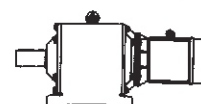
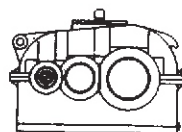
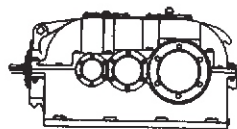
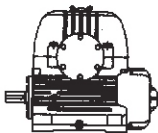


# Shanthi Gears

*Thirty Fifth Annual Report 2008*



# SHANTHI GEARS LIMITED

## **BOARD OF DIRECTORS**

**Shri P SUBRAMANIAN**  
Chairman & Managing Director

**Shri P N GOPAL**

**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  
HDFC Bank Limited  
State Bank of Hyderabad  
ICICI Bank Limited

## **REGISTRARS & SHARE TRANSFER AGENTS**

S.K.D.C. Consultants Limited  
No.7 (Old No.11), Street No.1,  
S.N. Layout,  
West Power House Road,  
Coimbatore - 641 012

## **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 **35<sup>th</sup> Annual General Meeting** of the Company will be held on Monday, the **14<sup>th</sup> day of July 2008 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 31<sup>st</sup> March 2008, 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 P.N. Gopal who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri M.J. Vijayaraaghavan 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 fix their remuneration.

### Special Business

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

"RESOLVED that consent / approval be and is hereby accorded under Section 269, read with Schedule XIII, Section 198 and Section 309 and other applicable provisions of the Companies Act, 1956, for the re-appointment of Mr. P. SUBRAMANIAN, Chairman & Managing Director of the Company for a period of 5 years from 01.04.2009.

Resolved further that in accordance with the provisions of Section 198, 309 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, and subject to such other approvals as may be necessary, Mr. P. SUBRAMANIAN, Chairman & Managing Director be paid an overall remuneration by way of Salary, Dearness Allowance, Perquisites, Commission and other allowances which shall not exceed Five percent of the Net Profit of any Financial Year from 01.04.2009 till the expiry period of the appointment i.e. 31.03.2014.

Resolved further that where in any Financial Year during the currency of tenure of the Chairman & Managing Director, the Company has no profits or its profits are inadequate it may pay him minimum remuneration by way of Salary, Dearness Allowances, Perquisites and any other allowances not exceeding Rs. 24,00,000 per annum or Rs. 2,00,000 per month.

Resolved further that for calculating minimum remuneration the following perquisites shall not be included in the computation of the ceiling on remuneration.

- i) Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under Income Tax Act, 1961.
- ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- iii) Encashment of Leave at the end of the tenure.

Resolved further that the Board of Directors be and is hereby authorised to alter or vary the composition / elements of Remuneration payable to Mr. P. SUBRAMANIAN in such a manner as agreed to between the Board of Directors and Mr. P. SUBRAMANIAN within the overall limits as set out above."

Coimbatore  
14<sup>th</sup> May, 2008

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.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 1<sup>st</sup> July 2008 to 14<sup>th</sup> July, 2008 (Both days inclusive).
3. Dividend on approval will be paid on 18<sup>th</sup> July 2008 to the members whose names appear in Register of Members as on 14<sup>th</sup> July 2008. In respect of shares held in Demat Form, the Dividend will be paid to the Beneficial owners as on the closing hours of 30<sup>th</sup> June, 2008 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, 2000 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	31.03.2001	27.07.2001	29.08.2008
Final	31.03.2002	29.07.2002	28.08.2009
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

Members who have not encashed their Dividend Warrants in respect of the year ended 31<sup>st</sup> March, 2001 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 Limited,  
Trade World, Kamala Mill Compound,  
2<sup>nd</sup> Floor, Senapati Bapat Marg, Lower Parel,  
MUMBAI- 400013.

Bombay Stock Exchange Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
MUMBAI- 400001.

The Company has paid the Annual Listing fees for the financial year 2008-09 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. Information relating to Directors who are seeking re-appointment is given in Report on Corporate Governance. Details of shares held by Non-executive Directors who are seeking re-appointment are given below. None of them are holding shares on beneficial basis by//for other persons.

Name of Director	Number of shares held
1) Sri.P.N.Gopal	50498
2) Sri.M.J.Vijayaraaghavan	420

## **EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956**

### **ITEM NO.6**

Mr. P. SUBRAMANIAN, Chairman & Managing Director of the Company was appointed for a period of 5 Years from 01.04.2004. He is due for retirement on 31.03.2009.

The Board of Directors as per Recommendation of the Remuneration Committee at the meeting held on 09.05.2008 approved the re-appointment of Mr. P. SUBRAMANIAN for a period of 5 Years from 01.04.2009. They have also approved the remuneration and perquisites as proposed in the resolution which is in line with Schedule XIII of the Companies Act, 1956.

The draft agreement which has been approved by the Board of Directors for being entered into with the Chairman & Managing Director by the Company is available for inspection by the members of the Company at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day except Saturdays till the date of Annual General Meeting.

The particulars set out in the said agreement contains, interalia, apart from the remuneration and perquisites proposed, the following terms and conditions.

- a) The Chairman & Managing Director shall be in charge of all day to day activities of the Company and the Board may entrust to him to carry out such other duties subject to its supervision and control.
- b) The Chairman & Managing Director shall not have powers to
  - (i) make calls of share holders in respect of monies unpaid on the shares on the Company.
  - (ii) issue Debentures except to the extent mentioned in the resolution passed at the Board Meeting under Section 292 of the Companies Act, 1956.
  - (iii) borrow money other than Debentures.
  - (iv) invest the funds of the Company in shares, stocks and securities.
  - (v) make loans.

The particulars set out above can also be treated as memorandum required to be circulated to every member under section 302 of the Companies Act, 1956.

None of the Directors other than Mr. P.Subramanian and Ms.S.Sangeetha being daughter of Mr. P.Subramanian are in any manner concerned or interested in this resolution.

Coimbatore  
14<sup>th</sup> May, 2008

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 Fifth Annual Report, together with the audited accounts of your Company, for the year ended 31<sup>st</sup> March, 2008.

### FINANCIAL RESULTS

	Year Ended 31-03-2008	Year Ended 31-03-2007
	Rs. in Million	
Gross Profit before Interest & Depreciation	<b>946.625</b>	741.785
Less: Interest	<b>46.571</b>	47.723
Depreciation	<b>224.605</b>	182.296
Donations	<b>0.525</b>	0.247
Provision for Taxation / Withholding Tax Paid	<b>206.742</b>	105.833
Fringe Benefit Tax	<b>2.500</b>	2.500
Deferred Taxes	<b>24.843</b>	67.329
	<b>440.839</b>	335.857
Add: Extra ordinary Income	-	22.715
	<b>440.839</b>	358.572
Add: Excess Provision no longer required	<b>0.771</b>	0.005
Surplus brought forward	<b>45.256</b>	32.076
	<b>486.866</b>	390.653
Appropriations:		
Proposed Dividend		
Previous Year	-	0.783
Current Year	<b>98.059</b>	80.776
Tax on Dividend		
Previous Year	-	0.110
Current Year	<b>16.665</b>	13.728
General Reserve	<b>300.000</b>	250.000
Surplus in Profit & Loss Accounts	<b>72.142</b>	45.256
	<b>486.866</b>	390.653

### DIVIDEND

Your Directors recommend a Dividend of **120% (Rs. 1.20** per Equity Share of Re.1 each fully paidup)

### OPERATING RESULTS

The Company has achieved a Turnover of **Rs. 2441.361** Million for the year under review as against the turnover of **Rs. 2013.523** Million of the previous year showing a growth of **21.25%**. 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.

### CHANGES IN SHARE CAPITAL

During the year under review, the Company has allotted 939,638 Equity Shares of Re.1 each upon conversion of FCCBs for the value of US\$ 1.2 Million. Consequent to changes, the Issued, Subscribed and paid up Equity Capital of the Company is 81,715,853 Equity Shares of Re.1 each.

## **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.237.26 Million** during the year and earned **Rs.0.05 Million** by way of Interest Receipts. The outflow of foreign exchange on import of Machinery, interest on FCNR (B) Loans, interest on FCCBs, Raw Materials, Consumable stores & Tools, Machinery Spares, Advertisement, Subscription, Sales Promotion Expenses, Exhibition Expenses, Commission and Germany Liaison Office Expenses amounted to **Rs.178.05 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.P.N.Gopal

Sri.M.J.Vijayaraaghavan

### **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  
14<sup>th</sup> May, 2008

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, 2008.**

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*	65	Chairman & Managing Director Overall Management of the affairs of the Company	36,321,766	L.M.E P.D.Prod.E.	43 Years	01/07/1972	Managing Partner Shanthi Engg & Trading Company.
2	Ms.S.Sangeetha*	33	Wholetime Director Day to day Management of The Company	14,528,706	B.B.M.	12 Years	05/01/1996	—

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

Coimbatore  
14<sup>th</sup> May, 2008

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

a) The Board of Directors consists of 5 Directors, of whom 3 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
Sri. P.N. Gopal	Independent Director Non Executive	4	Present
Dr. D. Padmanaban	Independent Director Non Executive	4	Present
Sri. M.J. Vijayaraaghavan	Independent Director Non Executive	4	Present
Ms. S. Sangeetha	Wholetime Director Executive Director	4	Present

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

Name of the Directors	Other Directorship	Other Committee Positions	
		Member	Chairman
Sri. P. Subramanian	1	- NIL -	- NIL -
Sri. P.N. Gopal	- NIL -	- NIL -	- NIL -
Dr. D. Padmanaban	2	- NIL -	- NIL -
Sri. M.J. Vijayaraaghavan	2	1	1
Ms. S. Sangeetha	1	- NIL -	- NIL -

d) Details of Board Meetings held during the Period from 01.04.2007 to 31.03.2008

Sl. No.	Date of the Meeting
1	16.05.2007
2	16.07.2007
3	22.10.2007
4	21.01.2008

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 3 Independent Directors.

The Details of Audit Committee Meetings held

Sl. No.	Date of the Meeting
1	15.05.2007
2	14.07.2007
3	18.10.2007
4	21.01.2008

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	Sri. P.N. Gopal	4
3	Dr. D. Padmanaban	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 31<sup>st</sup> March, 2008.

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

The Board of Directors at their Meeting held on 30.05.2003 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 29.05.2003. The members in the General Meeting held on 28.07.2003 have approved the re-appointment of Mr.P.Subramanian as Chairman & Managing Director for a period of 5 years from 01.04.2004 and remuneration payable to him.

The aggregate value of salary, perquisites and commission for the period from 01.04.2007 to 31.03.2008 paid to the Chairman & Managing Director are given below:

Salary	Rs.	2,400,000
Commission	Rs.	33,921,766
	Rs.	<u>36,321,766</u>

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.

The aggregate value of salary, perquisites and commission for the period from 01.04.2007 to 31.03.2008 paid to the Wholetime Director are given below

Salary	Rs.	1,200,000
Perquisite	Rs.	144,000
Commission	Rs.	13,184,706
	Rs.	<u>14,528,706</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
Sri. P.N. Gopal	Rs. 45,000
Dr. D. Padmanaban	Rs. 45,000
Sri. M. J. Vijayaraaghavan	Rs. 45,000

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. P. N. Gopal	50498
Sri. M. J. Vijayaraaghavan	420

6. Shareholders/ Investors Grievance Committee

a) The Shareholders/ Investors Grievance Committee consists of 3 Independent Directors.

b) Composition of Shareholders/ Investors Grievance Committee.

Sl. No.	Members
1	Sri. P.N. Gopal, Chairman
2	Sri. M.J. Vijayaraaghavan
3	Dr. D. Padmanaban

c) Compliance Officer

Sri. C. Subramaniam, Company Secretary

d) Complaints

During the year 8 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 Committee since they were routine in nature and it was resolved by the Company officials / RTA.

