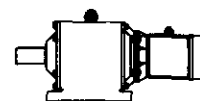
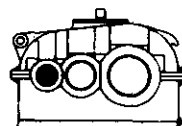
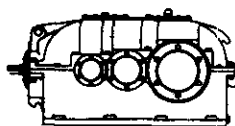
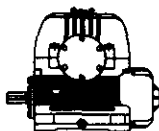


# Shanthi<sup>®</sup> Gears

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*Twenty-sixth Annual Report 1999*





## SHANTHI GEARS LIMITED

### BOARD OF DIRECTORS

**Shri P SUBRAMANIAN**  
Chairman & Managing Director

**Shri N C RAMACHANDRAN**

**Shri P N GOPAL**

**Dr. D PADMANABAN**

### AUDITOR

**Shri S LAKSHMINARAYANAN**

### INTERNAL AUDITOR

**Shri T RAGHUNATHAN**

### BANKER

#### STATE BANK OF INDIA

Singanallur,  
Coimbatore - 641 005.

### SECURITIES LISTED AT

Coimbatore Stock Exchange Ltd.,  
CSE Towers, 683-686, Trichy Road  
Singanallur, COIMBATORE - 641 005.

National Stock Exchange Ltd.,  
Trade World, Kamala Mill Compound  
2nd Floor, Senapati Bapat Marg  
Lower Parel, MUMBAI - 400 013.

The Stock Exchange, Mumbai  
Phiroze Jeejeebhoy Towers  
Dalal Street, MUMBAI - 400 001.

Madras Stock Exchange Ltd.,  
Exchange Building, Post Box No. 183,  
11, Second Line Beach, CHENNAI - 600 001.

### 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, Suler Via,  
Coimbatore - 641 402.

#### C UNIT

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

#### D UNIT

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

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## NOTICE

**Notice** is hereby given that the 26th Annual General Meeting of the Company will be held on Wednesday the 28th July 1999 at 9.30 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 1999 the Balance Sheet as on that date and the Auditor's Report thereon.
2. To declare a Dividend.
3. To appoint a Director in the place of Sri. P.N. Gopal who retires by rotation and being eligible, offers himself for re-appointment.
4. 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.

Coimbatore  
20th May, 1999

**Report Junction.com**

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 16th July 1999 to 28th July 1999 (both days inclusive).
3. The Dividend, if declared, will be payable on or before 6th September 1999 to those Shareholders whose names appear in the Register of Members on 28th July 1999.
4. Pursuant to Section 205A of the Companies Act, 1956, the unclaimed dividend upto the Financial Years ended 31.03.1995 has been transferred to the General Revenue Account of the Central Government. The concerned members may, therefore, submit their claims to the Registrar of Companies, Tamilnadu, Coimbatore.
5. Members are requested to bring their copies of report and Accounts to the Meeting.

# Shanthi Gears

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting to you the Twenty Sixth Annual Report, together with the audited accounts of your Company, for the year ended 31st March 1999.

### FINANCIAL RESULTS

	31-03-1999 Rs. in lakhs	31-03-1998 Rs. in lakhs
Gross profit before interest and depreciation	1568.42	1837.76
Less : Interest	318.47	435.13
Depreciation	548.24	497.88
Donation	6.74	3.65
Provision for taxation	242.00	232.00
	<u>1115.45</u>	<u>1168.66</u>
	452.97	669.10
Add : Surplus brought forward	13.05	11.28
Transfer from Investment		
Allowance Utilised Reserve	10.16	4.69
Surplus brought forward from SNFC	—	0.03
Excess Provision for Income		
Tax for earlier years	—	1.40
	<u>23.21</u>	<u>17.40</u>
	<u>476.18</u>	<u>686.50</u>
Appropriations :		
Proposed Dividend	190.88	190.88
Tax on Dividend	21.00	19.09
Debenture Redemption Reserve	45.00	47.50
General Reserve	200.00	415.98
Surplus in Profit & Loss account	19.30	13.05
	<u>476.18</u>	<u>686.50</u>

### DIVIDEND

Your Directors recommend a Dividend of **50%** (Rs. 5.00 per Equity Share of Rs. 10 each fully paidup).

### OPERATING RESULTS

The Company has achieved a Turnover of **Rs. 3705.85** lakhs for the year under review. Eventhough the slow down in economy and decleration in Industrial Activity has affected the turnover, the financial parameters has shown improvement due to strict cost saving measures adopted by the Company. 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. 72.13** lakhs during the year. The outflow of foreign exchange on import of Plant & Machinery, Raw Materials, Machinery Spares, Travelling, Advertisement, Interest on Debentures and repayment of foreign currency loan amounted **Rs. 244.83** lakhs and **1.36** lakhs has been spent towards payment of dividend for the year ended 31st March 1998.

