



# GEARED TO GROW



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### Cautionary Statement

Certain expectations and projections regarding the future performance of the Company referenced in the Annual Report constitute forward-looking statements. These expectations and projections are based on currently available competitive, financial and economic data, along with the Company's operating plans and are subject to certain future events and uncertainties, which could cause actual results to differ materially from those indicated by such statements.

# GEARED TO GROW

Products that drive the wheels of industry. The engineering expertise honed from serving a wide and varied customer spectrum. A people resource driven with a passion to go beyond possibilities. At Shanthi Gears, raising the bar is part of the Company's DNA.

2015-16 was marked with a consolidation of competencies, of innovation, precision engineering, customer-centricity and global quality systems.

The year determined the direction. With a roadmap large in scope and scale, Shanthi Gears is ready and all geared to grow.



## CHAIRMAN'S MESSAGE



I am confident that by leveraging its technical expertise, product design capabilities, quality and focused customer-centred service, Shanthi Gears is well positioned to mine the burgeoning opportunities in both existing and emerging markets.

### Dear Shareholders,

At Shanthi Gears, 2015-16 was a year marked with a determined drive for growth. Despite a sluggish market environment, your Company recorded a turnover of ₹ 162.42 Crores, combating challenges with innovative, value-added products, prudent fiscal management and focused customer service.

In line with the strategy for greater growth, the Company expanded its scope of operations into niche segments, such as defence, railways and aerospace with innovative, customised products for design critical applications. During the year, a new, import-substitute product was developed for large turnkey projects, demonstrating the Company's R&D capabilities and consolidating its industry ranking as a gear manufacturer of repute.

The future holds great promise. I am confident that by leveraging its technical expertise, product design capabilities, quality and focused customer-centred service, Shanthi Gears is well positioned to mine the burgeoning opportunities in both existing and emerging markets. Towards this end, the Company is building on its people resource, consolidating its manufacturing capabilities, optimising efficiencies and setting global standards in products and service. Plans have been mapped out to expand to new geographies and explore new market segments.

Across Shanthi Gears, there is a concerted drive to accelerate the momentum of growth and to transform. I strongly believe, that the team is all geared to capitalise on the opportunities and enter into an exciting phase of growth and development.

In our journey, the members of the Board have been a great source of strength and encouragement to the Company's management and to me, personally. I thank them for their active involvement, guidance and support.

The growth and success of a Company depends primarily on its people. I thank the respective teams across the Company for their diligence and dedication and look forward to a continued commitment and greater levels of achievement.

I thank you dear shareholders, for your continued support and confidence in the Company.

Sincerely,  
**M M Murugappan**

## BOARD OF DIRECTORS



*(L-R) Mr. J Balamurugan - Non Executive Director, Mr. C R Swaminathan - Non Executive Director, Mr. M M Murugappan - Chairman, Mr. V Venkiteswaran - Non Executive Director, Mr. L Ramkumar - Non Executive Director, Ms. Soundara Kumar - Non Executive Director.*



## MANAGEMENT TEAM



*(Sitting: L - R) Saurabh Jain - CFO, Debashis Chattopadhyay - Head Marketing, Ramkumar L - Director, Rajiv Narayanamoorthy - CEO, Karunakaran M - Head Operations (Standing L - R) Subramaniam C - Company Secretary, Mahendran M - Head Engineering, Satishkumar P - Head Costing, Jebanesan Croos SM - Head IT, Hariprakash R - Head R&D.*