2 Share Transfers for 3000 Shares were pending as on 31<sup>st</sup> March 2008 and the same was processed on 12.04.2008.

4 Electronic requests for 20980 Shares Dematerialisation were pending as on 31<sup>st</sup> March 2008 and the same was confirmed on 01.04.2008 and 05.04.2008.

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 3 Independent Directors.

b) The Details of Remuneration Committee Meeting held:

Sl. No.	Date of the Meeting
1	15.05.2007

c) Composition of Remuneration Committee

Sl. No.	Members of Remuneration Committee
1	Sri. M.J. Vijayaraaghavan, Chairman
2	Sri. P.N. Gopal
3	Dr. D. Padmanaban

8. General Body Meeting

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

Financial Year Ending	Date	Time	Venue
31.03.2005	11.07.2005	9.30 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005
31.03.2006	14.07.2006	9.30 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005
31.03.2007	16.07.2007	9.30 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005

ii) Whether Special Resolutions passed at previous 3 AGM'S: - YES-

iii) Postal ballot

A. Special Resolution for inclusion of the new objects in the Memorandum of Association of the Company and Special Resolution to commence new business containing in the object clause III (c) (15) of the Memorandum of Association of the Company.

B. Voting Pattern

Resolution relating to alteration of Memorandum of Association of the Company by inclusion of the new objects as item no.15 in sub-clause (c) of clause III			
Particulars	No. of Ballots	No. of Votes	Percentage
Total number of ballots deposited	1466	39707543	
Total number of Ballots found to be invalid	34	55109	
Total number of Valid votes	1432	39652434	
Total number of Votes <b>FOR</b>	1409	39588245	99.84%
Total number of votes <b>AGAINST</b>	23	64189	0.16%

Resolution relating to commencement of new business containing in the clause III (c) (15) of the Memorandum of Association of the Company			
Particulars	No. of Ballots	No. of Votes	Percentage
Total number of ballots deposited	1466	39707543	
Total number of Ballots found to be invalid	34	55109	
Total number of Valid votes	1432	39652434	
Total number of Votes <b>FOR</b>	1405	39584318	99.83%
Total number of votes <b>AGAINST</b>	27	68116	0.17%

C. Persons who conducted the postal ballot Exercise

Mr. P. Subramanian	Chairman & Managing Director
Mr. C. Subramaniam	Company Secretary
Mr. M.R.L. Narasimha Practicing Company Secretary	Scrutinizer

D. Procedure for postal Ballot

a.	Board Meeting approving Postal Ballot	16.05.2007
b.	Appointment of Scrutinizers	16.05.2007
c.	Intimation to the Registrar of Companies	22.05.2007
d.	Despatch of Notices & Postal Ballot Completed under Certificate of Posting	02.06.2007
e.	Issue of Advertisement in the following newspapers informing completion of dispatch of notices. 1. Business Line 2. Dinamalar	19.06.2007 19.06.2007
f.	Cut off date for receipt of postal ballot	07.07.2007
g.	Scrutinizer submitted report on	13.07.2007
h.	Announcement of the result of postal ballot at Annual General Meeting held on	16.07.2007

iv) Any voting proposal to be conducted through postal ballot, this year: - NO -

9. a) Code of Conduct

The Company is adopting Code of Conduct for all the Directors and Senior Management Personnel. The said Code of Conduct has been posted on the website of the Company [www.shanthigears.com](http://www.shanthigears.com). The CEO Certificate on Compliance is furnished separately.

b) CEO / CFO Certification

CEO / CFO Certification under clause 41 and clause 49 of the Listing Agreement entered by Company with Stock Exchanges has been submitted to the Board by the CEO and CFO.

10. a) Disclosure on Materially significant related party transaction.

The Company had not entered into any transaction of a material nature which will have a conflict with its interest during the year.

Full disclosure of related party transactions as per Accounting Standard 18 issued by the Institute of Chartered Accountants of India is given under Note No.14 of Notes on the Annual Accounts. All the transactions covered under related party transaction were fair, transparent and at arms length.

- b) Details of Non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchanges, SEBI or any Statutory authorities on any matter related to capital markets during the last three years

- NIL -

- c) The Company is not implementing formal Whistle Blower policy. However, no personnel has been denied access to the Audit Committee of the Company.

- d) The Company has implemented all mandatory requirements of clause 49 of the listing agreement. Details of compliance of Non-mandatory requirements are given below.

A. Chairman of the Board:

The Company has Executive Chairman. Therefore clauses relating to non-executive chairman are not applicable to the company

B. Remuneration Committee

The company has formed remuneration committee. Details of the committee are given in point No.7 of the report on Corporate Governance.

C. Audit Qualifications

Financial Statements of the company does not have any Audit qualifications.

11. Means of Communication

- i) Half Yearly Report sent to each household of Share holders : No, Quarterly, Half Yearly, Unaudited Financial Results and Audited Financial Results are published in leading National Newspapers and in Regional Newspapers.
- ii) Quarterly Results published in Newspapers : Yes, Details of Publication for the period 01.04.2007 to 31.03.2008 is as under.

Year Ended/ Quarter ended	Audited/ Unaudited	Approved on	Published in
31.03.2007	Audited	16.05.2007	Business Line & Dinamalar
30.06.2007	Unaudited	16.07.2007	Business Line & Dinamalar
30.09.2007	Unaudited	22.10.2007	Business Line & Dinamalar
31.12.2007	Unaudited	21.01.2008	Business Line & Dinamalar

- iii) Any website where results published : [www.shanthigears.com](http://www.shanthigears.com)
- iv) No presentation has been made to Institutional Investors or to the Analysts.
- v) The Management Discussion and Analysis (MD & A) is part of the Annual Report.

12. General Share Holders Information

a) Annual General Meeting

- i) Date & Time : 14<sup>th</sup> July, 2008 - 10.00 a.m. (Monday)
- ii) Venue : Registered Office of the Company  
304-A, Trichy Road, Singanallur, Coimbatore-641 005

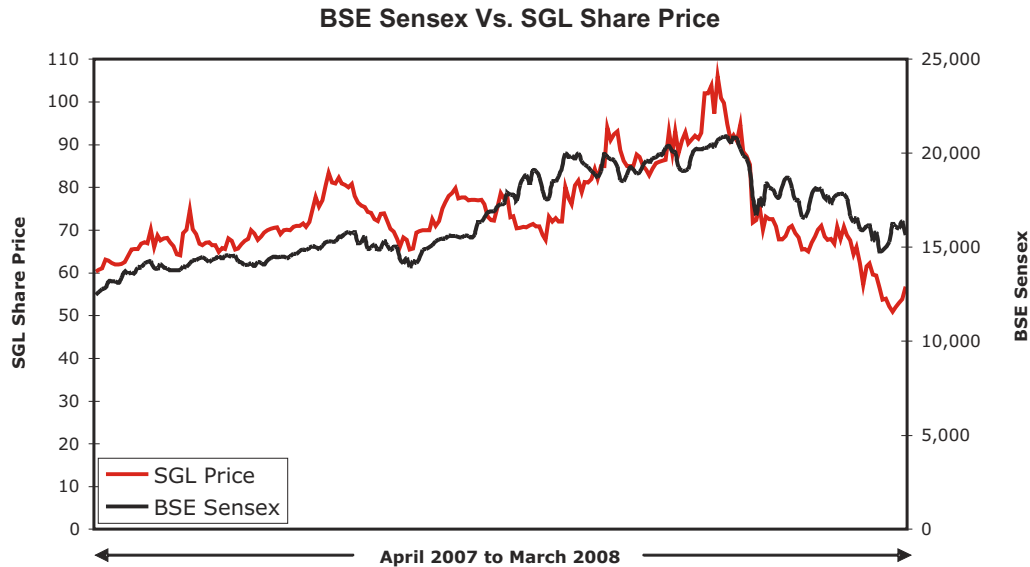
b) Financial Calendar

Annual General Meeting	:	14 <sup>th</sup> July, 2008
Results for the Quarter Ending 30 <sup>th</sup> June, 2008	:	Last Week of July, 2008
Results for the Quarter Ending 30 <sup>th</sup> September, 2008	:	Last Week of October, 2008
Results for the Quarter Ending 31 <sup>st</sup> December, 2008	:	Last Week of January, 2009
Results for the Year Ending 31 <sup>st</sup> March, 2009	:	Last week of June, 2009

- c) Book Closure Date : 01.07.2008 to 14.07.2008 (Both days inclusive)
- d) Dividend Payment Date : **Dividend recommended by the Directors, after the same is approved by the members at the Annual General Meeting will be paid to the Share Holders whose name appear on the Company's Register of Members as on 14.07.2008 and for the Beneficial owners whose name appears on the closing hours of 30.06.2008 as per the details forwarded by RTA for this purpose.**
- e) Listing on Stock Exchanges : National Stock Exchange Limited (NSE) and Bombay Stock Exchange Limited (BSE)
- f) Stock Code
- i) Scrip Code in Bombay Stock Exchange Limited, Mumbai 522034  
Trading symbol in National Stock Exchange Limited, Mumbai SHANTIGEAR
- ii) ISIN Number in NSDL & CDSL for Equity Shares INE 631A01022
- g) Stock Market Data

Month	Bombay Stock Exchange Limited (BSE)		National Stock Exchange Limited (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2007	71.00	55.00	70.10	58.55
May 2007	75.90	62.00	75.90	62.00
June 2007	73.00	64.50	71.90	63.40
July 2007	89.00	69.10	87.50	69.55
August 2007	75.40	64.15	76.00	65.00
September 2007	81.00	70.00	82.00	70.00
October 2007	83.45	65.05	84.30	66.40
November 2007	99.00	75.45	98.70	75.95
December 2007	107.00	82.00	107.00	83.00
January 2008	114.90	58.10	114.90	60.00
February 2008	73.00	63.00	72.90	64.00
March 2008	69.95	48.05	70.25	48.00

h) Performance in comparison to broad based indices  
SGL Share Performance (April 2007 to March 2008)



i) Registrar and Transfer Agents:

**S.K.D.C. CONSULTANTS LIMITED**  
**NO.7 (Old No.11), Street No.1, S.N.Layout**  
**West Power House Road,**  
**Coimbatore - 641 012.**  
**Tel : (0422) 6549995**  
**Fax : (0422) 2499574**  
**Email : info@skdc-consultants.com**

j) Share Transfer System:

The Company's Shares are being in Compulsory Demat List and are transferable through Depository system. Both Demat and Physical Share Transfers are handled by S.K.D.C.Consultants Limited.

