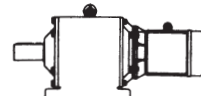
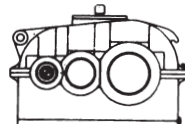
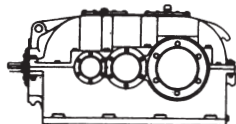
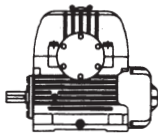
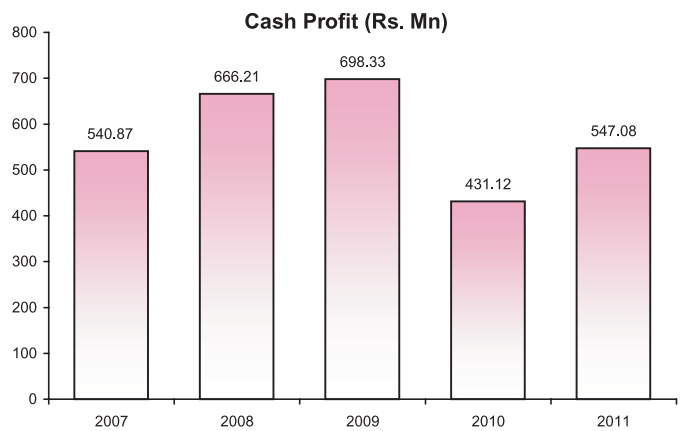
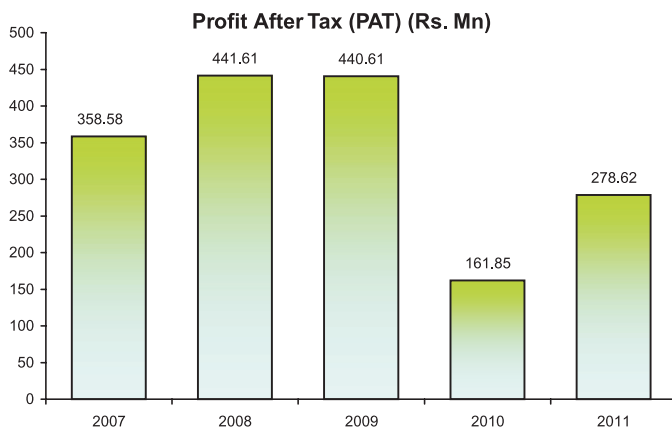
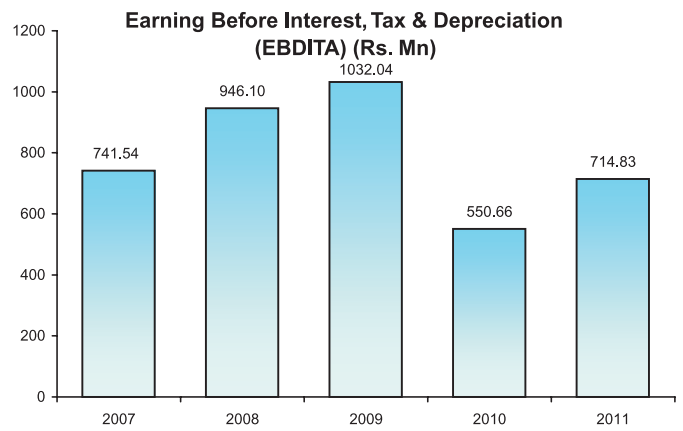
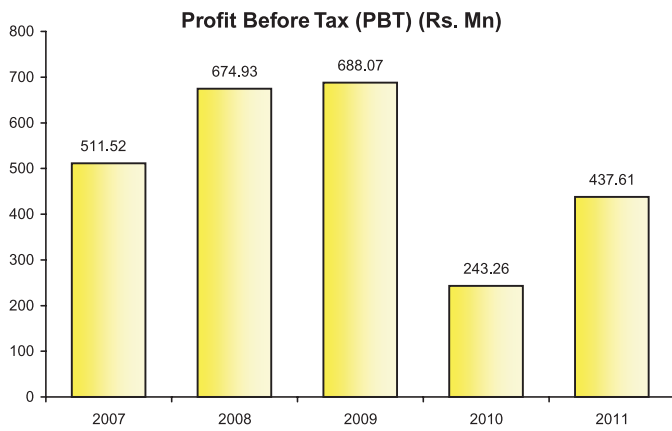
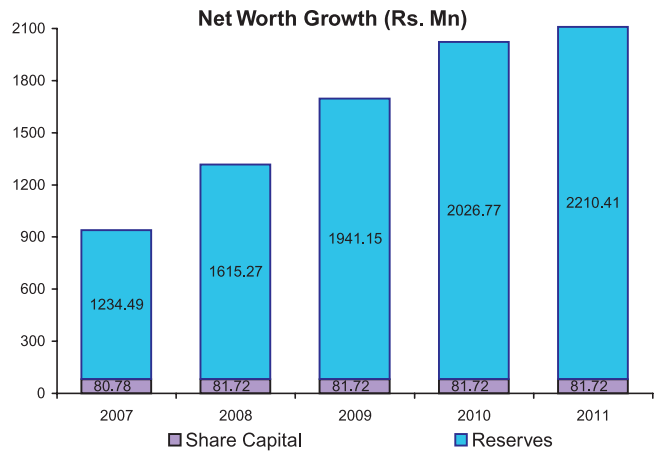
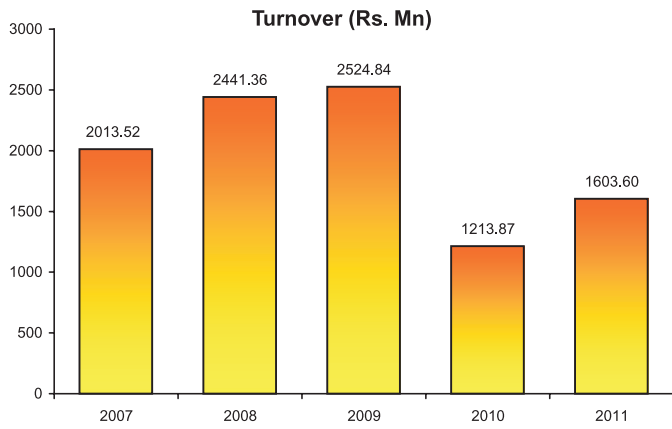


Shanthi **Gears**

Thirty Eighth Annual Report 2011



Financial Performance Indicators



SHANTHI GEARS LIMITED

BOARD OF DIRECTORS

Shri P SUBRAMANIAN
Chairman & Managing Director

Shri M J VIJAYARAAGHAVAN

Dr. D PADMANABAN

Shri C G KUMAR

Ms. S SANGEETHA (Upto 30-6-2010)
Wholetime Director

Shri M ALAGIRISWAMY

COMPANY SECRETARY

Shri C SUBRAMANIAM

AUDITORS

M/s. S LAKSHMINARAYANAN ASSOCIATES

BANKERS

State Bank of India
ICICI Bank Ltd
IDBI Bank Ltd

REGISTRARS & SHARE TRANSFER AGENTS

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

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, Sular Via,
Coimbatore - 641 402

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NOTICE

Notice is hereby given that the **38th Annual General Meeting** of the Company will be held on **Monday, the 11th day of July, 2011** at **9.30 a.m.** at the Registered Office of the Company at 304-A, Trichy Road, Singanallur, Coimbatore-641005 to transact the following business.

