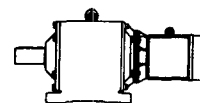
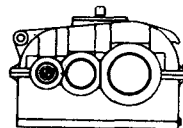
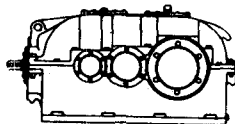
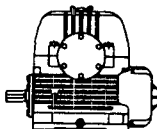


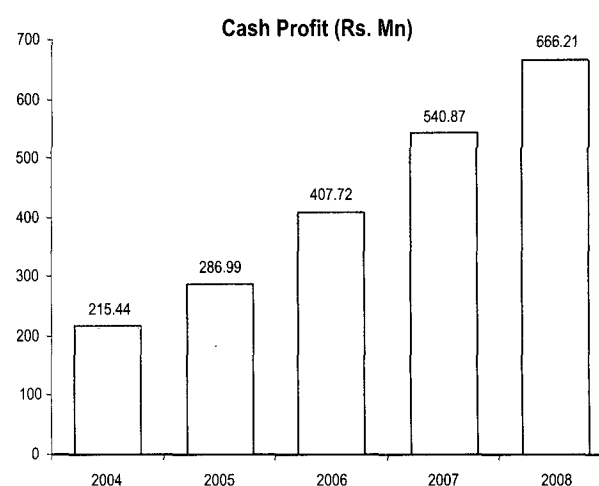
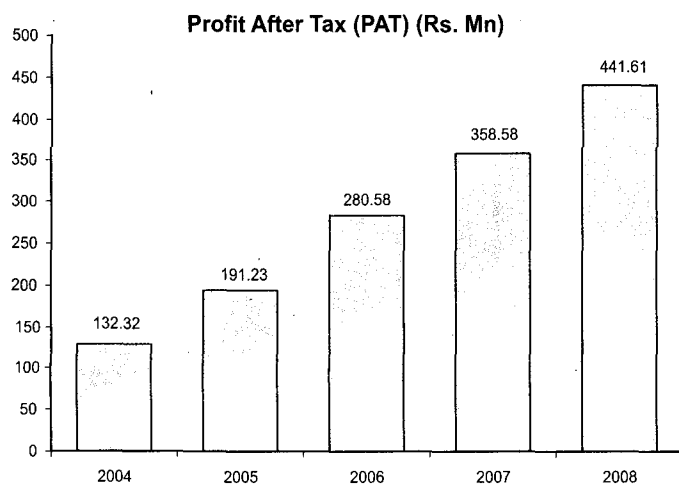
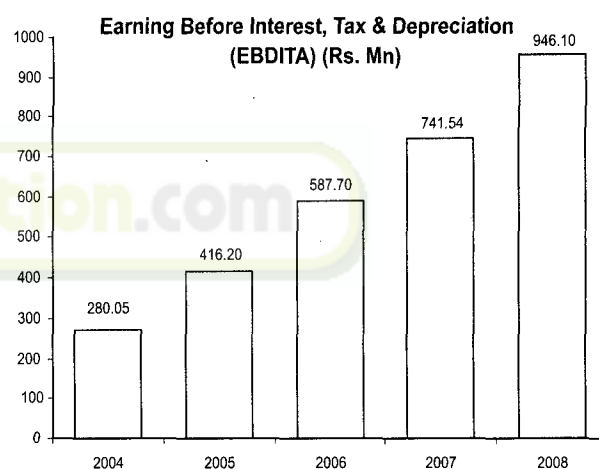
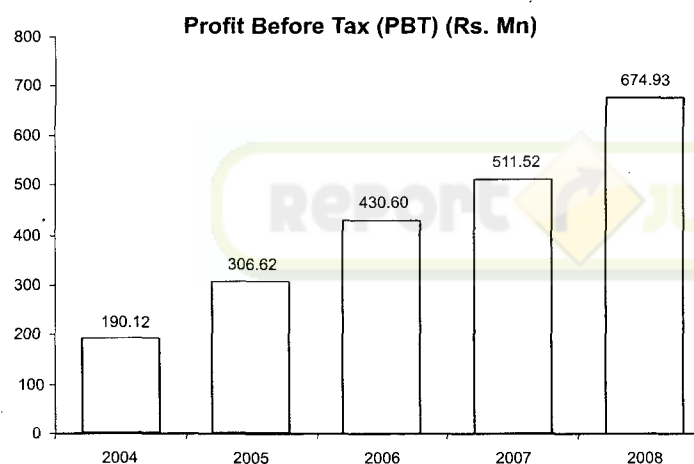
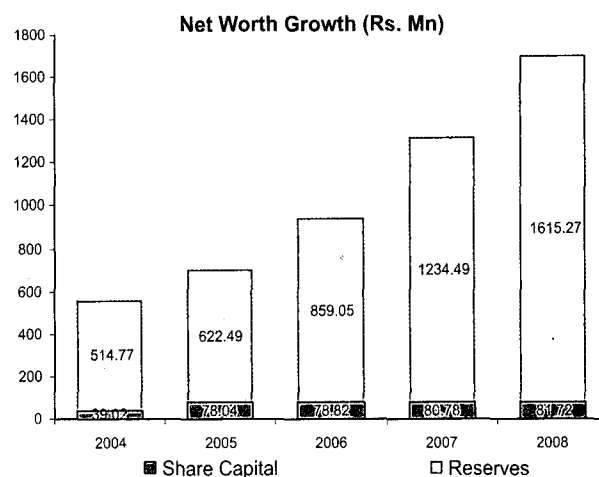
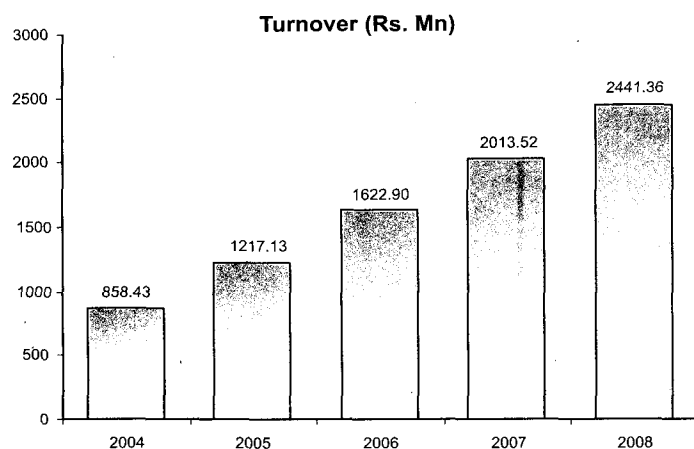
Shanthi Gears