The Share transfers which are received in physical form are processed and the share Certificates are returned within 21 days from the date of receipt, subject to the Documents being valid and complete in all respects.

k) Share holding pattern as on 31.03.2008

Sl. No.	Category	No.of Shares	%(Percentage)
1	Promoters	36519008	44.69
2	Mutual funds, Banks, Financial Institution, Insurance Companies	18942202	23.18
3	Foreign Institutional Investors	1843019	2.26
4	NRI's / OCB's	1417575	1.73
5	Private Corporate Bodies	3063632	3.75
6	Indian Public	19930417	24.39
<b>Total</b>		<b>81715853</b>	<b>100.00</b>



l) Distribution of Share holding as on 31<sup>st</sup> March, 2008

No. of Shares held	No. of Shareholders	%	No. of Shares	%
1 to 500	10718	70.21	1723686	2.11
501 to 1000	1404	9.20	1236689	1.51
1001 to 5000	2193	14.36	5951816	7.28
5001 to 10000	620	4.06	4263582	5.22
10001 to 100000	288	1.89	6959182	8.52
100001 and above	43	0.28	61580898	75.36
<b>Total</b>	<b>15266</b>	<b>100.00</b>	<b>81715853</b>	<b>100.00</b>

m) Dematerialisation of Shares and Liquidity

As on 31<sup>st</sup> March 2008, **77598037** shares were in dematerialized form representing 94.96% of total shares.

n) Details of outstanding Foreign Currency Convertible Bonds (FCCBs)

(Amount in US\$)

Outstanding FCCBs as on 01.04.2007	6,500,000
Less:	
1) Converted into 156606 Equity Shares of Re.1 each on 01.08.2007	200,000
2) Converted into 391516 Equity Shares of Re.1 each on 24.12.2007	500,000
3) Converted into 391516 Equity Shares of Re.1 each on 08.01.2008	500,000
<b>Outstanding FCCBs as on 31.03.2008</b>	<b>5,300,000</b>

The FCCBs are convertible at the option of the bondholders before 14<sup>th</sup> November, 2010. If the bondholders exercised entire conversion option, the company has to issue another 4,150,081 Equity Shares of Re. 1 each.

o) Plant Locations

Locations and addresses of plants are given in the beginning of the Annual Report.

p) Address for Correspondence

**S.K.D.C. CONSULTANTS LIMITED**  
**No.7 (Old No.11), Street No. 1, S.N. Layout,**  
**West Power House Road,**  
**Coimbatore - 641 012.**  
**Tel : (0422) 6549995**  
**Fax : (0422) 2499574**  
**Email : info@skdc-consultants.com**

q) Address of Communication to the Company

**Shanthi Gears Limited**  
**304-A, Trichy Road,**  
**Singanallur,**  
**Coimbatore - 641 005.**  
**Tel : (0422) 2273722 to 34**  
**Fax : (0422) 2273884 & 85**  
**Email : cs@shanthigears.com**

- r) Website of the Company : www.shanthigears.com
- s) Profile of the Directors who Retire by Rotation
- 1) a. Name of the Director : Sri P. N. GOPAL  
b. Age : 68 Years  
c. Date of Appointment : 17.03.1986  
d. Qualification : B.E., F.I.E., Chartered Engineer  
e. Directorship in Other Companies : NIL  
f. Others : He was the past District Governor of Rotary International 320. In addition, he was a member of Advisory Committee for Central Excise and Sales Tax. Past president of Coimbatore Management Association and Coimbatore Productivity Concern. In addition, he is a well-known Social Activist.
- 2) a. Name of the Director : Sri. M. J VIJAYARAAGHAVAN  
b. Age : 75 Years  
c. Date of Appointment : 31.10.2001  
d. Qualification : FCA, Chartered Accountant  
e. Directorship in other Companies : K.G.Denim Limited  
KPR Mills Limited  
f. Others : An Eminent Chartered Accountant & Partner in the following Firms.
1. M.S. Jagannathan & Visvanathan Chartered Accountants
  2. S.V. Visvanathan & Associates Chartered Accountants
  3. M.S. Jagannathan & Co Chartered Accountants

Coimbatore  
14<sup>th</sup> May, 2008

On behalf of the Board of Directors  
**P. Subramanian**  
Chairman & Managing Director

### **CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT FOR BOARD OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL**

To the Members of Shanthi Gears Limited

I, P. Subramanian, Chairman & Managing Director of the Company, hereby certify that the Board of Directors and senior management personnel have affirmed that they will comply with the code of conduct.

Coimbatore  
14<sup>th</sup> May, 2008

On behalf of the Board of Directors  
**P. Subramanian**  
Chairman & Managing Director

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Industry Structure and Developments:

Industrial activities throughout the year (2007-08) have been generally good although certain specific industrial segments were alternating with boom and depressions in varying degrees. Scientific planning and management of resources helped to keep up margins without any stress or strain. New products, new bench marks, new expertise and new ideas were evolved on a continuous basis to ensure our position of leadership in the market place.

### 2. Opportunities and Threats:

#### Opportunities:

Certain Industries like Steel, Wind Mills, Construction etc. have been doing extremely well. Consequently, the demand potential for the year 2008 – 09 from the domestic market is expected to be on the upward swing.

Having earned a very good name for our products in the foreign markets as well, the export orders are also likely to register an upward trend.

#### Threats :

- a. Entry of more and more new players both domestic and overseas.
- b. Threat of falling margins in view of price pressure on account of stiff competition and rising input costs.
- c. Long delivery period for Mother Machines and cutting Tools resulting in delayed expansion activities.

### 3. Outlook:

With a good amount of backlog of Orders, State-of-the-art Manufacturing/Quality Control facilities coupled with the image of strong brand power, the business volume for our Company continues to be good. Thus, the prospects for the year 2008 – 09 are bright, barring unforeseen circumstances.

### 4. Risks and Concerns:

- Frequent increase in the cost of raw material inputs.
- Increasing competition from national and international brands of repute.
- Non-availability of "Power" to cover additional requirements in case of expansion.

### 5. Internal Control Systems and their adequacy:

The Company's Internal Control Systems are adequate and ensures that all assets of the Company are safely guarded against loss, damage or pilferage. The internal control systems are designed to provide adequate financial and accounting control and transparent Accounting Standards.

### 6. Discussions on the financial performance with respect to operational performance:

During the year, the Company has achieved a sales turnover of Rs.2441.361 Million as compared to Rs.2013.523 Million of the previous year. The Profit After Tax (PAT) of the current Financial Year is Rs.441.610 Million as against Rs.335.862 Million of the previous year.

**7. Material developments in Human Resources/Industrial Relations front, including number of people employed:**

The Company firmly believes that Man Power is the most important asset, above all. Hence the needs and aspiration of all ranks and files are very well taken care of all the time without any let-up. The Industrial relationship at all factories remained cordial. The Company had 903 employees as of 31<sup>st</sup> March, 2008.

**8. Caution:**

The views and statements expressed or implied in the Management Discussions and Analysis are based on available information, assessments and judgments. They are subject to alterations. The Company's Actual Performance may differ due to national or international ramifications, Governmental Regulations, Policies, Tax Laws and other unforeseen factors over which the Company do not or may not have any control.

Coimbatore  
14<sup>th</sup> May, 2008

On behalf of the Board of Directors  
**P. Subramanian**  
Chairman & Managing Director

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE TO THE MEMBERS OF  
M/s. SHANTHI GEARS LIMITED**

We have examined the compliance of the conditions of Corporate Governance by **SHANTHI GEARS LIMITED** for the year ended 31<sup>st</sup> March, 2008 as stipulated in Clause 49 of the Listing Agreement of the said company, with the stock exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and the management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Shareholders / Investor Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company

Place :Coimbatore  
Dated :14<sup>th</sup> May, 2008

For **S. Lakshminarayanan Associates**  
Chartered Accountants  
**S. Lakshminarayanan**  
F - 012024  
Partner

## AUDITOR'S REPORT

Ladies and Gentlemen,

We report that We have audited the Balance Sheet of M/s. SHANTHI GEARS LIMITED, COIMBATORE as at 31<sup>st</sup> March, 2008 and the Profit & Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An Audit includes examining on a test basis, evidence supporting the amounts, disclosures in the financial statements, assessing the accounting principles used, significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956 We enclose in Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in Paragraph 1 & 2 above, We state that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our Audit.
- b) In our opinion, proper books of account as required by law have been kept so far as appears from our examination of those books.
- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this Report are in agreement with the Books of Account.
- d) In our opinion the Profit & Loss Account and Balance Sheet read together with the notes thereon and Cash Flow Statement comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representation received from all the Directors as of 31<sup>st</sup> March, 2008 and taken on record by the Board of Directors, We report that none of the Directors are disqualified as of 31<sup>st</sup> March, 2008 from being appointed as Directors in terms of section 274 (1)(g) of the Companies Act, 1956.
- f) In our opinion and according to the information and explanations given to us and on the basis of such checks as We considered appropriate, the said Balance Sheet and Profit & Loss Account read together with the Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
  - (i) in the case of the Balance Sheet, of the STATE OF AFFAIRS as at 31<sup>st</sup> March, 2008
  - (ii) in the case of the Profit & Loss Account of the PROFIT for the year ended that date,  
and
  - (iii) in the case of Cash Flow Statement of the CASH FLOWS for the year ended that date

For **S. Lakshminarayanan Associates**  
Chartered Accountants  
**S. Lakshminarayanan**  
F - 012024  
Partner

Place : Coimbatore  
Dated : 14<sup>th</sup> May, 2008

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE REPORT OF EVEN DATE OF THE AUDITORS TO THE MEMBERS OF M/s SHANTHI GEARS LIMITED**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies were noticed on such verification.
- (c) The company has not disposed off substantial part of fixed assets.
- (ii) (a) The Stock in trade (including raw material) and stores, spare parts of the Company at all its locations have been physically verified by the Management during the year.
- (b) In our opinion, the procedures for physical verification of stock followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and book records were not material.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion, the internal control procedures of the company relating to purchases of stores, raw materials including components, plant & machinery, equipments and other similar assets and for sale of goods & services are commensurate with its size and nature of its business. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control systems.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevalent market prices at the relevant time.

- (vi) The company has not accepted any deposits from the Public during the year.
- (vii) In our opinion, the Company's internal audit system is commensurate with its size and nature of its business.
- (viii) The provisions of the Companies Act for maintenance of Cost Records under Section 209 (1)(d) are not applicable to the Company.
- (ix) (a) The Company is regular in depositing with the appropriate authorities the undisputed statutory dues relating to provident fund, employees state insurance, investor education protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us and the records of the company examined by us there are no dues of income tax, wealth tax, cess and service tax, excise duty, customs duty which have not been deposited on account of any dispute. Particulars of dues to sales tax as at 31<sup>st</sup> March, 2008 which have not been deposited on account of any dispute, the amounts involved and the forum where the dispute is pending are given vide annexure below.

Sl. No.	Name of Statute	Nature of the Due	Amount Rs.	Period to Which the Amt relates	Forum where the dispute is pending	Remarks
1	Tamil Nadu Sales Tax Act.	AST on CST	1,17,718	Y.E. 31.03.1999	Assistant Commissioner Fast Track Assessment Circle I, Coimbatore	Tax Paid under Writ Petition pending with High Court, Chennai
2	Tamil Nadu Sales Tax Act.	AST on CST	1,04,013	Y.E. 31.03.2000	Assistant Commissioner under Fast Track Assessment Circle I, Coimbatore	Tax Paid Protestand Fast Writ Petition pending with High Court, Chennai

- (x) The Company has no accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions and banks.
- (xii) The Company has not granted loans and advances on the basis of security of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to a chit fund/nidhi/mutual benefit fund/society are not applicable to the company.
- (xiv) The Company has maintained records on all transactions regarding purchase & redemption of mutual funds. Timely entries have been made in such records and the investment in mutual funds was made in company's name.
- (xv) The Company has not given guarantees for loans taken by others from bank or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the cash flow statement and other records examined by us and the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act.
- (xix) According to the information and explanations given to us, during the year covered by our audit report, the company has not issued any debentures.
- (xx) According to the information and explanations given to us, the company has not raised funds by public issues during the year covered by our audit report.
- (xxi) According to the information and explanations given to us and on the basis of our examination of books & records of the company in accordance with the generally accepted auditing practices, no fraud on or by the company has been noticed or reported during the year.

