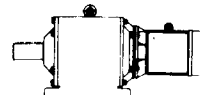
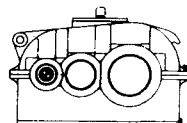
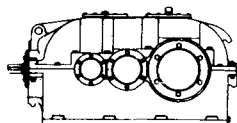
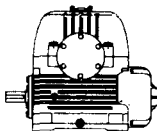


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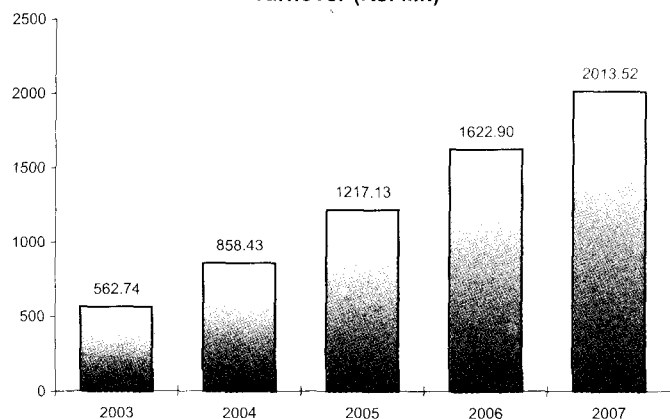
Report  junction.com

Thirty Fourth Annual Report 2007

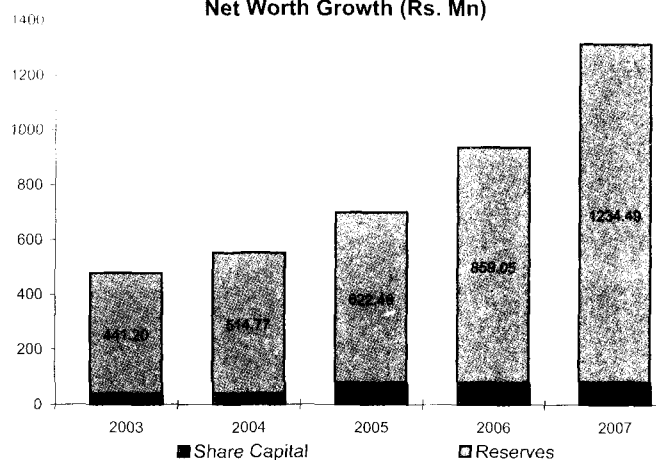


Financial Performance Indicators

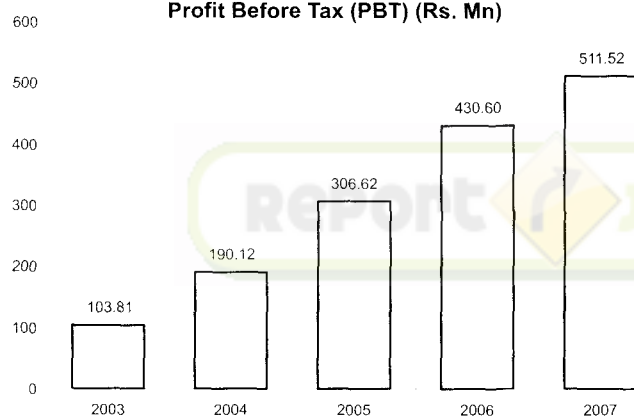
Turnover (Rs. Mn)



Net Worth Growth (Rs. Mn)



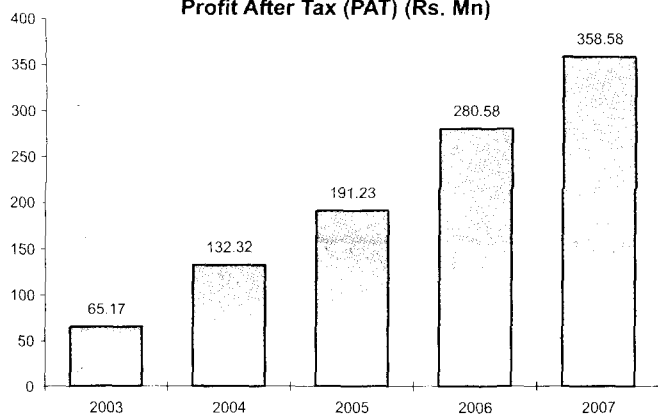
Profit Before Tax (PBT) (Rs. Mn)



