Shanthi Gears

Setting New Heights

Shanthi Gears Limited

49th Annual Report

2021-22

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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.

The Spirit of the Murugappa Group

The light of
INTEGRITY
that gives us the courage to always do the right thing

The light of
RESPONSIBILITY
that gives us the humility to think about the world around us

The light of
PASSION
that provides us with the desire to win

The light of
RESPECT
that inspires people around us to perform

The light of
QUALITY
which makes us dream of excellence

These five lights guide us as we navigate through professional and personal decisions.

murugappa

Shanthi Gears

From The Desk of the Chairman

"All round performance improvement in a challenging environment"

Dear Shareholders,

I hope you and your family are safe and in good health.

It is a pleasure to share my thoughts through this narrative as India and all of India Inc. are on to a firm footing on progress and development. Despite considerable volatility in H1, we achieved very good growth in FY22. The year 2021-22 was characterised by all round performance improvement in a challenging environment. In the 4 key priorities of Revenue growth, Profitability, Return on Invested Capital (ROIC) and Free Cash Flow (FCF), your Company delivered a strong performance.

We achieved a revenue of ₹337 crores in FY22, a 56% growth compared to the previous year. Our Profit Before Tax (PBT) at ₹58.7 crores was 125% higher than what we reported in FY21. Our Net profit scaled by 111% to ₹42.5 crores. I am happy to share that the Return on Invested Capital (ROIC) improved to 36% in FY22 from 15% in FY21, We generated a Free Cash Flow of ₹34.1 crores during the financial year and registered 61% growth over the previous year.

Our product and service quality helped us to achieve a robust order inflow. Our Pending order book as of 31 March 2022 was ₹280 crores against ₹225 crores in the previous year. During the year, the Company had booked orders of ₹386 crores, a growth of 27% over the previous year.

I am immensely proud of some of the path-breaking achievements of the team in developing and delivering customised products that were the first time for the nation. In doing so, we have made a small, yet meaningful contribution towards creating an Atmanirbhar Bharat. I thank the entire team of Shanthi Gears for their invaluable contribution to our stellar performance.

As we are going to complete the 50th year of your company we look ahead with confidence and optimism to make major strides in the industry in the years to come. The foundation laid so far would help us to serve customers better with added focus on new products & technologies, top class quality and service. We would also continuously upgrade our manufacturing processes and technologies towards this end.

In closing, I take the opportunity to thank the entire team for its unwavering passion displayed during the trying times in meeting customer commitment and achieving business goals. I express my sincere gratitude to my fellow Directors for their proactive contributions in drawing and supporting the contours of the Company's strategies. I thank all other stakeholders, including our esteemed shareholders, for their continued support.

Sincerely

L. Ramkumar

Over the last 50 years of our journey, there are many things which we have done very faithfully, other than making gears.

We have **explored.**
We have **learned.**
We have **imbibed.**
We have **improved.**
We have **ideated.**
We have **innovated.**

Our patience and persistent efforts have helped us to build an intellectual capital that is as wide as it is deep.

This invaluable asset has allowed us to remain alive to sectoral dynamism and agile to customise superior products. That stands the test of time.

