. General Body Meeting

- i. Location and time of Last Three Annual General Meetings held.

Financial Year Ending	Date	Time	Venue
31.03.2007	16.07.2007	9.30 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005
31.03.2008	14.07.2008	10.00 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005
31.03.2009	10.07.2009	10.00 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005

- ii. Special Resolutions were passed at previous 3 AGMs.  
 iii. During last year there was no Special Resolution put through postal ballot.  
 iv. Necessary steps have been taken to conduct postal ballot voting this year.

9. a) Code of Conduct

The Company is adopting Code of Conduct for all the Directors and Senior Management Personnel. The said Code of Conduct has been posted on the website of the Company [www.shanthigears.com](http://www.shanthigears.com). The CEO Certificate on Compliance is furnished separately.

b) CEO / CFO Certification

CEO / CFO Certification under clause 41 and clause 49 of the Listing Agreement entered by Company with Stock Exchanges has been submitted to the Board by the CEO and CFO.

10. a) Disclosure on Materially significant related party transaction

The Company had not entered into any transaction of a material nature which will have a conflict with its interest during the year.

Full disclosure of related party transactions as per Accounting Standard 18 issued by the Institute of Chartered Accountants of India is given under Note No. 14 of Notes on the Annual Accounts. All the transactions covered under related party transaction were fair, transparent and at arms length.

b) Details of Non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchanges, SEBI or any Statutory authorities on any matter related to capital markets during the last three years

- NIL -

c) The Company is not implementing formal Whistle Blower policy. However, no personnel has been denied access to the Audit Committee of the Company

d) The Company has implemented all mandatory requirements of clause 49 of the listing agreement. Details of compliance of Non-mandatory requirements are given below.

A. Chairman of the Board

The Company has Executive Chairman. Therefore clauses relating to Non Executive Chairman are not applicable to the Company

B. Remuneration Committee

The Company has formed Remuneration Committee. Details of the Committee are given in point No. 7 of the report on Corporate Governance.

C. Audit Qualifications

Financial Statements of the Company does not have any Audit qualifications

11. Means of Communication

- i) Half Yearly Report sent to each household of Share holders : No  
Quarterly, Half Yearly, Unaudited Financial Results and Audited Financial Results are published in leading National Newspapers and in Regional Newspapers.
- ii) Quarterly Results published in Newspapers : Details of Publication for the period 01.04.2009 to 31.03.2010 are as under.

Year Ended/ Quarter ended	Audited/ Unaudited	Approved on	Published in
31.03.2009	Audited	27/05/2009	Business Line & Dinamalar
30.06.2009	Unaudited	27/07/2009	Business Line & Dinathanthi
30.09.2009	Unaudited	31/10/2009	Business Line & Dinathanthi
31.12.2009	Unaudited	25/01/2010	Business Line & Dinathanthi

- iii) The results are published at the Company's website [www.shanthigears.com](http://www.shanthigears.com)  
iv) No presentation has been made to Institutional Investors or to the Analysts.  
v) The Management Discussion and Analysis (MD & A) is part of the Annual Report.

12. General Share Holders Information

a) Annual General Meeting

- i) Date & Time : 13<sup>th</sup> August, 2010 (Friday) - 10.00 a.m.  
ii) Venue : Registered Office of the Company  
304-A, Trichy Road, Singanallur, Coimbatore-641 005

b) Financial Calendar

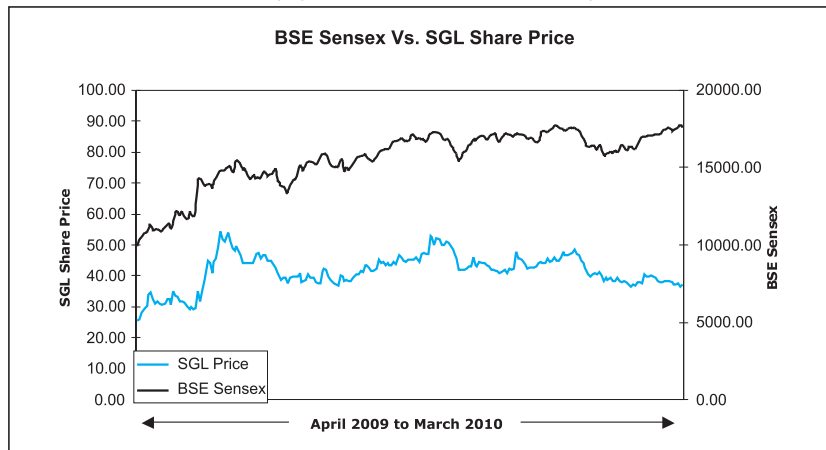
Annual General Meeting	:	13 <sup>th</sup> August, 2010
Results for the Quarter Ending 30th June, 2010	:	Second Week of August, 2010
Results for the Quarter Ending 30th September, 2010	:	Second Week of November, 2010
Results for the Quarter Ending 31st December, 2010	:	Second Week of February, 2011
Results for the Year Ending 31st March, 2011	:	Last Week of May, 2011

- c) Book Closure Date : 31.07.2010 to 13.08.2010 (Both days inclusive)
- d) Dividend Payment Date : **Dividend recommended by the Directors, after the same is approved by the members at the Annual General Meeting will be paid to the Share Holders whose name appear on the Company's Register of Members as on 13.08.2010 and for the Beneficial owners whose name appears on the closing hours of 30.07.2010 as per the details forwarded by RTA for this purpose.**
- e) Listing on Stock Exchanges : National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE)
- f) Stock Code
- i) Scrip Code in Bombay Stock Exchange Limited, Mumbai 522034  
Trading symbol in National Stock Exchange of India Limited, Mumbai SHANTIGEAR
- ii) ISIN Number in NSDL & CDSL for Equity Shares INE 631A01022

g) Stock Market Data

Month	Bombay Stock Exchange Limited (BSE)		National Stock Exchange of India Limited (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2009	36.40	25.30	36.55	25.50
May 2009	49.90	29.00	49.70	29.05
June 2009	59.50	42.50	58.35	42.05
July 2009	45.80	36.00	45.50	36.15
August 2009	44.50	36.50	44.90	36.00
September 2009	47.75	41.30	47.60	41.00
October 2009	56.00	44.00	55.80	43.95
November 2009	47.30	39.10	47.00	39.40
December 2009	49.70	40.30	50.00	40.40
January 2010	50.45	38.55	50.20	38.05
February 2010	42.45	36.00	42.40	35.95
March 2010	41.60	32.00	41.50	36.55

h) Performance in comparison to broad based indices  
SGL Share Performance (April 2009 to March 2010)



i) Registrar and Transfer Agents

**S.K.D.C. CONSULTANTS LIMITED,**  
**Kanapathy Towers, 3<sup>rd</sup> Floor,**  
**1391/A -1, Sathy Road, Ganapathy,**  
**Coimbatore - 641 006.**  
**Tel : (0422) 6549995, 2539835-836**  
**Fax : (0422) 2539837**  
**Email : info@skdc-consultants.com**

j) Share Transfer System

The Company's Shares are being held in Compulsory Demat List and are transferable through Depository system. Both Demat and Physical Share Transfers are handled by S.K.D.C.Consultants Limited.

