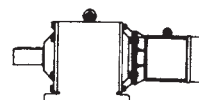
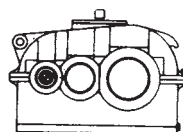
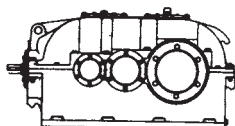
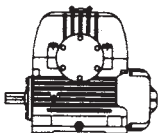
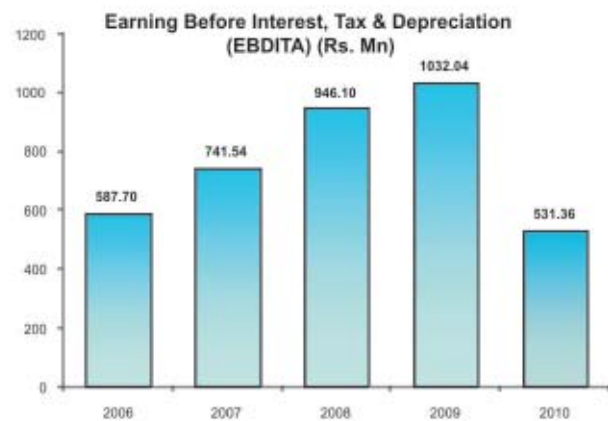
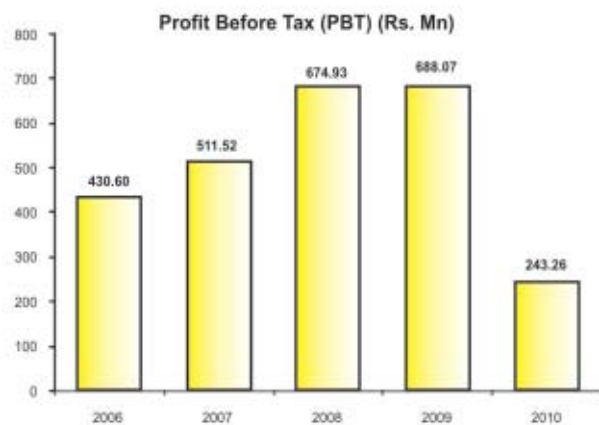
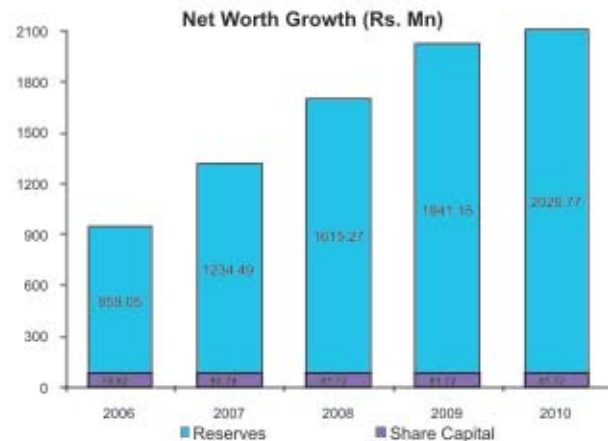
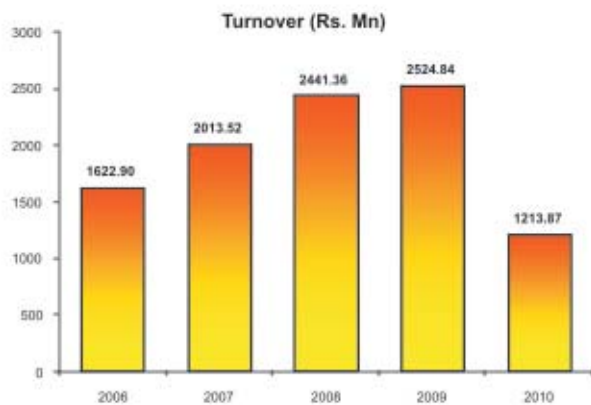




Thirty Seventh Annual Report 2010



Financial Performance Indicators



SHANTHI GEARS LIMITED

BOARD OF DIRECTORS

Shri P SUBRAMANIAN
Chairman & Managing Director

Shri P N GOPAL (Upto 25-01-2010)

Shri. C G KUMAR (From 25-01-2010)

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
ICICI Bank Ltd
The Bank of Nova Scotia
IDBI Bank Ltd

REGISTRARS & SHARE TRANSFER AGENTS

S.K.D.C. Consultants Limited,
Kanapathy Towers, 3rd Floor,
1391/A-1, Sathy Road,
Ganapathy,
Coimbatore – 641 006.

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, Sular Via,
Coimbatore – 641 402

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NOTICE

Notice is hereby given that the **37th Annual General Meeting** of the Company will be held on **Friday, the 13th day of August, 2010 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, 2010 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. M.J.Vijayaraaghavan who retires by rotation and being eligible, offers himself for re-appointment.
4. 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.