For **S. Lakshminarayanan Associates**  
Chartered Accountants  
**S. Lakshminarayanan**  
F - 012024  
Partner

Place : Coimbatore  
Dated : 14<sup>th</sup> May, 2008



## BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2008

	Schedule	As At 31-03-2008 Rs.	As At 31-03-2007 Rs.
<b>I. SOURCES OF FUNDS</b>			
1 <b>Shareholder's Funds</b>			
a) Share Capital	1	81,715,853	80,776,215
b) Reserves & Surplus	2	1,615,268,245	1,234,493,751
Total Share holders' Funds	(A)	<u>1,696,984,098</u>	<u>1,315,269,966</u>
2 <b>Loan Funds</b>			
a) Secured Loans:	3		
i) Term Loans		328,624,000	329,005,225
ii) Working Capital		106,762,950	400,000,000
iii) Short Term Loan		-	100,000,000
		<b>435,386,950</b>	
b) Unsecured Loans	4	<b>492,502,274</b>	357,753,955
Total Loan Funds	(B)	<u>927,889,224</u>	<u>1,186,759,180</u>
3 <b>Deferred Tax</b>			
Balance As Per Last Balance sheet		165,765,345	
Add/Less: Transfer From/To Profit & Loss Account		24,843,104	
	(C)	<b>190,608,449</b>	165,765,345
<b>TOTAL FUNDS EMPLOYED</b>	<b>(A+B+C)</b>	<u><b>2,815,481,771</b></u>	<u>2,667,794,491</u>
<b>II APPLICATION OF FUNDS</b>			
1 Fixed Assets			
Gross Block		<b>2,991,864,497</b>	2,652,040,429
Less : Depreciation		<b>1,180,393,515</b>	958,143,444
Net Block		<b>1,811,470,982</b>	1,693,896,985
Capital Work-in-progress		<b>161,615,111</b>	131,933,431
	5	<b>1,973,086,093</b>	1,825,830,416
2 Current Assets, Loans & Advances	6		
a) Inventories		548,030,941	536,508,312
b) Sundry Debtors		307,112,920	252,038,014
c) Cash & Bank Balances		174,922,338	222,605,686
d) Other Current Assets		7,598,239	2,867,735
e) Loans & Advances		168,039,877	176,308,024
		1,205,704,315	1,190,327,771
Less : Current liabilities and provisions	7	<u>363,308,637</u>	348,363,696
		<b>842,395,678</b>	841,964,075
<b>TOTAL ASSETS</b>		<u><b>2,815,481,771</b></u>	<u>2,667,794,491</u>

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date  
For S. Lakshminarayanan Associates  
Chartered Accountants

**P. Subramanian**  
Chairman & Managing Director  
Coimbatore  
14<sup>th</sup> May, 2008

**S. Sangeetha**  
Wholetime Director  
**C. Subramaniam**  
Company Secretary

**S. Lakshminarayanan**  
Partner  
**T. Raghunathan**  
Internal Auditor

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2008

	Schedule	For the Year Ended 31-03-2008 Rs.	For the Year Ended 31-03-2007 Rs.
<b>I INCOME</b>			
GROSS TURNOVER	8	2,747,384,269	2,279,661,583
LESS : Excise Duty		306,023,677	266,139,029
NET TURNOVER		2,441,360,592	2,013,522,554
Other Income	8	11,719,676	15,056,011
		2,453,080,268	2,028,578,565
ADD/(DEDUCT)			
Difference In Stock	8	49,977,600	14,226,767
		2,503,057,868	2,042,805,332
<b>II EXPENDITURE</b>			
Material Cost	9	1,000,495,117	834,789,900
Labour Cost	9	188,707,000	154,264,028
Power & Fuel		76,635,536	65,864,312
Repairs	9	117,157,329	92,250,596
Interest Paid (Net of Receipts)	9	46,571,217	47,723,747
Administrative Expenses	9	173,436,990	153,850,753
Depreciation		224,604,838	182,295,636
		1,827,608,027	1,531,038,972
<b>III PROFIT for the year</b>			
		675,449,841	511,766,360
Less : Donations		524,650	246,750
		674,925,191	511,519,610
Less : Provision for Taxation Current/Withholding Tax		206,742,362	105,833,447
Provision For Fringe Benefit Tax		2,500,000	2,500,000
Deferred Tax		24,843,104	67,329,768
Add : Excess Provision no longer required		770,686	5,306
<b>Profit after Tax</b>		441,610,411	335,861,701
Add : Extra-ordinary Income		-	22,714,809
		441,610,411	358,576,510
Add : Surplus brought forward		45,256,079	32,076,555
<b>Profit available for appropriation</b>		486,866,490	390,653,065
<b>IV APPROPRIATIONS</b>			
Proposed Dividend - Previous Year		-	783,033
- Current Year		98,059,024	80,776,215
Tax on Dividend - Previous Year		-	109,820
- Current Year		16,665,131	13,727,918
General Reserve		300,000,000	250,000,000
Surplus		72,142,335	45,256,079
		486,866,490	390,653,065
<b>EARNING PER SHARE (Basic/Diluted)</b>			
See Note No.10 Of Notes to Accounts			
	Basic	5.40	4.44
	Diluted	5.39	4.23

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date  
For S. Lakshminarayanan Associates  
Chartered Accountants

**P. Subramanian**  
Chairman & Managing Director  
Coimbatore  
14<sup>th</sup> May, 2008

**S. Sangeetha**  
Wholetime Director  
**C. Subramaniam**  
Company Secretary

**S. Lakshminarayanan**  
Partner  
**T. Raghunathan**  
Internal Auditor

## SCHEDULES

	As At 31-03-2008 Rs.	As At 31-03-2007 Rs.
<b>SCHEDULE : 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
100,000,000 Equity Shares of Re. 1 each	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued, Subscribed &amp; Paid up</b>		
81,715,853 (80,776,215) Equity Shares of Re. 1 each	<u>81,715,853</u>	<u>80,776,215</u>

### NOTE :

1. Of the above 41,000 Equity Shares of Re.1 each are allotted as fully paid up for consideration otherwise than in cash.
2. 17,700,000 Equity Shares of Re.1 each are issued as Bonus Shares by Capitalisation of Rs.17,700,000 from General Reserve.
3. 176,000 Equity Shares of Re.1 each has been allotted to the Members of Shanthi Non-Ferrous Castings Private Limited as per the Scheme of Amalgamation.
4. 841,800 Equity Shares of Re.1 each has been allotted to the Members of Shanthi Precision Industries Limited as per the Scheme of Amalgamation.
5. 39,017,800 Equity Shares of Re.1 Each has been issued as Bonus Shares by Capitalisation of Rs. 39,017,800 from Securities Premium Account.

### SCHEDULE : 2

#### RESERVES AND SURPLUS

##### Capital Reserve

As per Last Balance Sheet 16,700 16,700

##### General Reserve

As per Last Balance Sheet	950,000,000		
Add : Transfer from Profit and Loss Account	300,000,000		
Transfer from Debenture Redemption Reserve	<u>50,000,000</u>	1,300,000,000	950,000,000

##### Securities Premium Account

As per Last Balance Sheet	186,756,472		
Add : Received During the Year	<u>53,888,238</u>	240,644,710	186,756,472

##### Debenture Redemption Reserve

As per Last Balance Sheet	50,000,000		
Less : Transfer to General Reserve	<u>50,000,000</u>	-	50,000,000

##### Premium On FCCB Issue

As per Last Balance Sheet 2,284,500 2,284,500

##### Capital Redemption Reserve

As per Last Balance Sheet 180,000 180,000

##### Surplus In Profit & Loss Account

	<u>72,142,335</u>	45,256,079	
	<u>1,615,268,245</u>	<u>1,234,493,751</u>	

**SCHEDULES (Contd...)**

	<b>As At 31-03-2008 Rs.</b>	As At 31-03-2007 Rs.
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**SCHEDULE : 3**
**SECURED LOANS**
**TERM LOANS**

From Banks	<b>328,624,000</b>	329,005,225
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**OPEN LOAN**

From State Bank of India For Working Capital Requirements	<b>106,762,950</b>	400,000,000
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**SHORT TERM LOAN**

From Banks	-	100,000,000
(Details of Security Refer Note No. 3)	<b>435,386,950</b>	<u>829,005,225</u>

**SCHEDULE : 4**
**UNSECURED LOANS**

From Banks	<b>250,345,274</b>	73,248,955
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FCCB 0.5% A Series	<b>242,157,000</b>	284,505,000
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	<b>492,502,274</b>	<u>357,753,955</u>
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**SCHEDULES (Contd...)****SCHEDULE : 5  
FIXED ASSETS**

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Cost as on 01.04.2007 Rs.	Additions during the year Rs.	Sales/ Transfer/ Refund Rs.	Cost As on 31.03.2008 Rs.	Depreciation upto 01.04.2007 Rs.	For the year ended 31.03.2008 Rs.	Withdrawn During the year Rs.	Value As on 31.03.2008 Rs.	Value As on 31.03.2007 Rs.
Land	53,218,304	1,800,000	-	55,018,304	-	-	-	55,018,304	53,218,304
Buildings	195,072,241	46,597,557	-	241,669,798	42,102,597	6,558,791	-	193,008,410	152,969,644
Plant & Machinery	2,222,894,028	260,866,275	1,880,960	2,481,879,343	803,642,226	194,490,577	1,629,104	1,485,375,644	1,419,251,802
Tools & Equipments	40,506,716	2,669,683	29,473	43,146,926	28,032,340	3,883,197	24,335	11,255,724	12,474,376
Electrical Equipments	20,732,880	4,338,169	-	25,071,049	10,792,698	1,628,164	-	12,650,187	9,940,182
Furniture & Fittings	10,033,641	1,760,756	1,510	11,792,887	7,212,955	1,217,728	1,510	3,363,714	2,820,686
Office Equipments	20,430,313	4,463,792	336,987	24,557,118	6,412,928	2,188,531	91,449	16,047,108	14,017,385
Computers	56,111,805	17,003,665	295,301	72,820,169	41,665,218	10,442,080	243,249	20,956,120	14,446,587
Vehicles	33,040,501	3,281,674	413,272	35,908,903	18,282,482	4,195,770	365,120	13,795,771	14,758,019
Capital Work in Progress	131,933,431	107,149,962	77,468,282	161,615,111	-	-	-	161,615,111	131,933,431
<b>TOTAL</b>	<b>2,783,973,860</b>	<b>449,931,533</b>	<b>80,425,785</b>	<b>3,153,479,608</b>	<b>958,143,444</b>	<b>224,604,838</b>	<b>2,354,767</b>	<b>1,973,086,093</b>	<b>1,825,830,416</b>
Previous Year	1,998,243,874	867,779,363	82,049,377	2,783,973,860	779,539,196	182,295,636	3,691,388	1,825,830,416	1,218,704,678

**SCHEDULES (Contd...)**

	As At 31-03-2008 Rs.	As At 31-03-2007 Rs.
<b>SCHEDULE : 6</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Inventories</b>		
As per the list Certified by the Chairman & Managing Director (For method of valuation Refer Note No. 1.b of Notes Forming Part of Accounts)		
Raw Materials & Consumables	263,338,437	301,793,408
Semi Finished Goods	264,709,706	219,318,203
Finished Goods	19,982,798	15,396,701
	<u>548,030,941</u>	<u>536,508,312</u>
<b>Sundry Debtors</b>		
<b>Unsecured and Considered Good</b>		
More than Six Months	4,025,965	6,299,836
Less than Six Months	303,086,955	245,738,178
	<u>307,112,920</u>	<u>252,038,014</u>
<b>Cash &amp; Bank Balances</b>		
Cash with Scheduled Banks : a) in Current Accounts	15,340,397	40,218,083
b) in Fixed Deposits	158,364,678	181,316,820
Cash at Bank with Others : a) in Current Accounts	197,275	59,526
Stamps on Hand	9,366	20,196
Cash on Hand	1,010,622	991,061
	<u>174,922,338</u>	<u>222,605,686</u>
<b>Other Current Assets</b>		
Interest Accrued and Receivable	7,297,641	2,139,111
Income Receivable	300,598	728,624
	<u>7,598,239</u>	<u>2,867,735</u>
<b>LOANS &amp; ADVANCES</b>		
Unsecured and Considered Good. Recoverable in Cash or in kind or for Value to be Received		
Advance for Purchase of Capital Goods	32,376,625	2,488,646
Advance for Taxes (Net of Provision)	-	2,361,899
Advance to Others	6,249,470	11,754,995
Deposits with Central Excise, Sales Tax & Customs Authorities	110,771,084	142,660,845
Deposits with Others	16,455,478	15,994,534
Prepaid Expenses	2,187,220	1,047,105
	<u>168,039,877</u>	<u>176,308,024</u>