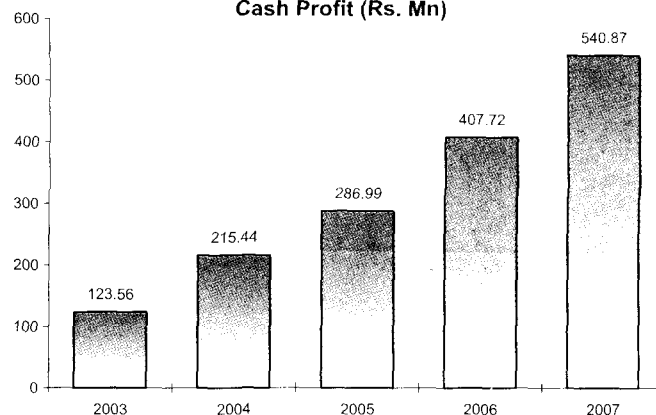
Earning Before Interest, Tax & Depreciation (EBDITA) (Rs. Mn)



Profit After Tax (PAT) (Rs. Mn)



Cash Profit (Rs. Mn)



SHANTHI GEARS LIMITED**BOARD OF DIRECTORS****Shri P SUBRAMANIAN**

Chairman & Managing Director

Shri P N GOPAL**Dr. D PADMANABAN****Shri M J VIJAYARAAGHAVAN****Ms. S SANGEETHA**

Wholetime Director

COMPANY SECRETARY**Shri C SUBRAMANIAM****AUDITORS****M/s. S LAKSHMINARAYANAN ASSOCIATES****INTERNAL AUDITOR****Shri T RAGHUNATHAN****BANKERS**

STATE BANK OF INDIA
THE HONGKONG AND SHANGHAI BANKING
CORPORATION LIMITED
THE TORONTO-DOMINION BANK
HDFC BANK LIMITED
STATE BANK OF HYDERABAD

REGISTRARS & SHARE TRANSFER AGENTS

S.K.D.C. Consultants Limited,
No.7 (Old 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.

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, Suler Via,
Coimbatore - 641 402.

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NOTICE

Notice is hereby given that the **34th Annual General Meeting** of the Company will be held on Monday the **16th day of July, 2007** 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 2007, 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 Ms. S. Sangeetha who retires by rotation and being eligible, offers herself 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 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 reappointment of Ms. S. Savitha, daughter of Sri. P. Subramanian, Chairman & Managing Director and Sister of Ms. S. Sangeetha, Wholtime Director of the Company and her holding and continuing to hold office of Profit as Vice President (Production) with effect from 1st August 2006 on the following Terms of Remuneration

Salary : Rs. 40,000 per month

Bonus : One-Month Salary per Annum.

In addition, she shall be entitled to Provident Fund, Superannuation, Gratuity and other facilities, as admissible to the Cadre, as per the rules 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, for the reappointment of Ms. S. SANGEETHA, Wholtime Director of the Company for a period of 5 years from 24.07.2007".

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, Ms. S. SANGEETHA, WHOLETIME DIRECTOR 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. 23.07.2012.

Shanthi Gears

Resolved further that where in any Financial Year during the currency of tenure of the Wholtime Director, the Company has no profits or its profits are inadequate, it may pay her minimum 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.

8. To consider and if thought fit, to pass, the following resolution as a Special Resolution.

"Resolved that pursuant to Section 17 and other applicable provisions if any of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) the Memorandum of Association of the Company be and is hereby altered by adding / inserting a New Clause in other object after the existing clause III (C) 14 as sub-clause 15".

15. To carry on the business of Property Developers, promoters and builders of flats, offices, houses, bungalows, service flats, chawls, factories, godowns, warehouses, shops, cinema theatres, multiplex complexes, trade centers and other conveniences of all kinds and properties of all kinds and description and to acquire by purchases, lease, exchange, development, construction of buildings, erection or to demolish, re-erect, alter, repair, remodel or otherwise deal in land, buildings, estates, hereditaments, road, highways, docks, bridges, canals, dams, ports, reservoirs or any other structural or architectural work of any kind whatsoever.