AGENDA

Ordinary Business

1. To receive, consider and adopt the Directors' Report, Profit & Loss Account for the year ended 31st March, 2011 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 Dr.D.Padmanaban who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri.M.Alagiriswamy who retires by rotation and being eligible, offers himself for re-appointment.
5. 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.

Coimbatore
13th May, 2011

By Order of the Board
C. Subramaniam
Company Secretary

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 04th June, 2011 to 11th June, 2011 (Both days inclusive)
3. Dividend on approval will be paid on 15th July, 2011 to the members whose name appear in Register of Members as on 11th June, 2011. In respect of shares held in Demat Form, the Dividend will be paid to the beneficial owners as on the closing hours of 03rd June, 2011 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 31st March, 2003 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	31.03.2004	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
Final	31.03.2010	19.08.2010	20.09.2017

Members who have not encashed their Dividend Warrants in respect of the year ended 31st March, 2004 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 2011-2012 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. To avoid loss of dividend warrants in transit and undue delay in respect of dividend warrants, the Company has provided a facility to the Members for remittance of dividend through the National Electronic Clearing System (NECS). Members holding shares in physical form and desirous of availing this facility are requested to contact the Company's Registrar and Transfer Agent.
10. Members who have not exchanged their share certificates after stock split, are requested to exchange their old share certificates on the face value of Rs.10 each to new share certificates on the face value of Re.1 each immediately. Under Clause 5All(h) of the Listing Agreement entered with Stock Exchanges, three reminders are being sent to the Shareholders for getting their confirmation. Subject to their confirmation after sending the above reminder, the Company shall proceed to demat the shares in the name of "Unclaimed Suspense Account". The voting rights of these shareholders shall remain frozen till the rightful owners claim the same.
11. The Ministry of Corporate Affairs(MCA) has taken a "Green Initiative in Corporate Governance" (Circular No.17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices /documents to its shareholders through electronic mode to the registered e-mail address of shareholders. From next year onwards, we propose to send all documents like General Meeting Notices (including AGM), Audited Financial Statements, Directors' Report, Auditors' Report etc., in electronic form to shareholders, to their e-mail address provided by them and made available to us by the Depositories. In case they desire to receive the above mentioned documents in physical form or in case of any change in their e-mail id, they are requested to contact the Company or the Company's Registrar and Transfer Agent mentioning their client ID and latest e-mail address.
12. Information of Directors who are proposed to be reappointed in this meeting is given below:

Name	Dr. D. Padmanaban	Sri.M.Alagiriswamy
Age	57 Years	59 Years
Date of Joining the Board	17.03.1986	30.06.2010
Qualification	B.Com., M.B.A., Ph.D., MCM (U.K.), MIMA(INDIA)	B.Sc., F.C.A
Experience in Specific Functional Area	Educationalist and Social Scientist.	An Eminent Chartered Accountant.
Director in Other Companies	1.GRD Enterprises Private Ltd 2.Coimbatore Stock Exchanges Ltd	1.M/s Finensure Strategy Consulting Pvt. Ltd 2. Hanjung Exim Private Limited
Membership in Committees of other Companies	Nil	Nil
Shareholding in Shanthi Gears Limited	Nil	Nil
Relationship with other Directors	Nil	Nil

Coimbatore
13th May,2011

By Order of the Board
C. Subramaniam
Company Secretary

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting to you the Thirty Eighth Annual Report, together with the audited accounts of your Company, for the year ended 31st March, 2011.

FINANCIAL RESULTS

	Year Ended 31-03-2011	Year Ended 31-03-2010
	Rs. in Million	
Gross Profit before Interest & Depreciation	715.122	551.083
Less: Interest	8.759	38.132
Depreciation	268.461	269.266
Donations	0.292	0.423
Provision for Taxation / Withholding Tax Paid	180.162	110.275
Deferred Tax	(32.363)	(25.934)
Income Tax / FBT paid for earlier years	11.196	(2.927)
	<u>278.615</u>	<u>161.848</u>
Add : Surplus brought forward	83.646	98.028
	<u>362.261</u>	<u>259.876</u>
Appropriations:		
Proposed Dividend	81.716	65.373
Tax on Dividend	13.256	10.857
General Reserve	175.000	100.000
Surplus in Profit & Loss Account	92.289	83.646
	<u>362.261</u>	<u>259.876</u>

DIVIDEND

Your Directors recommend a Dividend of **Re.1** per Equity Share of Re.1 each fully paid up (**100%** on the paid up share capital of the Company)

OPERATING RESULTS

The Company has achieved a Turnover of **Rs. 1603.602** Million for the year under review as against the turnover of **Rs. 1213.871** Million of the previous year showing a growth of **32.11%**. The other financial parameters have also improved in line with the sales growth. Barring unforeseen circumstances your Directors hope to achieve satisfactory results for 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. 105.165** 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. 125.115** Million.

FIXED DEPOSITS

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

DIRECTORS

Ms. S.Sangeetha resigned from the Board with effect from 30th June, 2010 due to pre-occupation. The Directors place on record the valuable guidance and support rendered by Ms.S.Sangeetha during her tenure of office as Wholetime Director.

Dr. D.Padmanaban retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-election.

Sri. M.Alagiriswamy who was appointed as Director in the place of casual vacancy caused by resignation of Ms.S.Sangeetha, retires at the ensuing Annual General Meeting. A member has given a notice in writing proposing Sri.M.Alagiriswamy 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
13th May, 2011

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 31st March, 2011.

Sl. No.	Name	Age (Years)	Designation/ Nature of duties	Remuneration Rs.	Qualification	Experience	Date of Commencement of Employment	Previous Employment
1	Mr.P.Subramanian*	68	Chairman & Managing Director Overall Management of the affairs of the Company	23,096,352	L.M.E P.D.Prod.E.	46 Years	01/07/1972	Managing Partner Shanthy Engg & Trading Company.
2	Ms.S.Sangeetha*#	36	Wholetime Director Day to day Management of the Company	2,303,307	B.B.M.	15 Years	05/01/1996	-

* Note : The nature of employment is contractual

Mr.P.Subramanian and Ms.S.Sangeetha are related

Note : Remuneration for part of the Financial year 2010-11.

Coimbatore
13th May, 2011

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 other concerned.

2. Board of Directors

- The Board of Directors consists of 5 Directors, of whom 4 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	5	Present
Dr. D. Padmanaban	Independent Director Non Executive	5	Absent
Sri. M.J. Vijayaraaghavan	Independent Director Non Executive	5	Absent
Sri. C.G.Kumar	Independent Director Non Executive	5	Present
Sri. M. Alagiriswamy (From 30.06.2010)	Independent Director Non Executive	4	Present
Ms. S. Sangeetha (Upto 30.06.2010)	Wholetime Director Executive Director	1	Not Applicable

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

Name of the Directors	Other Directorship	Other Committee Positions	
		Member	Chairman
Sri. P. Subramanian	1	- NIL -	- NIL -
Dr. D. Padmanaban	2	- NIL -	- NIL -
Sri. M.J. Vijayaraaghavan	2	1	1
Sri. C.G. Kumar	- NIL-	- NIL-	- NIL-
Ms. S.Sangeetha (upto 30.06.2010)	- NIL-	- NIL-	- NIL-
Sri. M.Alagiriswamy (from 30.06.2010)	2	- NIL-	- NIL-

- d) Details of Board Meetings held during the Period 01.04.2010 to 31.03.2011

Sl. No.	Date of the Meeting
1	24/05/2010
2	30/06/2010
3	13/08/2010
4	28/10/2010
5	22/01/2011

- 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 4 Independent Directors.