## SCHEDULES (Contd...)

	As At 31-03-2008 Rs.	As At 31-03-2007 Rs.
<b>SCHEDULE : 7</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Current Liabilities</b>		
Liability for Purchase of Capital Goods (includes Dues to MSME Units Rs. Nil Previous Year SSI Units Rs. 207,433)	<b>22,093,073</b>	22,823,997
Liability for Purchases (includes Dues to MSME Units Rs. Nil Previous Year SSI Units Rs. 3,394,766)	<b>16,235,971</b>	49,796,263
Liability for Expenses (includes Dues to MSME Units Rs. Nil Previous Year SSI Units Rs. 148,946)	<b>86,594,779</b>	75,930,596
Liability for Other Finance	<b>12,447,412</b>	25,615,887
Advance from Customers	<b>96,664,830</b>	75,324,825
Investor Protection and Educational Fund shall be credited by the following accounts when due:		
Unpaid Dividends	<b>1,977,544</b>	1,627,800
Unencashed Fixed Deposits including Interest (in stale Cheques account)	<b>32,832</b>	91,433
Unclaimed Debenture Redemption money including Interest	-	109,933
	<b>236,046,441</b>	251,320,734
<b>Provisions</b>		
Provision for Taxation (Net of Advance Payment of Taxes)	<b>9,230,482</b>	-
Proposed Dividend	<b>98,059,024</b>	80,776,215
Tax on Dividend	<b>16,665,131</b>	13,727,918
Provision for Fringe Benefit Tax (Net of Advance Payment)	<b>807,559</b>	538,829
Provision for Warranty	<b>2,500,000</b>	2,000,000
	<b>363,308,637</b>	348,363,696
<b>SCHEDULE : 8</b>		
<b>1. GROSS TURNOVER</b>		
Sale of Manufactured Goods	<b>2,681,690,773</b>	2,219,600,750
Machining Charges Receipts	<b>65,693,496</b>	60,060,833
	<b>2,747,384,269</b>	2,279,661,583
<b>2. OTHER INCOME</b>		
Profit on Sale of Assets	<b>107,025</b>	629,832
Miscellaneous Income (Including Net Exchange Gain of Rs. 3,609,941 Previous Year Rs. 8,779,187)	<b>9,995,680</b>	13,038,268
Rental Receipts(TDS Rs.136,058 Previous Year Rs.141,155)	<b>1,616,971</b>	1,387,911
	<b>11,719,676</b>	15,056,011

**SCHEDULES (Contd...)**

	As At 31-03-2008 Rs.	As At 31-03-2007 Rs.
<b>SCHEDULE : 8 (Contd...)</b>		
<b>3. DIFFERENCE IN STOCKS</b>		
<b>Closing Stock</b>		
Semi Finished Goods	264,709,706	219,318,203
Finished Goods	19,982,798	15,396,701
	<u>284,692,504</u>	<u>234,714,904</u>
<b>Opening Stock</b>		
Semi Finished Goods	219,318,203	187,589,656
Finished Goods	15,396,701	32,898,481
	<u>234,714,904</u>	<u>220,488,137</u>
	<u>49,977,600</u>	<u>14,226,767</u>
<b>SCHEDULE : 9</b>		
<b>MATERIAL COST</b>		
Opening Stock of Raw Materials & Consumables	301,793,408	255,932,105
Purchases	970,020,748	892,254,780
	<u>1,271,814,156</u>	<u>1,148,186,885</u>
LESS : Sale of Materials	7,980,602	11,603,577
	<u>1,263,833,554</u>	<u>1,136,583,308</u>
LESS : Closing Stock	263,338,437	301,793,408
Materials Consumed	<u>1,000,495,117</u>	<u>834,789,900</u>
<b>LABOUR COST</b>		
Salaries, Wages, Bonus & Gratuity	129,120,624	105,382,689
Contribution to Provident Fund	4,426,355	3,882,679
Workmen & Staff Welfare Expenses	21,536,530	17,529,684
Labour and Machining Charges	33,623,491	27,468,976
	<u>188,707,000</u>	<u>154,264,028</u>
<b>REPAIRS</b>		
Buildings	12,295,357	11,918,307
Machinery	75,744,875	61,837,438
General	29,117,097	18,494,851
	<u>117,157,329</u>	<u>92,250,596</u>
<b>INTEREST</b>		
Debentures	-	860,137
Bank Loans	62,451,788	59,839,418
Fixed Deposits	-	134,754
FCCB	1,204,611	1,472,857
	<u>63,656,399</u>	<u>62,307,166</u>
LESS : Interest Receipts (TDS Rs. 1,830,269 Previous Year Rs.2,346,883)	17,085,182	14,583,419
INTEREST PAID (NET OF RECEIPTS)	<u>46,571,217</u>	<u>47,723,747</u>



**SCHEDULES (Contd...)**

	<b>As At 31-03-2008 Rs.</b>	As At 31-03-2007 Rs.
<b>SCHEDULE : 9 (Contd...)</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
Managing Director's Remuneration	<b>36,321,766</b>	27,521,848
Whole Time Director's Remuneration	<b>14,528,706</b>	11,008,739
Postage, Telegram and Telephones	<b>5,908,176</b>	5,567,249
Printing & Stationery	<b>4,228,143</b>	4,752,598
Travelling & Maintenance of Motor Vehicles	<b>19,937,951</b>	15,666,981
Insurance	<b>3,001,831</b>	4,017,607
Taxes & Licences	<b>16,327,884</b>	18,359,695
Transport Charges & Selling Expenses	<b>17,080,683</b>	20,732,922
Commission & Discount	<b>10,633,594</b>	7,838,618
Advertisement	<b>28,905,980</b>	24,713,093
Bank Charges, Filing Fees & Subscription Etc.,	<b>11,139,932</b>	9,230,774
Machinery & Building Rent	<b>36,000</b>	36,000
Director's Sitting Fees	<b>135,000</b>	140,000
Auditor's Remuneration		
Audit Fees	<b>200,000</b>	150,000
Certification Fees	<b>44,100</b>	24,500
	<b>244,100</b>	
Accountancy & Legal Charges	<b>3,555,096</b>	3,318,191
Miscellaneous Expenses	<b>921,381</b>	693,583
Bad Debts Written Off	<b>24,866</b>	19,099
Loss on Sale of Asset	<b>505,901</b>	59,256
	<b>173,436,990</b>	153,850,753

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date  
For S. Lakshminarayanan Associates  
Chartered Accountants

**P. Subramanian**  
Chairman & Managing Director  
Coimbatore  
14<sup>th</sup> May, 2008

**S. Sangeetha**  
Wholetime Director  
**C. Subramaniam**  
Company Secretary

**S. Lakshminarayanan**  
Partner  
**T. Raghunathan**  
Internal Auditor

## Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March 2008

### 1. ACCOUNTING POLICIES

The Financial statements are prepared under the historical cost convention, on the accrual basis of accounting. The statement comply with the Accounting Standard prescribed by the ICAI and also comply with the Section 211(3)(c) of the Companies Act, 1956. The accounts are prepared as a going concern.

#### a. FIXED ASSETS:

- i) Tangible Assets are shown at historical cost less depreciation. The Value of Cenvat benefit eligible in respect of capital items is reduced from the value of purchase.
- ii) The Company has an internal system to assess the impairment of assets. An asset is treated as impaired when the Carrying Cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired. The impairment loss recognised in the prior accounting periods is reversed if there has been a change in the estimate of recoverable amount. Appropriate disclosure on material impairment of losses and their treatment in profit & loss account, classes of Assets and nature of impairment will be made in the year in which the impairment is recognized.
- iii) Intangible Assets such as Computer Software acquired for Internal use are Capitalised and amortised over their useful life.

#### b. CURRENT ASSETS :

##### INVENTORIES

- a) Raw Materials, Components, Stock of Stores, Spares and Goods-in-transit are valued at weighted average cost. The cost for this purpose comprise of direct cost of material and any expenses incurred for bringing them to their present condition less of Cenvat availed.
- b) Work-in-progress and finished goods are valued at the lower of the cost or net estimated realisable value whichever is less. Cost for this purpose comprises of raw material cost and appropriate overheads incurred for bringing them to their present condition.
- c) For Slow/Non moving stocks necessary obsolescence has been provided for.

#### c. EMPLOYEE BENEFITS:

- i) Contribution to Provident Fund and Pension Funds, which are administrated by Central Government, are charged to revenue.
- ii) Gratuity  
The Company has taken a group gratuity Policy for future payment of gratuity with the Life Insurance Corporation of India (LIC). Payment of contribution as per the Demand made by LIC is charged to revenue.
- iii) Leave Salary  
Liability for leave encashment is provided at current salary levels for the remaining leave balance standing to the credit of the employee as at the date of the balance sheet in accordance with the leave rules of the company.

#### d. CONTINGENT LIABILITIES:

- a) Provisions are recognized when the Company has a legal constructive obligation as a result of a past event, for which it is probable that a cash flow will be required and reliable estimate can be made of the amount of obligation. However, where such obligation are not likely to entail outflows in future periods and are contingent on the future outcome of events, they are disclosed as a matter of information as contingent liabilities.
- b) Provision for Warranty is made in the accounts as per estimates made by the management based on its past experiences and trends about warranty claim on sales.

## Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March 2008 (contd...)

### e. LEASE RENTALS:

Income from leases entered on or after 01.04.2001 is accounted as per Accounting Standard on Leases (AS19).

### f. SALES:

Net Sales include sale of products manufactured exclusive of Excise Duty and Sales Tax Charged to customers.

### g. DEPRECIATION:

Depreciation has been provided on Straight Line Method in the case of Building, Plant & Machinery and for other Assets on written down value basis in accordance with the provisions of The Companies Act, 1956.

Details of Depreciation charged are hereunder:

- a) Depreciation has been provided on Straight Line Method as laid down in Section 205(2)(b) of the Companies Act, 1956 on Plant & Machinery purchased and commissioned for the year ended 30.06.1978 to 30.11.1987 and on Buildings for the period ended 30.11.1986 and for the year ended 30.11.1987 on equated number of years.
- b) Depreciation has been provided on the Plant & Machinery and Buildings added during the accounting period ended 31.03.1989 and onwards on the Straight line method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.
- c) For other Assets Depreciation has been charged under Written Down Value method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.
- d) Pro-rata Depreciation has been charged to Assets purchased and sold during the accounting year ended 31.03.2008.
- e) Computer Software is amortised over its estimated useful life ranging from One Year to Three Years.

### h. FOREIGN CURRENCY TRANSACTIONS:

- a) Foreign Currency Transactions are converted into Indian Rupees at the rate of exchange prevailing on the date of transactions. Adjustments are made for any change in the Sales proceeds on conversion of Indian currency upon actual receipt.
- b) The exchange difference in respect of Forward Contracts are recognized over the life of the contract.
- c) The foreign Currency monetary items consisting of loan, trade payable, trade receivable and balances in fixed deposits and current account with bank at the end of the year have been restated at the rate prevailing at the Balance Sheet date. The difference arising as a result has been accounted as income / expense as per Accounting Standard 11 (Revised 2003) on "Accounting for effects of Change in Foreign Exchange Rates" issued by The Institute of Chartered Accountants of India.
- d) Fixed Assets purchased at German Liaison office in Foreign Exchange are recorded at their historical cost computed with reference to the exchange rate prevailing on the date of purchase / transfer of funds.
- e) As per the terms of offer, Foreign Currency Convertible Bonds (FCCB) issued by the Company, the Bond holders have option to convert these bonds into equity shares. The Bond holders have exercised the option of converting the Bond into equity shares of 3,680,253 equity shares at Rs.58.35. They have got the option of converting the remaining Bonds to 4,150,081 Equity Shares at Rs.58.35. The Balance in FCCB account shows amount of Bonds to be converted at the conversion price (INR). The exchange gain / loss in FCCB has been recognized on the basis of actual of conversion / balance to be converted at the conversion price and not on the basis of exchange rate prevailing on the Balance Sheet Date.

