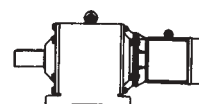
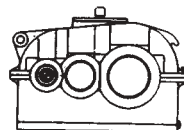
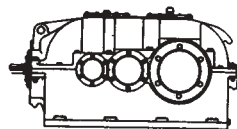
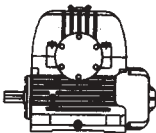
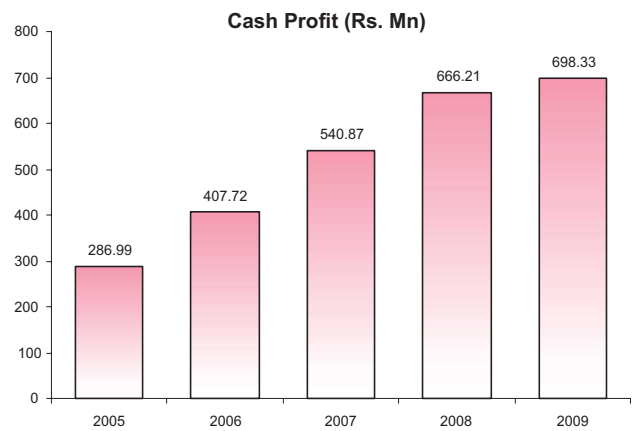
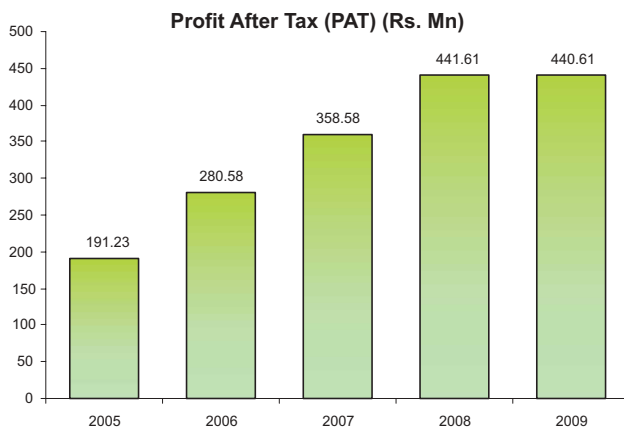
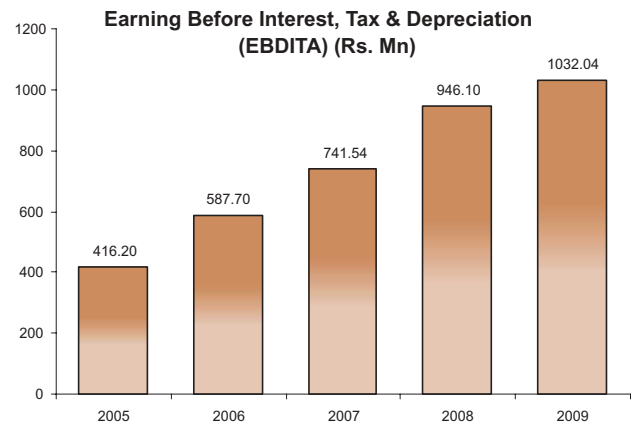
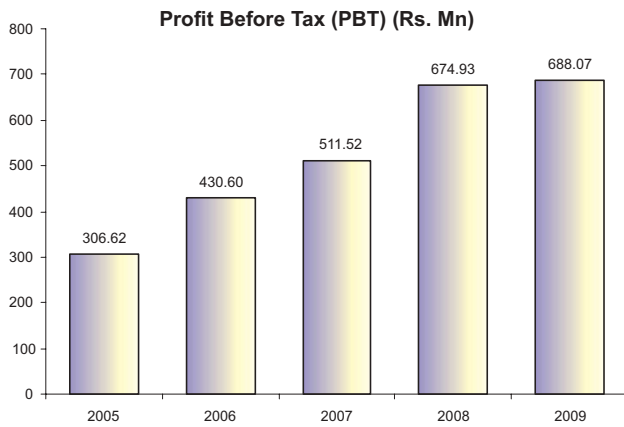
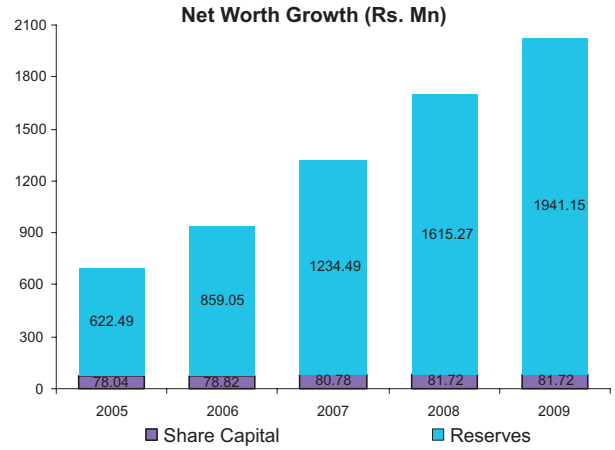
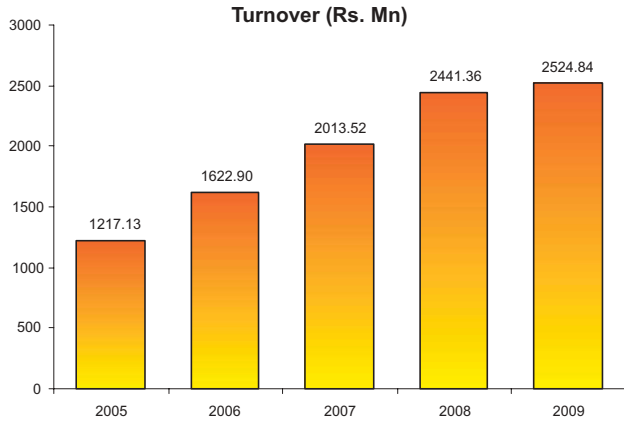