The Details of Audit Committee Meetings held

Sl. No.	Date of the Meeting
1	22/05/2010
2	11/08/2010
3	26/10/2010
4	21/01/2011

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	Dr. D. Padmanaban	4
3	Sri. C.G.Kumar	4
4	Sri. M. Alagiriswamy (From 30.06.2010)	3

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 31st March, 2011.

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 from 01.04.2010 to 31.03.2011 paid to the Chairman & Managing Director are given below:

Salary	Rs. 2,400,000
Commission	Rs. <u>20,696,352</u>
	Rs. <u>23,096,352</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. Ms. S.Sangeetha resigned from the Board with effect from 30.06.2010

The aggregate value of salary, perquisites and commission for the period from 01.04.2010 to 30.06.2010 paid to the Wholetime Director are given below:

Salary	Rs. 300,000
Perquisite	Rs. 36,000
Commission	Rs. <u>1,967,307</u>
	Rs. <u>2,303,307</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
Dr. D. Padmanaban	Rs. 45,000
Sri. M. J. Vijayaraaghavan	Rs. 45,000
Sri. C.G. Kumar	Rs. 45,000
Sri. M. Alagiriswamy	Rs. 35,000

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. M. J. Vijayaraaghavan	520
Dr. D. Padmanaban	NIL
Sri.C.G. Kumar	NIL
Sri. M. Alagiriswamy	NIL

6. Shareholders/ Investors Grievance Committee

a) The Shareholders/ Investors Grievance Committee consists of 4 Independent Directors.

b) Composition of Shareholders/ Investors Grievance Committee.

Sl. No.	Members
1	Sri. C.G.Kumar, Chariman
2	Sri. M.J. Vijayaraaghavan
3	Dr. D. Padmanaban
4	Sri. M.Alagiriswamy (From 30.06.2010)

c) Compliance Officer

Sri. C. Subramaniam, Company Secretary

d) Complaints

During the year 14 letters/complaints were received from the Investors, which were replied/ resolved to the satisfaction of the investors and none of the complaint is pending. None of the complaints required the attention of Investors Grievance Committee since they were routine in nature and it was resolved by the Company officials / RTA.

There was no Share Transfer pending as on 31st March, 2011.

Dematerialization of Shares Pending - 6 for 35,730 Shares (23730 Shares were dematerialized on 02.04.2011 & 12000 Shares Dematerialized on 08.04.2011. Hence as on Date Pending -Nil)

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 4 Independent Directors.

b) Composition of Remuneration Committee

Sl. No.	Members of Remuneration Committee
1	Sri. M.J. Vijayaraaghavan, Chairman
2	Dr. D. Padmanaban
3	Sri. C.G. Kumar
4	Sri. M.Alagiriswamy(From 30.06.2010)

8. General Body Meeting

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

Financial Year Ending	Date	Time	Venue
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
31.03.2010	13.08.2010	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. Postal Ballot

A. Special Resolutions to sell, lease or otherwise dispose off whole or substantially whole of undertakings and for inclusion of new objects in the Memorandum of Association of the Company and Special Resolution to commence new business containing in the sub clauses (C) (16) to (18) of Clause III of the Memorandum of Association of the Company.

B. Voting Pattern

Resolution relating to sell, lease or otherwise dispose off whole or substantially whole of undertakings.			
Particulars	No. of Ballots	No. of Votes	Percentage
Total number of Ballots deposited	1290	38461665	
Total number of Ballots found to be invalid	41	64196	
Total number of Valid votes	1249	38397469	
Total number of votes FOR	1191	38322267	99.80%
Total number of votes AGAINST	58	75202	0.20%

Resolution relating adding new clause in the other objects of the Memorandum of Association of the Company			
Particulars	No. of Ballots	No. of Votes	Percentage
Total number of ballots deposited	1290	38461665	
Total number of Ballots found to be invalid	41	64196	
Total number of Valid votes	1249	38397469	
Total number of votes FOR	1230	38372260	99.93%
Total number of votes AGAINST	19	25209	0.07%

Resolution relating to commencement of new business containing in the sub clauses 16 to 18 of the other object clause of Memorandum of Association of the Company.			
Particulars	No. of Ballots	No. of Votes	Percentage
Total number of ballots deposited	1290	38461665	
Total number of Ballots found to be invalid	41	64196	
Total number of Valid votes	1249	38397469	
Total number of votes FOR	1227	38371135	99.93%
Total number of votes AGAINST	22	26334	0.07%

C. Persons who conducted the postal ballot Exercise

Mr.P.Subramanian	Chairman & Managing Director
Mr.C.Subramaniam	Company Secretary
Mr. M.R.L. Narasimha Practicing Company Secretary	Scrutinizer

D. Procedure for Postal ballot

a.	Board Meeting approving Postal Ballot	24.05.2010
b.	Appointment of Scrutinizers	24.05.2010
c.	Intimation to the Registrar of Companies	27.05.2010
d.	Dispatch of Notices & Postal Ballot Completed under certificate of posting	26.06.2010
e.	Issue of Advertisement in the following newspapers informing completion of dispatch of notices. 1. Business Line 2. Dhina Thanthi	23.06.2010 25.06.2010
f.	Cut off date for receipt of postal ballot	31.07.2010
g.	Scrutinizer submitted report on	06.08.2010
h.	Announcement of the result of postal ballot at Annual General Meeting held on	13.08.2010

iv) Any voting proposal to be conducted through postal ballot, this year: -NO-

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. 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. 15 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 01.04.2010 to 31.03.2011 are as under.

Year Ended/ Quarter ended	Audited/ Unaudited	Approved on	Published in
31.03.2010	Audited	24-05-2010	Business Line & Dinathanthi
30.06.2010	Unaudited	13-08-2010	Business Line & Dinathanthi
30.09.2010	Unaudited	28-10-2010	Business Line & Dinathanthi
31.12.2010	Unaudited	22-01-2011	Business Line & Dinathanthi

- iii) The results are published at the Companys' website 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 : 11th July, 2011 (Monday) - 9.30 a.m.
- ii) Venue : Registered Office of the Company
304-A, Trichy Road, Singanallur, Coimbatore-641 005