**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March 2008 (contd...)**

**i. TAXATION :**

- i) Provision for current tax is made with reference to taxable income computed for the Accounting Year by applying the tax rates as applicable.
- ii) Provision for Fringe Benefit Tax is made by calculating Fringe Benefit Tax payable as per the provisions of Income Tax Act.
- iii) Deferred Tax is calculated for in respect of all timing differences on a liability method as per Accounting Standard 22 (AS22).

**j. INVESTMENTS :**

During the Year Temporary Surplus Funds of the Company had been invested in Units of Mutual Funds until they were deployed for Working Capital needs.

**2. CONTINGENT LIABILITIES:**

a) Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for **Rs. 38.33 Crores.**

b) On account of Guarantees issued **Rs. 7.01 Crores.**

**3.** a) The Working Capital facilities availed from State Bank of India are secured by hypothecation of Raw Materials, Work-in-Progress, Finished Goods, Stock-in-Trade and on Book Debts of the Company. In addition, they are secured by the Hypothecation of Land and Buildings of 'A' Unit and 'C' Unit and on specific items of Plant & Machinery.

b) Term Loan availed from State Bank of Hyderabad is secured by First and exclusive charge on the Three Wind Mills purchased with their assistance.

c) Foreign Currency Loan ( External Commercial Borrowings) availed from ICICI Bank Limited are secured by specific items of Plant and Machinery.

**4.** a) The Chairman & Managing Director of the Company has given personal guarantee for **Rs. 65 Crores** for the loans secured from State Bank of India, Commercial Branch, Coimbatore - 641 018.

b) The Company has given counter guarantee to the Bank for the Guarantees issued for **Rs.10 Crores.**

**5. a) Details of Remuneration paid to Managing Director**

	<b>31.03.2008</b>	31.03.2007
	Rs.	Rs.
Salary	<b>2,400,000</b>	2,400,000
Commission	<b>33,921,766</b>	25,121,848
Total	<b><u>36,321,766</u></b>	<u>27,521,848</u>

**b) Details of Remuneration paid to Wholetime Director**

Salary	<b>1,200,000</b>	1,200,000
Company's contribution to Provident Fund	<b>144,000</b>	144,000
Commission	<b>13,184,706</b>	9,664,739
Total	<b><u>14,528,706</u></b>	<u>11,008,739</u>

**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March 2008 (contd...)**

6. Calculation of Director's Remuneration	<b>31.03.2008</b>	31.03.2007
	<b>Rs.</b>	Rs.
Profit as per Profit & Loss Account	<b>675,449,841</b>	511,766,360
ADD : Book Depreciation	<b>224,604,838</b>	182,295,636
Managing Director's Remuneration	<b>36,321,766</b>	27,521,848
Directors sitting fees	<b>135,000</b>	140,000
Wholetime Directors Remuneration	<b>14,528,706</b>	11,008,739
	<b><u>275,590,310</u></b>	<u>220,966,223</u>
	<b>951,040,151</b>	732,732,583
LESS : Depreciation under Section 350	<b>224,604,838</b>	182,295,636
Profit under Section 349	<b>726,435,313</b>	550,436,947
10% of the above	<b>72,643,531</b>	55,043,695
Restricted to 5% for Managing Director	<b>36,321,766</b>	27,521,848
Restricted to 2% for Wholetime Director	<b>14,528,706</b>	11,008,739

7. Income Tax assessment is completed upto the Assessment year 2005 – 2006.
8. As per the information available with the company there are no dues outstanding including interest as on 31<sup>st</sup> March 2008 to Small and Micro enterprises as defined under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.
9. Additional information pursuant to provisions of paragraph 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956.

**A. Licensed and Installed Capacity:**

Licensed Capacity : Not Applicable

Installed Capacity : Most of the Plant & Machinery being common for different Products manufactured by the Company and installed capacity being dependent on Product mix, which in turn is decided by the actual demand for various Products from time to time, and also on availing of sub-contracting facilities, it is not feasible for the Company to indicate the exact installed capacity.

**B. Actual Production:**

	Units	<b>2007-2008</b>	2006-2007
i) Gear wheels and Accessories (including the production for Captive Consumption)	Nos.	<b>645,743</b>	540,112
ii) Drafting Units, Conversion Brackets, Spares and complete set of Head Stock Gearing End Conversions, Coilers etc., (including the production for Captive Consumption)	Nos.	<b>1,781</b>	2,027
iii) Gear Boxes and Accessories (including the production for Captive Consumption)	Nos.	<b>29,054</b>	29,425
iv) Geared Motors	Nos.	<b>966</b>	1,579
v) Carding Machines	Nos.	<b>2</b>	17
vi) Lathes (including the production for Captive Consumption)	Nos.	<b>1</b>	5
vii) Crane (including the production for Captive Consumption)	Nos.	<b>5</b>	4

**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March 2008 (contd...)**

**C. Stock of Finished Goods:**

		As at 31.03.2008	As at 31.03.2007
i) Gear wheels and Accessories	Nos.	378,072	321,359
ii) Drafting Units, Conversion Brackets, Spares and complete set of Head Stock Gearing End Conversions, Coilers etc.	Nos.	199	239
iii) Gear Boxes and Accessories	Nos.	1,832	1,927
iv) Geared Motors	Nos.	49	51

**D. Sale of Finished Goods:**

	2007-2008		2006-2007	
	Qty/Nos.	Value Rs.	Qty/Nos.	Value Rs.
i) Gear wheels and Accessories	513,715	886,222,367	489,205	721,065,172
ii) Drafting Units, Conversion Brackets, Spares and complete set of Head Stock Gearing End Conversions, Coilers etc.	1,086	9,408,173	1,289	19,819,844
iii) Gear Boxes & Accessories	28,228	1,407,891,858	28,437	1,115,853,188
iv) Geared Motors	958	39,473,117	1,569	60,585,307
v) Carding Machines	2	2,000,000	17	16,374,000
vi) Machining Charges Receipts	-	65,693,496	-	60,060,833
vii) Others	-	30,671,581	-	19,764,210
		<u>2,441,360,592</u>		<u>2,013,522,554</u>

**E. Value of Imports (CIF Value) :**

a) Plant & Machinery	102,868,405	440,781,748
b) Tools & Equipments	8,291,361	1,553,754
c) Raw Materials	8,331,734	9,009,686
d) Consumable Stores & Tools	14,432,077	39,117,163
e) Machinery Spares	11,885,649	7,152,309

**F. Raw Materials Consumed:**

a) Steel Rods & Steel Forgings (Kgs)	4,585,531	441,682,038	5,761,754	316,918,942
b) Bearings (Nos.)	147,326	112,684,948	139,926	86,749,306
c) Others	-	446,128,131	-	431,121,652
		<u>1,000,495,117</u>		<u>834,789,900</u>

(Quantitative details could not be given in respect of item "c" as their list is too large and no item individually accounts for 10% or more of the value of raw materials consumed)

Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March 2008 (contd...)

**G. Particulars of Consumption:**

Raw Materials & Stores and Spares:	2007-2008		2006-2007	
	Value Rs.	% of Consumption	Value Rs.	% of Consumption
Imported	35,090,023	3.51	52,120,602	6.24
Indigenous	965,405,094	96.49	782,669,298	93.76
	<u>1,000,495,117</u>	<u>100.00</u>	<u>834,789,900</u>	<u>100.00</u>

**H. Payments made in foreign currency on account of:**

	2007-2008 Rs.	2006-2007 Rs.
a) Interest	22,918,138	17,195,529
b) Export Sales Promotion Expenses	644,440	-
c) Advertisement	5,437,900	4,028,735
d) Subscription	528,737	513,075
e) Sales Promotion Expenses	-	1,040,825
f) Exhibition Expenses	-	199,000
g) FCCB Expenses	72,310	84,208
h) Commission	-	24,791
i) Professional & Consulting Charges	29,841	78,661
j) Germany Office – Liaison Office Expenses	2,612,716	5,133,080

**I. Earnings in Foreign Currency**

FOB Value of Exports	237,260,589	178,551,072
Interest Receipts	49,528	2,251,532

**J. Amount remitted during the year in Foreign Currencies**

i) On account of Dividends	-	-
ii) Number of Non-Resident Share Holders	330	268
iii) Number of Shares held by Non-Resident Share-Holders on which Dividends are due	1,814,464	1,674,408
iv) The year to which dividends relate	31.03.2007	31.03.2006

**K. Units of Mutual Funds purchased and redeemed during the year:**

	No. of Units	Value in Rs. ( At Cost)
i) Reliance Mutual Fund	13,495,181	165,000,000
ii) HDFC Mutual Fund	3,068,010	49,000,000
iii) SBI Mutual Fund	597,004	10,000,000
iv) Principal Mutual Fund	4,868,410	60,000,000
v) Sundaram BNP Paribas	9,273,400	95,000,000

**10. Basic and diluted Earning Per Share (EPS) of Face Value of Re.1 each is calculated as under:**

**A. Basic EPS: (Extra-Ordinary Items)**

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
a) Total Equity Shares outstanding at the End of the year (Nos)	81,715,853	80,776,215
b) Net Profit after Tax	441,610,411	358,576,510
c) Earning Per Share (Basic)	5.40	4.44



**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March 2008 (contd...)**

**B. Diluted EPS**

**(On the Basis of FCCB as Potential Equity Shares )**

<b>a) Calculation of Weighted Average number of Equity Shares Re.1 each for the Previous Year</b>		31.03.2007
i) Number of Shares at the Beginning of the year		78,818,633
ii) FCCB Issue Allotment During Current Year		
a) During April 2006		1,174,549
b) During May 2006		783,033
iii) Total Number of Equity Shares to be outstanding on Conversion (Potential Equity Shares)		85,865,934
iv) a) Equity Shares outstanding for 1 month		78,818,633
b) Equity Shares outstanding for 0.5 Months taking into consideration Potential Equity shares		79,993,182
v) Equity Shares outstanding for 10.5 Months taking into consideration Potential Equity shares		85,865,934
vi) Weighted Average number of Equity Shares including Potential Equity Shares		85,033,961
<b>b) Calculation of Weighted Average number of Equity Shares Re.1 each for the Current Year</b>	<b>31.03.2008</b>	
i) Number of Shares at the Beginning of the year	<b>80,776,215</b>	
ii) FCCB Allotment during the Year		
a) During August 2007	<b>156,606</b>	
b) During December 2007	<b>391,516</b>	
c) During January 2008	<b>391,516</b>	
iii) Total Number of Equity Shares to be outstanding on Conversion (Potential Equity Shares)	<b>85,865,934</b>	
iv) a) Equity Shares outstanding for 4 Months	<b>80,776,215</b>	
b) Equity Shares outstanding for 4.75 Months taking into consideration Potential Equity shares	<b>80,932,821</b>	
c) Equity Shares outstanding for 0.50 Months taking into consideration Potential Equity shares	<b>81,324,337</b>	
d) Equity Shares outstanding for 2.75 Months taking into consideration Potential Equity shares	<b>85,865,934</b>	
v) Weighted Average number of Equity Shares including Potential Equity Shares	<b>82,027,437</b>	
<b>c) Net profit after tax as per Profit &amp; Loss account</b>	<b>441,610,411</b>	335,861,701
Add : Increase in Net profit:		
interest on FCCB	1,204,611	1,472,857
Less : Tax Effect at 33.99%	409,447	495,764
(Previous year 33.66%)		977,093
	<b>795,164</b>	
Add : Extra-ordinary income	-	22,714,809
Net Profit after tax for Diluted EPS	<b>442,405,575</b>	359,553,603
<b>d) Diluted Earning per share</b>	<b>5.39</b>	4.23

11. The Company's main business segment is manufacturing Gears and Gear Products. Hence there are no separate reportable segments as per the Accounting Standard 17 (AS 17).