Setting New Heights

We focus on customised solution

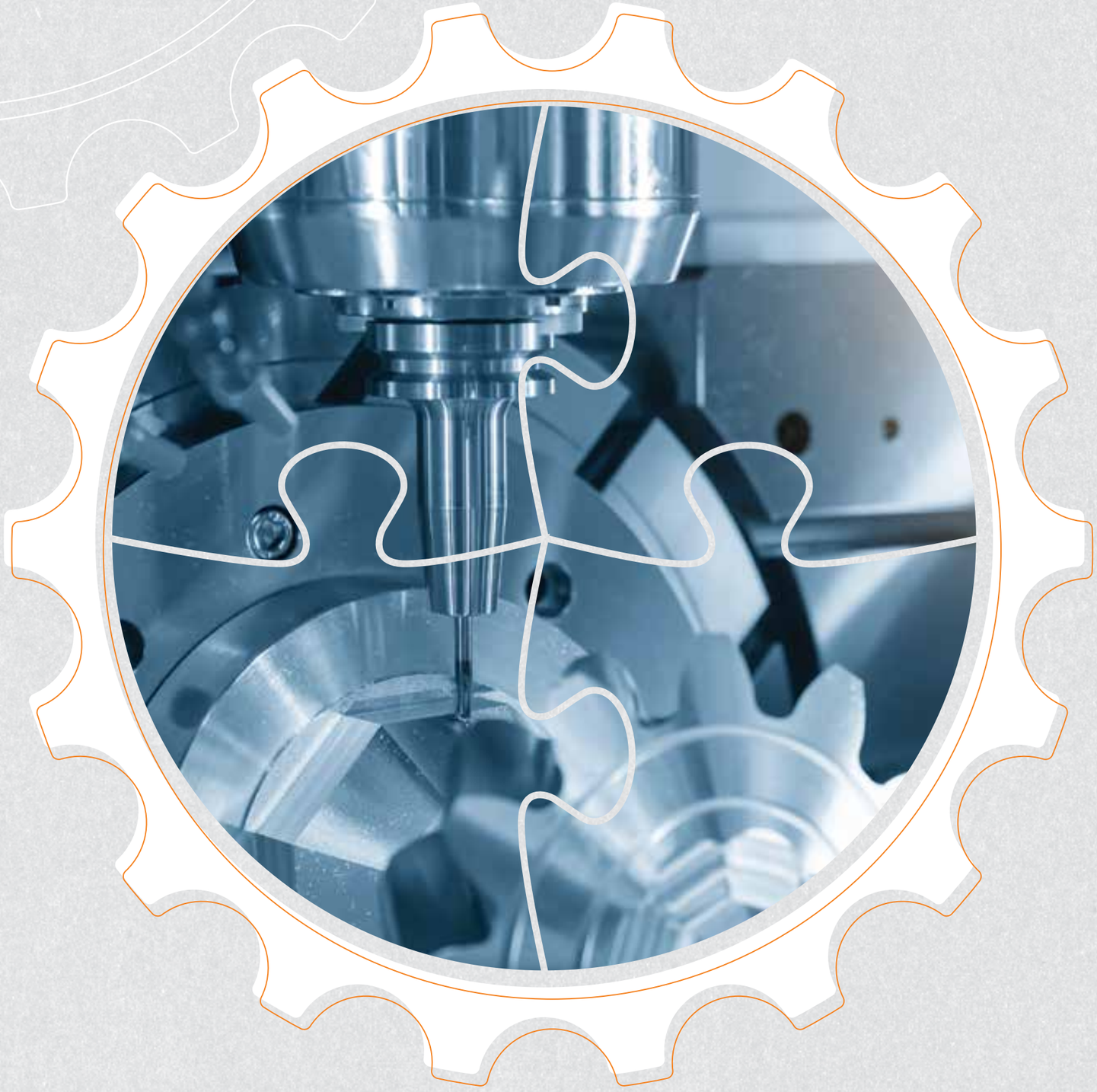
Manufacturing gears and gearboxes are one thing and customising them is quite the other.

This demands in-depth knowledge of 1) Application and its operating environment, 2) Selection of effective input material, 3) Supply Chain Management, and 4) Testing methodology, among the host of other factors. Moreover, all these factors vary widely with every application, customer and Industry served.

At Shanthi Gears, we thrive on these challenges.

Our passion is to develop new products for diverse sectors ranging from conventional to emerging sectors with a large product offering - we have developed gears from 25 mm dia to 3,200 mm outer dia catering to a multitude of applications.

~70% +
Products are customised.



Setting New Heights

We enhance knowledge, on-the-job!

Marketing gearboxes and solutions are one thing. Servicing them is quite the other.

Gearboxes make equipment move be it a cycle or earth-moving equipment or a wind turbine. Hence, gearboxes need to be in motion all the time. A malfunction in the gearbox is detrimental to the user's performance & prospects.

We never hesitate to service gears of any make – Indian or global. We look upon this as an opportunity to grow our knowledge. We consider this as a platform to create and foster relationships.