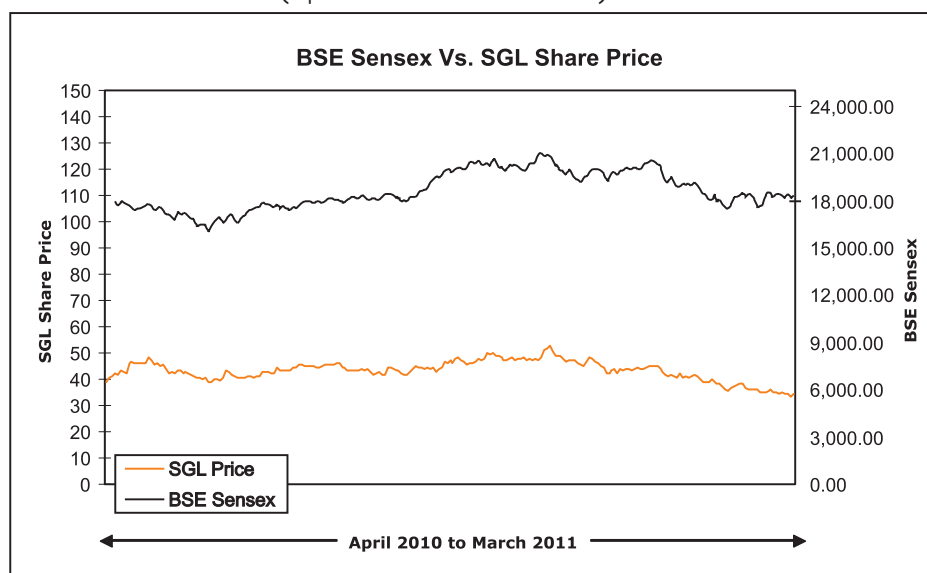
b) Financial Calendar

Annual General Meeting	:	11th July, 2011
Results for the Quarter Ending 30th June, 2011	:	Second week of August, 2011
Results for the Quarter Ending 30th September, 2011	:	Second week of November, 2011
Results for the Quarter Ending 31st December, 2011	:	Second week of February, 2012
Results for the Year Ending 31st March, 2012	:	Last week of May, 2012

- c) Book Closure Date : 04.06.2011 to 11.06.2011 (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 11.06.2011 and for the Beneficial owners whose name appears on the closing hours of 03.06.2011 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 2010	49.40	37.50	49.55	37.45
May 2010	45.95	38.40	46.00	38.50
June 2010	45.80	39.65	45.65	39.10
July 2010	47.50	41.40	47.30	41.05
August 2010	45.60	40.80	45.25	41.05
September 2010	50.00	41.90	49.80	41.90
October 2010	55.00	45.50	51.00	45.50
November 2010	53.40	42.65	53.40	42.60
December 2010	48.50	41.10	48.80	40.10
January 2011	45.95	38.10	45.65	38.00
February 2011	40.85	34.10	40.70	34.55
March 2011	37.95	33.50	37.75	33.30

- h) Performance in Comparison to broad based indices
SGL Share Performance (April 2010 to March 2011)



- i) Registrar and Transfer Agents
S.K.D.C. CONSULTANTS LIMITED,
Kanapathy Towers, 3rd Floor,
1391/A-1, Sathy Road,
Ganapathy,
Coimbatore-641006.
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.

SEBI vide its circular dated 16th December, 2010 has amended clause 5A of the Listing Agreement by laying down a uniform procedure for dealing with unclaimed shares in physical mode and getting the same dematerialized after completing the said procedure. The Company's Registrar and Share Transfer Agent is in the process of complying with the said amendment.

- k) Share holding pattern as on 31st March, 2011

Sl. No.	Category	No. of Shares	% (Percentage)
1	Promoters	36050291	44.12
2	Mutual funds, Banks, Financial Institutions, Insurance Companies	16056335	19.65
3	Foreign Institutional Investors	128500	0.16
4	NRI's / OCB's	1456218	1.78
5	Private Corporate Bodies	2794894	3.42
6	Indian Public	25229615	30.87
	Total	81715853	100.00

- l) Distribution of Share holding as on 31st March, 2011

No. of Shares held	No. of Shareholders	%	No. of Shares	%
1 to 500	18348	69.60	3226026	3.95
501 to 1000	3524	13.37	2961038	3.62
1001 to 5000	3409	12.93	8389313	10.27
5001 to 10000	689	2.61	4868023	5.96
10001 to 100000	370	1.40	8706621	10.65
100001 and above	21	0.08	53564832	65.55
Total	26361	100.00	81715853	100.00

- m) Dematerialisation of Shares and Liquidity
As on 31st March, 2011, **77607177** shares were in dematerialized form representing 94.97% 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, 3rd 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

Coimbatore
13th May, 2011

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

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
13th May, 2011

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Developments:

Industry sector has been generally doing good with steady positive growth particularly with more focus on Power & Infrastructure segments. Demand for Gears, Gearboxes & its allied product have also seen the steady growth and by and large the Company did grow with the market though it is just marginal to its real potential. The Company continue to follow the policy of manufacturing more niche products i.e., Non-Standards compared to Standard products which has more demand. The restructuring of organization and its operation continues and expected to be streamlined by mid of FY 11-12. With the new structure and operational management, Company looks for more sustained growth and will strive to succeed its mission of fulfilling the expectation of its shareholder.

2. Opportunities and Threats:

Opportunities:

The prevailing strong & steady economic growth coupled with greater focus on Power & Infrastructure sector. The Company can capitalize the opportunity with its strong and the state of art manufacturing facility. The Company will explore the potentials of new products segments.

Threats:

- Entry of more new players, pre-dominantly from overseas.
- The current Company policy of manufacturing more nonstandard products

3. Outlook:

With the on-going re-structure which looks more positive, the Company plans to shift its focus on standard products besides improving its strong presence in the nonstandard products. To augment and complement its vast manufacturing facility, the Company plans for acquiring/developing new technology which will give the Company a competitive edge in the Gearbox Industry. With the above measures the Company hopes a brighter future in the coming years.

4. Risks and Concerns:

- Stiff competition that may affect the margin
- Rising input cost
- Shortage of Power and skilled manpower

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. 1603.602 Million as compared to Rs 1213.871 Million of the previous year. The Profit After Tax (PAT) of the Current Financial Year is Rs. 278.615 Million as against Rs. 161.848 Million of the previous year.

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

In consistent & commitment to its belief that, Manpower is the most important asset. The Company plans to bring in the best of the talents to take care of the needs and aspirations of all ranks at all time. The Industrial relationship at all factories remained cordial. The Company had 600 employees as of 31st March, 2011.

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
13th May, 2011

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 31st March, 2011 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
Date : 13th May, 2011

AUDITOR'S REPORT

Ladies and Gentlemen,

We report that We have audited the Balance Sheet of **M/s. SHANTHI GEARS LIMITED, COIMBATORE** as at 31st March, 2011 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 31st March, 2011 and taken on record by the Board of Directors, We report that none of the Directors are disqualified as of 31st March, 2011 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 31st March, 2011
 - (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
Date : 13th May, 2011

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 any dispute. Particulars of dues to sales tax as at 31st March 2011 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

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

- (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.
- (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

Date : 13th May, 2011

BALANCE SHEET AS AT 31st MARCH, 2011

	Schedule	As At 31-03-2011 Rs.	As At 31-03-2010 Rs.
I. SOURCES OF FUNDS			
1 Shareholder's Funds			
a) Share Capital	1	81,715,853	81,715,853
b) Reserves & Surplus	2	2,210,414,994	2,026,771,870
Total Share holders' Funds	(A)	2,292,130,847	2,108,487,723
2 Loan Funds			
a) Secured Loans:			
Term Loans	3	97,535,000	157,053,000
b) Unsecured Loans	4	-	99,238,893
Total Loan Funds	(B)	97,535,000	256,291,893
3 Deferred Tax			
Balance As Per Last Balance sheet		174,935,172	
Add/Less: Transfer From/To Profit & Loss Account	(C)	(32,363,022)	174,935,172
TOTAL FUNDS EMPLOYED	(A+B+C)	2,532,237,997	2,539,714,788
II APPLICATION OF FUNDS			
1 Fixed Assets			
Gross Block		3,534,591,921	3,441,275,177
Less : Depreciation		1,955,431,804	1,692,040,531
Net Block		1,579,160,117	1,749,234,646
Capital Work-in-progress		75,372,977	51,704,525
	5	1,654,533,094	1,800,939,171
2 Current Assets, Loans & Advances			
a) Inventories		435,429,756	460,855,626
b) Sundry Debtors		258,687,828	148,663,405
c) Cash & Bank Balances		475,567,871	290,062,781
d) Other Current Assets		2,597,567	5,035,195
e) Loans & Advances		60,474,480	65,650,839
		1,232,757,502	970,267,846
Less : Current liabilities and provisions	7	355,052,599	231,492,229
TOTAL ASSETS		877,704,903	738,775,617
		2,532,237,997	2,539,714,788

