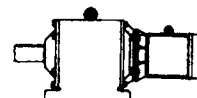
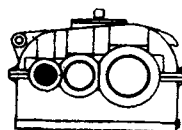
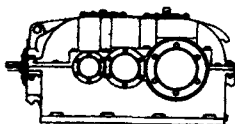
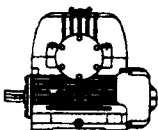


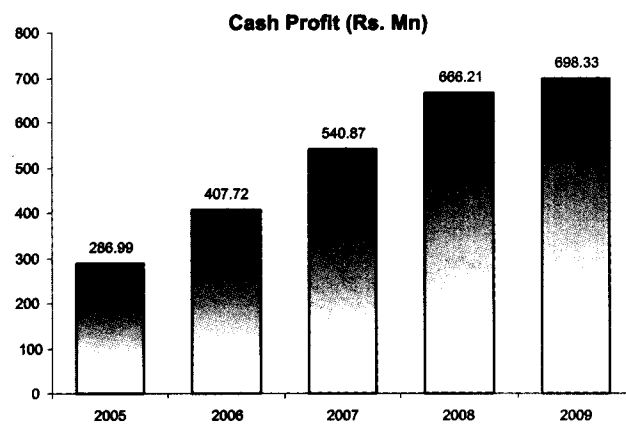
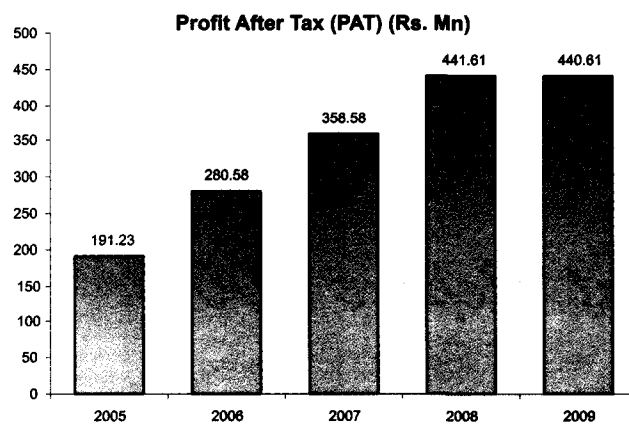
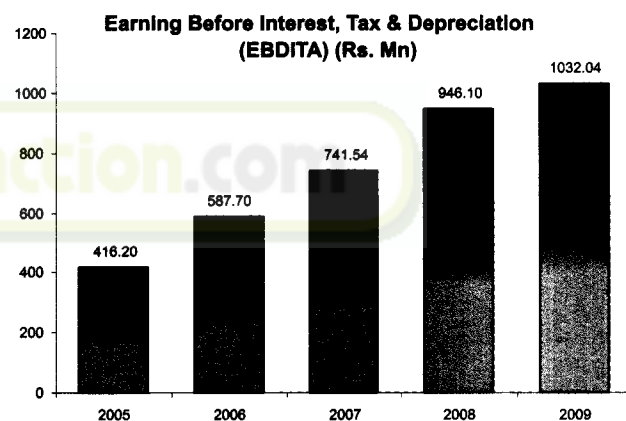
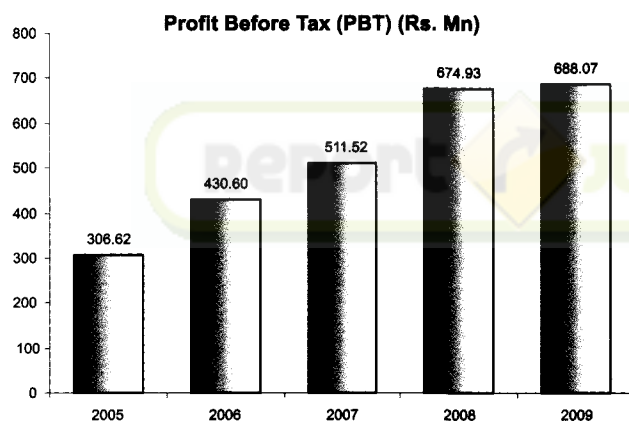
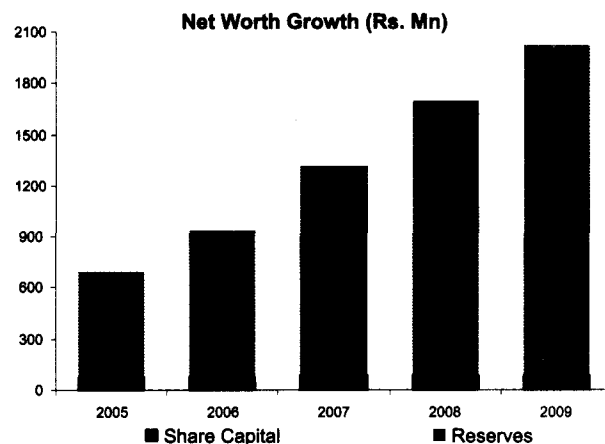
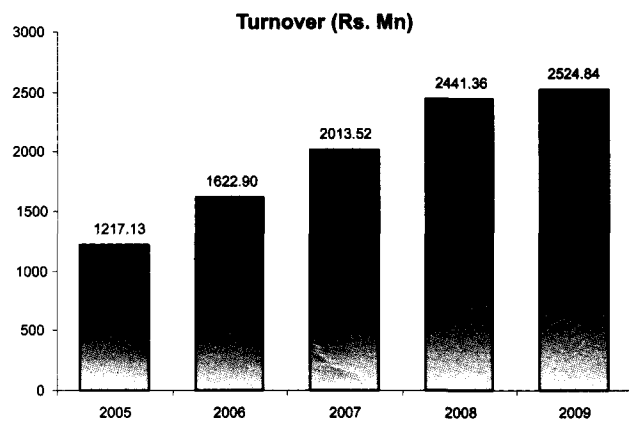
# **Shanthi<sup>⚙</sup> Gears**