Shanthi Gears

Thirty Sixth Annual Report 2009



Financial Performance Indicators



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
State Bank of Hyderabad
ICICI Bank Limited
Barclays Bank PLC
The Bank of Nova Scotia

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, Sulur Via,
Coimbatore – 641 402

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NOTICE

Notice is hereby given that the **36th Annual General Meeting** of the Company will be held on **Friday, the 10th day of July, 2009** 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 31st March, 2009 the Balance Sheet as on that date and the Auditor's Report thereon.
2. To declare a Dividend.
3. To appoint a Director in the place of Dr. D. Padmanaban who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Ms. S. Sangeetha who retires by rotation and being eligible, offers herself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to authorise Board of Directors to fix their remuneration.

Coimbatore
27th May, 2009

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 1st July, 2009 to 10th July, 2009 (Both days inclusive).
3. Dividend on approval will be paid on 14th July, 2009 to the members whose name appear in Register of Members as on 10th July, 2009. In respect of shares held in Demat Form, the Dividend will be paid to the Beneficial owners as on the closing hours of 30th June, 2009 as per the details forwarded by the RTA for this purpose.
4. In compliance with Section 205A and 205C of the Companies Act, 1956 unclaimed dividend upto the year ended 31st March, 2001 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	31.03.2002	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
Final	31.03.2008	18.07.2008	21.08.2015

Members who have not encashed their Dividend Warrants in respect of the year ended 31st March, 2002 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,
2nd 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 2009-2010 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
Dr.D.Padmanaban	NIL

Coimbatore
27th May, 2009

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 Sixth Annual Report, together with the audited accounts of your Company, for the year ended 31st March, 2009.