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date

P. Subramanian
Chairman & Managing Director

M.J.Vijayaraaghavan
Director

For S. Lakshminarayanan Associates
Chartered Accountants
Firm Reg.No.006609S

Coimbatore
13th May, 2011

C. Subramaniam
Company Secretary

S. Lakshminarayanan
F - 012024
Partner

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

		For the Year Ended 31-03-2011 Rs.	For the Year Ended 31-03-2010 Rs.
I INCOME	Schedule		
GROSS TURNOVER	8	1,734,578,783	1,290,701,585
LESS : Excise Duty		<u>130,976,997</u>	<u>76,830,630</u>
NET TURNOVER		1,603,601,786	1,213,870,955
Other Income	8	<u>48,766,035</u>	<u>70,649,113</u>
		<u>1,652,367,821</u>	<u>1,284,520,068</u>
ADD/(DEDUCT)			
Difference In Stock	8	<u>(11,421,523)</u>	<u>(109,994,310)</u>
		<u>1,640,946,298</u>	<u>1,174,525,758</u>
II EXPENDITURE			
Material Cost	9	523,567,477	286,512,207
Labour Cost	9	183,092,850	163,101,576
Power & Fuel		52,828,983	39,190,880
Repairs	9	75,317,371	63,474,613
Interest Paid	9	8,758,969	38,131,702
Administrative Expenses	9	91,017,171	71,163,690
Depreciation		<u>268,461,451</u>	<u>269,266,039</u>
		<u>1,203,044,272</u>	<u>930,840,707</u>
III PROFIT for the year		<u>437,902,026</u>	<u>243,685,051</u>
Less : Donations		<u>292,249</u>	<u>423,336</u>
Profit Before Tax		<u>437,609,777</u>	<u>243,261,715</u>
Less : Provision for Taxation Current/Withholding Taxes Paid		180,161,584	110,275,399
Deferred Tax		<u>(32,363,022)</u>	<u>(25,934,639)</u>
Income Tax / FBT paid for earlier years		<u>11,195,884</u>	<u>(2,927,303)</u>
Profit after Tax		<u>278,615,331</u>	<u>161,848,258</u>
Add : Surplus brought forward		<u>83,645,960</u>	<u>98,027,970</u>
Profit available for appropriation		<u>362,261,291</u>	<u>259,876,228</u>
IV APPROPRIATIONS			
Proposed Dividend		81,715,853	65,372,683
Tax on Proposed Dividend		13,256,354	10,857,585
Amount transferred to General Reserve		175,000,000	100,000,000
Surplus carried to Balance Sheet		<u>92,289,084</u>	<u>83,645,960</u>
		<u>362,261,291</u>	<u>259,876,228</u>
EARNING PER SHARE (Basic/Diluted)			
See Note No.11 Of Notes to Accounts			
Basic		3.41	1.98
Diluted		3.41	1.98

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date

P. Subramanian
Chairman & Managing Director

M.J.Vijayaraaghavan
Director

For S. Lakshminarayanan Associates
Chartered Accountants

C. Subramaniam
Company Secretary

Firm Reg.No.006609S
S. Lakshminarayanan

Coimbatore
13th May, 2011

F - 012024
Partner

SCHEDULES

	As At 31-03-2011 Rs.	As At 31-03-2010 Rs.
SCHEDULE : 1		
SHARE CAPITAL		
Authorised		
100,000,000 Equity Shares of Re. 1 each	100,000,000	100,000,000
Issued, Subscribed & Paid up		
81,715,853 Equity Shares of Re. 1 each	81,715,853	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.

SCHEDULES (Contd...)

	As At 31-03-2011 Rs.	As At 31-03-2010 Rs.
SCHEDULE : 2		
RESERVES AND SURPLUS		
Capital Reserve		
As per Last Balance Sheet	16,700	16,700
General Reserve		
As per Last Balance Sheet	1,700,000,000	
Add : Transfer from Profit and Loss Account	175,000,000	
	<u>1,875,000,000</u>	1,700,000,000
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		
	<u>92,289,084</u>	<u>83,645,960</u>
	<u>2,210,414,994</u>	<u>2,026,771,870</u>
SCHEDULE : 3		
SECURED LOANS		
TERM LOANS		
From Banks	97,535,000	157,053,000
(Details of Security Refer note No. 3)		
	<u>97,535,000</u>	<u>157,053,000</u>
SCHEDULE : 4		
UNSECURED LOANS		
From Banks	-	99,238,893
	<u>-</u>	<u>99,238,893</u>

SCHEDULES (Contd...)**SCHEDULE : 5
FIXED ASSETS**

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Cost as on 01.04.2010 Rs.	Additions during the year Rs.	Sales/ Transfer/ Refund Rs.	Cost As on 31.03.2011 Rs.	Depreciation upto 01.04.2010 Rs.	For the year ended 31.03.2011 Rs.	Withdrawn During the year Rs.	Depreciation As on 31.03.2011 Rs.	Value As on 31.03.2011 Rs.
Land	55,018,304	-	-	55,018,304	-	-	-	-	55,018,304
Buildings	301,002,114	4,774,811	-	305,776,925	65,433,756	9,169,228	-	74,602,984	231,173,941
Plant & Machinery	2,849,442,059	88,520,966	3,041,365	2,934,921,660	1,455,290,654	244,899,500	3,041,365	1,697,148,789	1,237,772,871
Tools & Equipments	44,105,777	295,321	26,995	44,374,103	37,643,558	1,834,132	26,803	39,450,887	4,923,216
Electrical Equipments	42,133,469	191,000	-	42,324,469	19,322,420	3,194,926	-	22,517,346	19,807,123
Furniture & Fittings	13,355,800	213,552	-	13,569,352	9,766,048	681,539	-	10,447,587	3,121,765
Office Equipments	27,671,806	1,025,875	302,928	28,394,753	12,048,490	2,223,485	204,852	14,067,123	14,327,630
Computers	74,433,405	2,279,155	766,450	75,946,110	65,802,592	4,229,435	723,731	69,308,296	6,637,814
Vehicles	34,112,443	1,358,824	1,205,022	34,266,245	26,733,013	2,229,206	1,073,427	27,888,792	6,377,453
Capital Work-in-Progress	51,704,525	101,591,804	77,923,352	75,372,977	-	-	-	-	75,372,977
TOTAL	3,492,979,702	200,251,308	83,266,112	3,609,964,898	1,692,040,531	268,461,451	5,070,178	1,955,431,804	1,654,533,094
Previous Year	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

SCHEDULES (Contd...)