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*Thirty Sixth Annual Report 2009*



## 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  
State Bank of Hyderabad  
ICICI Bank Limited  
Barclays Bank PLC  
The Bank of Nova Scotia

### 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 **36<sup>th</sup> Annual General Meeting** of the Company will be held on **Friday, the 10<sup>th</sup> day of July, 2009 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 31<sup>st</sup> March, 2009 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 authorise Board of Directors to fix their remuneration.

Coimbatore  
27<sup>th</sup> May, 2009

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 1<sup>st</sup> July, 2009 to 10<sup>th</sup> July, 2009 (Both days inclusive).
3. Dividend on approval will be paid on 14<sup>th</sup> July, 2009 to the members whose name appear in Register of Members as on 10<sup>th</sup> July, 2009. In respect of shares held in Demat Form, the Dividend will be paid to the Beneficial owners as on the closing hours of 30<sup>th</sup> June, 2009 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 31<sup>st</sup> March, 2001 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	31.03.2002	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
Final	31.03.2008	18.07.2008	21.08.2015

## Shanthi Gears

Members who have not encashed their Dividend Warrants in respect of the year ended 31<sup>st</sup> March, 2002 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,  
2nd Floor, Senapati Bapat Marg,  
Lower Parel, MUMBAI- 400013.

Bombay Stock Exchange Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
MUMBAI- 400001.

The Company has paid the Annual Listing fees for the financial year 2009-2010 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
Dr.D.Padmanaban	NIL

Coimbatore  
27<sup>th</sup> May, 2009

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 Sixth Annual Report, together with the audited accounts of your Company, for the year ended 31st March, 2009.

### FINANCIAL RESULTS

	Year Ended 31-03-2009	Year Ended 31-03-2008
	Rs. in Million	
Gross Profit before Interest & Depreciation	1032.573	951.188
Less: Interest	86.247	51.134
Depreciation	257.723	224.605
Donations	0.533	0.525
Provision for Taxation / Withholding Tax Paid	231.196	206.742
Fringe Benefit Tax	2.500	2.500
Deferred Tax	10.261	24.843
Prior Year Tax	3.618	-
	<u>440.495</u>	<u>440.839</u>
Add: Excess Provision no longer required	0.115	0.771
Surplus brought forward	72.142	45.256
	<u>512.752</u>	<u>486.866</u>
Appropriations:		
Proposed Dividend	98.059	98.059
Tax on Dividend	16.665	16.665
General Reserve	300.000	300.000
Surplus in Profit & Loss Account	98.028	72.142
	<u>512.752</u>	<u>486.866</u>

### DIVIDEND

Your Directors recommend a Dividend of **Rs. 1.20** per Equity Share of Re.1 each fully paid up (**120%** on the paid up share capital of the Company)

### OPERATING RESULTS

The Company has achieved a Turnover of **Rs. 2524.842** Million for the year under review as against the turnover of **Rs. 2441.361** Million of the previous year. Due to global recession and sluggish demand on account of slow down in economy the Company's growth has been affected. Your Directors are of the view that the current year performance will depend upon the revival of economy.