The Share transfers which are received in physical form are processed and the Share Certificates are returned within 21 days from the date of receipt, subject to the Documents being valid and complete in all respects.

k) Share holding pattern as on 31st March, 2010

Sl. No.	Category	No. of Shares	% (Percentage)
1	Promoters	36523291	44.70
2	Mutual funds, Banks, Financial Institutions, Insurance Companies	17077206	20.90
3	Foreign Institutional Investors	3000	0.00
4	NRI's / OCB's	1562954	1.91
5	Private Corporate Bodies	2609153	3.19
6	Indian Public	23940249	29.30
	<b>Total</b>	<b>81715853</b>	<b>100.00</b>

l) Distribution of Share holding as on 31<sup>st</sup> March, 2010

No. of Shares held	No. of Shareholders	%	No. of Shares	%
1 to 500	17000	72.25	2959236	3.62
501 to 1000	2427	10.31	2114228	2.59
1001 to 5000	3076	13.07	7867348	9.63
5001 to 10000	645	2.74	4471397	5.47
10001 to 100000	357	1.52	8618566	10.55
100001 and above	25	0.11	55685078	68.14
<b>Total</b>	<b>23530</b>	<b>100.00</b>	<b>81715853</b>	<b>100.00</b>

m) Dematerialisation of Shares and Liquidity

As on 31<sup>st</sup> March, 2010, **78296597** shares were in dematerialized form representing 95.82% of total shares.

n) Plant Locations

Locations and addresses of plants are given in the beginning of the Annual Report.

o) Address for Correspondence

**S.K.D.C. CONSULTANTS LIMITED,**  
**Kanapathy Towers, 3<sup>rd</sup> Floor,**  
**1391/A -1, Sathy Road, Ganapathy,**  
**Coimbatore - 641 006.**

**Tel : (0422) 6549995, 2539835-836**

**Fax : (0422) 2539837**

**Email : info@skdc-consultants.com**

p) Address of Communication to the Company

**SHANTHI GEARS LIMITED,**  
**304-A, Trichy Road,**  
**Singanallur,**  
**Coimbatore - 641 005.**

**Tel : (0422) 2273722 to 34**

**Fax : (0422) 2273884 & 85**

**Email : cs@shanthigears.com**

q) Website of the Company

: [www.shanthigears.com](http://www.shanthigears.com)

On behalf of the Board of Directors

**P. Subramanian**

Chairman & Managing Director

Coimbatore  
 24<sup>th</sup> May, 2010



## **CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT FOR BOARD OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL**

To the Members of Shanthi Gears Limited

I, P. Subramanian, Chairman & Managing Director of the Company, hereby certify that the Board of Directors and Senior Management Personnel have affirmed that they will comply with the Code of Conduct.

Coimbatore  
24<sup>th</sup> May, 2010

On behalf of the Board of Directors  
**P. Subramanian**  
Chairman & Managing Director

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **1. Industry Structure and Developments:**

Gears, Gear Boxes and allied products are manufactured by the Company. The products are manufactured by organized, unorganized and international players. The products are differentiated as standard and non-standard. Most of the players are in the manufacture of standard products, since manufacturing non-standard products requires maneuvering of production facilities in short span of time, quality and engineering skills. Shanthi Gears has followed the policy of manufacturing more niche products compared to standard products. The restructuring of operational and organizational structure during the current year had lead to scaling down of operation. The Company has declined the orders where the margins are less. This has resulted in reduction in sales. However, with the manufacturing of value added products the Company was able to maintain profitability. The Company will follow the same policy during the current year.

#### **2. Opportunities and Threats:**

##### **Opportunities:**

With the manufacturing facilities, the Company can produce value added products without any strain. The Company is also in the process of manufacturing products where gear play a predominant role.

##### **Threats:**

The Company's policy of manufacturing value added products puts it in a position to supply its products to selected customers. This will lead to limited growth.

#### **3. Outlook:**

With the completion of restructuring operational and organization structure, major production and related activities are shifted to the unit located at Muthugoundanpudur. This has resulted in more flexibility in production planning, supplying of goods in shorter duration and also assured quality of the niche and value added products manufactured by the Company. Company's initiative to manufacture products where gears play major role puts it in an enviable position. With the above measures, the company hopes that the outlook is bright for the years to follow.

#### **4. Risks and Concerns:**

- ❖ Precarious power position
- ❖ Acceptance of proposed products to be manufactured by the market
- ❖ Pricing Policy followed by the Company.

#### **5. Internal Control Systems and their adequacy:**

The Company's Internal Control Systems are adequate and ensures that all assets of the Company are safely guarded against loss, damage or pilferage. The internal control systems are designed to provide adequate financial and accounting control and transparent Accounting standards.

**6. Discussions on the financial performance with respect to operational performance:**

During the year, the Company has achieved a sales turnover of Rs.1213.871 Million as compared to Rs. 2524.842 Million of the previous year. The Profit After Tax (PAT) of the Current Financial Year is Rs. 161.848 Million as against Rs. 440.610 Million of the previous year.

**7. Material developments in Human Resources/Industrial Relations front, including number of people employed:**

The Company firmly believes that Man Power is the most important asset, above all. Hence the needs and aspiration of all ranks and files are very well taken care of all the time without any let-up. The Industrial relationship at all factories remained cordial. The Company had 599 employees as of 31st March, 2010.

**8. Caution:**

The views and statements expressed or implied in the Management Discussions and Analysis are based on available information, assessments and judgments. They are subject to alterations. The Company's Actual Performance may differ due to national or international ramifications. Governmental Regulations, Policies, Tax Laws and other unforeseen factors over which the Company do not or may not have any control.

Coimbatore  
24<sup>th</sup> May, 2010

On behalf of the Board of Directors  
**P. Subramanian**  
Chairman & Managing Director

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE TO THE MEMBERS OF  
M/s. SHANTHI GEARS LIMITED**

We have examined the compliance of the conditions of Corporate Governance by **SHANTHI GEARS LIMITED** for the year ended 31<sup>st</sup> March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company, with the stock exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

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

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investor Grievance Committee.

We further state that such compliance 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.

For **S. Lakshminarayanan Associates**  
Chartered Accountants  
Firm Reg.No.006609S  
**S. Lakshminarayanan**  
F - 012024  
*Partner*

Place : Coimbatore  
Dated : 24<sup>th</sup> May, 2010

## AUDITOR'S REPORT

Ladies and Gentlemen,

We report that We have audited the Balance Sheet of M/s. SHANTHI GEARS LIMITED, COIMBATORE as at 31<sup>st</sup> March, 2010 and the Profit & Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Further to our comments in the Annexure referred to in Paragraph 1 & 2 above, we state that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our Audit.
- b) In our opinion, proper books of account as required by law have been kept so far as appears from our examination of those books.
- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this Report are in agreement with the Books of Account.
- d) In our opinion the Profit & Loss Account and Balance Sheet read together with the notes thereon and Cash Flow Statement comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representation received from all the Directors as of 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors, We report that none of the Directors are disqualified as of 31<sup>st</sup> March, 2010 from being appointed as Directors in terms of section 274 (1) (g) of the Companies Act, 1956.
- f) In our opinion and according to the information and explanations given to us and on the basis of such checks as We considered appropriate, the said Balance Sheet and Profit & Loss Account read together with the Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India
  - (i) in the case of the Balance Sheet, of the STATE OF AFFAIRS as at 31<sup>st</sup>March, 2010
  - (ii) in the case of the Profit & Loss Account of the PROFIT for the year ended that dateand
  - (iii) in the case of Cash Flow Statement of the CASH FLOWS for the year ended that date

For **S. Lakshminarayanan Associates**  
Chartered Accountants  
Firm Reg.No.006609S  
**S. Lakshminarayanan**  
F - 012024  
Partner

Place : Coimbatore  
Dated : 24<sup>th</sup> May, 2010

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE REPORT OF EVEN DATE OF THE AUDITORS TO THE MEMBERS OF M/s. SHANTHI GEARS LIMITED**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed off substantial part of fixed assets.
- (ii) (a) The Stock in trade (including raw material) and stores, spare parts of the Company at all its locations have been physically verified by the Management during the year.
- (b) In our opinion, the procedures for physical verification of stock followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and book records were not material.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion, the internal control procedures of the Company relating to purchases of stores, raw materials including components, plant & machinery, equipments and other similar assets and for sale of goods & services are commensurate with its size and nature of its business. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control systems.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevalent market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the Public during the year.
- (vii) In our opinion, the Company's internal audit system is commensurate with its size and nature of its business.
- (viii) The provisions of the Companies Act for maintenance of Cost Records under Section 209 (1) (d) are not applicable to the Company.
- (ix) (a) The Company is regular in depositing with the appropriate authorities the undisputed statutory dues relating to provident fund, employees state insurance, investor education protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us and the records of the Company examined by us there are no dues of income tax, wealth tax, cess and service tax, excise duty, customs duty which have not been deposited on account of any dispute. Particulars of dues to sales tax as at 31<sup>st</sup> March, 2010 which have not been deposited on account of any dispute, the amounts involved and the forum where the dispute is pending are given vide annexure below.
- (x) The Company has no accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

