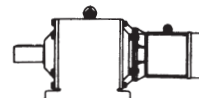
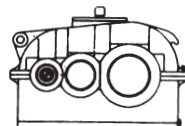
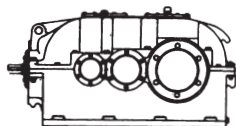
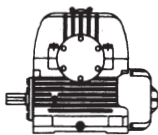
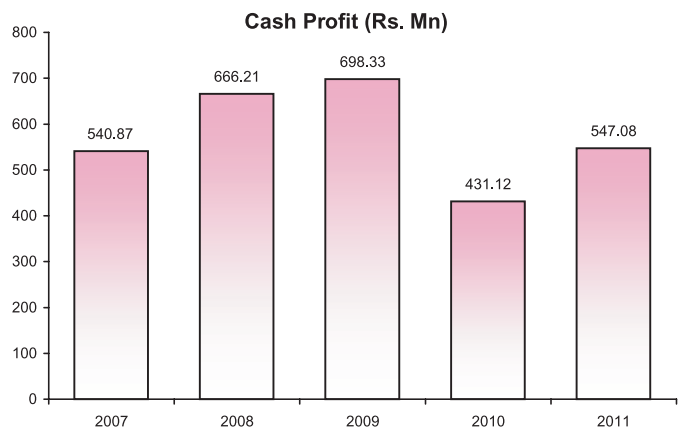
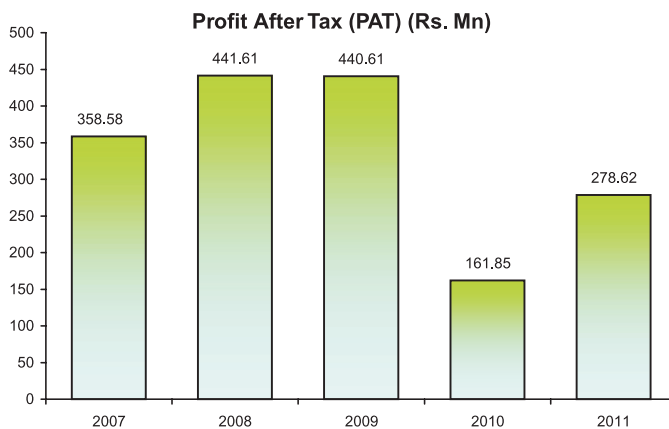
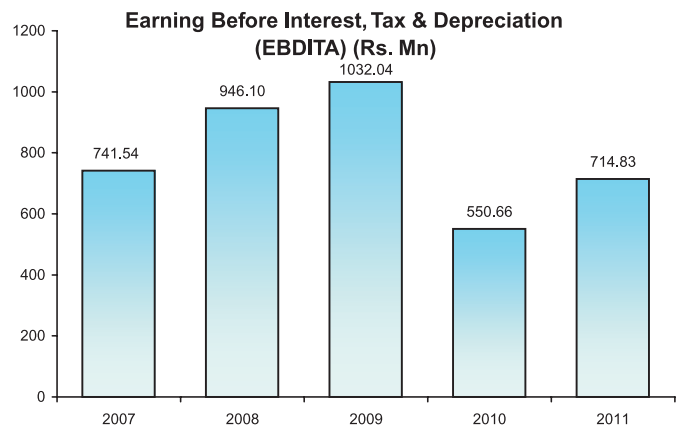
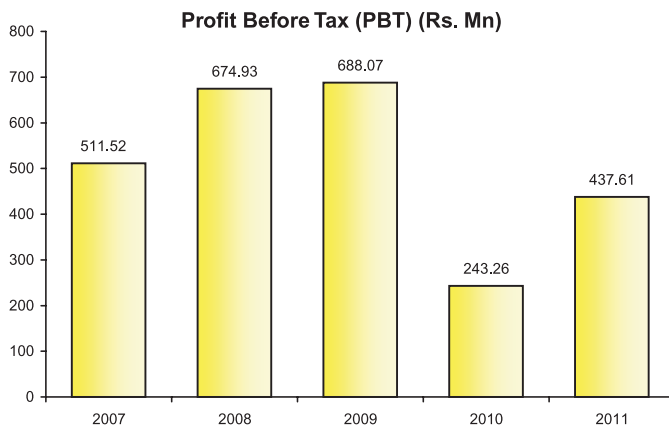
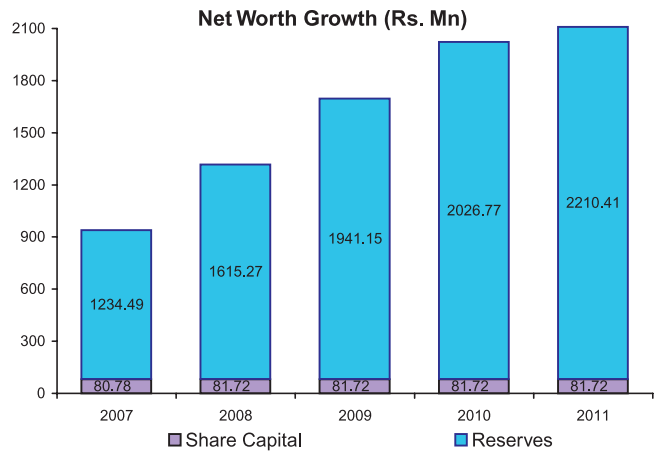
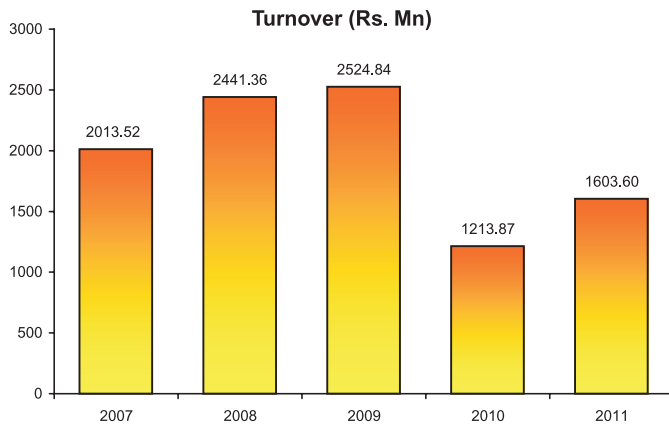