FINANCIAL RESULTS

	Year Ended 31-03-2009	Year Ended 31-03-2008
	Rs. in Million	
Gross Profit before Interest & Depreciation	1032.573	951.188
Less: Interest	86.247	51.134
Depreciation	257.723	224.605
Donations	0.533	0.525
Provision for Taxation / Withholding Tax Paid	231.196	206.742
Fringe Benefit Tax	2.500	2.500
Deferred Tax	10.261	24.843
Prior Year Tax	3.618	-
	<u>440.495</u>	<u>440.839</u>
Add: Excess Provision no longer required	0.115	0.771
Surplus brought forward	72.142	45.256
	<u>512.752</u>	<u>486.866</u>
Appropriations:		
Proposed Dividend	98.059	98.059
Tax on Dividend	16.665	16.665
General Reserve	300.000	300.000
Surplus in Profit & Loss Account	98.028	72.142
	<u>512.752</u>	<u>486.866</u>

DIVIDEND

Your Directors recommend a Dividend of **Rs.1.20** per Equity Share of Re.1 each fully paid up (**120%** on the paid up share capital of the Company)

OPERATING RESULTS

The Company has achieved a Turnover of **Rs.2524.842** Million for the year under review as against the turnover of **Rs. 2441.361** Million of the previous year. Due to global recession and sluggish demand on account of slow down in economy the Company's growth has been affected. Your Directors are of the view that the current year performance will depend upon the revival of economy.

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. 335.387 Million** during the year. The outflow of foreign exchange on Import of Machinery, Interest on FCCBs and other ECBs, Raw Materials, Consumable stores & Tools, Machinery Spares, Advertisement, Sales Promotion Expenses, Professional and consultancy Charges, Commission and Germany Liaison Office Expenses amounted **Rs.318.59 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

Dr. D. Padmanaban

Ms. S. Sangeetha

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. Auditor's 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
27th May, 2009

For the Board of Directors
P. Subramanian
Chairman & Managing Director

Statement Under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2009.

Sl. No.	Name	Age (Years)	Designation/ Nature of duties	Remuneration Rs.	Qualification	Experience	Date of Commencement of Employment	Previous Employment
1	Mr.P.Subramanian*	66	Chairman & Managing Director Overall Management of the affairs of the Company	3,70,28,929	L.M.E P.D.Prod.E.	44 Years	01/07/1972	Managing Partner Shanthy Engg & Trading Company.
2	Ms.S.Sangeetha*	34	Wholetime Director Day to day Management of the Company	1,48,11,571	B.B.M.	13 Years	05/01/1996	--

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

Coimbatore
27th May, 2009

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

- The Board of Directors consists of 5 Directors, of whom 3 are Independent Non- executive Directors. An Executive Chairman heads the Board.
- Attendance of each Director at the Board Meetings and the Last Annual General Meeting (AGM).

Name of the Directors	Category of Directorship	No. of Board Meetings Attended	Attendance at the Last AGM
Sri. P. Subramanian	Chairman & Managing Director Executive Director	4	Present
Sri. P.N. Gopal	Independent Director Non Executive	4	Absent
Dr. D. Padmanaban	Independent Director Non Executive	4	Absent
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	
		Members	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 01.04.2008 to 31.03.2009

Sl. No.	Date of the Meeting
1	14.05.2008
2	30.07.2008
3	30.10.2008
4	30.01.2009

- 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	09.05.2008
2	28.07.2008
3	29.10.2008
4	29.01.2009

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 31st March, 2009.

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 01.04.2008 to 31.03.2009 paid to the Chairman & Managing Director are given below:

Salary	Rs. 2,400,000
Commission	Rs. 34,628,929
	<u>Rs. 37,028,929</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 01.04.2008 to 31.03.2009 paid to the Wholetime Director are given below:

Salary	Rs. 1,200,000
Perquisite	Rs. 144,000
Commission	Rs. 13,467,571
	<u>Rs. 14,811,571</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	50558
Sri. M. J. Vijayaraaghavan	520
Dr. D. Padmanaban	NIL

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 10 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.

There was no Share Transfer pending as on 31st March, 2009.

There was no Share Dematerialisation pending as on 31st March, 2009.

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	09.05.2008

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

d) Remuneration committee Meeting held on 09th May, 2008 recommended re-appointment of Chairman & Managing Director for a period of 5 years from 01.04.2009 and remuneration payable to him. The recommendations was approved by the Board at their meeting held on 14.05.2008. The same was approved by the members at the Annual General Meeting held on 14.07.2008.

