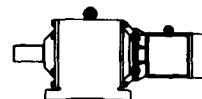
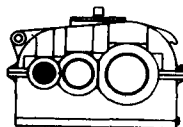
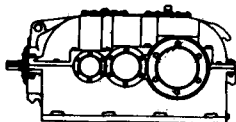
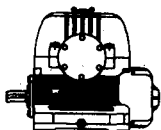


Shanthi[⚙] Gears

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Thirtieth Annual Report 2003



SHANTHI GEARS LIMITED**BOARD OF DIRECTORS**

Shri P SUBRAMANIAN
Chairman & Managing Director

Shri N C RAMACHANDRAN

Shri P N GOPAL

Dr. D PADMANABAN

Shri M J VIJAYARAAGHAVAN

Ms S SANGEETHA
Wholetime Director

AUDITORS

M/s. S LAKSHMINARAYANAN ASSOCIATES

INTERNAL AUDITOR

Shri T RAGHUNATHAN

BANKERS

STATE BANK OF INDIA
HDFC BANK LIMITED
IDBI BANK LIMITED

Registrars & Share Transfer Agents

S.K.D.C. CONSULTANTS LIMITED
No. 11, Street No. 1, S.N. Layout
West Power House Road
Coimbatore - 641 012.

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 **30th Annual General Meeting** of the Company will be held on Monday the **28th day of July, 2003** 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.

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 2003, 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. N.C. Ramachandran who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Dr. D. Padmanaban 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 fix their remuneration.

Special Business

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

"RESOLVED that Ms. S. Sangeetha appointed as an Additional Director by the Board of Directors of the Company, pursuant to Article 114 of Articles of Association of the Company who holds office upto to the date of ensuing Annual General Meeting, in respect of whom the Company has received notice in writing from a member proposing her candidature for the office of Director, be and is hereby appointed as a Director of the Company."

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

"RESOLVED that consent / approval be and is hereby accorded under Section 269, read with Schedule XIII, Section 198 and Section 309 and other applicable provisions of the Companies Act, 1956, Ms. S. SANGEETHA be and is hereby appointed as Wholtime Director of the Company for a period of 5 years from 24.07.2002.

Resolved further that in accordance with the provisions of Section 198, 309 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, Ms. S. SANGEETHA be paid overall remuneration by way of Salary, Dearness Allowance, Perquisites Commission and other allowances which shall not exceed 2% of the Net Profit of any Financial Year till the expiry period of the present appointment i.e. 23.07.2007.

Resolved further that where in any Financial Year during the tenure of the Wholtime Director, the Company has no profits or its profits are inadequate it may pay her remuneration by way of Salary, Dearness Allowances, Perquisites and any other allowances not exceeding Rs.12,00,000 per annum or Rs. 1,00,000 per Month.

Resolved further that for calculating minimum remuneration the following perquisites shall not be included in the computation of the ceiling on remuneration.

- i) Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under Income Tax Act, 1961.
- ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- iii) Encashment of Leave at the end of the tenure.

Resolved further that the Board of Directors be and is hereby authorised to alter or vary the composition / elements of Remuneration payable to Ms. S. SANGEETHA in such a manner as agreed to between the Board of Directors and Ms. S. SANGEETHA within the overall limits as set out above.

Shanthi Gears

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**.

"RESOLVED that in terms of guidelines issued by SEBI from time to time and subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) of re-enactment thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (herein after referred to as "the Board" which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by this resolution) consent is hereby accorded to the Board to delist the Company's Equity Shares from 1) The Colimbatore Stock Exchange Limited, Colimbatore and 2) Madras Stock Exchange Limited, Chennai.

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

A. "Resolved that consent/approval be and is hereby accorded under Section 269, read with Schedule XIII, Section 198 and Section 309 and other applicable provisions of the Companies Act, 1956, for the re-appointment of Mr.P.SUBRAMANIAN, Chairman & Managing Director of the Company for a period of 5 Years from 01.04.2004"

B. "Resolved further that in accordance with the provisions of Section 198, 309 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 and subject to such other approvals as may be necessary, Mr. P.SUBRAMANIAN, Chairman & Managing Director be paid an overall remuneration by way of Salary, Dearness Allowances, Perquisites, Commission and other allowances which shall not exceed Five percent of the Net Profit of any Financial Year from 01.04.2004 till the expiry period of the present appointment i.e.31.03.2009."