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Thirty Fifth Annual Report 2008



Financial Performance Indicators



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 Toronto-Dominion Bank
HDFC Bank Limited
State Bank of Hyderabad
ICICI Bank Limited

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, Sulur Via,
Coimbatore - 641 402

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NOTICE

Notice is hereby given that the **35th Annual General Meeting** of the Company will be held on Monday, the **14th day of July 2008** at **10.00 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 2008, 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 a Director in the place of Sri M.J. Vijayaraaghavan 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 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 01.04.2009.

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 Allowance, Perquisites, Commission and other allowances which shall not exceed Five percent of the Net Profit of any Financial Year from 01.04.2009 till the expiry period of the appointment i.e. 31.03.2014.

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 minimum remuneration by way of Salary, Dearness Allowances, Perquisites and any other allowances not exceeding Rs. 24,00,000 per annum or Rs. 2,00,000 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 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."

Coimbatore
14th May, 2008

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. Proxy 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 1st July 2008 to 14th July, 2008 (Both days inclusive).
3. Dividend on approval will be paid on 18th July 2008 to the members whose names appear in Register of Members as on 14th July 2008. In respect of shares held in Demat Form, the Dividend will be paid to the Beneficial owners as on the closing hours of 30th June, 2008 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, 2000 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
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
Final	31.03.2007	20.07.2007	23.08.2014

Members who have not encashed their Dividend Warrants in respect of the year ended 31st March, 2001 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. Members are requested to bring their copies of report and Accounts to the Meeting.
7. 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- 400013.	Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI- 400001.
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The Company has paid the Annual Listing fees for the financial year 2008-09 in respect of the above Stock Exchanges.
8. 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.

9. 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) Sri.P.N.Gopal	50498
2) Sri.M.J.Vijayaraaghavan	420

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO.6

Mr. P. SUBRAMANIAN, Chairman & Managing Director of the Company was appointed for a period of 5 Years from 01.04.2004. He is due for retirement on 31.03.2009.

The Board of Directors as per Recommendation of the Remuneration Committee at the meeting held on 09.05.2008 approved the re-appointment of Mr. P. SUBRAMANIAN for a period of 5 Years from 01.04.2009. They have also approved the remuneration and perquisites as proposed in the resolution which is in 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 Chairman & 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 Chairman & 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) issue Debentures 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) 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.

Coimbatore
14th May, 2008

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

Shanthi Gears

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting to you the Thirty Fifth Annual Report, together with the audited accounts of your Company, for the year ended 31st March, 2008.