8. General Body Meeting

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

Financial Year Ending	Date	Time	Venue
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
31.03.2008	14.07.2008	10.00 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005

ii. Special Resolutions were passed at previous 3 AGMs.

iii. During last year there was no Special Resolution put through postal ballot.

iv. During this year there is no voting proposal to be conducted through postal ballot.

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. 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 : Details of Publication for the period 01.04.2008 to 31.03.2009 are as under.

Year Ended/ Quarter ended	Audited/ Unaudited	Approved on	Published in
31.03.2008	Audited	14/05/2008	Business Line & Dinamalar
30.06.2008	Unaudited	30/07/2008	Business Line & Dinamalar
30.09.2008	Unaudited	30/10/2008	Business Line & Dinamalar
31.12.2008	Unaudited	30/01/2009	Business Line & Dinamalar

iii) The results are published at the Companys' website 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 : 10th July, 2009 - 10.00 a.m. (Friday)
 ii) Venue : Registered Office of the Company
 304-A, Trichy Road, Singanallur, Coimbatore-641 005

b) Financial Calendar

Annual General Meeting	:	10 th July, 2009
Results for the Quarter Ending 30th June, 2009	:	Last Week of July, 2009
Results for the Quarter Ending 30th September, 2009	:	Last Week of October, 2009
Results for the Quarter Ending 31st December, 2009	:	Last Week of January, 2010
Results for the Year Ending 31st March, 2010	:	Last week of June, 2010

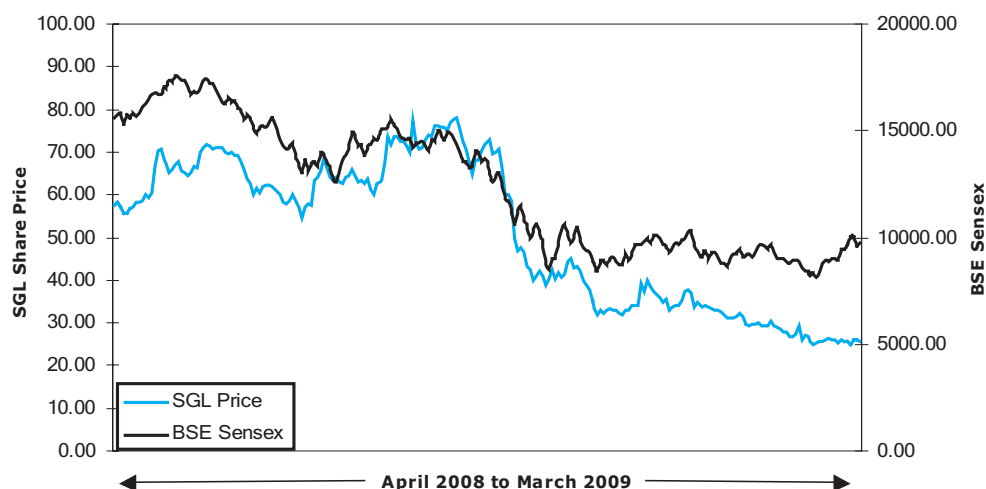
- c) Book Closure Date : 01.07.2009 to 10.07.2009 (Both days inclusive)
- d) Dividend Payment Date : **Dividend recommended by the Directors, after the same is approved by the members at the Annual General Meeting will be paid to the Share Holders whose name appear on the Company's Register of Members as on 10.07.2009 and for the Beneficial owners whose name appears on the closing hours of 30.06.2009 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 2008	76.00	54.55	75.90	55.00
May 2008	76.00	63.15	73.45	62.80
June 2008	69.80	55.05	69.95	54.85
July 2008	71.90	54.05	71.25	54.60
August 2008	80.85	59.65	80.95	59.10
September 2008	80.00	62.05	80.90	62.50
October 2008	71.65	37.00	72.00	37.00
November 2008	46.05	30.10	46.40	31.05
December 2008	40.00	30.60	40.00	30.65
January 2009	38.80	30.00	38.30	30.00
February 2009	35.45	26.00	35.50	26.50
March 2009	30.00	24.05	28.25	24.10