We undertake such challenges and the refurbished gearboxes are supplied under Shanthi Rebuild brand.

With strong Engineering, Design and State-of-the-art manufacturing facilities we are able to associate in developement, supply, servicing and validation of gearboxes for critical application. Our products are widely used in Steel, Cement, Power, Mining etc.

Our Gears and Pinion are used in safety critical applications like Railway and Aerospace.

Setting New Heights

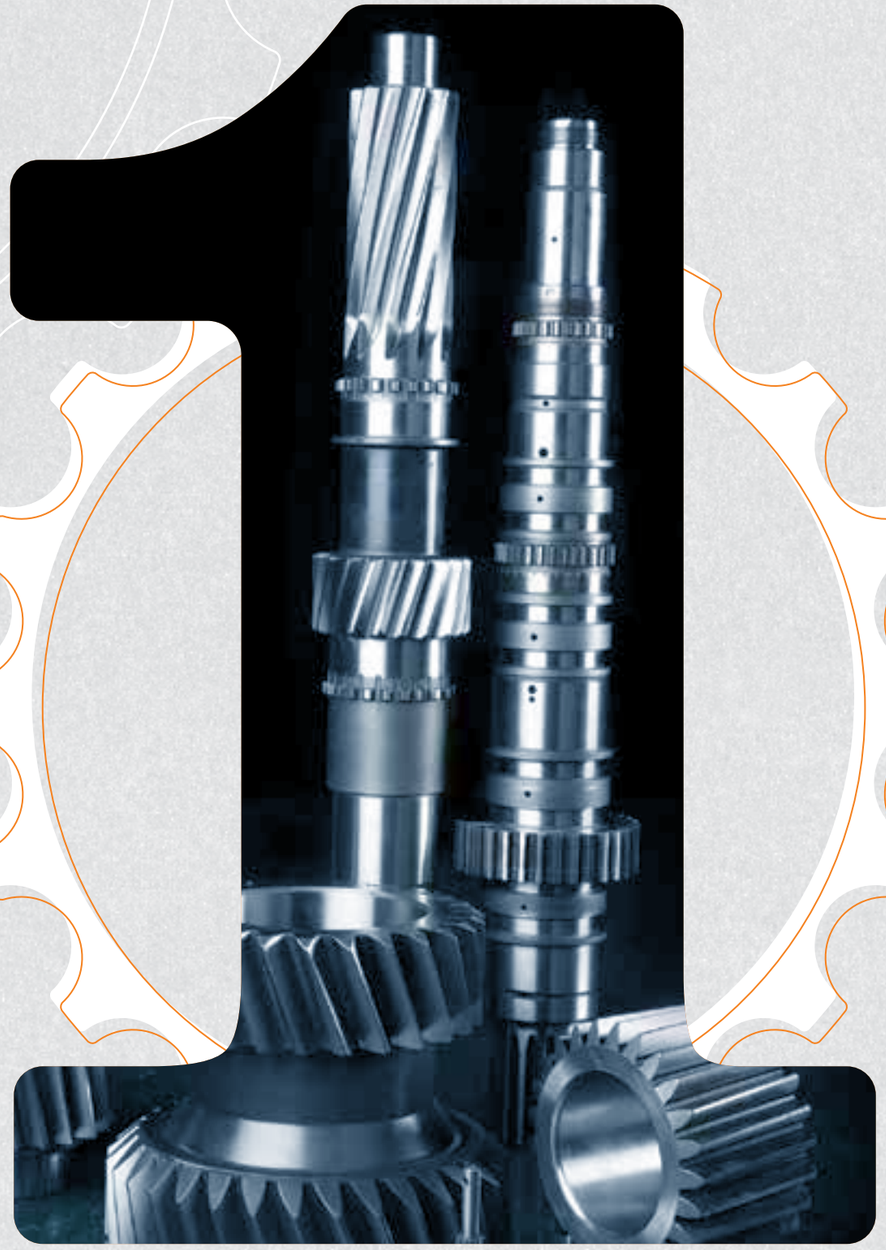
We deliver first-time solutions.