C. "Resolved further that where in any Financial Year during the currency of tenure of the Chairman & Managing Director, the Company has no profits or its profits are inadequate it may pay him remuneration by way of Salary, Dearness Allowance, Perquisites and any other allowances not exceeding Rs. 21,00,000 per annum or Rs. 1,75,000 per month."

Resolved further that for calculating minimum remuneration the following perquisites shall not be included in the computation of the ceiling on remuneration.

- i) Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under Income Tax Act, 1961.
- ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- iii) Encashment of leave at the end of the tenure.

Resolved further that the Board of Directors be and is hereby authorised to alter or vary the composition / elements of Remuneration payable to Mr. P. Subramanian in such a manner as agreed to between the Board of Directors and Mr. P. Subramanian within the overall limits as set out above.

10. 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 294 and 294AA and other applicable provisions of the Companies Act, 1956, and subject to the approval of the Central Government, the approval of the Company be and is hereby accorded to the re-appointment of M/s. Shanthi Sales Limited as Sole Selling Agents for a period of 5 Years commencing from 01.07.2004 for selling our Company's entire products all over the country including Union Territories of India and also for exports sales on a Commission of 3% on the Sale Value and on the terms and conditions approved by the Board of Directors of the Company as per agreements entered into with them, copies whereof are placed at the Meeting for perusal of the Members."

Colimbatore
30th May, 2003

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

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO. 6**

Ms. S. SANGEETHA was appointed as an Additional Director with effect from 24/07/2002, by the Board of Directors of the Company. Ms. S. SANGEETHA holds office as a Director upto the Date of Ensuing Annual General Meeting of the Company and is eligible for re-appointment as Director. The Company has received notice under Section 257 of the Companies Act, 1956, from a member proposing the candidature of Ms. S. SANGEETHA alongwith the Deposit of Rs. 500.

The Board considers her association as a Director of the Company will be beneficial and is in the interest of the Company.

Except Ms. S. SANGEETHA and Mr. P. SUBRAMANIAN being relative of Ms. S. SANGEETHA none of the other Directors is any way concerned or interested in the above appointment.

The Board recommends this Resolution for approval of the Members.

ITEM NO. 7

Ms. S. SANGEETHA is daughter of Mr. P. Subramanian, Chairman & Managing Director of the Company. She is a graduate in Business Management with University Ranking. She has undergone training in various departments of the Company. She was Manager Materials of the Company before she was appointed by the Board as Additional Director on 24.07.2002. At the same meeting after considering the recommendation of the Remuneration Committee she was appointed as a Wholtime Director to hold office for a period of 5 Years.

The remuneration set out above is in conformity within the requirements of Part I, Part II Section I, Section II 1(A) of the Schedule XIII of the Companies Act, 1956. The Board approved the above remuneration subject to the approval of the members at the First Annual General Meeting to be held after the said appointment. Accordingly the above Resolution is brought before you for your approval. Your Directors recommend that her appointment and remuneration as set out in the Resolution be approved by the members.

None of the Directors other than Mr. P. Subramanian being the father of Ms. S. Sangeetha and Ms. S. Sangeetha may be deemed to be concerned or interested in the resolution.

The particulars set out above can also be treated as memorandum required to be circulated to every member under Section 302 of the Companies Act, 1956.

ITEM NO. 8

Presently the Company's Equity Shares are listed on the following Stock Exchanges in India.

1. Coimbatore Stock Exchange Limited, Coimbatore
2. Madras Stock Exchange Limited, Chennai
3. The Stock Exchange, Mumbai
4. National Stock Exchange Limited, Mumbai

Of these, the Company proposes delisting of it Equity Shares from 1) Coimbatore Stock Exchange Limited, Coimbatore and 2) Madras Stock Exchange Limited, Chennai.

The trading of Equity Shares of the Company in dematerialized form has been made compulsory for all category of investors with effect from 26.03.2001 and the Company has already signed tripartite agreements with the both the depositories viz M/s. Central Depository Services (India) Limited and M/s.National Security Depository Limited.