FINANCIAL RESULTS

	Year Ended 31-03-2008	Year Ended 31-03-2007
	Rs. in Million	
Gross Profit before Interest & Depreciation	946.625	741.785
Less: Interest	46.571	47.723
Depreciation	224.605	182.296
Donations	0.525	0.247
Provision for Taxation / Withholding Tax Paid	206.742	105.833
Fringe Benefit Tax	2.500	2.500
Deferred Taxes	24.843	67.329
	440.839	335.857
Add: Extra ordinary Income	-	22.715
	440.839	358.572
Add: Excess Provision no longer required	0.771	0.005
Surplus brought forward	45.256	32.076
	486.866	390.653
Appropriations:		
Proposed Dividend		
Previous Year	-	0.783
Current Year	98.059	80.776
Tax on Dividend		
Previous Year	-	0.110
Current Year	16.665	13.728
General Reserve	300.000	250.000
Surplus in Profit & Loss Accounts	72.142	45.256
	486.866	390.653

DIVIDEND

Your Directors recommend a Dividend of **120% (Rs. 1.20 per Equity Share of Re.1 each fully paidup)**

OPERATING RESULTS

The Company has achieved a Turnover of **Rs. 2441.361** Million for the year under review as against the turnover of **Rs. 2013.523** Million of the previous year showing a growth of **21.25%**. 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 939,638 Equity Shares of Re.1 each upon conversion of FCCBs for the value of US\$ 1.2 Million. Consequent to changes, the Issued, Subscribed and paid up Equity Capital of the Company is 81,715,853 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.237.26 Million** during the year and earned **Rs.0.05 Million** 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.178.05 Million**.

FIXED DEPOSITS

The Company has not accepted any deposits from the public during the 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.P.N.Gopal

Sri.M.J.Vijayaraaghavan

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.

Shanthi Gears

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 Banks and Financial Institutions. The Board conveys its thanks to the Central and State Governments. It also thanks its customers and suppliers for their support and investors for reposing faith in the Company.

Coimbatore
14th May, 2008

For 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, 2008.

Sl. No.	Name	Age (Years)	Designation/ Nature of duties	Remuneration Rs.	Qualification	Experience	Date of Commence ment of Employment	Previous Employment
1	Mr.P.Subramanian*	65	Chairman & Managing Director Overall Management of the affairs of the Company	36,321,766	L.M.E P.D.Prod.E.	43 Years	01/07/1972	Managing Partner Shanthi Engg & Trading Company.
2	Ms.S.Sangeetha*	33	Wholtime Director Day to day Management of The Company	14,528,706	B.B.M.	12 Years	05/01/1996	-

* Note : The nature of employment is contractual
Mr. P. Subramanian and Ms. S. Sangeetha are related

Coimbatore
14th May, 2008

For the Board of Directors
P. Subramanian
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy of Corporate Governance

The Company firmly believes in good Corporate Governance and envisage the attainment of transparency in all matters of Management of the Company and in reporting to the Share Holders and all others concerned.

2. Board of Directors

- a) The Board of Directors consists of 5 Directors, of whom 3 are Independent Non- executive Directors. An Executive Chairman heads the Board.
- b) Attendance of each Director at the Board Meetings and the Last Annual General Meeting (AGM).

Name of the Directors	Category of Directorship	No. of Board Meetings Attended	Attendance at the Last AGM
Sri. P. Subramanian	Chairman & Managing Director Executive Director	4	Present
Sri. P.N. Gopal	Independent Director Non Executive	4	Present
Dr. D. Padmanaban	Independent Director Non Executive	4	Present
Sri. M.J. Vijayaraaghavan	Independent Director Non Executive	4	Present
Ms. S. Sangeetha	Wholetime Director Executive Director	4	Present

- c) Number of other Companies or Committees the Directors of the Company is a Director/ Member/Chairman

Name of the Directors	Other Directorship	Other Committee Positions	
		Member	Chairman
Sri. P. Subramanian	1	- NIL -	- NIL -
Sri. P.N. Gopal	- NIL -	- NIL -	- NIL -
Dr. D. Padmanaban	2	- NIL -	- NIL -
Sri. M.J. Vijayaraaghavan	2	1	1
Ms. S. Sangeetha	1	- NIL -	- NIL -

- d) Details of Board Meetings held during the Period from 01.04.2007 to 31.03.2008

Sl. No.	Date of the Meeting
1	16.05.2007
2	16.07.2007
3	22.10.2007
4	21.01.2008