Ideating on improvements is satisfying and Innovating novel solutions is blissful.

Innovation comes with its challenges – entering unchartered territories, expending resources (time and money) and then the risk of failure.

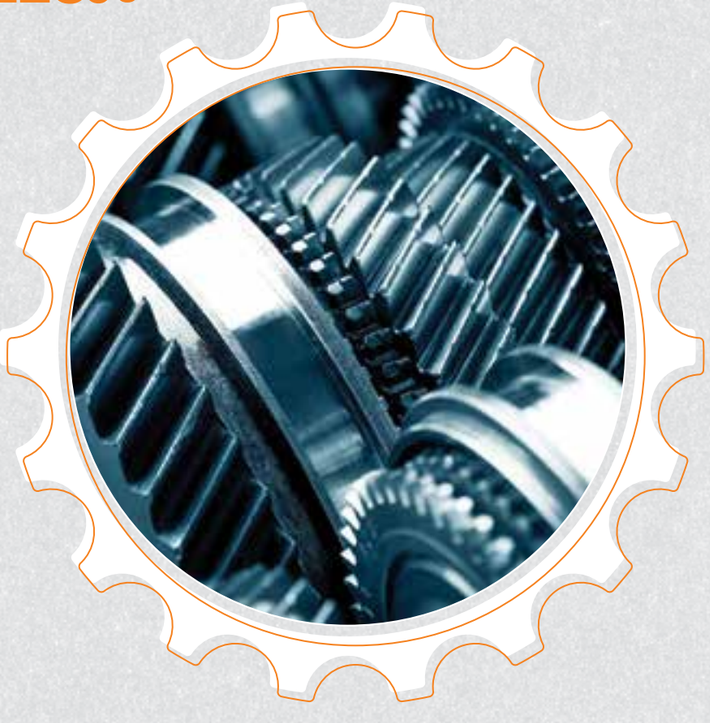
At Shanthi Gears, we have committed ourselves to widen the market with first-time solutions. Because this is the true test of the effectiveness of the intellectual capital resident within the organisation. We have been able to develop path-breaking products which were hitherto imported.

Products developed innovatively are validated through simulation, field trials and condition monitoring.



About the Company

Shanthi Gears Limited (SGL) is one of the **leading players in gear manufacturing and servicing in India.**



SGL is the first industrial gear manufacturing company in India having AS 9100D certification (Aero Standards) with fully-integrated operations, a strong in-house R&D and insightful design capabilities.

A subsidiary of Tube Investments of India, and part of the multi-billion dollar Murugappa Group, SGL is an Industrial Gearing Solutions company that designs and manufactures Gears, Gearboxes, Geared Motors, and Gear Assemblies.

Commencing business as a gear manufacturer for the textile industry in 1969, the Company has, over the years, diversified into manufacturing standard (off-the-shelf) and customised (non-standard) gears and gearboxes.

SGL is driven by the philosophy of innovation to create greater value for its customers and for widening the industry pie by leveraging its knowledge.

With a rich experience of nearly half a century, the Company has created a wide range of product portfolio that encompasses a range of customised gearboxes, loose gears, worm gearboxes and helical gearboxes used across various industries such as Steel, Power, Cement, Mining, Sugar, Off-Highway, Defence and Railways.

The Company operates in three manufacturing locations including one foundry in Coimbatore and operates with a team size of more than 1,000 passionate and persevering members. The Company operates a strong marketing network of 15 offices across India with 50 sales/service engineers and a strong distribution setup.

3
Manufacturing facilities

1,000+
Team size in FY22

337
Revenue in FY22
(₹ crore)

69
EBITDA in FY22
(₹ crore)

43
Profit after tax in FY22
(₹ crore)

260
Networth in FY22
(₹ crore)

Our competitive advantage

Experience

We possess nearly five decades of experience in the Industrial gear manufacturing and servicing space. We have experienced the entire life-cycle of India's industrial transformation and continue to remain relevant.