With the networking facilities of National Stock Exchange Limited and The Stock Exchange, Mumbai, the Members of the Company have access to online dealings in the Company's Equity Shares across the country. Trading volumes of 1) Coimbatore Stock Exchange Limited, Coimbatore and 2) Madras Stock Exchange Limited, Chennai are low. The proposed delisting of the Equity Shares of the Company on the above two Stock Exchanges will not therefore adversely affect any investor including the Members located in the regions where the said Stock Exchanges are situated. The Company's Equity Shares will continue to be listed on 1) The Stock Exchange, Mumbai and 2) National Stock Exchange Limited, Mumbai.



Members approval by a Special Resolution is necessary for delisting Company's Equity Shares from 1) Colimatore Stock Exchange Limited, Colimatore and 2) Madras Stock Exchange Limited, Chennai. The proposed delisting is in the interest of the Company and the Board commends the Resolution for acceptance by Members.

All procedural formalities including providing an exit option to shareholders coming under these two stock exchanges will be strictly adhered to.

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

ITEM NO. 9

Mr. P. Subramanian, Chairman & Managing Director of the Company was appointed for a period of 5 Years from 01.04.1999. He is due for retirement on 31.03.2004.

The Board of Directors as per Recommendation of the Remuneration Committee at the meeting held on 29.05.2003 have approved the re-appointment of Mr. P. Subramanian for a period of 5 Years from 01.04.2004. They have also approved the remuneration and perquisites as proposed in the resolution which is in the line with Schedule XIII of the Companies Act, 1956.

The draft agreement which has been approved by the Board of Directors for being entered into with the Chairman & Managing Director by the Company is available for inspection by the members of the Company at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day except Saturdays till the date of Annual General Meeting.

The particulars set out in the said agreement contains, interalia, apart from the remuneration and perquisites proposed, the following terms and conditions.

- a) The Managing Director shall be in charge of all day to day activities of the Company and the Board may entrust to him to carry out such other duties subject to its supervision and control.
- b) The Managing Director shall not have powers to
 - (i) Make calls of share holders in respect of monies unpaid on the shares on the Company.
 - (ii) Power to issue Debentures and except to the extent mentioned in the resolution passed at the Board Meeting under Section 292 of the Companies Act, 1956 shall also not exercise the power to -
- c) borrow money other than Debentures.
- d) Invest the funds of the Company in shares, stocks and securities.
- e) To make loans.

The particulars set out above can also be treated as memorandum required to be circulated to every member under Section 302 of the Companies Act, 1956.

None of the Directors other than Mr. P. Subramanian and Ms. S. Sangeetha being daughter of Mr. P. Subramanian are in any manner concerned or interested in this resolution.

ITEM NO. 10

M/s. Shanthi Sales Limited is the Wholly owned subsidiary of the Company looking after entire marketing activities of the Company. They have in their fold, marketing executives and sales and services personnel. They are acting as Sole Selling Agents of the Company from 01.07.1984. With their expertise the sale of the Company's products has increased in several folds. Now directors have re-appointed them for a period of another 5 Years commencing from 01.07.2004 as per the terms and conditions stated in the resolution set out in the Item No. 10. Section 294AA (3) of the Companies Act, 1956 provides that no Company having a paid up Capital of Rs. 50 Lakhs or more shall appoint / re-appoint a Sole Selling Agent except with the consent of the Company accorded by a Special Resolution and the approval of the Central Government. Therefore for the re-appointment of Sole Selling Agent by the said agreement to be effective, the approval of the Company by a Special Resolution is being sought. Necessary application will be made to the Central Government for obtaining its approval. The Directors' recommend the resolution be passed.

Copy of the agreement to be entered into with the Sole Selling Agents is available for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting.

None of the Directors other than Mr. P. Subramanian who is also a Director in the subsidiary Company is in any manner concerned or interested in this resolution.