	As At 31-03-2011 Rs.	As At 31-03-2010 Rs.
SCHEDULE : 6		
CURRENT ASSETS, LOANS & ADVANCES		
Inventories		
Raw Materials & Consumables	177,529,346	191,533,693
Semi Finished Goods	237,693,147	253,541,881
Finished Goods	20,207,263	15,780,052
	<u>435,429,756</u>	<u>460,855,626</u>
Sundry Debtors		
Unsecured and Considered Good		
More than Six Months	48,518,960	57,490,118
Less than Six Months	210,168,868	91,173,287
	<u>258,687,828</u>	<u>148,663,405</u>
Cash & Bank Balances		
Cash with Scheduled Banks : a) in Current Accounts	15,056,633	14,511,624
b) in Fixed Deposits	460,000,000	275,000,000
Cash at Bank with Others in Current Accounts	14,857	131,885
Stamps on Hand	2,301	20,203
Cash on Hand	494,080	399,069
	<u>475,567,871</u>	<u>290,062,781</u>
Other Current Assets		
Interest Accrued and Receivable	2,597,567	4,995,271
Income Receivable	-	39,924
	<u>2,597,567</u>	<u>5,035,195</u>
LOANS & ADVANCES		
Unsecured and Considered Good. Recoverable in Cash or in kind or for Value to be Received		
Advance for Purchase of Capital Goods	2,451,675	10,148,200
Advance to Others	12,738,464	3,240,353
Advance for IncomeTax (Net of Provision)	-	203,786
Deposits with Central Excise, Sales Tax & Customs Authorities	28,823,145	31,657,787
Deposits with Others	12,198,223	15,312,983
Prepaid Expenses	4,262,973	5,087,730
	<u>60,474,480</u>	<u>65,650,839</u>

SCHEDULES (Contd...)

	As At 31-03-2011 Rs.	As At 31-03-2010 Rs.
SCHEDULE : 7		
CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Liability for Purchase of Capital Goods (includes Dues to MSME Units Rs. Nil Previous Year Nil)	51,421,708	769,084
Liability for Purchases (includes Dues to MSME Units Rs. Nil Previous Year Nil)	30,683,023	11,960,393
Liability for Expenses (includes Dues to MSME Units Rs. Nil Previous Year Nil)	60,541,201	63,558,296
Liability for Other Finance	2,210,997	826,742
Advance from Customers	92,010,860	72,789,336
Investor Protection and Educational Fund shall be credited by the following accounts when due :		
Unpaid Dividends	3,394,162	3,002,565
Unencashed Fixed Deposits including Interest	5,186	12,920
	240,267,137	152,919,336
Provisions		
Provision for Taxation (Net of Advance Payment of Taxes)	16,813,255	-
Proposed Dividend	81,715,853	65,372,683
Tax on Dividend	13,256,354	10,857,585
Provision for Fringe Benefit Tax (Net of Advance Payment)	-	184,750
Provision for Warranty	3,000,000	2,157,875
	355,052,599	231,492,229
SCHEDULE : 8		
1. GROSS TURNOVER		
Sale of Manufactured Goods	1,677,795,965	1,239,939,930
Machining Charges Receipts	56,782,818	50,761,655
	1,734,578,783	1,290,701,585
2. OTHER INCOME		
Profit on Sale of Assets	1,914,395	157,457
Miscellaneous Income (Including Net Exchange Gain of Rs. Nil Previous Year Rs. 23,472,643)	23,679,963	50,301,933
Interest Receipts (TDS Rs. 2,206,040 Previous Year Rs. 3,285,516)	21,447,903	19,298,223
Rental Receipts(TDS Rs.173, 410 Previous Year Rs.125,095)	1,723,774	891,500
	48,766,035	70,649,113

SCHEDULES (Contd...)

	As At 31-03-2011 Rs.	As At 31-03-2010 Rs.
SCHEDULE : 8 (Contd...)		
3. DIFFERENCE IN STOCKS		
Closing Stock		
Semi Finished Goods	237,693,147	253,541,881
Finished Goods	20,207,263	15,780,052
	257,900,410	269,321,933
Opening Stock		
Semi Finished Goods	253,541,881	359,212,791
Finished Goods	15,780,052	20,103,452
	269,321,933	379,316,243
	(11,421,523)	(109,994,310)
SCHEDULE : 9		
MATERIAL COST		
Opening Stock of Raw Materials & Consumables	191,533,693	224,022,168
Purchases	519,078,148	258,790,713
	710,611,841	482,812,881
LESS : Sale of Materials	9,515,018	4,766,981
	701,096,823	478,045,900
LESS : Closing Stock	177,529,346	191,533,693
Materials Consumed	523,567,477	286,512,207
LABOUR COST		
Salaries, Wages, Bonus & Gratuity	138,014,321	131,330,374
Contribution to Provident Fund	5,342,631	4,724,895
Workmen & Staff Welfare Expenses	19,102,382	16,226,995
Labour and Machining Charges	20,633,516	10,819,312
	183,092,850	163,101,576
REPAIRS		
Buildings	11,161,582	6,443,785
Machinery	40,270,548	36,646,591
General	23,885,241	20,384,237
	75,317,371	63,474,613
INTEREST		
Interest paid on Bank Loans	8,758,969	38,131,702

SCHEDULES (Contd...)

	As At 31-03-2011 Rs.	As At 31-03-2010 Rs.
SCHEDULE : 9 (Contd...)		
ADMINISTRATIVE EXPENSES		
Managing Director's Remuneration	23,096,352	13,105,917
Whole Time Director's Remuneration	2,303,307	5,242,367
Postage and Telephones	3,442,452	2,946,976
Printing & Stationery	1,992,258	1,483,895
Travelling & Maintenance of Motor Vehicles	11,592,559	9,539,304
Insurance	1,494,780	1,660,480
Taxes & Licences	9,695,256	4,693,293
Transport Charges & Selling Expenses	8,105,253	4,463,055
Commission & Discount	7,281,313	5,323,097
Advertisement	7,397,133	11,904,959
Bank Charges, Filing Fees & Subscription Etc.,	5,065,446	4,831,565
Machinery & Building Rent	75,000	300,000
Director's Sitting Fees	170,000	85,000
Auditor's Remuneration	325,250	269,800
Accountancy & Legal Charges	4,929,754	4,450,451
Miscellaneous Expenses	1,048,444	738,628
Bad Debts Written Off	102,657	-
Loss on Sale of Asset	83,842	124,903
Loss on Foreign Currency Fluctuation (Net of Exchange Gain of Rs.9,300,923 Previous Year Rs. Nil.)	2,816,115	-
	91,017,171	71,163,690

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date

P. Subramanian
Chairman & Managing Director

M.J.Vijayaraaghavan
Director

For S. Lakshminarayanan Associates
Chartered Accountants
Firm Reg.No.006609S

Coimbatore
13th May, 2011

C. Subramaniam
Company Secretary

S. Lakshminarayanan
F - 012024
Partner

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2011

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 periods 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 recognised.
- 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 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 31st March, 2011 (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 31/03/2011
- 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 ICAI.

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.

2. CONTINGENT LIABILITIES:

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

- a) On Capital Accounts **Rs. 1.95 Crores.** (Previous Year Rs.13.32 Crores)
- b) On account of Guarantees issued **Rs. 4.19 Crores.** (Previous Year Rs.4.72 Crores)
- c) On account of Letter of credits established **Rs. 5.58 Crores.** (Previous Year Rs.9.03 Crores)
- d) Claim against the Company not acknowledged as debts **Rs. 7.24 Crores.** (Previous Year Rs.7.24 Crores)

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2011 (contd...)