Thirty Eighth Annual Report 2011



Financial Performance Indicators



SHANTHI GEARS LIMITED

BOARD OF DIRECTORS

Shri P SUBRAMANIAN
Chairman & Managing Director

Shri M J VIJAYARAAGHAVAN

Dr. D PADMANABAN

Shri C G KUMAR

Ms. S SANGEETHA (Upto 30-6-2010)
Wholetime Director

Shri M ALAGIRISWAMY

COMPANY SECRETARY

Shri C SUBRAMANIAM

AUDITORS

M/s. S LAKSHMINARAYANAN ASSOCIATES

BANKERS

State Bank of India
ICICI Bank Ltd
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.
Tel : (0422) 6549995, 2539835-836
Fax : (0422) 2539837
Email : info@skdc-consultants.com

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 **38th Annual General Meeting** of the Company will be held on **Monday, the 11th day of July, 2011 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, 2011 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 Sri.M.Alagiriswamy 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 authorise Board of Directors to fix their remuneration.

Coimbatore
13th May, 2011

By Order of the Board
C. Subramaniam
Company Secretary

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 04th June, 2011 to 11th June, 2011 (Both days inclusive)
3. Dividend on approval will be paid on 15th July, 2011 to the members whose name appear in Register of Members as on 11th June, 2011. In respect of shares held in Demat Form, the Dividend will be paid to the beneficial owners as on the closing hours of 03rd June, 2011 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, 2003 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	31.03.2004	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
Final	31.03.2010	19.08.2010	20.09.2017