# 10 YEAR FINANCIAL HIGHLIGHTS

5  
₹ Crores

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
<b>OPERATING RESULTS</b>										
Sales (Including excise duty)	179.31	165.03	166.69	159.01	186.67	173.46	129.07	276.90	274.73	227.97
Profit before Depreciation, Interest & Tax (PBDIT)	40.17	29.89	51.56	50.93	69.32	71.48	53.14	103.20	94.61	74.16
Profit before Interest & Tax (PBIT)	23.46	13.14	25.95	22.36	42.10	44.64	26.21	77.43	72.15	55.93
Profit before Tax (PBT)	23.46	13.11	25.93	22.07	41.60	43.76	24.33	68.81	67.49	51.15
Profit after Tax (PAT)	18.24	9.32	18.38	15.47	28.13	27.86	16.18	44.06	44.16	33.59
Earnings Per Share (₹)	2.23	1.14	2.25	1.89	3.44	3.41	1.98	5.39	5.40	4.44
Dividend Per Share (₹)	0.50	0.50	1.00	0.60	1.00	1.00	0.80	1.20	1.20	1.00
Book Value Per Share (₹)	34.77	33.14	32.61	31.53	30.33	28.05	25.80	24.75	20.77	16.28
Interest	-	0.03	0.02	0.29	0.62	8.76	3.81	11.56	6.37	6.23
<b>SOURCES AND APPLICATION OF FUNDS</b>										
<b>SOURCES OF FUNDS</b>										
Share Capital	8.17	8.17	8.17	8.17	8.17	8.17	8.17	8.17	8.17	8.08
Reserves & Surplus	275.89	262.57	258.23	249.41	239.67	221.04	202.68	194.12	161.53	123.45
Net Worth	284.06	270.74	266.40	257.58	247.84	229.21	210.85	202.29	169.70	131.53
Debt	-	-	-	-	3.96	9.75	25.63	89.27	92.79	118.68
Deferred Tax Liability (Net)	-	0.86	2.51	6.88	10.73	14.26	17.49	20.09	19.06	16.58
Total	284.06	271.60	268.91	264.46	262.53	253.22	253.97	311.64	281.55	266.78
<b>APPLICATION OF FUNDS</b>										
Gross Fixed Assets	374.92	367.52	364.27	361.09	360.21	353.46	344.13	338.60	299.19	265.20
Accumulated Depreciation	301.70	285.87	269.25	245.34	222.00	195.54	169.20	142.45	118.04	95.81
Net Fixed Assets	73.22	81.65	95.02	115.75	138.21	157.91	174.92	196.15	181.15	169.38
Capital Work-in-Progress	0.36	3.61	3.60	3.62	5.59	7.54	5.17	7.07	16.16	13.19
Deferred Tax Asset (Net)	1.83	-	-	-	-	-	-	-	-	-
Long Term Investments	6.00	-	-	-	-	-	-	-	-	-
Short Term Investments & Deposits	105.30	101.09	107.76	90.60	55.02	46.00	27.50	47.50	15.84	18.13
Net Working Capital	97.35	85.25	62.53	54.49	63.71	41.77	46.38	60.92	68.40	66.07
Total	284.06	271.60	268.91	264.46	262.53	253.22	253.97	311.64	281.55	266.78
<b>RATIOS</b>										
PBDIT To Sales (%)	22.40	18.11	30.93	32.03	37.14	41.21	41.17	37.27	34.44	32.53
PBIT To Sales (%)	13.08	7.96	15.57	14.06	22.55	25.73	20.31	27.96	26.26	24.53
PBT To Sales (%)	13.08	7.94	15.56	13.88	22.28	25.23	18.85	24.85	24.57	22.44
PAT To Sales (%)	10.17	5.65	11.03	9.73	15.07	16.06	12.54	15.91	16.07	14.73
Interest Cover (times)	-	996.33	2,578.00	175.62	111.81	8.16	13.95	8.93	14.85	11.90
ROCE (%) #	13.12	7.71	16.10	12.86	20.29	21.54	11.57	29.31	27.15	22.49
Return on Networth (%)	6.42	3.44	6.90	6.01	11.35	12.16	7.67	21.78	26.02	25.54
Total Debt Equity Ratio	-	-	-	-	0.02	0.04	0.12	0.43	0.48	0.60
Long Term Debt Equity Ratio (+)	-	-	-	-	-	0.02	0.05	0.08	0.13	0.18
Sales/Net Fixed Assets (times)	2.45	2.02	1.75	1.37	1.35	1.10	0.74	1.41	1.52	1.35
Net Working Capital Turnover (times)	1.84	1.94	2.67	2.92	2.93	4.15	2.78	4.55	4.02	3.45

# Return on Capital Employed (ROCE) is Profit Before Interest and Tax divided by the Capital employed excluding Short Term Investments, as at the end of the year.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

M M Murugappan - Chairman

L Ramkumar

C R Swaminathan

J Balamurugan

V Venkiteswaran

Soundara Kumar

### CHIEF EXECUTIVE OFFICER

Rajiv Narayanamoorthy

### COMPANY SECRETARY

C Subramaniam

### CHIEF FINANCIAL OFFICER

Saurabh Jain

### REGISTERED OFFICE

304-A, Trichy Road,  
Singanallur,  
Coimbatore - 641 005

### PLANTS

A Unit: Trichy Road, Singanallur, Coimbatore

B Unit: Trichy Road, Singanallur, Coimbatore

C Unit: Avinashi Road, Muthugoundenpudur, Coimbatore

D Unit: K Krishnapuram, Tirupur District

Foundry Division: Kannampalayam, Coimbatore

### CORPORATE IDENTIFICATION NUMBER

L29130TZ1972PLC000649

### AUDITORS

Deloitte Haskins & Sells, Chartered Accountants

### BANKERS

IDBI Bank Ltd

Kotak Mahindra Bank

HDFC Bank



## DIRECTORS' PROFILE

### Mr. M M MURUGAPPAN

#### Chairman

Mr. M M Murugappan (60 years; DIN-00170478) holds a Masters degree in Chemical Engineering from the University of Michigan, USA. He is currently the Chairman of Carborundum Universal Ltd, Tube Investments of India Ltd and Wendt (India) Ltd. He is also on the Board of various companies including Mahindra & Mahindra Limited and Cholamandalam Investment and Finance Company Ltd.