9. To consider and if thought fit, to pass, the following resolution as a Special Resolution.

"Resolved that pursuant to the provisions of Section 149 (2A) and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force), consent of the shareholders be and is hereby accorded to commence the activities as specified in the sub-clause No. 15 of the other object clause i.e., under sub-clause (C) (15) of clause III of the Memorandum of Association of the Company."

"Resolved further that the Board of Directors be and is hereby authorised to perform all such acts, deeds, things and matters as in it absolute discretion, it may consider necessary, expedient or desirable and to settle any question, or doubt that may arise in relation thereto in order to give effect to the foregoing resolution or as may be otherwise considered, if any, to be in the best interest of the Company."

Note : Resolution Nos. 8 & 9 require the consent of shareholders through Postal Ballot for which necessary steps have been taken as per the Companies (Passing of Resolution by Postal Ballot) Rules 2001.

Coimbatore
16th May, 2007

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 30th June 2007 to 16th July 2007 (Both days inclusive)
3. Dividend on approval will be paid on 20th July 2007 to the members whose name appear in Register of Members as on 16th July 2007. In respect of shares held on Demat Form, the Dividend will be paid to the Beneficial owners as on the closing hours of 29th June 2007 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, 1999 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
Interim	31.03.2000	29.05.2000	25.05.2007
Final	31.03.2001	27.07.2001	29.08.2008
Final	31.03.2002	29.07.2002	28.08.2009
Final	31.03.2003	01.08.2003	31.08.2010
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

Members who have not encashed their Dividend Warrants in respect of the year ended 31st March 2000 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. In respect of Special Resolutions as per Item Nos. 8 & 9 of the notice, these resolutions required to be passed through Postal Ballot pursuant to the provisions of Companies (Passing of the Resolution by Postal Ballot) Rules, 2001. A separate notice has been issued to the members in respect of the same. The Chairman will announce the results at the Annual General Meeting. If resolutions are assented to by the requisite majority of the shareholders in the Postal Ballot, it shall be deemed to have been passed at the said Annual General Meeting as per Sub Section (4) of Section 192A of the Companies Act, 1956.
7. Members are requested to bring their copies of report and Accounts to the Meeting.
8. Company's Equity Shares are listed at :

National Stock Exchange Limited, Trade World, Kamala Mill Compound, 2 nd Floor, Senapati Bapat Marg, Lower Parel, MUMBAI - 400 013.	Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI - 400 001.
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The Company has paid the Annual Listing fees for the financial year 2007-08 in respect of the above Stock Exchanges.

9. 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.
10. Information relating to Directors who are seeking re-appointment is given in Report on Corporate Governance. Details of shares held by Non-executive Directors who are seeking re-appointment are given below. None of them are holding shares on beneficial basis by/for other persons.

Name of Director	Number of shares held
1) Dr. D. Padmanaban	Nil

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

Item No.6

Ms. S. Savitha is the daughter of Sri. P. Subramanian, Chairman & Managing Director and Sister of Ms. S. Sangeetha, Wholtime Director of the Company. She is Graduate in Engineering and also Masters Degree in Business Administration. She joined the company in the year 1994 as Production Executive. She was elevated as Vice President (Production) from 1st August 2001. It is beneficial to the company to have her services. 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 & Managing Director and Ms. S. Sangeetha, Wholtime Director are concerned and interested in the Resolution.

Item No.7

Ms. S. Sangeetha, Wholtime Director of the Company was appointed for a period of 5 Years from 24.07.2002. Her appointment expires on 23.07.2007.

The Board of Directors as per Recommendation of the Remuneration Committee at the meeting held on 15.05.2007 have approved the re-appointment of Ms. S. Sangeetha for a period of 5 Years from 24.07.2007. 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 Wholtime 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) Overall Remuneration: Not exceeding 2% of the Net Profit.
- b) In addition to Chairman & Managing Director, Wholtime Director shall be in charge of all day to day activities of the Company and the Board may entrust to her to carry out such other duties subject to its supervision and control.
- c) The Wholtime 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.
- (iii) borrow money other than Debentures.
- (iv) invest the funds of the Company in shares, stocks and securities.
- (v) 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 Ms. S. Sangeetha and Mr. P. Subramanian being relative of Ms. S. Sangeetha are in any manner concerned or interested in this resolution.