Members who have not encashed their Dividend Warrants in respect of the year ended 31st March, 2004 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, Exchange plaza, Plot No. C/1, G Block, Bandra kurla Complex, Bandra (E), Mumbai - 400 051.	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 2011-2012 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. To avoid loss of dividend warrants in transit and undue delay in respect of dividend warrants, the Company has provided a facility to the Members for remittance of dividend through the National Electronic Clearing System (NECS). Members holding shares in physical form and desirous of availing this facility are requested to contact the Company's Registrar and Transfer Agent.
10. Members who have not exchanged their share certificates after stock split, are requested to exchange their old share certificates on the face value of Rs.10 each to new share certificates on the face value of Re.1 each immediately. Under Clause 5All(h) of the Listing Agreement entered with Stock Exchanges, three reminders are being sent to the Shareholders for getting their confirmation. Subject to their confirmation after sending the above reminder, the Company shall proceed to demat the shares in the name of "Unclaimed Suspense Account". The voting rights of these shareholders shall remain frozen till the rightful owners claim the same.
11. The Ministry of Corporate Affairs(MCA) has taken a "Green Initiative in Corporate Governance" (Circular No.17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices /documents to its shareholders through electronic mode to the registered e-mail address of shareholders. From next year onwards, we propose to send all documents like General Meeting Notices (including AGM), Audited Financial Statements, Directors' Report, Auditors' Report etc., in electronic form to shareholders, to their e-mail address provided by them and made available to us by the Depositories. In case they desire to receive the above mentioned documents in physical form or in case of any change in their e-mail id, they are requested to contact the Company or the Company's Registrar and Transfer Agent mentioning their client ID and latest e-mail address.
12. Information of Directors who are proposed to be reappointed in this meeting is given below:

Name	Dr. D. Padmanaban	Sri.M.Alagiriswamy
Age	57 Years	59 Years
Date of Joining the Board	17.03.1986	30.06.2010
Qualification	B.Com., M.B.A., Ph.D., MCMI (U.K.), MIMA(INDIA)	B.Sc., F.C.A
Experience in Specific Functional Area	Educationalist and Social Scientist.	An Eminent Chartered Accountant.
Director in Other Companies	1.GRD Enterprises Private Ltd 2.Coimbatore Stock Exchanges Ltd	1.M/s Finensure Strategy Consulting Pvt. Ltd 2. Hanjung Exim Private Limited
Membership in Committees of other Companies	Nil	Nil
Shareholding in Shanthi Gears Limited	Nil	Nil
Relationship with other Directors	Nil	Nil

Coimbatore
13th May,2011

By Order of the Board
C. Subramaniam
Company Secretary

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting to you the Thirty Eighth Annual Report, together with the audited accounts of your Company, for the year ended 31st March, 2011.

FINANCIAL RESULTS

	Year Ended 31-03-2011	Year Ended 31-03-2010
	Rs. in Million	
Gross Profit before Interest & Depreciation	715.122	551.083
Less: Interest	8.759	38.132
Depreciation	268.461	269.266
Donations	0.292	0.423
Provision for Taxation / Withholding Tax Paid	180.162	110.275
Deferred Tax	(32.363)	(25.934)
Income Tax / FBT paid for earlier years	11.196	(2.927)
	<u>278.615</u>	<u>161.848</u>
Add : Surplus brought forward	83.646	98.028
	<u>362.261</u>	<u>259.876</u>
Appropriations:		
Proposed Dividend	81.716	65.373
Tax on Dividend	13.256	10.857
General Reserve	175.000	100.000
Surplus in Profit & Loss Account	92.289	83.646
	<u>362.261</u>	<u>259.876</u>

DIVIDEND

Your Directors recommend a Dividend of **Re.1** per Equity Share of Re.1 each fully paid up (**100%** on the paid up share capital of the Company)

OPERATING RESULTS

The Company has achieved a Turnover of **Rs. 1603.602** Million for the year under review as against the turnover of **Rs. 1213.871** Million of the previous year showing a growth of **32.11%**. 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.

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. 105.165** 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. 125.115** Million.

FIXED DEPOSITS

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

DIRECTORS

Ms. S.Sangeetha resigned from the Board with effect from 30th June, 2010 due to pre-occupation. The Directors place on record the valuable guidance and support rendered by Ms.S.Sangeetha during her tenure of office as Wholetime Director.

Dr. D.Padmanaban retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-election.

Sri. M.Alagiriswamy who was appointed as Director in the place of casual vacancy caused by resignation of Ms.S.Sangeetha, retires at the ensuing Annual General Meeting. A member has given a notice in writing proposing Sri.M.Alagiriswamy 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
13th May, 2011

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, 2011.

Sl. No.	Name	Age (Years)	Designation/ Nature of duties	Remuneration Rs.	Qualification	Experience	Date of Commencement of Employment	Previous Employment
1	Mr.P.Subramanian*	68	Chairman & Managing Director Overall Management of the affairs of the Company	23,096,352	L.M.E P.D.Prod.E.	46 Years	01/07/1972	Managing Partner Shanthy Engg & Trading Company.
2	Ms.S.Sangeetha*#	36	Wholetime Director Day to day Management of the Company	2,303,307	B.B.M.	15 Years	05/01/1996	–

* Note : The nature of employment is contractual

Mr.P.Subramanian and Ms.S.Sangeetha are related

Note : Remuneration for part of the Financial year 2010-11.