Diversity

We have it with us to challenge the odds. Our innovative zeal has allowed us to create one of the largest product basket in our business space catering to diverse sectors and applications.

Precision

Our modern cutting-edge technology, our streamlined processes and stringent quality parameters enable us to deliver robust, high-precision products.

Service

We can service/repair any gear – made by domestic or international gear manufacturers. It widens our acceptance among our customers.

End-to-end capability

We provide end-to-end solutions - from the development of a new product to the finished goods and servicing which makes us a one-stop-shop for customers' gear requirements.

Customisation

Our innovative zeal and our knowledge of the material, motion and usage allow us to customise products to specific customer requirements. It cements lasting customer relationships and makes us less vulnerable to market vagaries.

Growth

56%
Revenue

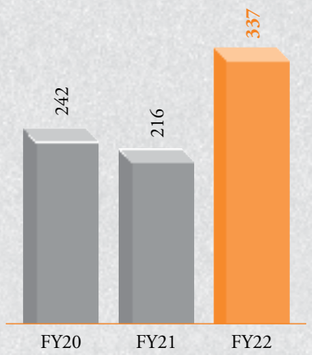
111%
Net profit

98%
EBITDA

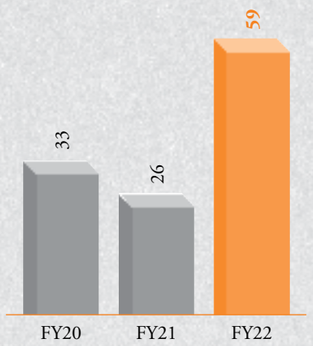
10%
Networth

Key Performance Indicators

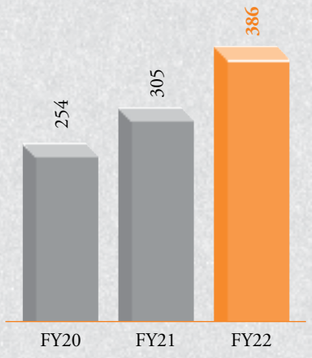
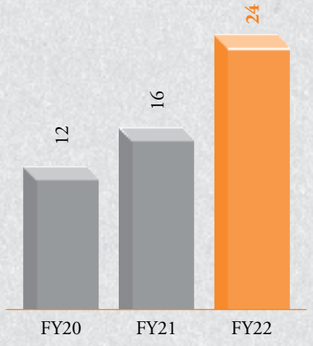
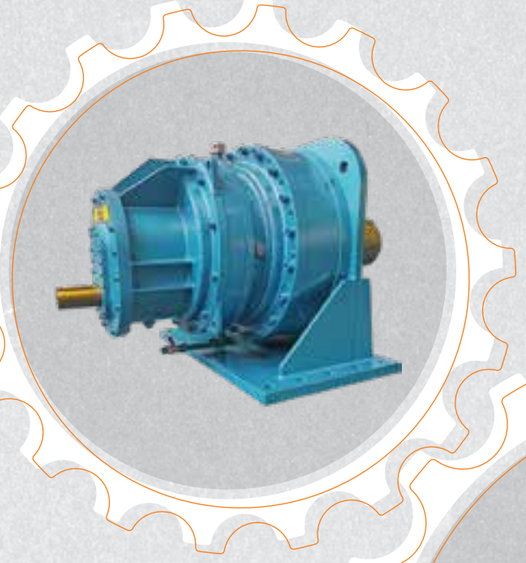
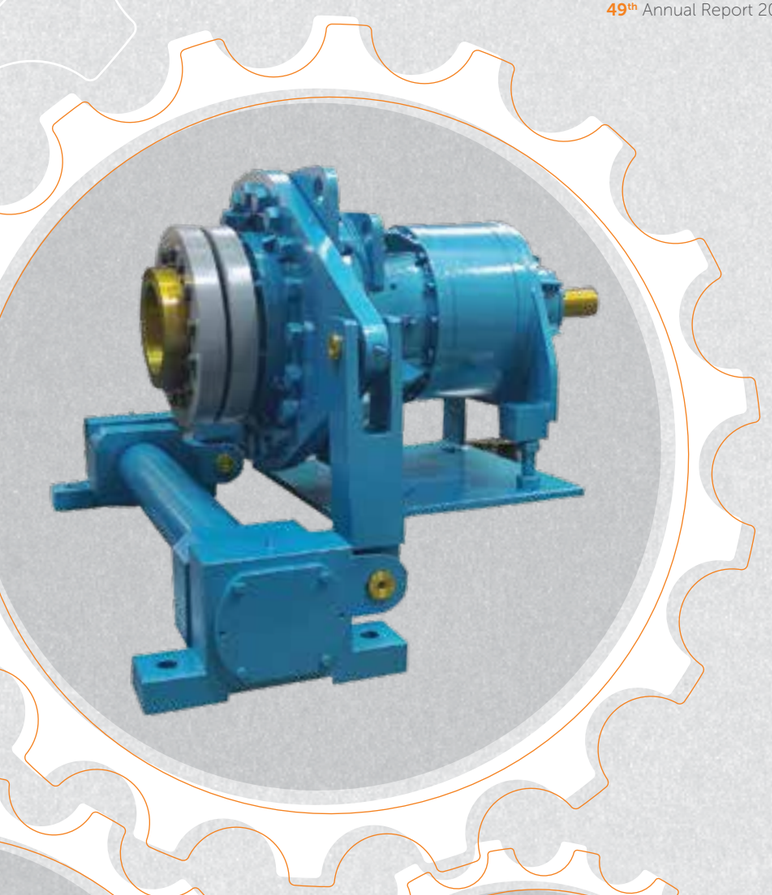
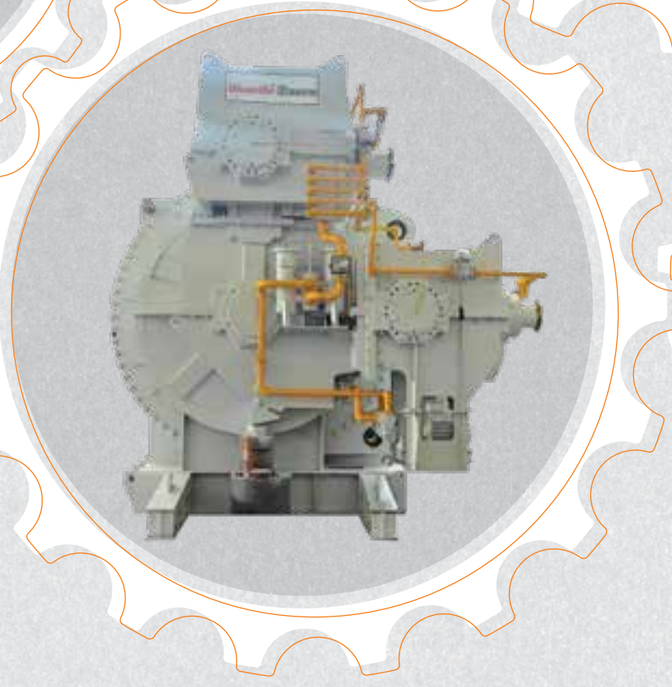
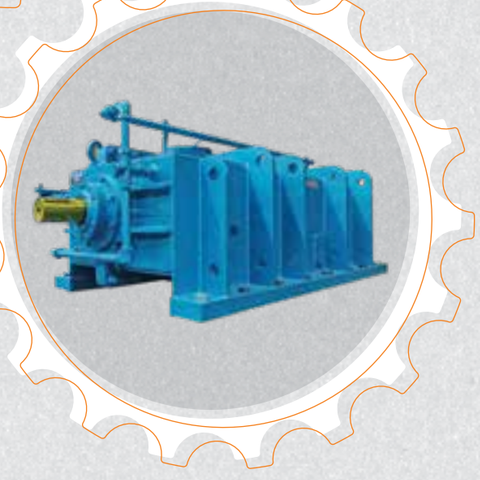
Revenue
(₹ Crore)



Profit before Tax
(₹ Crore)



Order book
(₹ Crore)



Export sales
(₹ Crore)