Item No.8

The Directors of your company felt that considering the increase in Land price and demand for land at Coimbatore, the surplus lands of the Company can be used in such way to carry the business of property development with the existing business. The same can be done in such a way that it is more beneficial to the company and can be done more economically and efficiently. The same can be advantageously combined with the existing business.

To carry on the business of property developers, an object clause has to be added to the Memorandum of Association of the Company in the other object of the Company.

Pursuant to the provision of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, the consent of the shareholders is sought to be obtained through Postal Ballot by way of Special Resolution.

Hence the above resolution is brought before you for your approval.

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

The Board recommends that the above resolution be approved by the members.

Item No.9

As per the provision of Section 149 (2A), and other applicable provisions, if any, of Companies Act, 1956, the approval of the Shareholders is required, to commence the activities mentioned in the "Other Objects" Clause III (C) (15) of the Memorandum of Association of the Company.

Pursuant to the provision of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, the consent of the shareholders is sought to be obtained through Postal Ballot by way of Special Resolution.

The Board recommends the passing of the resolution by casting their vote through the Postal Ballot Form, which is sent alongwith the Notice.

None of the Directors of the Company is concerned or interested in the said resolution.

Coimbatore
16th May, 2007

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting to you the Thirty Fourth Annual Report, together with the audited accounts of your Company, for the year ended 31st March 2007.

FINANCIAL RESULTS

	Year ended 31-03-2007	Year ended 31-03-2006
	Rs. in Millions	
Gross profit before interest and depreciation	741.785	588.030
Less : Interest	47.723	29.969
Depreciation	182.296	127.140
Donations	0.247	0.325
Provision for taxation / Withholding Tax	105.833	113.647
Fringe Benefit Tax	2.500	2.400
Deferred Taxes	67.329	33.969
	<u>335.857</u>	<u>280.580</u>
Add : Extra ordinary Income	22.715	-
	<u>358.572</u>	<u>280.580</u>
Add : Excess Provision no longer required	0.005	-
Surplus brought forward	32.076	12.709
	<u>390.653</u>	<u>293.289</u>
Appropriations :		
Proposed Dividend		
Previous Year	0.783	79.993
Current Year	80.776	-
Tax on Dividend		
Previous Year	0.110	11.219
Current Year	13.728	-
Debenture Redemption Reserve	-	10.000
General Reserve	250.000	160.000
Surplus in Profit & Loss Accounts	45.256	32.077
	<u>390.653</u>	<u>293.289</u>

DIVIDEND

Your Directors recommend a Dividend of **100% (Re. 1 per Equity Share of Re.1 each fully paidup)**

OPERATING RESULTS

The Company has achieved a Turnover of **Rs.2013.523** Million for the year under review as against the turnover of **Rs.1622.898** Millions of the previous year showing a growth of **24.07%**. 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.

CHANGES IN SHARE CAPITAL

During the year under review, the Company has allotted 1,957,582 Equity Shares of Re.1 each upon conversion of FCCBs for the value of US\$ 2.5 Millions. Consequent to changes, the Issued, Subscribed and Paid up Equity Capital of the Company is 80,776,215 Equity Shares of Re.1 each.

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.178.55** Millions during the year and earned Rs.2.252 Millions by way of Interest Receipts. The outflow of foreign exchange on import of Machinery, interest on FCNR (B) Loans, interest on FCCBs, Raw Materials, Consumable stores & Tools, Machinery Spares, Advertisement, Subscription, Sales Promotion Expenses, Exhibition Expenses, Commission and Germany Liaison Office Expenses amounted to Rs.525.91 Millions.

FIXED DEPOSITS

The Company has repaid entire Fixed Deposits and does not accept deposit from Public. Further, 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

Dr. D. Padmanaban

Ms. S. Sangeetha

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.