### 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. 335.387 Million** during the year. The outflow of foreign exchange on Import of Machinery, Interest on FCCBs and other ECBs, Raw Materials, Consumable stores & Tools, Machinery Spares, Advertisement, Sales Promotion Expenses, Professional and consultancy Charges, Commission and Germany Liaison Office Expenses amounted **Rs. 318.59 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

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. Auditor's 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 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  
27<sup>th</sup> May, 2009

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 31<sup>st</sup> March, 2009.**

Sl. No.	Name	Age (Years)	Designation/ Nature of duties	Remuneration Rs.	Qualification	Experience	Date of Commencement of Employment	Previous Employment
1	Mr.P.Subramanian*	66	Chairman & Managing Director Overall Management of the affairs of the Company	3,70,28,929	L.M.E P.D.Prod.E.	44 Years	01/07/1972	Managing Partner Shanthy Engg & Trading Company.
2	Ms.S.Sangeetha*	34	Wholetime Director Day to day Management of the Company	1,48,11,571	B.B.M.	13 Years	05/01/1996	-

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

Coimbatore  
27<sup>th</sup> May, 2009

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

- The Board of Directors consists of 5 Directors, of whom 3 are Independent Non- executive Directors. An Executive Chairman heads the Board.
- 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	Absent
Dr. D. Padmanaban	Independent Director Non Executive	4	Absent
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	
		Members	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 01.04.2008 to 31.03.2009

Sl. No.	Date of the Meeting
1	14.05.2008
2	30.07.2008
3	30.10.2008
4	30.01.2009

- e) There is no inter-se relationship between Directors other than Mr. P. Subramanian and Ms. S. Sangeetha. Mr. P. Subramanian and Ms. S. Sangeetha are related to each other as father and daughter respectively.

3. Audit Committee

The Audit Committee consists of 3 Independent Directors.

The Details of Audit Committee Meetings held

Sl. No.	Date of the Meeting
1	09.05.2008
2	28.07.2008
3	29.10.2008
4	29.01.2009

Composition of Audit Committee and Meeting Attendance

Sl. No.	Members of Audit Committee	No. of Meetings Attended
1	Sri. M.J. Vijayaraaghavan, Chairman	4
2	Sri. P.N. Gopal	4
3	Dr. D. Padmanaban	4

The terms of reference to the Audit Committee are wide enough to cover all matters specified under the Listing Agreement and the Companies Act, 1956.

The Committee has met 4 times during the Financial Year ended 31<sup>st</sup> March, 2009.

4. Remuneration paid to Chairman & Managing Director and Wholetime Director

The Board of Directors at their Meeting held on 30.05.2003 have approved the re-appointment of Chairman & Managing Director and remuneration payable to him as recommended by the Remuneration Committee at their meeting held on 29.05.2003. The members in the General Meeting held on 28.07.2003 have approved the re-appointment of Mr.P.Subramanian as Chairman & Managing Director for a period of 5 years from 01.04.2004 and remuneration payable to him.

The aggregate value of salary, perquisites and commission for the period from 01.04.2008 to 31.03.2009 paid to the Chairman & Managing Director are given below:

Salary	Rs. 2,400,000
Commission	Rs. 34,628,929
	<u>Rs. 37,028,929</u>

The Board of Directors at their Meeting held on 16.05.2007 have approved the re-appointment of Wholetime Director and remuneration payable to her as recommended by the Remuneration Committee at their meeting held on 15.05.2007. The members in the General Meeting held on 16.07.2007 have approved the re-appointment of Ms.S.Sangeetha as Wholetime Director for a period of 5 years from 24.07.2007 and remuneration payable to her.

The aggregate value of salary, perquisites and commission for the period from 01.04.2008 to 31.03.2009 paid to the Wholetime Director are given below:

Salary	Rs. 1,200,000
Perquisite	Rs. 144,000
Commission	Rs. 13,467,571
	<u>Rs. 14,811,571</u>

#### 5. Remuneration paid to Non Executive Directors

No Remuneration is paid to Non Executive Directors except Sitting Fees payable for attending Board Meetings/Committee Meetings which are as under.

Name of the Directors	Sitting Fees Paid
Sri. P.N. Gopal	Rs. 45,000
Dr. D. Padmanaban	Rs. 45,000
Sri. M. J. Vijayaraaghavan	Rs. 45,000

Non Executive Directors are not holding any Convertible Instruments. Details of shares held by them are as under. None of them are holding shares on beneficial basis by/for other persons.

Name of Director	Number of shares held
Sri. P. N. Gopal	50558
Sri. M. J. Vijayaraaghavan	520
Dr. D. Padmanaban	NIL

#### 6. Shareholders/ Investors Grievance Committee

a) The Shareholders/ Investors Grievance Committee consists of 3 Independent Directors.

b) Composition of Shareholders/ Investors Grievance Committee.

Sl. No.	Members
1	Sri. P.N. Gopal, Chairman
2	Sri. M.J. Vijayaraaghavan
3	Dr. D. Padmanaban

c) Compliance Officer

Sri. C. Subramaniam, Company Secretary

d) Complaints

During the year 10 letters/complaints were received from the Investors, which were replied/ resolved to the satisfaction of the investors and none of the complaint is pending. None of the complaints required the attention of Investors Committee since they were routine in nature and it was resolved by the Company officials / RTA.