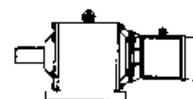
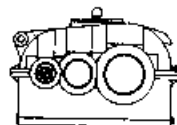
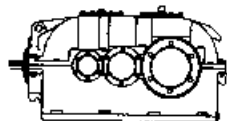
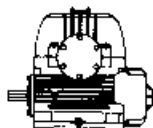
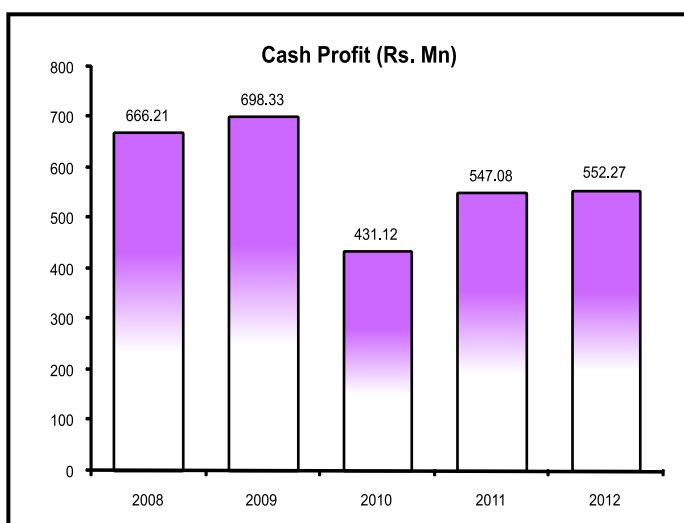
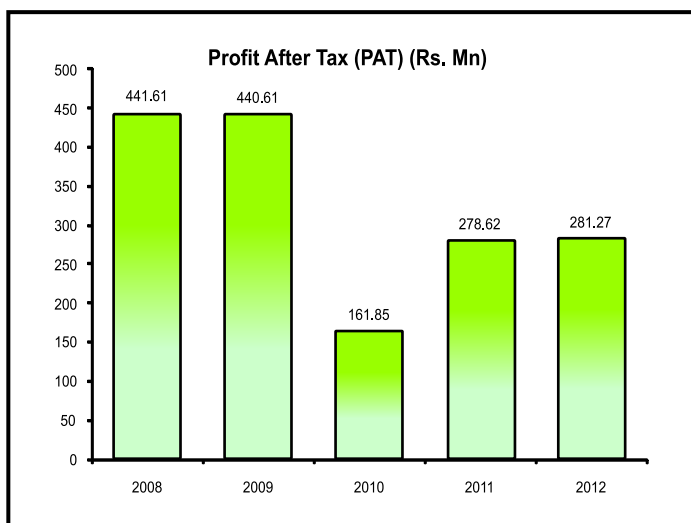
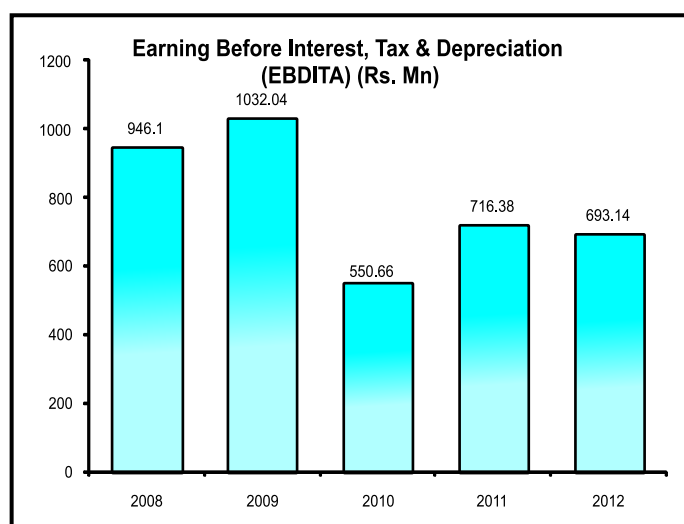
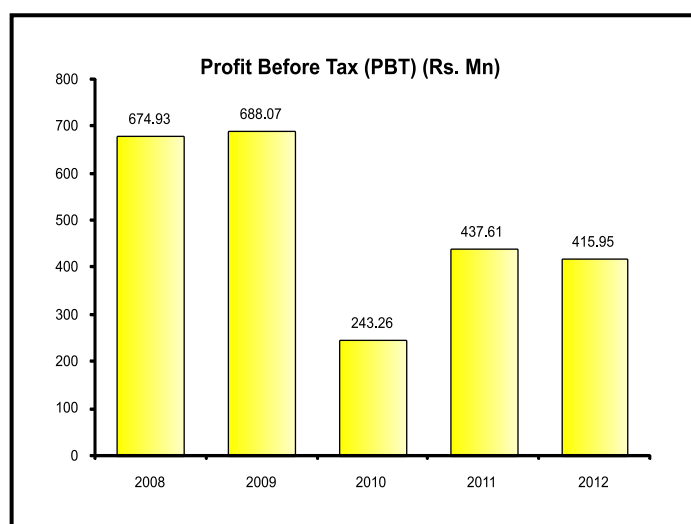
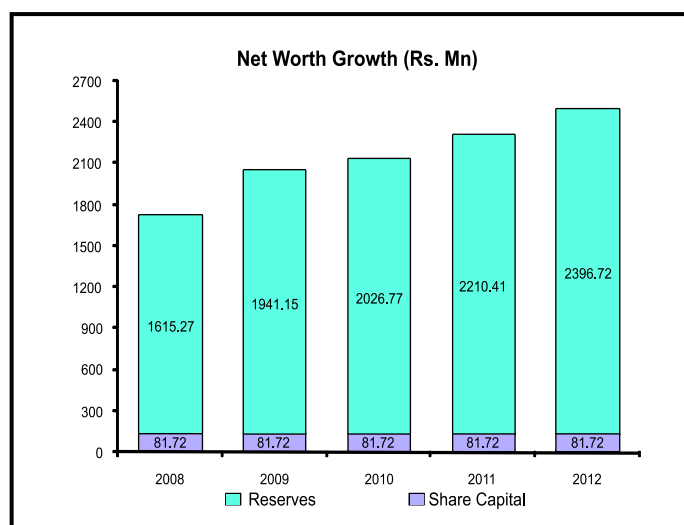
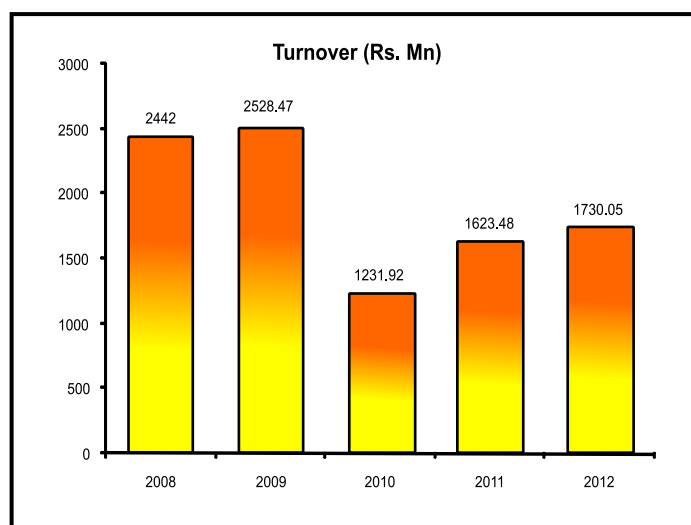