Coimbatore
30th May, 2003

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 23rd July 2003 to 28th July 2003 (both days inclusive).
3. Dividend on approval will be paid on 01/08/2003 to the members whose name appear in Register of Members as on 28/07/2003. In respect of shares held on Demat Form, the Dividend will be paid to the Beneficial owners as on 23/07/2003 as per the details forwarded by the RTA for this purpose.
4. Consequent upon the amendment to Section 205A of the Companies Act, 1956 the Dividend declared for the year ended 31st March, 1996 and for any financial year ending thereafter which remain unclaimed for a period of seven years will be transferred to the Investor Protection Fund of the Central Government. Members who have not encashed their Dividend Warrants in respect of the above period 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

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 2003-2004 in respect of the above Stock Exchanges.

8. Members requiring information on the Accounts are requested write to the Company at least seven (7) days in advance, so as enable the Company to furnish such information.

Coimbatore
30th May, 2003

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



DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting to you the Thirtieth Annual Report, together with the audited accounts of your Company, for the year ended 31st March, 2003.

FINANCIAL RESULTS

	31-03-2003 Rs. in Millions	31-03-2002 Rs. in Millions
Gross profit before interest and depreciation	174.682	176.695
Less : Interest	11.374	17.331
Depreciation	58.392	57.753
Donation	1.105	0.931
Provision for taxation	38.400	39.200
Deferred Taxes	0.238	(2.467)
	<u>109.509</u>	<u>112.748</u>
	65.173	63.947
Add: Surplus brought forward	2.571	3.187
Transfer from Investment		
Allowance Utilised Reserve	0.100	4.500
Excess provision of tax for Earlier years	0.223	—
	<u>2.894</u>	<u>7.687</u>
	<u>68.067</u>	<u>71.634</u>
Appropriations :		
Proposed Dividend	22.906	22.906
Tax on Dividend	2.934	—
Debenture Redemption Reserve	10.000	10.000
General Reserve	30.000	36.157
Surplus in Profit & Loss Account	2.227	2.571
	<u>68.067</u>	<u>71.634</u>

DIVIDEND

Your Directors recommend a Dividend of **60%** (Rs. 6 per Equity Share of Rs. 10 each fully paidup).

OPERATING RESULTS

The Company has achieved a Turnover of **Rs. 562.745** Millions for the year under review as against the turnover of **Rs. 530.386** 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. 25.053** Millions during the year. The outflow of foreign exchange on Import of Machinery, Interest on FCNR(B) Loans, Raw Materials, Consumable stores, Machinery Spares, Travelling & Advertisement amounted **Rs. 81.727** Millions and **Rs. 0.129** Millions has been spent towards payment of dividend for the year ended 31st March, 2002.

FIXED DEPOSITS

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

DIRECTORS

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

Sri N.C. Ramachandran
Dr. D. Padmanaban

Ms. S. Sangeetha was appointed as Additional Director during the period under review, retires at the ensuing Annual General Meeting. A member has given a notice in writing proposing Ms. S. Sangeetha for the office of Director alongwith Deposit of Rs. 500.

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 Account, 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. Auditor 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 the SBI, IDBI Bank and HDFC Bank. The Board conveys its thanks to the Central and State Governments. It also thanks to the customers and suppliers for their support and investors for reposing faith in the Company.

Coimbatore
30th May, 2003

By Order of the Board
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, 2003.

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 *	60	Chairman & Managing Director Management of the affairs of the Company	5,608,910	L.M.E. P.D. Prod.E.	38 Years	01-07-1972	Managing Partner Shanthi Engg & Trading Company.

* Note : The nature of employment is contractual.

Coimbatore
30th May, 2003

For The Board of Directors

P. Subramanian

Chairman & Managing Director

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

Shanthi Gears Limited hold the entire issued Share Capital of 5000 Equity Shares of Rs. 100 each of Shanthi Sales Limited. Shanthi Sales Limited has earned a profit of Rs. 81519 after tax for the year ended 31st March, 2003. The net aggregate profit of Shanthi Sales Limited for the Financial year upto 31st March, 2003 amounting to Rs. 521126 has not been dealt within the books of account of Shanthi Gears Limited.

P. Subramanian

Chairman & Managing Director

Coimbatore
30th May, 2003

S. Sangeetha

Wholetime Director