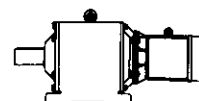
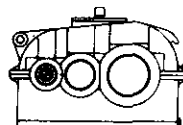
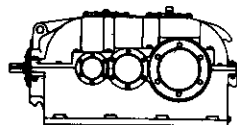
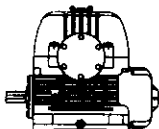


Shanthi **Gears**

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Twentyeighth Annual Report 2001



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

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,
Kamanaickenpalayam (PO),
Coimbatore - 641 658.

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NOTICE

Notice is hereby given that the 28th Annual General Meeting of the Company will be held on Wednesday the 25th July, 2001 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.

A G E N D A**Ordinary Business**

1. To receive, consider and adopt the Directors' Report, Profit & Loss Account for the year ended 31st March, 2001 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 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

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION :

"RESOLVED that pursuant to the provisions of Section 314 (1) and other applicable provisions, if any, of the Companies Act, 1956, approval of the members be and is hereby given to the appointment of Ms. Savitha, a relative of Sri. P. Subramanian, Chairman and Managing Director of the Company and her holding and continuing to hold office of profit as Vice President (Production) with effect from 1st August, 2001, on the following Terms of Remuneration.

Salary : Salary in the Scale of Rs. 12000 - 1500 - 18000.

Bonus : One Month Salary per Annum.

In addition, she shall be entitled to Provident Fund, Superannuation, Gratuity and other facilities, as admissible to her Cadre, as per the rules of the Company".

Coimbatore
6th June, 2001

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 17th July, 2001 to 25th July, 2001 (both days inclusive).
3. 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.
4. Members are requested to bring their copies of report and Accounts to the Meeting.

5. Company's Equity Shares are listed at

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

National Stock Exchange Limited
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.

The Company has paid the Annual Listing fees for the Financial year 2001-2002 in respect of the above Stock Exchanges.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO. 5**

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Ms. Savitha is the daughter of Sri P. Subramanian, Chairman and Managing Director of the Company. Ms. Savitha is a graduate in Production Engineering in addition to Masters Degree in Business Administration. She was appointed as Production Executive by the Board of Directors on 26.08.1994. She was paid a total monthly remuneration of less than Rs. 10,000 for which the Board has got powers. Since she has undergone training in various departments of the Company and has got the relevant exposure, the Board has appointed her as Vice President (Production) with effect from 1st August, 2001. The Board has also approved the remuneration payable to her. The above remuneration payable to her requires the approval of members by means of Special Resolution.

The resolution is recommended to the members for approval as Special Resolution. Sri P. Subramanian, Chairman and Managing Director is concerned and interested in the Resolution.

No other Director of the Company is interested in the resolution.

Coimbatore
6th June, 2001

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting to you the Twenty Eighth Annual Report, together with the audited accounts of your Company, for the year ended 31st March, 2001.

FINANCIAL RESULTS

		31-03-2001 Rs. in Millions	31-03-2000 Rs. in Millions
Gross profit before interest and depreciation		173.049	167.290
Less : Interest	19.967		25.030
Depreciation	55.183		54.881
Donation	0.418		1.035
Provision for taxation	41.262		36.079
		116.830	117.025
		56.219	50.265
Add: Surplus brought forward	1.403		1.930
Transfer from Investment			
Allowance Utilised Reserve	1.600		0.250
Excess Provision for Income			
Tax for earlier years	—		0.146
		3.003	2.326
		59.222	52.591
Appropriations :			
Dividend		19.088	19.088
Tax on Dividend		1.947	2.100
General Reserve		35.000	30.000
Surplus in Profit & Loss Account		3.187	1.403
		59.222	52.591

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. 479.206** millions for the year under review as against the turnover of **Rs. 402.810** millions of the previous year. 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. 24.813** millions during the year. The outflow of foreign exchange on Import of Raw Materials, Consumable stores, Machinery Spares, Tools & Equipments, Commission, Interest on Debentures, Redemption of Debentures and Repayment of foreign currency loan amounted **Rs. 26.889** millions and **Rs. 0.136** millions has been spent towards payment of dividend for the year ended 31st March, 2000.

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.

Dr. D. Padmanaban

DIRECTORS' RESPONSIBILITY STATEMENT :

In compliance to the Provisions of Section 217 (2AA) of the Companies Act, 1961, 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 :

Corporate Governance in terms of Listing Agreement has to be implemented before March, 2002. The Company is taking necessary steps for implementation of the Corporate Governance during the current year.

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 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
6th June, 2001

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, 2001.

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 *	58	Chairman & Managing Director Management of the affairs of the Company	5,153,359	L.M.E. P.D. Prod.E.	36 Years	01-07-1972	Managing Partner Shanthi Engg & Trading Company.

* Note : The nature of employment is contractual.

Coimbatore
6th June, 2001

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. 49,868 after tax for the year ended 31st March, 2001. The net aggregate profit of Shanthi Sales Limited for the Financial year upto 31st March, 2001 amounting to Rs. 358,588 has not been dealt with in the books of account of Shanthi Gears Limited.

Coimbatore
6th June, 2001

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, Coimbatore as at 31st March, 2001 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 Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to my comments in the Annexure referred to in paragraph 1 above, I state that :
 - a. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for my Audit.
 - b. In my opinion, proper books of account have been kept as required by law so far as appears from my examination of the books.
 - c. The Balance Sheet and Profit and Loss Account referred to in this Report are in agreement with the Books of Account.
 - d. In my opinion the Profit & Loss Account and Balance Sheet read together with the notes thereon, 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, 2001 and taken on record by the Board of Directors, I report that none of the Directors are disqualified as of 31st March, 2001 from being appointed as Directors in terms of Section 274 (1) (g) of the Companies Act, 1956.
 - f. In my opinion and according to the information and explanations given to me and on the basis of such checks as I 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 of
 - i. In the case of the Balance Sheet, of the STATE OF AFFAIRS as at 31st March, 2001
 - and
 - ii. In the case of the Profit and Loss Account of the **PROFIT** for the year ended that date.

Coimbatore
6th June, 2001

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, 2001.

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 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 material) and stores, spare parts of the Company at all its locations have been physically verified by the management during the year.
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 stock and book stock which have been properly dealt with in the books of account were not significant.
6. In my opinion, the valuation of stock-in-trade, stores and spare parts have been fair and proper in accordance with the generally accepted accounting principles and is on the same basis as in earlier years.
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.
8. 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.
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 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 its business.

Shanthi[®] Gears

11. In my opinion and according to the information and explanations given to me, the transactions for the purchase of goods, materials and services, sale of goods 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/services or the prices at which transactions for similar goods/materials/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. The Company has complied with the directives of the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder, for deposits accepted by it from public.
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 maintenance of 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. According to the information and explanations given to me, there was no amount outstanding on 31st March, 2001 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
6th June, 2001

S. Lakshminarayanan
Chartered Accountant