Sl. No.	Name of Statute	Nature of the Due	Amount Rs.	Period to Which the Amt relates	Forum where the dispute is pending	Remarks
1	Tamil Nadu Sales Tax Act.	AST on CST	1,17,718	Y.E. 31.03.1999	Assistant Commissioner Fast Track Assessment Circle I, Coimbatore	Tax Paid under Protest and Writ Petition pending with High Court, Chennai
2	Tamil Nadu Sales Tax Act.	AST on CST	1,04,013	Y.E. 31.03.2000	Assistant Commissioner Fast Track Assessment Circle I, Coimbatore	Tax Paid under Protest and Writ Petition pending with High Court, Chennai

- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
- (xii) The Company has not granted loans and advances on the basis of security of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to a chit fund/nidhi/mutual benefit fund/society are not applicable to the Company.
- (xiv) The Company has maintained records on all transactions regarding purchase & redemption of mutual funds. Timely entries have been made in such records and the investment in mutual funds was made in Company's name.
- (xv) The Company has not given guarantees for loans taken by others from bank or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the cash flow statement and other records examined by us and the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act.
- (xix) According to the information and explanations given to us, during the year covered by our audit report, the Company has not issued any debentures.
- (xx) According to the information and explanations given to us, the Company has not raised funds by public issues during the year covered by our audit report.
- (xxi) According to the information and explanations given to us and on the basis of our examination of books & records of the Company in accordance with the generally accepted auditing practices, no fraud on or by the Company has been noticed or reported during the year.

For **S. Lakshminarayanan Associates**

Chartered Accountants

Firm Reg.No.006609S

**S. Lakshminarayanan**

F - 012024

Partner

Place : Coimbatore

Dated : 24<sup>th</sup> May, 2010

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2010

	Schedule	As At 31-03-2010 Rs.	As At 31-03-2009 Rs.
<b>I. SOURCES OF FUNDS</b>			
<b>1 Shareholder's Funds</b>			
a) Share Capital	1	81,715,853	81,715,853
b) Reserves & Surplus	2	2,026,771,870	1,941,153,880
Total Share holders' Funds	(A)	2,108,487,723	2,022,869,733
<b>2 Loan Funds</b>			
a) Secured Loans:	3		
i) Term Loans		157,053,000	522,108,442
ii) Working Capital		-	26,227,358
		157,053,000	
b) Unsecured Loans	4	99,238,893	344,316,623
Total Loan Funds	(B)	256,291,893	892,652,423
<b>3 Deferred Tax</b>			
Balance As Per Last Balance sheet		200,869,811	
Add/Less: Transfer From/To Profit & Loss Account	(C)	(25,934,639)	200,869,811
<b>TOTAL FUNDS EMPLOYED</b>	<b>(A+B+C)</b>	<b>2,539,714,788</b>	<b>3,116,391,967</b>
<b>II APPLICATION OF FUNDS</b>			
<b>1 Fixed Assets</b>			
Gross Block		3,441,275,177	3,385,929,828
Less : Depreciation		1,692,040,531	1,424,489,293
Net Block		1,749,234,646	1,961,440,535
Capital Work-in-progress		51,704,525	70,736,883
	5	1,800,939,171	2,032,177,418
<b>2 Current Assets, Loans &amp; Advances</b>			
a) Inventories		460,855,626	603,338,411
b) Sundry Debtors		148,663,405	354,188,344
c) Cash & Bank Balances		290,062,781	490,141,760
d) Other Current Assets		5,035,195	9,446,777
e) Loans & Advances		65,650,839	99,707,877
		970,267,846	1,556,823,169
Less : Current liabilities and provisions	7	231,492,229	472,608,620
		738,775,617	1,084,214,549
<b>TOTAL ASSETS</b>		<b>2,539,714,788</b>	<b>3,116,391,967</b>

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date  
For S. Lakshminarayanan Associates  
Chartered Accountants

**P. Subramanian**  
Chairman & Managing Director  
Coimbatore  
24<sup>th</sup> May, 2010

**S. Sangeetha**  
Wholetime Director  
**C. Subramaniam**  
Company Secretary

**S. Lakshminarayanan**  
Partner  
**T. Raghunathan**  
Internal Auditor

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2010**

	Schedule	For the Year Ended 31-03-2010 Rs.	For the Year Ended 31-03-2009 Rs.
<b>I INCOME</b>			
GROSS TURNOVER	8	1,290,701,585	2,768,954,123
LESS : Excise Duty		76,830,630	244,111,877
NET TURNOVER		1,213,870,955	2,524,842,246
Other Income	8	51,350,890	12,582,463
		<u>1,265,221,845</u>	<u>2,537,424,709</u>
ADD/(DEDUCT)			
Difference In Stock	8	(109,994,310)	94,623,739
		<u>1,155,227,535</u>	<u>2,632,048,448</u>
<b>II EXPENDITURE</b>			
Material Cost	9	286,512,207	979,040,725
Labour Cost	9	163,101,576	211,574,290
Power & Fuel		39,190,880	86,659,093
Repairs	9	63,474,613	109,106,153
Interest Paid (Net of Receipts)	9	18,833,479	86,247,361
Administrative Expenses	9	71,163,690	213,094,697
Depreciation		269,266,039	257,723,057
		<u>911,542,484</u>	<u>1,943,445,376</u>
<b>III PROFIT for the year</b>			
		243,685,051	688,603,072
Less : Donations		423,336	532,784
<b>Profit Before Tax</b>		243,261,715	688,070,288
Less : Provision for Taxation Current/Withholding Tax		110,275,399	231,195,991
Provision For Fringe Benefit Tax		-	2,500,000
Deferred Tax		(25,934,639)	10,261,362
Add : Excess Provision no longer required		2,927,303	114,529
Less : Income Tax paid for earlier years		-	3,617,674
<b>Profit after Tax</b>		161,848,258	440,609,790
Add : Surplus brought forward		98,027,970	72,142,335
<b>Profit available for appropriation</b>		<u>259,876,228</u>	<u>512,752,125</u>
<b>IV APPROPRIATIONS</b>			
Proposed Dividend		65,372,683	98,059,024
Tax on Proposed Dividend		10,857,585	16,665,131
Amount transferred to General Reserve		100,000,000	300,000,000
Surplus carried to Balance Sheet		83,645,960	98,027,970
		<u>259,876,228</u>	<u>512,752,125</u>
<b>EARNING PER SHARE (Basic/Diluted)</b>			
See Note No.10 Of Notes to Accounts			
	Basic	1.98	5.39
	Diluted	1.98	5.39

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date  
For S. Lakshminarayanan Associates  
Chartered Accountants

**P. Subramanian**  
Chairman & Managing Director  
Coimbatore  
24<sup>th</sup> May, 2010

**S. Sangeetha**  
Wholetime Director  
**C. Subramaniam**  
Company Secretary

**S. Lakshminarayanan**  
Partner  
**T. Raghunathan**  
Internal Auditor

## SCHEDULES

	As At 31-03-2010 Rs.	As At 31-03-2009 Rs.
<b>SCHEDULE : 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b> 100,000,000 Equity Shares of Re. 1 each	<b>100,000,000</b>	100,000,000
<b>Issued, Subscribed &amp; Paid up</b> 81,715,853 Equity Shares of Re. 1 each	<b>81,715,853</b>	81,715,853

### NOTE :

1. Of the above 41,000 Equity Shares of Re.1 each are allotted as fully paid up for consideration otherwise than in cash.
2. 17,700,000 Equity Shares of Re.1 each are issued as Bonus Shares by Capitalisation of Rs.17,700,000 from General Reserve.
3. 176,000 Equity Shares of Re.1 each has been allotted to the Members of Shanthi Non-Ferrous Castings Private Limited as per the Scheme of Amalgamation.
4. 841,800 Equity Shares of Re.1 each has been allotted to the Members of Shanthi Precision Industries Limited as per the Scheme of Amalgamation.
5. 39,017,800 Equity Shares of Re.1 each has been issued as Bonus Shares by Capitalisation of Rs. 39,017,800 from Securities Premium Account.