**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March 2008 (contd...)**

**12. Deferred Tax**

	<b>As at 31.03.2008</b>	As at 31.03.2007
Opening Liability	<b>165,765,345</b>	98,435,577
Add/Deduct : Assets / Liabilities / Difference in I.T. & Book Depreciation - Liability	<b>28,619,717</b>	68,643,901
Less : 43B Liabilities/ Disallowance under IT Act - Asset	<b><u>3,776,613</u></b>	<u>1,314,133</u>
Net Liability for the year	<b>24,843,104</b>	67,329,768
Closing Balance	<b><u>190,608,449</u></b>	<u>165,765,345</u>

**13. Notes on Assets Given on Lease:**

<b>1) Gross value of Assets</b>		
a) Land	<b>1,934,621</b>	1,934,621
b) Buildings	<b>5,478,846</b>	5,478,846
c) Plant & Machinery	<b>25,435</b>	25,435
<b>2) Accumulated Depreciation at the end of the Year</b>		
a) Land	-	-
b) Buildings	<b>311,451</b>	215,939
c) Plant & Machinery	<b>24,163</b>	24,163
<b>3) WDV of Assets at the end of the Year</b>		
a) Land	<b>1,934,621</b>	1,934,621
b) Buildings	<b>5,167,395</b>	5,262,907
c) Plant & Machinery	<b>1,272</b>	1,272
<b>4) Depreciation for the Year</b>		
a) Land	-	-
b) Buildings	<b>95,512</b>	16,692
c) Plant & Machinery	-	-
<b>5) Rental Receipts</b>		
a) Land	<b>360,000</b>	330,000
b) Buildings	<b>468,000</b>	347,032
c) Plant & Machinery	<b>36,000</b>	36,000

**14. Disclosure in respect of Related Parties pursuant to Accounting Standard 18.**

Particulars	Key Management Personnel Rs.	Relative of Key Management Personnel Rs.	Total Rs.
Remuneration / Salary (Previous Year)	<b>50,850,472</b> (38,530,587)	<b>1,118,123</b> (949,940)	<b>51,968,595</b> (39,480,527)
Receiving of Services (Previous Year)	<b>18,000</b> (18,000)	<b>3,747,516</b> (2,734,635)	<b>3,765,516</b> (2,752,635)
Outstanding Balance as at 31.03.2008 – Payable (Previous Year)	<b>47,106,472</b> (34,786,587)	– –	<b>47,106,472</b> (34,786,587)

**List of Related Parties**

1. Key Managerial Personnel  
Mr. P. Subramanian, Chairman & Managing Director  
Ms. S. Sangeetha, Wholetime Director
2. Relatives of Key Managerial Personnel
  - a) Relatives : Ms. S. Savitha - Daughter of Shri. P. Subramanian and Sister of Ms. S. Sangeetha  
Ms. S. Sathya - Daughter of Shri. P. Subramanian and Sister of Ms. S. Sangeetha
  - b) Enterprises  
Savitha Engineering Works (SEW) – Proprietrix – Ms. S. Savitha

**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March 2008 (contd...)**

**15. Details of Cash and Bank Balance:**

	<b>31.03.2008</b>	31.03.2007
a) <b>Cash with Schedule Bank in Current account includes:</b>	<b>Rs.</b>	<b>Rs.</b>
i) Unpaid Dividend Warrant A/c	<b>1,977,544</b>	1,627,800
ii) Unclaimed Debenture Redemption Account	-	109,933
b) <b>Cash with other Banks in Current account :</b>		
HSBC Dusseldorf		
i) Balance at the end of the Year	<b>197,275</b>	59,256
ii) Maximum amount at any time during the Year	<b>746,194</b>	1,280,491

**16. Miscellaneous income includes:**

Income From Redemption of Investments in Mutual Fund	<b>4,483,569</b>	1,822,144
Dividend From Mutual Fund	<b>34,360</b>	19,518
	<b>4,517,929</b>	1,841,662

**17. Details of Warranty Provision:**

Opening Balance	<b>2,000,000</b>
Less : Claims settled	<b>1,545,993</b>
	<b>454,007</b>
Add : Provision for the Year	<b>2,045,993</b>
	<b>2,500,000</b>

18. The Company has not entered into any derivative contracts.

**19. Disclosure under Accounting Standard 15 on Employee Benefits:**

Disclosures in respect of Defined benefit obligations in respect of gratuity pursuant to Accounting Standard 15 :

**The amounts recognized in the balance sheet are as follows:**

	<b>As on 31.03.2008</b>
	<b>Rs.</b>
Present value of funded obligations	13,845,237
Fair value of plan assets	15,077,517
Net Surplus in the Balance Sheet (Grouped under Prepaid Expenses)	1,232,280

**The amounts recognized in the statement of profit and loss are as follows:**

	<b>For the year ended</b>
	<b>31.03.2008</b>
	<b>Rs.</b>
Current service cost	1,329,726
Interest on obligation	904,698
Expected return on plan assets	1,252,369
Net actuarial losses (gains) recognized in year	781,475
Total included in Labour cost	1,763,530

**Notes to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March 2008 (contd...)**

**Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:**

	<b>For the year ended 31.03.2008 Rs.</b>
Opening defined benefit obligation	11,708,770
Prior period adjustment	-
Service cost	1,329,726
Interest cost	904,698
Actuarial gains (Losses)	717,826
Benefits paid	(815,783)
Closing defined benefit obligation	13,845,237

**Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:**

	<b>For the year ended 31.03.2008 Rs.</b>
Opening fair value of plan assets	13,204,578
Expected return	1,252,369
Actuarial gains and (losses)	(63,647)
Contributions by employer	1,500,000
Assets acquired in an amalgamation in the nature of purchase	-
Exchange differences on foreign plans	-
Benefits paid	815,783
Closing fair value of plan assets	15,077,517

**Balance Sheet Reconciliation**

Opening Net Liability	1,495,810
Expenses Reconquer in Profit and Loss Account	1,763,530
Contribution made	1,500,000
Closing unfunded status (Surplus – Grouped under Prepaid Expenses)	1,232,280
Principal actuarial assumptions at the balance sheet date ( expressed as weighted average)	

	<b>For the year ended 31.03.2008 Rs.</b>
Discount rate Current	8.00%
Expected return per annum on plan assets as at 31 <sup>st</sup> December, 2007	9.25%
Salary Escalation per annum	6.00%
Retirement Age	58 Years
Mortality	LIC 1994-96 Mortality Table
Attrition rate	1% to 2%

The estimates of future salary increases, considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

- 20.** Figures have been rounded off to the nearest rupee. Previous year's figures have been regrouped and reclassified wherever necessary.

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date  
For S. Lakshminarayanan Associates  
Chartered Accountants

**P. Subramanian**  
Chairman & Managing Director  
Coimbatore  
14<sup>th</sup> May, 2008

**S. Sangeetha**  
Wholetime Director  
**C. Subramaniam**  
Company Secretary

**S. Lakshminarayanan**  
Partner  
**T. Raghunathan**  
Internal Auditor

## CASH FLOW STATEMENT

	As At 31-03-2008	As At 31-03-2007
	Rs. in Million	
<b>A NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS</b>	<b>674.925</b>	511.520
Adjustments for :		
Depreciation	<b>224.605</b>	182.296
Interest	<b>46.571</b>	47.724
Income From Mutual Fund	<b>(4.518)</b>	(1.842)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>941.583</b>	739,697
Adjustments for :		
Trade and other Receivable	<b>(51.537)</b>	(54.591)
Inventories	<b>(11.523)</b>	(60.088)
Trade Payable	<b>14.945</b>	30.547
Cash Generated From Operations	<b>893.468</b>	655.565
Direct Taxes Paid	<b>(206.742)</b>	(105.833)
Fringe Benefit Tax	<b>(2.500)</b>	(2.500)
Excess Provision for income tax no longer required	<b>0.771</b>	0.005
Cash Flow Before Extraordinary Items	<b>684.997</b>	547.238
Extraordinary Item		
Reversal of Provision Made in Earlier Years	-	22.714
Net Cash From Operating Activities	<b>(A) 684.997</b>	569.952
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<b>(449.932)</b>	(867.779)
Sale of Fixed Assets	<b>78.071</b>	78.358
Income From Mutual Fund	<b>4.518</b>	1.842
Net Cash Used in Investing Activities	<b>(B) (367.343)</b>	(787.579)
<b>C CASH FLOW FROM FINANCE ACTIVITIES</b>		
Proceeds from Long Term Borrowings	<b>176.715</b>	(132.787)
Overdraft	<b>(393.237)</b>	237.625
Interest Paid	<b>(46.571)</b>	(47.724)
Fixed Deposits	-	(3.482)
Dividend Paid	<b>(98.059)</b>	(81.559)
Tax on Dividend	<b>(16.665)</b>	(13.838)
Change in FCCB Liability due to Exchange Difference	<b>12.480</b>	(5.010)
Net Cash Used in Finance Activities	<b>(C) (365.337)</b>	(46.775)
Net Increase in Cash & Cash Equivalents	<b>(A+B+C) (47.684)</b>	(264.403)
Cash and Cash Equivalents (Opening Balance)	<b>222.606</b>	487.008
Cash and Cash Equivalents (Closing Balance)	<b>174.922</b>	222.605

Notes and Schedule 1 to 9 Form Part of Accounts

As per our report of even date  
For S. Lakshminarayanan Associates  
Chartered Accountants

**P. Subramanian**  
Chairman & Managing Director  
Coimbatore  
14<sup>th</sup> May, 2008

**S. Sangeetha**  
Wholetime Director  
**C. Subramaniam**  
Company Secretary

**S. Lakshminarayanan**  
Partner  
**T. Raghunathan**  
Internal Auditor

**DETAILS REQUIRED UNDER PART IV OF SCHEDULE VI**  
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I Registration Details :**

Registration No.	: 181-000649	State Code	: 18
Balance Sheet Date	: 31 03 2008		
	Date Month Year		

**II Capital Raised during the Year (Amount in Rs. Thousands)**

Public Issue (FCCB)	: 940	Rights Issue	: NIL
Bonus Issue	: NIL	Private Placement	: NIL

**III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities	: 2815482	Total Assets	: 2815482
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**Sources of Funds**

Paid-up Capital	: 81716	Reserves & Surplus	: 1615268
Secured Loans	: 435387	Deferred Tax	: 190609
		Unsecured Loans	: 492502

**Application of Funds**

Net Fixed Assets	: 1973086	Investments	: NIL
Net Current Assets	: 842396	Misc. Expenditure	: NIL
Accumulated Losses	: NIL		

**IV Performance of Company (Amount in Rs. Thousands)**

Turnover (Including other income)	: 2453080	Total Expenditure	: 1778155
<b>Profit Before Tax</b>	: 674925	<b>Profit After Tax</b>	: 441610
Earning Per Share	: Rs. 5.40	Dividend Rate	: <b>120%</b>

**V Generic Names of Three Principal Products / Services of the Company**

(as per monetary terms)

Item Code No. (ITC Code)	: 848340.00
Product Description	: Gears, Gear Boxes & Geared Motors