- h) Performance in comparison to broad based indices
SGL Share Performance (April 2008 to March 2009)

BSE Sensex Vs. SGL Share Price



- 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 31st March, 2009

Sl. No.	Category	No.of Shares	%(Percentage)
1	Promoters	36523291	44.70
2	Mutual funds, Banks, Financial Institutions, Insurance Companies	18074828	22.12
3	Foreign Institutional Investors	2210224	2.70
4	NRI's / OCB's	1455371	1.78
5	Private Corporate Bodies	2648173	3.24
6	Indian Public	20803966	25.46
Total		81715853	100.00

l) Distribution of Share holding as on 31st March, 2009

No. of Shares held	No. of Shareholders	%	No. of Shares	%
1 to 500	11558	70.64	1832114	2.24
501 to 1000	1510	9.23	1326744	1.62
1001 to 5000	2334	14.26	6257183	7.66
5001 to 10000	621	3.80	4303119	5.27
10001 to 100000	302	1.85	7413359	9.07
100001 and above	36	0.22	60583334	74.14
Total	16361	100.00	81715853	100.00

m) Dematerialisation of Shares and Liquidity

As on 31st March, 2009, **77806437** shares were in dematerialized form representing 95.22% of total shares.

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

The company had redeemed entire FCCBs outstanding of US 5.30 million on 14.11.2008.

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 : Dr. D. Padmanaban
b. Age : 55 Years
c. Date of Appointment : 17.03.1986
d. Qualification : B.Com., M.B.A., Ph.D., MCMI (U.K.), MIMA(INDIA)
e. Directorship in other Companies: 1. GRD Enterprises Private Limited
2. Coimbatore Stock Exchange Limited
f. Others : Educationalist and Social Scientist.
Managing Trustee
The GRD Trust & GRD Educational Trust
Director
Centre for Research in Social Sciences, Technology & Culture
Chairman, Governing Council & Correspondent
Dr.G.R.Damodaran College of Science
GRD Institute of Management
GRD College of Education
GRD Academy of Management
GRD Matriculation Higher Secondary School
Chief Editor
Kalaikathir, Wide Spectrum
Committee Member
1. Member Secretary – IGNOU – Gayanvani – FM Radio Station (Coimbatore)
2. Biotechnology Collaboration, Anna University, Chennai
3. Science & Technology Entrepreneurship Park (Step), DST, Govt. of India
4. Biotechnology Collaboration, Tamilnadu Agricultural University, Coimbatore
5. Executive Committee, Tamil Academy, Chennai
6. Biotechnology Collaboration, National Botanical Research Institute, Lucknow
7. Planning Board, Indira Gandhi National Open University (Visitor's Nominee)
8. Faculty Selection Committee – North Eastern Hill University, Shillong, Meghalaya (Visitor's Nominee)
- 2) a. Name of the Director : Ms. S. Sangeetha
b. Age : 34 Years
c. Date of Appointment : 24.07.2002
d. Qualification : B.B.M.
e. Directorship in other Companies : Shanthi General Finance P Ltd

Coimbatore
27th May, 2009

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
27th May, 2009

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Developments:

Industrial activities during the 1st half of financial year has been generally good. However due to global financial crisis and consequential global economic recession affected the growth in 2nd half of the financial year. However the Company had taken effective measures to maintain profitability. The Company has taken measures to revamp and restructure the entire operational and organisational structure. This may lead to scaling down of plant operations, cut back of personnel and administration cost and a re-look of all the contracts. The Company anticipates that all the measures will help to maintain profitability.

2. Opportunities and Threats:

Opportunities:

Easing of bank rates, Inflation and stable Government at the Centre seems to be a bright note on revival of economy. Further the measures taken by the Company to revamp it, puts it in a position to manoeuvre itself to take advantage of increase in demand without any strain or constraints.

Threats:

The global meltdown had an effect on all industrial fields badly. Your Company being supplier of goods to OEMs and all Industries the growth is dependent on the recovery of all industries.