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.1.34 Crores.** (Previous Year Rs.2.42 Crores)

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

	31.03.2011	31.03.2010
	Rs.	Rs.
Salary	2,400,000	2,400,000
Commission	20,696,352	10,705,917
Total	23,096,352	13,105,917

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

	01.04.2010 to 30.06.2010	31.03.2010
Salary	300,000	1,200,000
Company's contribution to Provident Fund	36,000	144,000
Commission	1,967,307	3,898,367
Total	2,303,307	5,242,367

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

	31.03.2011	31.03.2010
	Rs.	Rs.
Profit as per Profit & Loss Account	437,902,026	243,685,051
ADD : Book Depreciation	268,461,451	269,266,039
Managing Director's Remuneration	23,096,352	13,105,917
Directors' sitting fees	170,000	85,000
Wholetime Director's Remuneration	2,303,307	5,242,367
	294,031,110	287,699,323
	731,933,136	531,384,374
LESS : Depreciation under Section 350	268,461,451	269,266,039
Capital Profit on Sale of Assets	1,544,667	-
	270,006,118	269,266,039
Profit under Section 349	461,927,018	262,118,335
10% of the above	46,192,702	26,211,834
Restricted to 5% for Managing Director	23,096,352	13,105,917
Restricted to 2% for Wholetime Director	9,238,541	5,242,367

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2011 (contd...)

7. Income Tax assessment is completed upto the Assessment year 2009-10
8. As per the information available with the Company there are no dues outstanding including interest as on 31st March, 2011 to Small and Micro enterprises as defined under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.
9. Auditors' Remuneration inclusive of Certification Fees of Rs. 25,250. (Previous Year Rs.19,800)
10. 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. Actual Production:

	Units	2010-2011	2009-2010
i) Gear wheels and Accessories (including the production for Captive Consumption)	Nos.	374,091	226,155
ii) Drafting Units, Conversion Brackets, Spares and complete set of Head Stock Gearing End Conversions, Coilers etc., (including the production for Captive Consumption)	Nos.	1,456	702
iii) Gear Boxes and Accessories (including the production for Captive Consumption)	Nos.	20,188	9,830
iv) Geared Motors (including the production for Captive Consumption)	Nos.	541	399
v) Carding Machines	Nos.	2	5
vi) Lathes (Including the Production for Captive Consumption)	Nos.	-	1
vii) Crane (Including the Production for Captive Consumption)	Nos.	-	1
viii) Screw Air Compressor	Nos.	1	-

C. Stock of Finished Goods:

		As at 31.03.2011	As at 31.03.2010
i) Gear wheels and Accessories	Nos.	299,393	302,172
ii) Drafting Units, Conversion Brackets, Spares and complete set of Head Stock Gearing End Conversions, Coilers etc.,	Nos.	147	148
iii) Gear Boxes and Accessories	Nos.	1,018	1,201
iv) Geared Motors	Nos.	49	50

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2011 (contd...)

D. Sale of Finished Goods:

	2010-2011		2009-2010	
	Qty/Nos.	Value Rs.	Qty/Nos.	Value Rs.
i) Gear wheels and Accessories	320,966	581,798,259	226,509	501,227,532
ii) Drafting Units, Conversion Brackets, Spares and complete set of Head Stock Gearing End Conversions, Coilers etc.	1,167	10,656,929	470	4,637,799
iii) Gear Boxes & Accessories	19,912	902,234,241	9,522	624,150,999
iv) Geared Motors	532	27,555,944	396	22,862,340
v) Carding Machines	2	1,400,000	5	2,950,500
vi) Machining Charges Receipts	-	56,782,818	-	50,761,655
vii) Others	-	23,173,595	-	7,280,130
		<u>1,603,601,786</u>		<u>1,213,870,955</u>

E. Value of Imports (CIF Value) :

a) Plant & Machinery	102,687,034	5,105,233
b) Raw Materials	4,548,870	2,041,709
c) Consumable Stores & Tools	3,510,408	17,571,668
d) Machinery Spares	1,861,789	2,758,769
e) General Repairs	-	112,579
f) Electrical Spares	81,683	34,080

F. Raw Materials Consumed:

a) Steel Rods & Steel Forgings (Kgs)	2,339,238	203,923,764	1,049,445	101,287,401
b) Bearings (Nos.)	79,432	57,622,092	41,054	35,488,811
c) Others	-	262,021,621	-	149,735,995
		<u>523,567,477</u>		<u>286,512,207</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:	2010-2011		2009-2010	
	Value Rs.	% of Consumption	Value Rs.	% of Consumption
Imported	8,210,715	1.57	22,236,576	7.76
Indigenous	515,356,762	98.43	264,275,631	92.24
	<u>523,567,477</u>	<u>100.00</u>	<u>286,512,207</u>	<u>100.00</u>

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2011 (contd...)

H. Payments made in foreign currency on account of:	2010-2011	2009-2010
	Rs.	Rs.
a) Interest	8,740,470	14,854,487
b) Advertisement	244,621	755,674
c) Subscription	614,467	1,307,701
d) Germany Office – Liaison Office Expenses	2,825,462	3,170,481

I. Earnings in Foreign Currency

FOB Value of Exports	105,165,321	93,579,427
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J. Amount remitted during the year in Foreign Currencies

i) On account of Dividends	-	-
ii) Number of Non-Resident Share Holders	414	335
iii) Number of Shares held by Non-Resident Share-Holders on which Dividends are due	1,411,770	1,529,149
iv) The year to which dividends relate	F.Y. 2009-2010	F.Y. 2008-2009

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	22090442 (23134575)	444539074 (440032663)	22090442 (23134575)	446124657 (441922956)	NIL (NIL)
SUNDARAM	NIL (1778588)	NIL (30000000)	NIL (1778588)	NIL (30312539)	NIL (NIL)
PRINCIPAL	NIL (10360375)	NIL (140019289)	NIL (10360375)	NIL (140412639)	NIL (NIL)
SBI	19258609 (15170039)	341045076 (223003849)	19258609 (15170039)	342979923 (224170462)	NIL (NIL)
LIC	807422 (1650683)	10000000 (20000000)	807422 (1650683)	10008397 (20372615)	NIL (NIL)
TOTAL	42156473 (52094259)	795584150 (853055801)	42156473 (52094259)	799112977 (857191212)	NIL (NIL)

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2011 (contd...)

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

	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
a) Total Equity Shares outstanding at the End of the year (Nos)	81,715,853	81,715,853
b) Net Profit after Tax	278,615,331	161,848,258
c) Earning Per Share (Basic)	3.41	1.98
d) Diluted Earning Per Share	3.41	1.98

12. 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).

13. Deferred Tax

	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
Opening Liability	174,935,172	200,869,811
Add/Deduct : Assets / Liabilities / Difference in I.T. & Book Depreciation - Liability	-30,136,234	-24,951,211
Less : 43B Liabilities/ Disallowance under IT Act - Asset	<u>2,226,788</u>	<u>983,428</u>
Net Liability for the year	<u>-32,363,022</u>	<u>-25,934,639</u>
Closing Balance	<u>142,572,150</u>	<u>174,935,172</u>

14. Notes on Assets Given on Lease:

	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
1) Gross value of Assets		
a) Land	1,934,621	1,934,621
b) Buildings	17,392,143	15,782,884
2) Accumulated Depreciation at the end of the Year		
a) Land	-	-
b) Buildings	2,147,029	920,694
3) WDV of Assets at the end of the Year		
a) Land	1,934,621	1,934,621
b) Buildings	15,245,114	14,862,190
4) Depreciation for the Year		
a) Land	-	-
b) Buildings	333,284	142,370
5) Rental Receipts		
a) Land	414,000	360,000
b) Buildings	1,309,774	495,500

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2011 (contd...)