Coimbatore
13th May, 2011

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 other concerned.

2. Board of Directors

- The Board of Directors consists of 5 Directors, of whom 4 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	5	Present
Dr. D. Padmanaban	Independent Director Non Executive	5	Absent
Sri. M.J. Vijayaraaghavan	Independent Director Non Executive	5	Absent
Sri. C.G.Kumar	Independent Director Non Executive	5	Present
Sri. M. Alagiriswamy (From 30.06.2010)	Independent Director Non Executive	4	Present
Ms. S. Sangeetha (Upto 30.06.2010)	Wholetime Director Executive Director	1	Not Applicable

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

Name of the Directors	Other Directorship	Other Committee Positions	
		Member	Chairman
Sri. P. Subramanian	1	- NIL -	- NIL -
Dr. D. Padmanaban	2	- NIL -	- NIL -
Sri. M.J. Vijayaraaghavan	2	1	1
Sri. C.G. Kumar	- NIL-	- NIL-	- NIL-
Ms. S.Sangeetha (upto 30.06.2010)	- NIL-	- NIL-	- NIL-
Sri. M.Alagiriswamy (from 30.06.2010)	2	- NIL-	- NIL-

- d) Details of Board Meetings held during the Period 01.04.2010to 31.03.2011

Sl. No.	Date of the Meeting
1	24/05/2010
2	30/06/2010
3	13/08/2010
4	28/10/2010
5	22/01/2011

- 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 4 Independent Directors.

The Details of Audit Committee Meetings held

Sl. No.	Date of the Meeting
1	22/05/2010
2	11/08/2010
3	26/10/2010
4	21/01/2011

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	Dr. D. Padmanaban	4
3	Sri. C.G.Kumar	4
4	Sri. M. Alagiriswamy (From 30.06.2010)	3

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 31st March, 2011.

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

The Board of Directors at their Meeting held on 14.05.2008 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 09.05.2008. The members in the General Meeting held on 14.07.2008 have approved the re-appointment of Mr.P.Subramanian as Chairman & Managing Director for a period of 5 years from 01.04.2009 and remuneration payable to him.

The aggregate value of salary, perquisites and commission for the period from 01.04.2010 to 31.03.2011 paid to the Chairman & Managing Director are given below:

Salary	Rs. 2,400,000
Commission	Rs. 20,696,352
	Rs. 23,096,352

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. Ms. S.Sangeetha resigned from the Board with effect from 30.06.2010

The aggregate value of salary, perquisites and commission for the period from 01.04.2010 to 30.06.2010 paid to the Wholetime Director are given below:

Salary	Rs. 300,000
Perquisite	Rs. 36,000
Commission	Rs. 1,967,307
	Rs. 2,303,307

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
Dr. D. Padmanaban	Rs. 45,000
Sri. M. J. Vijayaraaghavan	Rs. 45,000
Sri. C.G. Kumar	Rs. 45,000
Sri. M. Alagiriswamy	Rs. 35,000

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. M. J. Vijayaraaghavan	520
Dr. D. Padmanaban	NIL
Sri.C.G. Kumar	NIL
Sri. M. Alagiriswamy	NIL

6. Shareholders/ Investors Grievance Committee

a) The Shareholders/ Investors Grievance Committee consists of 4 Independent Directors.

b) Composition of Shareholders/ Investors Grievance Committee.

Sl. No.	Members
1	Sri. C.G.Kumar, Chariman
2	Sri. M.J. Vijayaraaghavan
3	Dr. D. Padmanaban
4	Sri. M.Alagiriswamy (From 30.06.2010)

c) Compliance Officer

Sri. C. Subramaniam, Company Secretary

d) Complaints

During the year 14 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 Grievance Committee since they were routine in nature and it was resolved by the Company officials / RTA.

There was no Share Transfer pending as on 31st March, 2011.

Dematerialization of Shares Pending - 6 for 35,730 Shares (23730 Shares were dematerialized on 02.04.2011 & 12000 Shares Dematerialized on 08.04.2011. Hence as on Date Pending -Nil)

e) The Company has exclusively designated the following e-mail id for Investor Relations:

cs@shanthigears.com