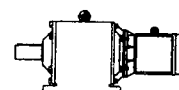
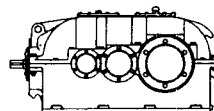
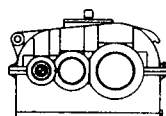
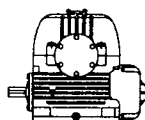


Shantui Gears

MD	✓		BKC	✓
CS	1/16		DPY	✓
RO	✓		DIV	✓
TRA	1/16		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

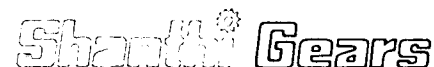
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1972-1997 SILVER JUBILEE YEAR



T W E N T Y F O U R T H A N N U A L R E P O R T





SHANTHI GEARS LIMITED

BOARD OF DIRECTORS

Shri P SUBRAMANIAN
Chairman & Managing Director

Shri N C RAMACHANDRAN

Shri P N GOPAL

Shri P VAIDYANATHAN

Dr. D PADMANABAN

AUDITOR

Shri S LAKSHMINARAYANAN

INTERNAL AUDITOR

Shri T RAGHUNATHAN

BANKER

STATE BANK OF INDIA
Singanallur,
Coimbatore - 641 005.

REGISTERED OFFICE

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

WORKS

A UNIT

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

B UNIT

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

FOUNDRY DIVISION

Kannampalayam, Sular Via,
Coimbatore - 641 402.

C UNIT

Avanashi Road,
Muthugoundenpudur (PO),
Coimbatore - 641 406.

D UNIT

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

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NOTICE

Notice is hereby given that the 24th Annual General Meeting of the Company will be held on Friday the 12th September, 1997 at 9.00 A.M. at the registered office of the Company at 304-A, Trichy Road, Singanallur, Coimbatore - 641 005 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, 1997 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 Mr. P. Vaidyanathan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. N.C. Ramachandran who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditor to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix his remuneration.

Special Business

6. To consider and to pass with or without modification, the following Resolution as a special Resolution.

"Resolved that pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956 the Memorandum of Association of the Company be and is hereby altered by adding the following new clause in the Memorandum of Association of the Company after the existing clause No.1

2. To generate, consume, purchase, sell, supply and distribute Electricity by erection/installation of wind or hydel or thermal or solar or atomic or by any other power sources in India or elsewhere and to install/erect transmission equipments, feeder lines, sub-stations etc., in connection therewith."
7. To consider to pass with or without modification following Resolution as a Special Resolution:

"Resolved to authorise the Board of Directors of the Company to accept portfolio investments made by all FIIs, NRIs and OCB upto 30 percent of the issued and paid up Capital of the Company."



Explanatory Statement under Section 173(2) of the Companies Act, 1956

ITEM No. 6

The Company has so far installed 5 Wind Energy Generators for captive Power Generation. This has been done to keep an effective control over the expenditure on power. Eventhough the Company has plans to install Wind Electric Generators for the purpose of captive use, in case of any surplus power generation the same will be sold to Tamilnadu Electricity Board. Though there is adequate provision in the object clause for captive use, the supply and distribution of excess Electricity Generated by the Company may be viewed as a separate business. Hence, out of abundant caution the company proposes to add the object. Your approval by way of Special Resolution is required. Hence, this Resolution.

A copy of Memorandum of Association together with the proposed amendment is available for inspection at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on any working day except Saturdays and holidays upto the date of Annual General Meeting.

None of the Directors of the Company is in any way interested or concerned in this Resolution.

ITEM No. 7

The Government has relaxed the guidelines regarding holding of shares by FII/NRI's and OCB's from the existing limit of 24% to 30% subject to the approval of Shareholders by way of Special Resolution. FIIs are showing keen interest in making portfolio investments in the shares of your company. To facilitate the holding upto the permissible statutory limit of 30%, the above Resolution is suggested for adoption by way of a Special Resolution.

None of the Directors of the company is in any way interested or concerned in this Resolution.

Coimbatore
11th June, 1997

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, Proxies in order to be effective must be received by the Company not less than 48 hours before the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 2nd September, 1997 to 12th September, 1997 (both days inclusive).
3. The Dividend, if declared, will be payable on or before 20th October, 1997 to those shareholders whose names appear in the Register of Members on 12th September, 1997.
4. Members are requested to bring their copies of report and Accounts to the Meeting.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting to you the Twenty Fourth Annual Report, together with the audited accounts of your Company, for the year ended 31st March, 1997.

FINANCIAL RESULTS

		31-03-1997 Rs. in lakhs	31-03-1996 Rs. in lakhs
Gross profit before interest and depreciation		1809.58	1539.83
Less : Interest	481.82		418.83
Depreciation	421.72		337.84
Donation	12.05		3.31
Provision for taxation	265.00		193.00
		1180.59	952.98
		628.99	586.85
Add : Surplus brought forward	8.76		4.09
Transfer from Investment			
Allowance Utilised Reserve	2.40		4.00
		11.16	8.09
Less : Income Tax for prior years		640.15	594.94
		2.37	1.34
		637.78	593.60
Appropriations :			
Proposed Dividend		190.00	117.34
Tax on Dividend		19.00	—
Debenture Redemption Reserve		47.50	47.50
General Reserve		370.00	420.00
Surplus in Profit & Loss account		11.28	8.76
		637.78	593.60

DIVIDEND

The Company was incorporated on 01.07.72. To Commemorate the **Silver Jubilee Year**, your Directors recommend a normal dividend of **35%** and Silver Jubilee Dividend of **15%** totalling to **50%** (Rs. 5.00 per equity share of Rs. 10 each fully paidup).