### SCHEDULE : 2

#### RESERVES AND SURPLUS

##### Capital Reserve

As per Last Balance Sheet 16,700 16,700

##### General Reserve

As per Last Balance Sheet 1,600,000,000

Add : Transfer from Profit and Loss Account 100,000,000

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**1,700,000,000** 1,600,000,000

##### Securities Premium Account

As per Last Balance Sheet 240,644,710 240,644,710

##### Premium On FCCB Issue

As per Last Balance Sheet 2,284,500 2,284,500

##### Capital Redemption Reserve

As per Last Balance Sheet 180,000 180,000

##### Surplus In Profit & Loss Account

**83,645,960** 98,027,970

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**2,026,771,870** 1,941,153,880



**SCHEDULES (Contd...)**

	As At 31-03-2010 Rs.	As At 31-03-2009 Rs.
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**SCHEDULE : 3**
**SECURED LOANS**
**TERM LOANS**

From Banks (Details of Security Refer Note No.3)	<b>157,053,000</b>	522,108,442
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**Working Capital Loan**

From State Banks of India	-	26,227,358
	<u><b>157,053,000</b></u>	<u>548,335,800</u>

**SCHEDULE : 4**
**UNSECURED LOANS**

From Banks	<b>99,238,893</b>	344,316,623
	<u><b>99,238,893</b></u>	<u>344,316,623</u>

**SCHEDULES (Contd...)**

**SCHEDULE : 5**

**FIXED ASSETS**

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Cost as on 01.04.2009 Rs.	Additions during the year Rs.	Sales/ Transfer/ Refund Rs.	Cost As on 31.03.2010 Rs.	Depreciation upto 01.04.2009 Rs.	For the year ended 31.03.2010 Rs.	Withdrawn During the year Rs.	Depreciation As on 31.03.2010 Rs.	Value As on 31.03.2009 Rs.
Land	55,018,304	-	-	55,018,304	-	-	-	-	55,018,304
Buildings	278,774,827	22,227,287	-	301,002,114	56,629,251	8,804,505	-	65,433,756	235,568,358
Plant & Machinery	2,818,322,858	31,326,619	207,418	2,849,442,059	1,214,439,627	241,043,657	192,630	1,455,290,654	1,394,151,405
Tools & Equipments	44,018,816	86,961	-	44,105,777	35,155,687	2,487,871	-	37,643,558	6,462,219
Electrical Equipments	42,133,469	-	-	42,133,469	15,636,723	3,685,697	-	19,322,420	22,811,049
Furniture & Fittings	13,160,497	498,621	303,318	13,355,800	9,254,382	784,974	273,308	9,766,048	3,589,752
Office Equipments	26,153,212	1,762,127	243,533	27,671,806	9,799,055	2,409,451	160,016	12,048,490	15,623,316
Computers	73,343,241	1,470,644	380,480	74,433,405	58,849,876	7,258,238	305,522	65,802,592	8,630,813
Vehicles	35,004,604	24,793	916,954	34,112,443	24,724,692	2,791,646	783,325	26,733,013	7,379,430
Capital Work in Progress	70,736,883	31,091,330	50,123,688	51,704,525	-	-	-	-	51,704,525
<b>TOTAL</b>	3,456,666,711	88,488,382	52,175,391	3,492,979,702	1,424,489,293	269,266,039	1,714,801	1,692,040,531	1,800,939,171
Previous Year	3,153,479,608	425,475,725	122,288,622	3,456,666,711	1,180,393,515	257,723,057	13,627,279	1,424,489,293	2,032,177,418

**SCHEDULES (Contd...)**

	As At 31-03-2010 Rs.	As At 31-03-2009 Rs.
<b>SCHEDULE : 6</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Inventories</b>		
As per the list Certified by the Chairman & Managing Director (For method of valuation Refer Note No. 1.b of Notes Forming Part of Accounts)		
Raw Materials & Consumables	191,533,693	224,022,168
Semi Finished Goods	253,541,881	359,212,791
Finished Goods	15,780,052	20,103,452
	<u>460,855,626</u>	<u>603,338,411</u>
<b>Sundry Debtors</b>		
<b>Unsecured and Considered Good</b>		
More than Six Months	57,490,118	10,356,591
Less than Six Months	91,173,287	343,831,753
	<u>148,663,405</u>	<u>354,188,344</u>
<b>Cash &amp; Bank Balances</b>		
Cash with Scheduled Banks : a) in Current Accounts	14,511,624	13,915,774
b) in Fixed Deposits	275,000,000	475,000,001
Cash at Bank with Others in Current Accounts	131,885	123,616
Stamps on Hand	20,203	21,269
Cash on Hand	399,069	1,081,100
	<u>290,062,781</u>	<u>490,141,760</u>
<b>Other Current Assets</b>		
Interest Accrued and Receivable	4,995,271	9,066,808
Income Receivable	39,924	379,969
	<u>5,035,195</u>	<u>9,446,777</u>
<b>LOANS &amp; ADVANCES</b>		
Unsecured and Considered Good. Recoverable in Cash or in kind or for Value to be Received		
Advance for Purchase of Capital Goods	10,148,200	1,800,000
Advance to Others	3,240,353	2,186,847
Advance for IncomeTax (Net of Provision)	203,786	-
Deposits/Advances with Central Excise, Sales Tax & Customs Authorities	31,657,787	71,037,039
Deposits with Others	15,312,983	19,433,471
Prepaid Expenses	5,087,730	5,250,520
	<u>65,650,839</u>	<u>99,707,877</u>

**SCHEDULES (Contd...)**

	As At 31-03-2010 Rs.	As At 31-03-2009 Rs.
<b>SCHEDULE : 7</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Current Liabilities</b>		
Liability for Purchase of Capital Goods (includes Dues to MSME Units Rs. Nil Previous Year Nil)	<b>769,084</b>	6,316,456
Liability for Purchases (includes Dues to MSME Units Rs. Nil Previous Year Nil)	<b>11,960,393</b>	27,499,247
Liability for Expenses (includes Dues to MSME Units Rs. Nil Previous Year Nil)	<b>63,558,296</b>	101,109,809
Liability for Other Finance	<b>826,742</b>	1,089,724
Advance from Customers	<b>72,789,336</b>	165,630,727
Investor Protection and Educational Fund shall be credited by the following accounts when due:		
Unpaid Dividends	<b>3,002,565</b>	2,402,551
Unencashed Fixed Deposits including Interest	<b>12,920</b>	15,265
	<b>152,919,336</b>	304,063,779
<b>Provisions</b>		
Provision for Taxation (Net of Advance Payment of Taxes)	-	50,233,556
Proposed Dividend	<b>65,372,683</b>	98,059,024
Tax on Dividend	<b>10,857,585</b>	16,665,131
Provision for Fringe Benefit Tax (Net of Advance Payment)	<b>184,750</b>	587,130
Provision for Warranty	<b>2,157,875</b>	3,000,000
	<b>231,492,229</b>	472,608,620
<b>SCHEDULE : 8</b>		
<b>1. GROSS TURNOVER</b>		
Sale of Manufactured Goods	<b>1,239,939,930</b>	2,654,313,282
Machining Charges Receipts	<b>50,761,655</b>	114,640,841
	<b>1,290,701,585</b>	2,768,954,123
<b>2. OTHER INCOME</b>		
Profit on Sale of Assets	<b>157,457</b>	1,057,555
Miscellaneous Income (Including Net Exchange Gain of Rs. 23,472,643 Previous Year Rs. Nil )	<b>50,301,933</b>	10,650,908
Rental Receipts(TDS Rs. 125, 095 Previous Year Rs. 167,791)	<b>891,500</b>	874,000
	<b>51,350,890</b>	12,582,463