**FIXED DEPOSITS**

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

**DIRECTORS**

The following Director is due to retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-election.

Sri. P.N. Gopal

**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  
20th May, 1999

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 1999.**

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 *	56	Chairman & Managing Director Management of affairs of the Company	31,12,187	L.M.E. P.D. Prod.E.	34 Years	01-07-1972	Managing Partner of Shanthi Engg & Trading Company.

\* Note : The nature of employment is contractual.

Coimbatore  
20th May 1999

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. 16228 after tax for the year ended 31st March, 1999. The net aggregate profit of Shanthi Sales Limited for the Financial year upto 31st March, 1999 amounting to Rs. 253874 has not been dealt within the books of account of Shanthi Gears Limited.

Coimbatore  
20th May 1999

**P. Subramanian**  
Chairman & Managing Director  
**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, 1999 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 the Profit & Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (e) 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, 1999
    - 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  
20th May, 1999

**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, 1999.**

1. The Company has maintained proper records to show full particulars including quantitative details and situation of 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.
12. The Company has a system of determining unserviceable or damaged stores, raw materials and finished goods on the basis of a technical evaluation and on the aforesaid basis, in my opinion, adequate amounts have been written off such stocks in the accounts.
13. In the Case of Public Deposits received by the Company, the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the applicable rules framed thereunder have been complied with.
14. In my opinion, reasonable records have been maintained by the Company for the sale and disposal of realizable scrap/by-products where applicable and significant.
15. In my opinion, the Company's Internal Audit System is commensurate with its size and nature of its business.
16. The provisions of the Companies Act for maintaining Cost Records Under Section 209 (1) (d) are not applicable to the Company.
17. During the year the Company has regularly deposited with the appropriate authorities the dues relating to Provident Fund and Employees State Insurance where payable.
18. There was no amount outstanding on 31st March, 1999 in respect of undisputed income tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
19. According to the information and explanations given to me and the records of the Company examined by me, no personal expenses have been charged to revenue account.
20. The Company is not a Sick Industrial Company within the meaning of Section 3 (i) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

Coimbatore  
20th May, 1999

**S. Lakshminarayanan**  
Chartered Accountant



**BALANCE SHEET AS AT 31st MARCH, 1999**

	Schedule	As At 31-03-1999 Rs.	As At 31-03-1998 Rs.
<b>I. SOURCES OF FUNDS</b>			
<b>1 Shareholder's Funds</b>			
a) Share Capital	1	3,81,76,000	3,81,76,000
b) Reserves & Surplus	2	34,68,58,105	32,27,48,418
Total Share holders' Funds (A)		38,50,34,105	36,09,24,418
<b>2 Loan Funds</b>			
a) Secured Loans :	3		
i) Debentures		2,31,00,000	3,30,00,000
ii) Term loans		6,60,64,463	13,94,54,703
iii) Working Capital		4,15,26,813	3,63,20,836
		13,06,91,276	
b) Un-secured Loans	4	6,00,12,000	4,84,45,463
c) Deferred Credit	5	10,87,007	21,13,568
Total Loan Funds (B)		19,17,90,283	25,93,34,570
<b>TOTAL FUNDS EMPLOYED (A+B)</b>		<b>57,68,24,388</b>	<b>62,02,58,988</b>
<b>II. APPLICATION OF FUNDS</b>			
1. Fixed Assets	6	35,90,94,125	39,59,90,532
2. Investments	7	15,10,000	15,10,000
3. Current Assets, Loans & Advances	8		
a) Inventories		14,41,62,633	13,12,83,114
b) Sundry debtors		9,07,39,934	9,93,20,762
c) Cash & Bank Balances		2,14,95,706	2,22,76,505
d) Other Current Assets		5,16,443	13,44,792
e) Loans & Advances		9,52,77,465	7,42,59,247
		35,21,92,181	32,84,84,420
LESS : Current liabilities and provisions	9	13,59,71,918	10,57,25,964
		21,62,20,263	22,27,58,456
<b>TOTAL ASSETS</b>		<b>57,68,24,388</b>	<b>62,02,58,988</b>

Notes and schedule 1 to 11 Form Part of Accounts

As per my report of even date

**P. Subramanian**  
Chairman & Managing Director

**S. Lakshminarayanan**  
Chartered Accountant

Coimbatore  
20th May 1999

**N.C. Ramachandran**  
Director

**T. Raghunathan**  
Internal Auditor