# **Shanthi** **Gears**

*Thirty Ninth Annual Report 2012*



# Financial Performance Indicators



# SHANTHI GEARS LIMITED

## BOARD OF DIRECTORS

### CHAIRMAN & MANAGING DIRECTOR

Sri P SUBRAMANIAN

### NON-EXECUTIVE DIRECTORS

Sri M J VIJAYARAAGHAVAN

Dr. D PADMANABAN

Sri. C G KUMAR

Sri M ALAGIRISWAMY

### CHIEF EXECUTIVE OFFICER

Sri. V C S VELUMANI

### CHIEF FINANCIAL OFFICER

Sri. S SRINIVAS

### COMPANY SECRETARY

Sri. 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, 3<sup>rd</sup> 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

Kamanaickenpalayam (PO),

K.Krishnapuram,

Coimbatore – 641658

### 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 **39<sup>th</sup> Annual General Meeting** of the Company will be held on **Monday, the 23<sup>rd</sup> day of July, 2012 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.

## 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, 2012 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 a Director in the place of Sri.C.G.Kumar 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  
25<sup>th</sup> May,2012

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 23<sup>rd</sup> June, 2012 to 30<sup>th</sup> June, 2012 (Both days inclusive)
3. Dividend on approval will be paid on 27<sup>th</sup> July, 2012 to the members whose name appear in Register of Members as on 30<sup>th</sup> June, 2012. In respect of shares held in Demat Form, the Dividend will be paid to the beneficial owners as on the closing hours of 22<sup>nd</sup> June, 2012 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, 2004 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	31.03.2005	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
Final	31.03.2011	15.07.2011	18.08.2018

Members who have not encashed their Dividend Warrants in respect of the year ended 31<sup>st</sup> March, 2005 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- 400 001.  
 The Company has paid the Annual Listing fees for the financial year 2012-2013 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. 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 addresses of shareholders. We henceforth 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 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.
11. Information of Directors who are proposed to be reappointed in this meeting is given below:

Name	Sri. M.J.Vijayaraaghavan	Sri. C.G.Kumar
Age	79 Years	40 Years
Date of Joining the Board	31.10.2001	25.01.2010
Qualification	FCA, Chartered Accountant	B.A., B.L.,
Experience in Specific Functional Area	An Eminent Chartered Accountant	He has vast experience in Law as an Advocate
Director in Other Companies	1. K G Denim Limited 2. KPR Mills Limited	Nil
Membership in Committees of other Companies	KPR Mills Ltd Audit Committee Chairman & Remuneration Committee Member	
Shareholding in Shanthi Gears Limited	520	Nil
Relationship with other Directors	Nil	Nil

Coimbatore  
25<sup>th</sup> May, 2012

By Order of the Board  
**C. Subramaniam**  
Company Secretary

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting to you the Thirty Ninth Annual Report, together with the audited accounts of your Company, for the year ended 31st March, 2012.

### FINANCIAL RESULTS

	Year Ended 31-03-2012	Year Ended 31-03-2011
	Rs. in Million	
Gross Profit before Interest & Depreciation	693.481	716.672
Less : Finance Cost	6.197	10.309
Depreciation	270.994	268.461
Donations	0.336	0.292
Provision for Taxation / Withholding Tax Paid	170.160	180.162
Deferred Tax	(35.266)	(32.363)
Income Tax / FBT paid for earlier years	(0.214)	11.196
	281.274	278.615
Add : Surplus brought forward	92.290	83.646
	373.564	362.261
Appropriations:		
Proposed Dividend	81.716	81.716
Tax on Dividend	13.256	13.256
General Reserve	175.000	175.000
Surplus in Profit & Loss Account	103.592	92.289
	373.564	362.261

### 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. 1730.053** Million for the year under review as against the turnover of **Rs. 1623.481** Million of the previous year showing a growth of **6.56%**. 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. 200.759** 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, Taxes & Licenses, Training and Technical Consultancy Charges amounted **Rs. 34.826** 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 M.J.Vijayaraaghavan

Sri C.G.Kumar

## **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  
25<sup>th</sup> May, 2012

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, 2012.**

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*	69	Chairman & Managing Director Overall Management of the affairs of the Company	21,917,112	L.M.E P.D.Prod.E.	47 Years	01/07/1972	Managing Partner Shanthy Engg & Trading Company

\* Note : The nature of employment is contractual

Coimbatore  
25<sup>th</sup> May, 2012

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
  - a) The Board of Directors consists of 5 Directors, of whom 4 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
Dr. D. Padmanaban	Independent Director Non Executive	2	Absent
Sri. M.J. Vijayaraaghavan	Independent Director Non Executive	4	Present
Sri. C.G.Kumar	Independent Director Non Executive	4	Present
Sri. M. Alagiriswamy	Independent Director Non Executive	4	Present

- 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	1	- NIL -	- NIL -
Sri. M.J. Vijayaraaghavan	2	1	1
Sri. C.G. Kumar	- NIL-	- NIL-	- NIL-
Sri. M.Alagiriswamy	2	- NIL-	- NIL-



d) Details of Board Meetings held during the Period 01.04.2011 to 31.03.2012

Sl. No.	Date of the Meeting
1	13/05/2011
2	11/07/2011
3	31/10/2011
4	27/01/2012

e) There is no inter-se relationship between Directors.

### 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	13/05/2011
2	09/07/2011
3	29/10/2011
4	25/01/2012

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	2
3	Sri. C.G.Kumar	4
4	Sri. M. Alagiriswamy	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 31st March, 2012.

### 4. Remuneration paid to Chairman & Managing 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 01.04.2011 to 31.03.2012 paid to the Chairman & Managing Director are given below:

Salary	Rs. 2,400,000
Commission	Rs. 19,517,112
	<u>Rs. 21,917,112</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
Dr. D. Padmanaban	Rs. 20,000
Sri. M. J. Vijayaraaghavan	Rs. 40,000
Sri. C.G. Kumar	Rs. 40,000
Sri. M. Alagiriswamy	Rs. 40,000

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

c) Compliance Officer

Sri. C. Subramaniam, Company Secretary

d) Complaints

During the year 11 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 and Dematerialisation pending as on 31<sup>st</sup> March, 2012.

e) The Company has exclusively designated the following e-mail id for Investor Relations:  
**cs@shanthigears.com**

7. Remuneration Committee

a) The Remuneration Committee consists of 4 Independent Directors.

b) Composition of Remuneration Committee

Sl. No.	Members of Remuneration Committee
1	Sri. M.J. Vijayaraaghavan, Chairman
2	Dr. D. Padmanaban
3	Sri. C.G. Kumar
4	Sri. M.Alagiriswamy

8. General Body Meeting

i. Location and time of Last Three Annual General Meetings held.

Financial Year Ending	Date	Time	Venue
31.03.2009	10.07.2009	10.00 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005
31.03.2010	13.08.2010	10.00 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005
31.03.2011	11.07.2011	9.30 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005