**SCHEDULES (Contd...)**

	As At 31-03-2010 Rs.	As At 31-03-2009 Rs.
<b>SCHEDULE : 8 (Contd...)</b>		
<b>3. DIFFERENCE IN STOCKS</b>		
<b>Closing Stock</b>		
Semi Finished Goods	253,541,881	359,212,791
Finished Goods	15,780,052	20,103,452
	<u>269,321,933</u>	379,316,243
<b>Opening Stock</b>		
Semi Finished Goods	359,212,791	264,709,706
Finished Goods	20,103,452	19,982,798
	<u>379,316,243</u>	284,692,504
	<b>(109,994,310)</b>	94,623,739
<b>SCHEDULE : 9</b>		
<b>MATERIAL COST</b>		
Opening Stock of Raw Materials & Consumables	224,022,168	263,338,437
Purchases	258,790,713	946,379,954
	<u>482,812,881</u>	1,209,718,391
LESS : Sale of Materials	4,766,981	6,655,498
	<u>478,045,900</u>	1,203,062,893
LESS : Closing Stock	191,533,693	224,022,168
Materials Consumed	<u>286,512,207</u>	979,040,725
<b>LABOUR COST</b>		
Salaries, Wages, Bonus & Gratuity	131,330,374	147,197,375
Contribution to Provident Fund	4,724,895	5,158,313
Workmen & Staff Welfare Expenses	16,226,995	25,728,248
Labour and Machining Charges	10,819,312	33,490,354
	<u>163,101,576</u>	211,574,290
<b>REPAIRS</b>		
Buildings	6,443,785	12,989,871
Machinery	36,646,591	69,446,403
General	20,384,237	26,669,879
	<u>63,474,613</u>	109,106,153
<b>INTEREST</b>		
Bank Loans	38,131,702	68,331,864
FCCB	-	47,283,628
	<u>38,131,702</u>	115,615,492
LESS : Interest Receipts (TDS Rs. 3,285,516 Previous Year Rs.5,322,818)	19,298,223	29,368,131
INTEREST PAID (NET OF RECEIPTS)	<u>18,833,479</u>	86,247,361

**SCHEDULES (Contd...)**

	As At 31-03-2010 Rs.	As At 31-03-2009 Rs.
<b>SCHEDULE : 9 (Contd...)</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
Managing Director's Remuneration	<b>13,105,917</b>	37,028,929
Whole Time Director's Remuneration	<b>5,242,367</b>	14,811,571
Postage, Telegram and Telephones	<b>2,946,976</b>	4,684,583
Printing & Stationery	<b>1,483,895</b>	3,260,531
Travelling & Maintenance of Motor Vehicles	<b>9,539,304</b>	21,077,465
Insurance	<b>1,660,480</b>	1,599,672
Taxes & Licences	<b>4,693,293</b>	8,906,683
Transport Charges & Selling Expenses	<b>4,463,055</b>	15,046,128
Commission & Discount	<b>5,323,097</b>	8,433,114
Advertisement	<b>11,904,959</b>	26,969,444
Bank Charges, Filing Fees & Subscription Etc.,	<b>4,831,565</b>	6,468,414
Machinery & Building Rent	<b>300,000</b>	259,000
Director's Sitting Fees	<b>85,000</b>	135,000
Auditor's Remuneration		
Audit Fees	<b>250,000</b>	250,000
Certification Fees	<b>19,800</b>	38,750
	<b>269,800</b>	
Accountancy & Legal Charges	<b>4,450,451</b>	6,151,782
Miscellaneous Expenses	<b>738,628</b>	911,768
Bad Debts Written Off	-	137,337
Loss on Sale of Asset	<b>124,903</b>	588,229
Loss on Foreign Currency Fluctuation	-	56,336,297
(Net of Exchange Gain Of Rs.Nil Previous Year Rs. 15,211,352.)	<b>71,163,690</b>	213,094,697

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date  
For S. Lakshminarayanan Associates  
Chartered Accountants**P. Subramanian**  
Chairman & Managing Director  
Coimbatore  
24<sup>th</sup> May, 2010**S. Sangeetha**  
Wholetime Director  
**C. Subramaniam**  
Company Secretary**S. Lakshminarayanan**  
Partner  
**T. Raghunathan**  
Internal Auditor

## Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March, 2010

### 1. ACCOUNTING POLICIES :

The Financial statements are prepared under the historical cost convention, on the accrual basis of accounting. The statements comply with the Accounting Standard prescribed by the ICAI and also comply with the Section 211(3)(c) of the Companies Act, 1956. The accounts are prepared as a going concern.

#### a. FIXED ASSETS:

- i) Tangible Assets are shown at historical cost less depreciation. The Value of Cenvat benefit eligible in respect of capital items are reduced from the value of purchase.
- ii) The Company has an internal system to assess the impairment of assets. An asset is treated as impaired when the Carrying Cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired. The impairment loss recognised in the prior accounting period is reversed if there has been a change in the estimate of recoverable amount. Appropriate disclosure on material impairment of losses and their treatment in profit & loss account, classes of Assets and nature of impairment will be made in the year in which the impairment is recognized.
- iii) Intangible Assets such as Computer Software acquired for Internal use are Capitalised and amortised over their useful life.

#### b. INVENTORIES:

- a) Raw Materials, Components, Stock of Stores, Spares and Goods-in-transit are valued at weighted average cost. The cost for this purpose comprise of direct cost of material and any expenses incurred for bringing them to their present condition less of Cenvat availed.
- b) Work-in-progress and finished goods are valued at the lower of the cost or net estimated realisable value whichever is less. Cost for this purpose comprises of raw material cost and appropriate overheads incurred for bringing them to their present condition.
- c) For Slow/Non moving stocks necessary obsolescence has been provided for.

#### c. EMPLOYEE BENEFITS:

- i) Contribution to Provident Fund and Pension Funds, which are administrated by Central Government, are charged to revenue.
- ii) Gratuity  
The Company has taken a group gratuity Policy for future payment of gratuity with the Life Insurance Corporation of India (LIC). Payment of contribution as per the Demand made by LIC is charged to revenue.
- iii) Leave Salary  
Liability for leave encashment is provided at current salary levels for the remaining leave balance standing to the credit of the employee as at the date of the balance sheet in accordance with the leave rules of the Company.

#### d. CONTINGENT LIABILITIES:

- a) Provisions are recognized when the Company has a legal constructive obligation as a result of a past event, for which it is probable that a cash flow will be required and reliable estimate can be made of the amount of obligation. However, where such obligation are not likely to entail outflows in future periods and are contingent on the future outcome of events, they are disclosed as a matter of information as contingent liabilities.
- b) Provision for Warranty is made in the accounts as per estimates made by the management based on its past experiences and trends about warranty claim on sales.

#### e. LEASE RENTALS:

Income from leases entered on or after 01.04.2001 is accounted as per Accounting Standard on Leases (AS19)

## Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March, 2010 (contd...)

### f. SALES:

Net Sales include sale of products manufactured exclusive of Excise Duty and Sales Tax Charged to customers.

### g. DEPRECIATION:

Depreciation has been provided on Straight Line Method in the case of Building, Plant & Machinery and for other Assets on written down value basis in accordance with the provisions of The Companies Act, 1956.

Details of Depreciation charged are hereunder:

- a) Depreciation has been provided on Straight Line Method as laid down in Section 205(2)(b) of the Companies Act, 1956 on Plant & Machinery purchased and commissioned for the year ended 30/06/1978 to 30/11/1987 and on Buildings for the period ended 30/11/1986 and for the year ended 30/11/1987 on equated number of years.
- b) Depreciation has been provided on the Plant & Machinery and Buildings added during the accounting period ended 31/03/1989 and onwards on the Straight line method as per the rates prescribed under schedule XIV of the Companies Act, 1956.
- c) For other Assets Depreciation has been charged under Written Down Value method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.
- d) Pro-rata Depreciation has been charged to Assets purchased and sold during the accounting year ended 31/03/2010
- e) Computer Software is amortised over its estimated useful life ranging from One Year to Three Years.