### Mr. C R SWAMINATHAN

#### Non Executive Director

Mr. C R Swaminathan (68 years; DIN- 00002169) holds a graduate degree in Agriculture and a Masters degree in Business Administration. He had been associated with the PSG group of institutions as its Chief Executive Officer. Mr. C R Swaminathan is well experienced in the Foundry Industry and is the Past President of the Institute of Indian Foundrymen. He is also the Past President of the Confederation of Indian Industry (Southern Region).

### Mr. L RAMKUMAR

#### Non Executive Director

Mr. L Ramkumar (60 years; DIN-00090089) is a Cost Accountant and has a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad. He is currently the Managing Director of Tube Investments of India Ltd. He has over 36 years of rich and varied experience in management including 24 years in Tube Investments of India Ltd.

### Mr. V VENKITESWARAN

#### Non Executive Director

Mr. V Venkiteswaran (69 years; DIN-00062246) is a Mechanical Engineer from the University of Madras and worked over 36 years with Tata Tea Limited and retired as Executive Director of Tata Tea Limited. He has business experience of over 40 years in diverse areas of operations.

### Mr. J BALAMURUGAN

#### Non Executive Director

Mr. J Balamurugan (55 years; DIN-00023309) is an Electronics Engineer from Regional Engineering College, Trichy. He has also done the Management Programme for Entrepreneurial Firms in Indian Institute of Management, Bangalore. He has managing experience in the businesses of IT infrastructure, On-line services and aftermarket automotive enhancements and others. He is the past Chairman of Confederation of Indian Industry, Coimbatore Zone.

### Ms. SOUNDARA KUMAR

#### Non Executive Director

Ms. Soundara Kumar (62 Years; DIN-01974515) holds a graduate degree in Mathematics. She worked in State Bank of India for over 39 years both in India and overseas and is well experienced in the financial services industry. She retired as Deputy Managing Director, Stressed Asset Management Group of State Bank of India. She is also on the Board of various companies including Ramco Systems Ltd, Orchid Chemicals & Pharmaceuticals Ltd and Asset Reconstruction Company (India) Ltd.

## BOARDS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

### Dear Shareholder,

Your Directors have pleasure in presenting to you the performance of the Company, for the year ended 31 March 2016.

### COMPANY PERFORMANCE

₹ Crores

Particulars	Year Ended 31.03.2016	Year Ended 31.03.2015
Revenue from Operations (Gross)	179.31	165.03
<b>Less:</b> Excise Duty	16.89	13.03
Revenue from Operations (Net)	162.42	152.00
Earnings Before Interest, Tax, Depreciation & Amortisation	40.17	29.89
Finance Cost	-	0.03
Depreciation & Amortisation Expense	16.71	16.75
<b>Profit Before Tax</b>	23.46	13.11
<b>Less:</b> Tax Expense	5.22	3.79
Profit After Tax	18.24	9.32
<b>Add:</b> Surplus brought forward	13.26	13.92
<b>Appropriations:</b>		
Transfer to General Reserve	10.00	5.00
Depreciation on transition to Schedule II of the Companies Act 2013	-	-0.07
Interim Dividend paid	4.09	4.09
Tax on Interim Dividend	0.83	0.82
Balance Carried to Balance Sheet	16.58	13.26

### Review of Operations

The year 2015-16 was a year of moderate growth for the company whereas most of the industrial sectors have shown moderate to low growth for the year. Company could reap benefits of its initiatives pursued during the previous year. Active lead measures are taken up to ensure a sustainable profitable future.

Your company continues to build references and credentials by supplying custom built large sized gearboxes to several key customers. The previous year saw your Company make a breakthrough in the defence sector and continue to consolidate the strong position in railway and metro segment.

Focus on order execution ensured increase in production by 14% and decrease in cost of Operations. This in turn helped in providing better service to our customers.

The revenue during the year was at ₹ 162.42 Crores against ₹ 152.00 Crores in the previous year with 7% growth. The Company grew its order booking also by 11% in difficult market situation. This growth in orders booked came largely from the initiatives mentioned above as well as the measures taken last year to expand our presence in the market. The Profit before Tax for the current year amounts to ₹ 23.46 Crores as compared to ₹ 13.11 Crores last year. The profit for the year improved due to better execution, pricing and control on costs.