OPERATING RESULTS

The Company has achieved a Turnover of **Rs. 4775.35** lakhs for the year under review as against the turnover of **Rs. 4327.05** lakhs of the previous year. This is considered generally satisfactory in face of general recessionary trend prevailing in the Industry. 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. 50.35** lakhs during the year. The outflow of foreign exchange on import of Plant & Machinery, Raw Materials, Machinery Spares, Travelling & Interest on Debentures amounted **Rs. 284.08** lakhs and **0.76** lakh has been spent towards payment of dividend for the year ended 31st March, 1996.

FIXED DEPOSITS

No Fixed Deposit which has become due remains unpaid as on the last day of the Financial Year.

DIRECTORS

Smt. S. Shanthi, Director of the Company died on 06.10.1996 in a tragic car accident. She was associated with the Company from 28.12.1973 as Director. The Directors condole the premature death of Smt. S. Shanthi and place on record the valuable services rendered by her during her tenure of office.

The following Directors are due to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-election.

Mr. P. Vaidyanathan

Mr. N.C. Ramachandran

AUDITOR

Your Company's auditor Mr. S. Lakshminarayanan is to retire at the ensuing Annual General Meeting and is 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 the SBI, IDBI and ICICI. The Board conveys its thanks to the Central and State Governments. It also thanks the customers and suppliers for their support and investors for reposing faith in the Company.

Coimbatore
11th June, 1997

On behalf of 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, 1997.

S.No.	Name	Age (Years)	Designation/ Nature of duties	Remuneration Rs.	Qualification	Experience	Date of Commence ment of Employment	Previous Employment
1	Mr. P. Subramanian *	54	Chairman & Managing Director Management of affairs of the Company	37,24,242	L.M.E. P.D. Prod.E.	32 Years	01-07-1972	Managing Partner of Shanthi Engg & Trading Company.

* Note : The nature of employment is contractual.



Coimbatore
11th June, 1997

For The Board Of Directors
P. Subramanian
Chairman & Managing Director

Statement Pursuant to Section 212 (3) of the Companies Act, 1956.

Shanthi Gears Limited held the entire issued Share Capital of 100 Equity Shares of Rs. 100 each of Shanthi Sales Limited. Shanthi Sales Limited has earned a profit of Rs. 41937 after tax for the year ended 31st March, 1997. The net aggregate profit of Shanthi Sales Limited for the Financial year upto 31st March, 1997 amounting to Rs. 212278 has not been dealt with in the books of account of Shanthi Gears Limited.

P. Subramanian
Chairman & Managing Director

Coimbatore
11th June, 1997

N.C. Ramachandran
Director



AUDITOR'S REPORT

Ladies and Gentlemen,

I report that I have audited the Balance Sheet of M/s.SHANTHI GEARS LIMITED as at 31st March, 1997 and the relative Profit and Loss Account for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, I enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
 - (a) In my opinion and to the best of my information and according to the explanations given to me, the Balance Sheet and the Profit and Loss Account together with the notes thereon give in the prescribed manner the information required by the Companies Act, 1956.
 - (b) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
 - (c) I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for my audit. In my opinion, proper books of account have been kept as required by law so far as appears from my examination of the books.
 - (d) In my opinion and to the best of my information and according to the explanations given to me and on the basis of such checks as I considered appropriate, the said accounts read with 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
 - (i) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 1997
 - and
 - (ii) In the case of the Profit and Loss Account of the **Profit** of the Company for the year ended on that date.

Coimbatore
11th June, 1997

S. Lakshminarayanan
Chartered Accountant

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE REPORT OF EVEN DATE OF THE AUDITORS TO THE MEMBERS OF SHANTHI GEARS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1997.

1. The Company has maintained proper records to show full particulars including quantitative details and situation of its Fixed Assets. The fixed assets of the Company have been physically verified by the Management during the year and no serious discrepancies between the book records and the physical inventory have been noticed.
2. The fixed Assets of the Company have not been revalued during the year.
3. The Stock-in-trade (including raw materials) and stores and spare parts of the Company at all its locations have been physically verified by the management during the period.
4. In my opinion, the procedures for physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies between the physical stocks and book stocks which have been properly dealt with in the books of account, were not significant.
6. In my opinion, the valuation of stock-in-trade and stores and spare parts has been fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in earlier periods.
7. 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 or from the Companies under the same management within the meaning of Section 370 (1-B) of the Companies Act, 1956.
8. The Company has not granted any loans, Secured or Unsecured to Companies, Firms or other parties listed in the Register maintained Under Section 301 of the Companies Act, 1956 or to Companies under the same management within the meaning of Section 370 (1-B) of the Companies Act, 1956.
9. Parties (including employees) to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest where applicable.
10. In my opinion, the internal control procedures of the Company relating to the purchases of stores, raw materials including components, plant & machinery, equipment and other similar Assets and for sale of goods are commensurate with its size and nature of business.
11. In my opinion and according to the information and explanations given to me, the transactions of purchase of goods and materials and services, made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevalent market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.