Special Business

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

"RESOLVED THAT Sri.C.G.Kumar, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 25th January, 2010 and who holds office upto the date of this Annual General Meeting of the Company and in respect of whom a notice Under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Sri. C.G.Kumar as a candidate for the Office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by the retirement of Directors by rotation".

6. To Consider and if thought fit, to pass, the following resolution as an Ordinary Resolution.

" RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents, approvals, permissions and sanctions as may be necessary from the concerned Statutory Authorities to sell, lease or otherwise dispose off whole or substantially whole of the units which are not used for manufacturing purpose.

RESOLVED FURTHER that the Board of Directors of the company be and is hereby authorized to do such acts as may be necessary to give effect to this resolution".

7. To Consider and if thought fit, to pass, the following Resolution as a Special Resolution.

"RESOLVED THAT approval of Shareholders of the Company, be and is hereby accorded to alter Clause III (C) of the Memorandum of Association of the Company by inclusion of the new object as item Nos. 16 to 18 in sub-clause (C) of Clause III thereof:

16. To carry on the business of engineering, manufacturing and supply of and deal in all kinds of the material handling machineries and equipments such as bucket elevator, gravity rollers, overhead chain conveyors, cranes, hoists, slat conveyors, bag filling machines, stitching machines and all such other machines which are used in material handling and their spare parts & service.

17. To carry on the business of engineering, manufacturing and supply of and deal in all types of Electric Powered Screw Air Compressors (EPSAC) and Diesel Powered Screw Air Compressors (DPSAC), Stationary Compressors and Air Blowers, all types of Industrial Reciprocating/Piston/ Rotary Compressors, Centrifugal Air Compressors, Oil-injected rotary screw compressors, Oil-free industrial compressors, Air motors, Portable Compressors, Industrial generators, Portable

diesel powered generating sets, Compound Compressors & Boosters, Dryers, Oil/Water Separators, After coolers, Filters, Medical Air Systems, Air receivers, Electronic condensate drains, Compressed air piping system, Turbo compressors and Expansion turbines, and all types of pneumatic items, tools & equipments and their spare parts & service.

18. To carry on the business of engineering, manufacturing and supply of and deal in all kinds of mining equipments, both open cast and underground mining equipments, such as Turbo drills, Long hole drills, Rock bolters, Cable bolters, Loaders, Trucks, Support equipments etc., water well drills, blast hole drills, cages, mine shafts, dumpers, clarifying machinery, classifiers, cleaning machinery, coal and stone breakers, cutters and pulverizes, concentration machinery, crushers, feeders, grinders, hammer mills, loading machine, mining cars and trucks, ore crushing, washing, screening and loading machinery, pallet mills, plows scrapers, loaders, sedimentation machinery, separation machinery, shuttle cars, stamping mill machinery, washers, elevators and moving stairways, conveyors and conveying equipment, hoist industrial cranes, trailers and stackers and generally all types of metallurgical, mining, metal working and other related machinery equipment, tools and accessories, and their spare parts & service”.

8. 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 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 Nos. 16 to 18 of the other object clause i.e., under sub clauses (C) (16) to (18) of Clause III of 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 in its 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.6, 7 & 8 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
24th May, 2010

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. Corporate members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 31st July, 2010 to 13th August, 2010 (Both days inclusive)
3. Dividend on approval will be paid on 19th August, 2010 to the members whose name appear in Register of Members as on 13th August, 2010. In respect of shares held in Demat Form, the Dividend will be paid to the beneficial owners as on the closing hours of 30th July, 2010 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, 2002 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	31.03.2003	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
Final	31.03.2009	14.07.2009	17.08.2016

Members who have not encashed their Dividend Warrants in respect of the year ended 31st March, 2003 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 of India Limited, Bombay Stock Exchange Limited,
Exchange plaza, Plot No. C/1, G Block, Phiroze Jeejeebhoy Towers,
Bandra kurla Complex, Bandra (E), Mumbai - 400 051. Dalal Street, MUMBAI- 400001.
The Company has paid the Annual Listing fees for the financial year 2010-2011 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. In respect of Special Resolutions as per item Nos.6,7& 8 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.
10. Information of Directors who are proposed to be appointed or re-appointed in this meeting is given below:

Name	Sri. C.G.Kumar	Sri. M.J.Vijayaraaghavan
Age	38 Years	77 Years
Date of Joining the Board	25.01.2010	31.10.2001
Qualification	B.A., B.L.,	FCA, Chartered Accountant
Experience in Specific Functional Area	He has vast experience in Law as an Advocate	An Eminent Chartered Accountant.
Director in Other Company	Nil	1. K G Denim Limited 2. KPR Mills Limited
Membership in Committees of Other Companies	Nil	KPR Mills Ltd Audit Committee Chairman & Remuneration Committee Member
Shareholding in Shanthi Gears Limited	Nil	520
Relationship with other Director	Nil	Nil

Explanatory Statement Under section 173(2) of the Companies Act, 1956

Item No 5:

Sri C.G.Kumar, an advocate aged 38 years, was appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 25th January, 2010. He holds office till ensuing Annual General Meeting and a resolution to appoint him as a Director of the Company is proposed.