Notes and Schedule 1 to 9 Form Part of Accounts

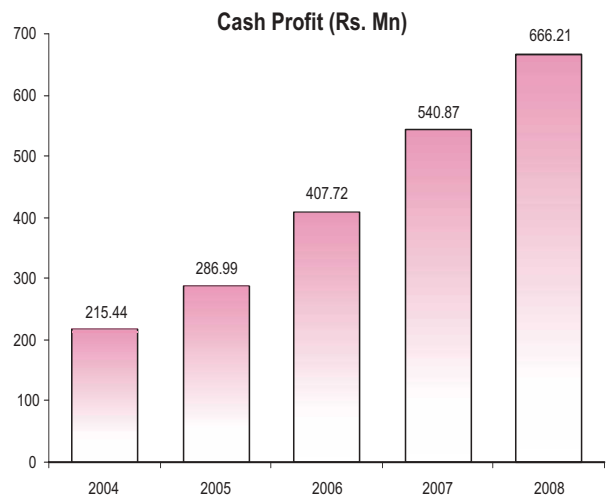
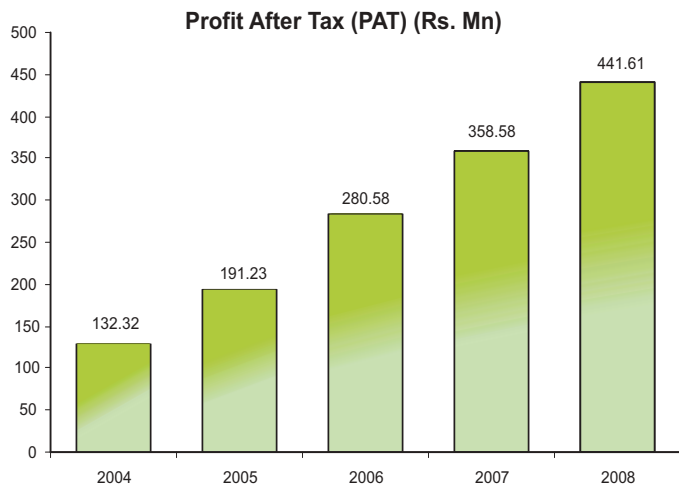
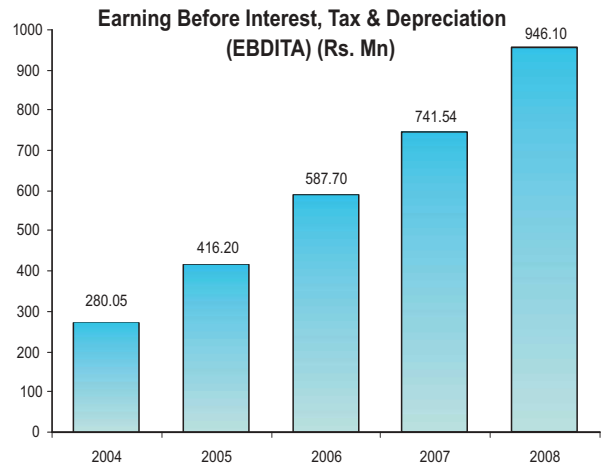
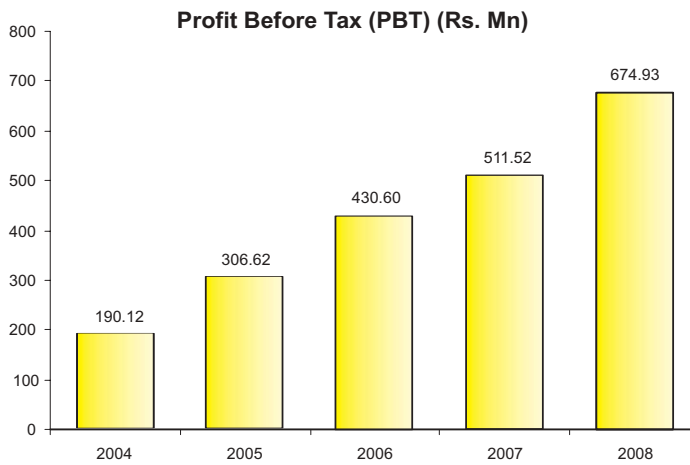
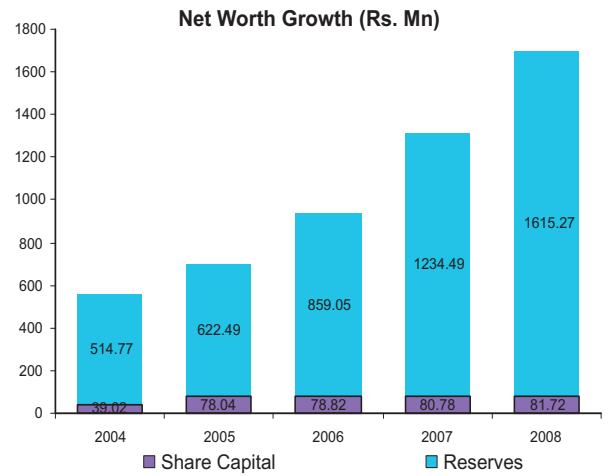
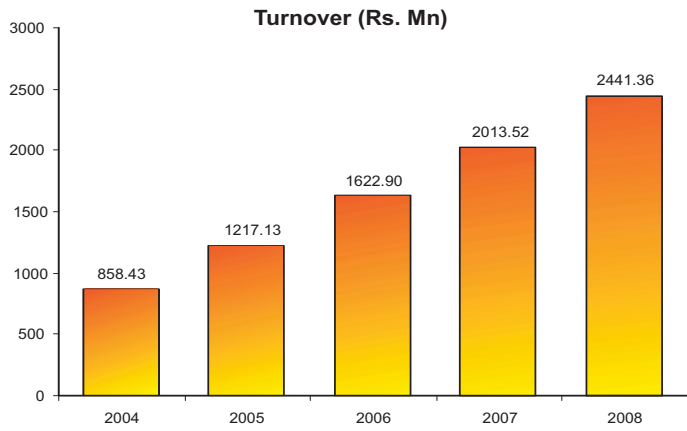
As per our report of even date  
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Coimbatore  
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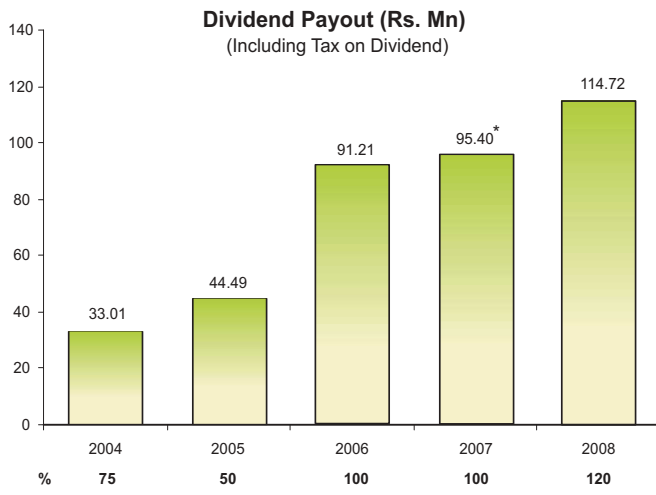
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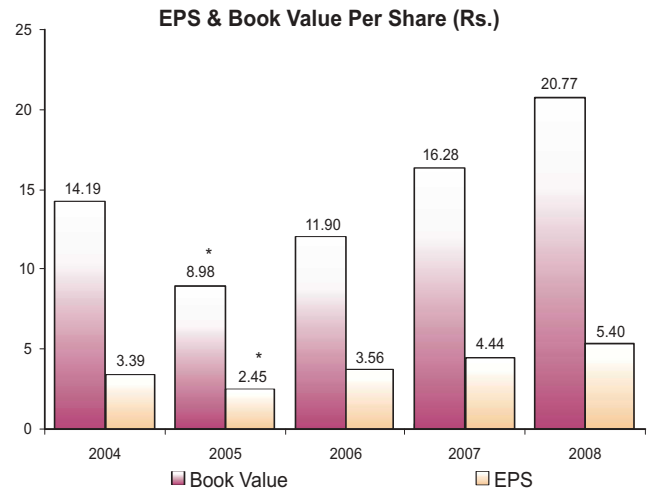
# Financial Performance Indicators



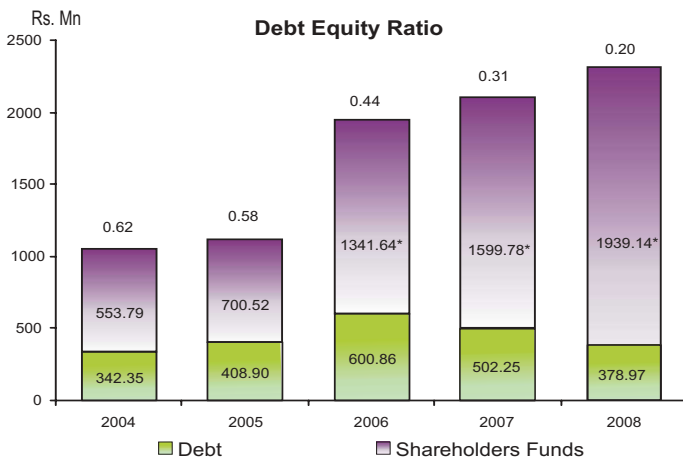
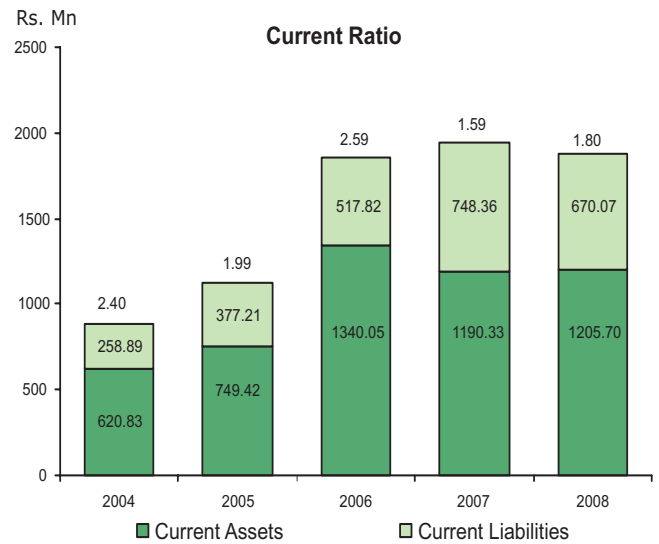
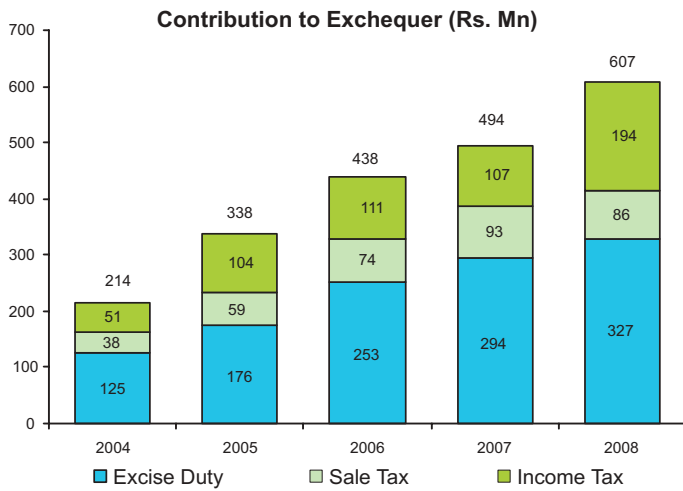
## Financial Performance Indicators



\* Includes Previous Year Dividend Payout due to conversion of FCCB



\* After 1:1 Bonus Issue



\* Including FCCB as Potential Equity