### h. FOREIGN CURRENCY TRANSACTIONS:

- a) Foreign Currency Transactions are converted into Indian Rupees at the rate of exchange prevailing on the date of transactions.
- b) The exchange difference in respect of Forward Contracts are recognized over the life of the contract.
- c) The Foreign Currency monetary items consisting of loan, trade payable, trade receivable and balances in fixed deposits and current account with bank at the end of the year have been restated at the rate prevailing at the Balance Sheet Date. The difference arising as a result has been accounted as income / expense as per Accounting standard 11 (Revised 2003) on "Accounting for effects of Change in Foreign Exchange Rates" issued by The Institute of Chartered Accountants of India.
- d) Fixed Assets purchased at German Liaison office in Foreign Exchange are recorded at their historical cost computed with reference to the exchange rate prevailing on the date of purchase / transfer of funds.

### i. TAXATION:

- i) Provision for current tax is made with reference to taxable income computed for the Accounting Year by applying the tax rates as applicable.
- ii) Deferred Tax is calculated for in respect of all timing differences on a liability method as per Accounting Standard 22 (AS22).

### j. INVESTMENTS:

During the Year, Temporary Surplus Funds of the Company has been invested in Units of Mutual Funds until they were deployed for Working Capital needs.



**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March, 2010 (contd...)**

**2. CONTINGENT LIABILITIES:**

Estimated amount of contracts remaining to be executed and not provided for:

- a) On Capital Accounts **Rs.13.32 Crores.**
- b) On account of Guarantees issued **Rs.4.72 Crores.**
- c) On account of Letter of credits established **Rs.9.03 Crores**
- d) Claim against the Company not acknowledged as debts **Rs.7.24 Crores**

3. a) The Working Capital facilities and Corporate Loan availed from State Bank of India are secured by hypothecation of Raw Materials, Work-in-Progress, Finished Goods, Stock-in-Trade and on Book Debts of the Company. In addition, they are secured by the Hypothecation of Land and Buildings of 'A' Unit and 'C' Unit and on specific items of Plant & Machinery.
- b) Foreign Currency Loans (External Commercial Borrowings) availed from ICICI Bank Limited are secured by specific items of Plant and Machinery.
- c) Against the facilities availed / to be availed from IDBI Bank Ltd by way of Letter of Credit / Bank Guarantee / Short Term Loan, the Company has created exclusive charge on the machines to be imported for Rs.10.00 Crores
4. The Company has given counter guarantee to the Bank for the Guarantees issued for **Rs.2.42 Crores.**

**5. a) Details of Remuneration paid to Managing Director**

	<b>31.03.2010</b>	31.03.2009
	<b>Rs.</b>	Rs.
Salary	<b>2,400,000</b>	2,400,000
Commission	<b>10,705,917</b>	34,628,929
Total	<b><u>13,105,917</u></b>	<u>37,028,929</u>

**b) Details of Remuneration paid to Wholetime Director**

Salary	<b>1,200,000</b>	1,200,000
Company's contribution to Provident Fund	<b>144,000</b>	144,000
Commission	<b>3,898,367</b>	13,467,571
Total	<b><u>5,242,367</u></b>	<u>14,811,571</u>

**6. Calculation of Director's Remuneration**

	<b>31.03.2010</b>	31.03.2009
	<b>Rs.</b>	Rs.
Profit as per Profit & Loss Account	<b>243,685,051</b>	688,603,072
ADD : Book Depreciation	<b>269,266,039</b>	257,723,057
Managing Director's Remuneration	<b>13,105,917</b>	37,028,929
Directors' sitting fees	<b>85,000</b>	135,000
Wholetime Director's Remuneration	<b><u>5,242,367</u></b>	<u>14,811,571</u>
	<b><u>287,699,323</u></b>	<u>309,698,557</u>
	<b><u>531,384,374</u></b>	<u>998,301,629</u>
LESS : Depreciation under Section 350	<b><u>269,266,039</u></b>	<u>257,723,057</u>
Profit under Section 349	<b><u>262,118,335</u></b>	<u>740,578,572</u>
10% of the above	<b><u>26,211,834</u></b>	<u>74,057,857</u>
Restricted to 5% for Managing Director	<b>13,105,917</b>	37,028,929
Restricted to 2% for Wholetime Director	<b>5,242,367</b>	14,811,571

**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March, 2010 (contd...)**

7. Income Tax assessment is completed upto the Assessment year 2008-09
8. As per the information available with the Company there are no dues outstanding including interest as on 31<sup>st</sup> March, 2010 to Small and Micro enterprises as defined under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.
9. Additional information pursuant to provisions of paragraph 3,4C and 4D of part II of Schedule VI to the Companies Act, 1956.

**A. Licensed and Installed Capacity:**

Licensed Capacity : Not Applicable

Installed Capacity : Most of the Plant & Machinery being common for different Products manufactured by the Company and installed capacity being dependent on Product mix, which in turn is decided by the actual demand for various Products from time to time, and also on availing of sub-contracting facilities, it is not feasible for the Company to indicate the exact installed capacity.

<b>B. Actual Production:</b>	Units	<b>2009-2010</b>	2008-2009
i) Gear wheels and Accessories (including the production for Captive Consumption)	Nos.	<b>226,155</b>	394,622
ii) Drafting Units, Conversion Brackets, Spares and complete set of Head Stock Gearing End Conversions, Coilers etc., (including the production for Captive Consumption)	Nos.	<b>702</b>	1,037
iii) Gear Boxes and Accessories (including the production for Captive Consumption)	Nos.	<b>9,830</b>	27,254
iv) Geared Motors (including the production for Captive Consumption)	Nos.	<b>399</b>	1,400
v) Carding Machines	Nos.	<b>5</b>	—
vi) Lathes (including the production for Captive Consumption)	Nos.	<b>1</b>	—
vii) Crane (including the production for Captive Consumption)	Nos.	<b>1</b>	—

**C. Stock of Finished Goods:**

		<b>As at 31.03.2010</b>	As at 31.03.2009
i) Gear wheels and Accessories	Nos.	<b>302,172</b>	345,525
ii) Drafting Units, Conversion Brackets, Spares and complete set of Head Stock Gearing End Conversions, Coilers etc.	Nos.	<b>148</b>	198
iii) Gear Boxes and Accessories	Nos.	<b>1,201</b>	1,529
iv) Geared Motors	Nos.	<b>50</b>	48

**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March, 2010 (contd...)**

**D. Sale of Finished Goods:**

	2009-2010		2008-2009	
	Qty/Nos.	Value Rs.	Qty/Nos.	Value Rs.
i) Gear wheels and Accessories	226509	501,227,532	370,677	969,263,620
ii) Drafting Units, Conversion Brackets, Spares and complete set of Head Stock Gearing End Conversions, Coilers etc.	470	4,637,799	381	4,421,315
iii) Gear Boxes & Accessories	9,522	624,150,999	26,888	1,383,739,553
iv) Geared Motors	396	22,862,340	1400	43,941,449
v) Carding Machines	5	2,950,500	-	-
vi) Machining Charges Receipts	-	50,761,655	-	114,640,841
vii) Others	-	7,280,130	-	8,835,468
		<u>1,213,870,955</u>		<u>2,524,842,246</u>

**E. Value of Imports (CIF Value) :**

a) Plant & Machinery	5,105,233	211,510,431
b) Raw Materials	2,041,709	17,060,518
c) Consumable Stores & Tools	17,571,668	12,228,618
d) Machinery Spares	2,758,769	8,787,120
e) General Repairs	112,579	113,947
f) Electrical Spares	34,080	-

**F. Raw Materials Consumed:**

a) Steel Rods & Steel Forgings (Kgs)	1,049,445	101,287,401	3,260,345	423,218,912
b) Bearings (Nos.)	41,054	35,488,811	124,191	124,672,797
c) Others	-	149,735,995	-	431,149,016
		<u>286,512,207</u>		<u>979,040,725</u>

(Quantitative details could not be given in respect of item "c" as their list is too large and no item individually accounts for 10% or more of the value of raw materials consumed)