Sri C.G.Kumar holds a Bachelor's Degree in English Literature and Law.

The Board is of the view that Sri C.G.Kumar's Knowledge and Experience will be of immense benefit and value to the Company and therefore, recommends his appointment to the members.

A Notice together with the required deposit has been received from a member proposing his candidature for the office of Director of the Company. Sri. C.G.Kumar has given his consent to act as a Director, if appointed.

Except Sri. C.G.Kumar, none of the other Directors is in any way concerned or interested in the resolution.

Sri. C.G.Kumar does not hold any Shares or other Securities of the Company.

Item No 6:

With the restructuring and reorganizing of the manufacturing facilities, whole or substantially whole of the company's "D" unit and "E" Unit remains unutilised. To encash the value of the unutilised space in the above units for the benefit of the company the above resolution is brought before you to authorize the Directors to sell, lease or otherwise dispose off the whole or substantially whole of the undertaking.

Since the above item requires the approval of members by postal ballot, a separate notice as per Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 has been sent.

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

Item No 7:

The company is at present manufacturing Gears, Gear Boxes, Gear Motors and Gear allied products. The above products are used as a part of major machineries and it plays predominant and vital role in operation of such machineries. The company has got facilities and capability to manufacture all types of machineries where gear plays major role, such as material handling equipments, compressors and mining equipments. To facilitate manufacturing of the same, the other object clause has been amended by adding the above objects. Amendment of Memorandum in case of listed companies requires approval of members by postal ballot. A separate notice has already been sent to members as per Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

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

Item No 8:

As per the provisions of Section 149 (2A), of the Companies Act, 1956, the approval of the shareholders is required to commence the activities mentioned in the " Other Objects" Clause III (C) (16) to (18) of the Memorandum of Association of the Company.

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

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

Coimbatore
24th May, 2010

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 Seventh Annual Report, together with the audited accounts of your Company, for the year ended 31st March, 2010.

FINANCIAL RESULTS

	Year Ended 31-03-2010	Year Ended 31-03-2009
	Rs. in Million	
Gross Profit before Interest & Depreciation	531.784	1032.573
Less: Interest	18.833	86.247
Depreciation	269.266	257.723
Donations	0.423	0.533
Provision for Taxation / Withholding Tax Paid	110.275	231.196
Fringe Benefit Tax	-	2.500
Deferred Tax	(25.934)	10.261
Prior Year Tax	-	3.618
	158.921	440.495
Add: Excess Provision no longer required	2.927	0.115
Surplus brought forward	98.028	72.142
	259.876	512.752
Appropriations:		
Proposed Dividend	65.373	98.059
Tax on Dividend	10.857	16.665
General Reserve	100.000	300.000
Surplus in Profit & Loss Account	83.646	98.028
	259.876	512.752

DIVIDEND

Your Directors recommend a Dividend of **Rs. 0.80** per Equity Share of Re.1 each fully paid up (**80%** on the paid up share capital of the Company)

OPERATING RESULTS

The Company has achieved a Turnover of **Rs. 1213.871** Million for the year under review as against the turnover of **Rs. 2524.842** Million of the previous year. Various factors such as change in management team, labour unrest, the measures taken by the Company to revamp, restructure and relocating of machines, scaling down of plant operations has resulted in decrease in turnover. The Company's policy of manufacturing niche and value added products have helped the Company to maintain profitability irrespective of reduction in sales. The Company proposes to follow the same policy during 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. 93.579** Million during the year. The outflow of foreign exchange on Import of Machinery, Raw Materials, Consumable Stores & Tools, Machinery and Electrical Spares, Interest on ECBs, Advertisement, Subscription and Germany Liaison Office Expenses amounted **Rs. 47.71** Million.

FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year.

DIRECTORS

Sri P.N. Gopal resigned from the Board on 25th January, 2010 due to health condition. He was associated with the Company from 17.03.1986. The Directors place on record the valuable guidance and support rendered by Sri. P.N.Gopal during his tenure of office as Director.

Sri.M.J. Vijayaraaghavan retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-election.

Sri. C.G.Kumar was appointed as additional Director on 25th January, 2010, retires at the ensuing Annual General Meeting. A member has given a notice in writing proposing Sri. C.G.Kumar for the office of Director along with required deposit amount.

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.

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
24th May, 2010

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, 2010.

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*	67	Chairman & Managing Director Overall Management of the affairs of the Company	1,31,05,917	L.M.E P.D.Prod.E.	45 Years	01/07/1972	Managing Partner Shanthy Engg & Trading Company.
2	Ms.S.Sangeetha*	35	Wholetime Director Day to day Management of the Company	52,42,367	B.B.M.	14 Years	05/01/1996	–

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

Coimbatore
24th May, 2010

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 (Upto 25.01.2010)	Independent Director Non Executive	Nil	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
Sri. C.G.Kumar (From 25.01.2010)	Independent Director Non-Executive	1	Not Applicable