15. 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)	25,399,659 (18,348,284)	NIL (402,611)	25,399,659 (18,750,895)
Receiving of Services (Previous Year)	NIL (NIL)	NIL (735,029)	NIL (735,029)
Outstanding Balance as at 31.03.2011 – Payable (Previous Year)	22,663,658 (39,604,284)	NIL (NIL)	22,663,658 (39,604,284)

List of Related Parties

1. Key Managerial Personnel

Mr. P. Subramanian, Chairman & Managing Director

Ms. S. Sangeetha, Wholetime Director (Upto 30.06.2010)

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

16. Details of Cash and Bank Balance:

	31.03.2011 Rs.	31.03.2010 Rs.
a) Cash with Schedule Bank in Current account includes:		
Unpaid Dividend Warrant A/c	3,394,162	3,002,565
b) Cash with other Banks in Current account :		
HSBC Dusseldorf		
i) Balance at the end of the Year	14,857	131,885
ii) Maximum amount at any time during the Year	1,391,475	765,453

17. Miscellaneous income includes:

Income From Redemption of Investments in Mutual Fund	3,528,827	4,135,411
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18. Details of Warranty Provision:

Opening Balance	2,157,875	3,000,000
Less : Claims settled	545,493	842,125
	1,612,382	2,157,875
Add : Provision for the Year	1,387,618	NIL
	3,000,000	2,157,875

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2011 (contd...)

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

20. 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 31.03.2011	Rs. As on 31.03.2010
Present value of funded obligations	22,870,996	17,720,438
Fair value of plan assets	23,174,481	17,987,143
Net Surplus in the Balance Sheet (Grouped under Prepaid Expenses)	303,485	251,608

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

	For the year ended 31.03.2011	For the year ended 31.03.2010
Current service cost	2,079,181	1,808,208
Interest on obligation	1,408,688	870,051
Expected return on plan assets	1,975,933	1,708,625
Net actuarial losses (gains) recognized in the year	3,866,678	5,422,295
Total included in Labour cost	5,378,614	6,341,445

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	17,720,438	17,582,104
Prior period adjustment	-	-
Service cost	2,079,181	1,808,208
Interest cost	1,408,688	870,051
Actuarial gains (Losses)	1,890,745	3,713,670
Benefits paid	(228,056)	(6,253,595)
Closing defined benefit obligation	22,870,996	17,720,438

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	17,720,438	17,582,104
Expected return	1,975,933	1,708,625
Actuarial gains and (losses)	(1,975,933)	(1,708,625)
Contributions by employer	4,000,000	5,500,000
Assets acquired in an amalgamation in the nature of purchase	-	-
Exchange differences on foreign plans	-	-
Benefits paid	228,057	6,253,595
Closing fair value of Plan Assets	22,870,996	17,720,438

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2011 (contd...)

	For the year ended 31.03.2011	For the year ended 31.03.2010
Balance Sheet Reconciliation		
Opening Net (Liability) Asset	251,608	1,093,053
Expenses Recognized in Profit and Loss Account	5,378,614	6,341,445
Contribution made	4,000,000	5,500,000
Closing unfunded status (Surplus – Grouped under Prepaid Expenses)	303,485	251,608

Principal actuarial assumptions at the balance sheet date (expressed as weighted average)

Discount rate Current	8.00%	6.00%
Expected return per annum on plan assets	9.25%	9.25%
Salary Escalation per annum	8.25%	5.00%
Retirement Age	58 Years	58 Years
Mortality	LIC 1994-96	LIC 1994-96
Attrition rate	3%	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.

21. 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

P. Subramanian
Chairman & Managing Director

M.J.Vijayaraaghavan
Director

Chartered Accountants
Firm Reg.No.006609S

Coimbatore
13th May, 2011

C. Subramaniam
Company Secretary

S. Lakshminarayanan
F - 012024
Partner

CASH FLOW STATEMENT

	As At 31-03-2011	As At 31-03-2010
	Rs. in Million	
A NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	437.610	243.262
Adjustments for :		
Depreciation	268.461	269.266
Interest Received	-21.448	-19.298
Interest Paid	8.759	38.132
Income From Mutual Fund	-3.529	-4.135
Profit On Sale Of Assets (Net)	-1.830	-0.033
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	688.023	527.194
Adjustments for:		
Trade and other Receivable	-102.410	243.994
Inventories	25.426	142.483
Trade Payable	123.560	-241.116
Cash Generated From Operations	734.599	672.555
Direct Taxes Paid	-180.162	-110.275
Income Tax / Fringe Benefit Tax for earlier years	-11.196	2.927
Cash Flow Before Extraordinary Items	543.242	565.207
Net Cash From Operating Activities (A)	543.242	565.207
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-122.328	-38.365
Sale of Fixed Assets	2.103	0.369
Interest Received	21.448	19.298
Income From Mutual Fund	3.529	4.135
Net Cash Used in Investing Activities (B)	-95.248	-14.563
C CASH FLOW FROM FINANCE ACTIVITIES		
Proceeds from Long Term Borrowings	-158.757	-610.133
Overdraft	-	-26.227
Interest Paid	-8.759	-38.132
Dividend Paid	-81.716	-65.373
Tax on Dividend	-13.256	-10.858
Net Cash From Finance Activities (C)	-262.488	-750.723
Net Increase in Cash & Cash Equivalents (A+B+C)	185.506	-200.079
Cash and Cash Equivalents (Opening Balance)	290.063	490.142
Cash and Cash Equivalents (Closing Balance)*	475.568	290.063

* Inclusive of Unpaid Dividend Warrant of Rs.3.394 Million (Previous Year Rs.3.003 Million)

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date

P. Subramanian
Chairman & Managing Director

M.J.Vijayaraaghavan
Director

For S. Lakshminarayanan Associates
Chartered Accountants
Firm Reg.No.006609S

Coimbatore
13th May, 2011

C. Subramaniam
Company Secretary

S. Lakshminarayanan
F - 012024
Partner

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 2011		
	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	: 2532238	Total Assets	: 2532238
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Sources of Funds

Paid-up Capital	: 81716	Reserves & Surplus	: 2210415
Secured Loans	: 97535	Deferred Tax	: 142572
		Unsecured Loans	: NIL

Application of Funds

Net Fixed Assets	: 1654533	Investments	: NIL
Net Current Assets	: 877705	Misc. Expenditure	: NIL
Accumulated Losses	: NIL		

IV Performance of Company (Amount in Rs. Thousands)

Turnover (Including other income)	: 1652368	Total Expenditure	: 1214758
Profit Before Tax	: 437610	Profit After Tax	: 278615
Earning Per Share	: Rs. 3.41	Dividend Rate	: 100%

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
Firm Reg.No.006609S

P. Subramanian
Chairman & Managing Director

M.J.Vijayaraaghavan
Director

S. Lakshminarayanan

Coimbatore
13th May, 2011

C. Subramaniam
Company Secretary

F - 012024
Partner

Financial Performance Indicators