**G. Particulars of Consumption:**

Raw Materials & Stores and Spares:	2009-2010		2008-2009	
	Value Rs.	% of Consumption	Value Rs.	% of Consumption
Imported	22,236,576	7.76	35,321,923	3.61
Indigenous	264,275,631	92.24	943,718,802	96.39
	<u>286,512,207</u>	<u>100.00</u>	<u>979,040,725</u>	<u>100.00</u>

**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March, 2010 (contd...)**

<b>H. Payments made in foreign currency on account of:</b>	<b>2009-2010</b>	2008-2009
	<b>Rs.</b>	Rs.
a) Interest	<b>14,854,487</b>	59,628,578
b) Export Sales Promotion Expenses	-	178,398
c) Advertisement	<b>755,674</b>	5,629,145
d) Subscription	<b>1,307,701</b>	-
e) Commission	-	449,265
f) Professional & Consulting Charges	-	102,426
g) Germany Office – Liaison Office Expenses	<b>3,170,481</b>	2,896,911
<b>I. Earnings in Foreign Currency</b>		
FOB Value of Exports	<b>93,579,427</b>	335,386,830
<b>J. Amount remitted during the year in Foreign Currencies</b>		
i) On account of Dividends	-	-
ii) Number of Non-Resident Share Holders	<b>335</b>	281
iii) Number of Shares held by Non-Resident Share-Holders on which Dividends are due	<b>1,529,149</b>	1,444,530
iv) The year to which dividends relate	<b>F.Y. 2008-2009</b>	F.Y. 2007-2008

**K. Units of Mutual Funds purchased and redeemed during the year:**

Mutual Funds	No. Of Units Purchased	Cost Of Units (Rs)	No.of Units Redeemed	Redemption Value (Rs.)	Balance No. Of Units
HDFC	23134575 (17166204)	440032663 (307507897)	23134575 (17166204)	441922956 (309738814)	NIL (NIL)
SUNDARAM	1778588 (8046514)	30000000 (115000000)	1778588 (8046514)	30312539 (115402336)	NIL (NIL)
PRINCIPAL	10360375 (11160593)	140019289 (150005850)	10360375 (11160593)	140412639 (151529328)	NIL (NIL)
SBI	15170039 (13445730)	223003849 (200240611)	15170039 (13445730)	224170462 (200604415)	NIL (NIL)
LIC	1650683 (NIL)	20000000 (NIL)	1650683 (NIL)	20372615 (NIL)	NIL (NIL)
RELIANCE	NIL (2912055)	NIL (66000000)	NIL (2912055)	NIL (66327592)	NIL (NIL)
UTI	NIL (4786006)	NIL (50000000)	NIL (4786006)	NIL (50416409)	NIL (NIL)
<b>TOTAL</b>	<b>52094259</b> <b>(57517102)</b>	<b>853055801</b> <b>(888754358)</b>	<b>52094259</b> <b>(57517102)</b>	<b>857191212</b> <b>(894018894)</b>	

**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March, 2010 (contd...)**

**10. Basic and diluted Earning Per Share (EPS) of Face Value of Re.1 each is calculated as under:**

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
a) Total Equity Shares outstanding at the End of the year (Nos)	81,715,853	81,715,853
b) Net Profit after Tax	161,848,258	440,609,790
c) Earning Per Share (Basic)	1.98	5.39
d) Diluted Earning Per Share	1.98	5.39

11. The Company's main business segment is manufacturing Gears and Gear Products. Hence there are no separate reportable segments as per the Accounting Standard 17 (AS 17).

**12. Deferred Tax**

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
Opening Liability	200,869,811	190,608,449
Add/Deduct : Assets / Liabilities / Difference in I.T. & Book Depreciation - Liability	-24,951,211	12,010,779
Less : 43B Liabilities/ Disallowance under IT Act - Asset	983,428	1,749,417
Net Liability for the year	<u>-25,934,639</u>	<u>10,261,362</u>
Closing Balance	174,935,172	200,869,811

**13. Notes on Assets Given on Lease:**

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
<b>1) Gross value of Assets</b>		
a) Land	1,934,621	1,934,621
b) Buildings	15,782,884	5,478,846
c) Plant & Machinery	-	25,435
<b>2) Accumulated Depreciation at the end of the Year</b>		
a) Land	-	-
b) Buildings	920,694	406,963
c) Plant & Machinery	-	-
<b>3) WDV of Assets at the end of the Year</b>		
a) Land	1,934,621	1,934,621
b) Buildings	14,862,190	5,071,883
c) Plant & Machinery	-	-
<b>4) Depreciation for the Year</b>		
a) Land	-	-
b) Buildings	142,370	95,512
c) Plant & Machinery	-	-
<b>5) Rental Receipts</b>		
a) Land	360,000	360,000
b) Buildings	495,500	468,000
c) Plant & Machinery	-	12,000

**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March, 2010 (contd...)**

**14. Disclosure in respect of Related Parties pursuant to Accounting Standard 18.**

Particulars	Key Management Personnel Rs.	Relative of Key Management Personnel Rs.	Total Rs.
Remuneration / Salary (Previous Year)	<b>18,348,284</b> (51,840,500)	<b>402,611</b> (1,126,269)	<b>18,750,895</b> (52,966,769)
Receiving of Services (Previous Year)	- (4,500)	<b>735,029</b> (3,806,531)	<b>735,029</b> (3,811,031)
Sale of Goods (Previous Year)	- -	- (9,473)	- (9,473)
Outstanding Balance as at 31.03.2010 – Payable (Previous Year)	<b>39,604,284</b> (48,096,500)	- -	<b>39,604,284</b> (48,096,500)

**List of Related Parties**

1. Key Managerial Personnel  
Mr. P. Subramanian, Chairman & Managing Director  
Ms. S. Sangeetha, Wholetime Director
2. Relatives of Key Managerial Personnel
  - a) Relatives : Ms. S. Savitha - Daughter of Shri. P. Subramanian and Sister of Ms. S. Sangeetha  
Ms. S. Sathya - Daughter of Shri. P. Subramanian and Sister of Ms. S. Sangeetha
  - b) Enterprises  
Savitha Engineering Works (SEW) – Proprietrix – Ms. S. Savitha

**15. Details of Cash and Bank Balance:**

	<b>31.03.2010</b> Rs.	31.03.2009 Rs.
a) <b>Cash with Schedule Bank in Current account includes:</b>		
i) Unpaid Dividend Warrant A/c	<b>3,002,565</b>	2,402,551
b) <b>Cash with other Banks in Current account :</b>		
HSBC Dusseldorf		
i) Balance at the end of the Year	<b>131,885</b>	123,616
ii) Maximum amount at any time during the Year	<b>765,453</b>	722,702

**16. Miscellaneous income includes:**

Income From Redemption of Investments in Mutual Fund	<b>4,135,411</b>	5,206,138
Dividend From Mutual Fund	-	58,398
	<b>4,135,411</b>	<b>5,264,536</b>

**17. Details of Warranty Provision:**

Opening Balance	<b>3,000,000</b>	2,500,000
Less : Claims settled	<b>842,125</b>	1,877,350
	<b>2,157,875</b>	622,650
Add : Provision for the Year	-	2,377,350
	<b>2,157,875</b>	<b>3,000,000</b>

**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March, 2010 (contd...)**

18. The Company has not entered into any derivative contracts.

**19. Disclosure under Accounting Standard 15 on Employee Benefits:**

Disclosures in respect of Defined benefit obligations in respect of gratuity pursuant to Accounting Standard 15 :

**The amounts recognized in the balance sheet are as follows:**

	Rs. As on 31.03.2010	Rs. As on 31.03.2009
Present value of funded obligations	17,720,438	17,582,104
Fair value of plan assets	17,987,143	18,740,738
Net Surplus in the Balance Sheet (Grouped under Prepaid Expenses)	251,608	1,093,053

**The amounts recognized in the statement of profit and loss are as follows:**

	For the year ended 31.03.2010	For the year ended 31.03.2009
Current service cost	1,808,208	1,575,199
Interest on obligation	870,051	796,561
Expected return on plan assets	1,708,625	1,425,411
Net actuarial losses (gains) recognized in the year	5,422,295	2,530,106
Total included in Labour cost	6,341,445	3,542,038

**Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:**

Opening defined benefit obligation	17,582,104	13,845,237
Prior period adjustment	-	-
Service cost	1,808,208	1,575,199
Interest cost	870,051	796,561
Actuarial gains (Losses)	3,713,670	2,520,374
Benefits paid	(6,253,595)	(1,155,269)
Closing defined benefit obligation	17,720,438	17,582,102

**Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:**

Opening fair value of plan assets	17,582,104	15,077,517
Expected return	1,708,625	1,425,411
Actuarial gains and (losses)	(1,708,625)	(9,732)
Contributions by employer	5,500,000	3,402,811
Assets acquired in an amalgamation in the nature of purchase	-	-
Exchange differences on foreign plans	-	-
Benefits paid	6,253,595	(1,155,269)
Closing fair value of plan assets	17,720,438	18,740,738

**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March, 2010 (contd...)**

	<b>For the year ended 31.03.2010</b>	For the year ended 31.03.2009
<b>Balance Sheet Reconciliation</b>		
Opening Net (Liability) Asset	<b>1,093,053</b>	1,232,280
Expenses Recognized in Profit and Loss Account	<b>6,341,445</b>	3,542,038
Contribution made	<b>5,500,000</b>	3,402,811
Closing unfunded status (Surplus – Grouped under Prepaid Expenses)	<b>251,608</b>	1,093,053
Principal actuarial assumptions at the balance sheet date (expressed as weighted average)		
Discount rate Current	<b>6.00%</b>	6.00%
Expected return per annum on plan assets	<b>9.25%</b>	9.25%
Salary Escalation per annum	<b>5.00%</b>	5.00%
Retirement Age	<b>58 Years</b>	58 Years
Mortality Mortality Table	<b>LIC 1994-96</b>	LIC 1994-96
Attrition rate	<b>3%</b>	3%

The estimates of future salary increases, considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

- 20.** Figures have been rounded off to the nearest rupee. Previous year's figures have been regrouped and reclassified wherever necessary.

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date  
For S. Lakshminarayanan Associates  
Chartered Accountants

**P. Subramanian**  
Chairman & Managing Director

**S. Sangeetha**  
Wholetime Director

**S. Lakshminarayanan**  
Partner

Coimbatore  
24<sup>th</sup> May, 2010

**C. Subramaniam**  
Company Secretary

**T. Raghunathan**  
Internal Auditor



## CASH FLOW STATEMENT

	As At 31-03-2010	As At 31-03-2009
	Rs. in Million	
<b>A NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS</b>	<b>243.262</b>	688.070
Adjustments for :		
Depreciation	<b>269.266</b>	257.723
Interest	<b>18.333</b>	86.247
Income From Mutual Fund	<b>-4.135</b>	-5.265
Profit On Sale Of Assets (Net)	<b>-0.033</b>	-0.469
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>527.193</b>	1026.307
Adjustments for:		
Trade and other Receivable	<b>243.994</b>	19.408
Inventories	<b>142.483</b>	-55.307
Trade Payable	<b>-241.116</b>	109.300
Cash Generated From Operations	<b>672.553</b>	1099.707
Direct Taxes Paid	<b>-110.275</b>	-231.196
Fringe Benefit Tax	<b>0.000</b>	-2.500
Prior Year Taxes Paid	<b>0.000</b>	-3.618
Income Tax Provision No Longer Required	<b>2.927</b>	0.114
Cash Flow Before Extraordinary Items	<b>565.205</b>	862.507
Net Cash From Operating Activities <b>(A)</b>	<b>565.205</b>	862.507
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<b>-38.365</b>	-318.690
Sale of Fixed Assets	<b>0.369</b>	1.571
Discount on Fixed Assets	<b>0.000</b>	0.774
Income From Mutual Fund	<b>4.135</b>	5.265
Net Cash Used in Investing Activities <b>(B)</b>	<b>-33.860</b>	-311.080
<b>C CASH FLOW FROM FINANCE ACTIVITIES</b>		
Proceeds from Long Term Borrowings	<b>-610.133</b>	45.299
Overdraft	<b>-26.227</b>	-80.536
Interest Paid	<b>-18.833</b>	-86.247
Dividend Paid	<b>-65.373</b>	-98.059
Tax on Dividend	<b>-10.858</b>	-16.665
Net Cash From Finance Activities <b>(C)</b>	<b>-731.424</b>	-236.208
Net Increase in Cash & Cash Equivalents <b>(A+B+C)</b>	<b>-200.079</b>	315.219
Cash and Cash Equivalents (Opening Balance)	<b>490.142</b>	174.922
Cash and Cash Equivalents (Closing Balance)	<b>290.063</b>	490.141

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date  
For S. Lakshminarayanan Associates  
Chartered Accountants  
**S. Lakshminarayanan**  
Partner

**P. Subramanian**  
Chairman & Managing Director

**S. Sangeetha**  
Wholetime Director

Coimbatore  
24<sup>th</sup> May, 2010

**C. Subramaniam**  
Company Secretary

**T. Raghunathan**  
Internal Auditor

**DETAILS REQUIRED UNDER PART IV OF SCHEDULE VI**  
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I Registration Details :**

Registration No.	: 181-000649	State Code	: 18
Corporate Identity No.(CIN)	: L29130TZ1972PLC000649		
Balance Sheet Date	: 31 03 2010		
	Date Month Year		

**II Capital Raised during the Year** (Amount in Rs. Thousands)

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

**III Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)

Total Liabilities	: 2539715	Total Assets	: 2539715
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**Sources of Funds**

Paid-up Capital	: 81716	Reserves & Surplus	: 2026772
Secured Loans	: 157053	Deferred Tax	: 174935
		Unsecured Loans	: 99239

**Application of Funds**

Net Fixed Assets	: 1800939	Investments	: NIL
Net Current Assets	: 738776	Misc. Expenditure	: NIL
Accumulated Losses	: NIL		

**IV Performance of Company** (Amount in Rs. Thousands)

Turnover (Including other income)	: 1265222	Total Expenditure	: 1021961
<b>Profit</b> Before Tax	: 243261	<b>Profit</b> After Tax	: 161848
Earning Per Share	: Rs. 1.98	Dividend Rate	: <b>80%</b>

**V Generic Names of Three Principal Products / Services of the Company**

(as per monetary terms)

Item Code No. (ITC Code)	: 848340.00
Product Description	: Gears, Gear Boxes & Geared Motors

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date  
For S. Lakshminarayanan Associates  
Chartered Accountants

**P. Subramanian**  
Chairman & Managing Director  
Coimbatore  
24<sup>th</sup> May, 2010

**S. Sangeetha**  
Wholetime Director  
**C. Subramaniam**  
Company Secretary

**S. Lakshminarayanan**  
Partner  
**T. Raghunathan**  
Internal Auditor

## Shanthi Gears Limited

Registered Office : 304-A, Trichy Road, Singanallur, COIMBATORE - 641 005

### PROXY FORM

I/We ..... of  
 ..... being a Member / Members of Shanthi Gears Limited  
 hereby appoint .....  
 ..... of .....  
 ..... or failing him .....  
 ..... of .....  
 ..... or failing him .....  
 ..... of .....  
 as my / our proxy to vote for me / us and on my / our behalf, at the Thirty Seventh Annual General Meeting of the Company to be held on Friday, the 13th August, 2010 at 10.00 a.m. and any adjournment thereof.

Signed this ..... day of ..... 2010



Folio No. :  
 DP ID No. :  
 Client A/c No. :  
 No. of Shares :

Signed by the said .....

----- ✂ -----  
**Note :** This form duly completed should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.

## Shanthi Gears Limited

### Thirty Seventh Annual General Meeting

#### ATTENDANCE SLIP

Folio No. :  
 DP ID No. :  
 Client A/c No. :  
 No. of Shares :

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall. Only members or their proxies are entitled to be present at the Meeting.

Name and Address : .....

I hereby record my presence at Thirty Seventh Annual General Meeting held at .....

\* Signature of the Member / Proxy .....

\* Strike out whichever is not applicable.

# Financial Performance Indicators