3. Outlook:

With the sign of revival of economy the Company expects demand from various industries during the current year. With the kind of manufacturing and quality control facility the Company is in a position to meet the demand.

4. Risks and Concerns:

- Shortage of power.
- Pressure in margins due to competition from domestic and international players.
- Revival of Industrial growth.

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. The Company's Enterprise resource plan (ERP) system was reviewed independently by Deloitte Haskins and Sells during the year to assess the internal control and the accuracy of the reporting transactions.

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

During the year, the Company has achieved a sales turnover of Rs.2524.842 Million as compared to Rs.2441.361 Million of the previous year. The Profit After Tax (PAT) of the Current Financial Year is Rs. 440.610 Million as against Rs. 441.610 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 804 employees as of 31st March, 2009.

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
27th May, 2009

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 31st March, 2009 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.

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

Place :Coimbatore
Dated :27th May, 2009

AUDITOR'S REPORT

Ladies and Gentlemen,

We report that We have audited the Balance Sheet of M/s. SHANTHI GEARS LIMITED, COIMBATORE as at 31st March, 2009 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 31st March, 2009 and taken on record by the Board of Directors, We report that none of the Directors are disqualified as of 31st March, 2009 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 31stMarch, 2009
 - (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 : 27th May, 2009

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 31st March, 2009 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 Protest and Writ Petition pending with High Court, Chennai
2	Tamil Nadu Sales Tax	AST on CST Act.	1,04,013	Y.E. 31.03.2000	Assistant Commissioner Fast Track Assessment Circle I, Coimbatore	Tax Paid under Protest and 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 : 27th May, 2009

BALANCE SHEET AS AT 31st MARCH, 2009

	Schedule	As At 31-03-2009 Rs.	As At 31-03-2008 Rs.
I. SOURCES OF FUNDS			
1 Shareholder's Funds			
a) Share Capital	1	81,715,853	81,715,853
b) Reserves & Surplus	2	1,941,153,880	1,615,268,245
Total Share holders' Funds	(A)	<u>2,022,869,733</u>	<u>1,696,984,098</u>
2 Loan Funds			
a) Secured Loans:	3		
i) Term Loans		522,108,442	328,624,000
ii) Working Capital		26,227,358	106,762,950
		<u>548,335,800</u>	
b) Unsecured Loans	4	344,316,623	492,502,274
Total Loan Funds	(B)	<u>892,652,423</u>	<u>927,889,224</u>
3 Deferred Tax			
Balance As Per Last Balance sheet		190,608,449	
Add/Less: Transfer From/To Profit & Loss Account		10,261,362	
	(C)	<u>200,869,811</u>	190,608,449
TOTAL FUNDS EMPLOYED	(A+B+C)	<u><u>3,116,391,967</u></u>	<u><u>2,815,481,771</u></u>
II APPLICATION OF FUNDS			
1 Fixed Assets			
Gross Block		3,385,929,828	2,991,864,497
Less : Depreciation		1,424,489,293	1,180,393,515
Net Block		1,961,440,535	1,811,470,982
Capital Work-in-progress		70,736,883	161,615,111
	5	<u>2,032,177,418</u>	<u>1,973,086,093</u>
2 Current Assets, Loans & Advances			
a) Inventories		603,338,411	548,030,941
b) Sundry Debtors		354,188,344	307,112,920
c) Cash & Bank Balances		490,141,760	174,922,338
d) Other Current Assets		9,446,777	7,598,239
e) Loans & Advances		99,707,877	168,039,877
		1,556,823,169	1,205,704,315
Less : Current liabilities and provisions	7	<u>472,608,620</u>	<u>363,308,637</u>
		<u>1,084,214,549</u>	<u>842,395,678</u>
TOTAL ASSETS		<u><u>3,116,391,967</u></u>	<u><u>2,815,481,771</u></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
27th May, 2009

S. Sangeetha
Wholetime Director
C. Subramaniam
Company Secretary

S. Lakshminarayanan
Partnerr
T. Raghunathan
Internal Auditor

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

		For the Year Ended 31-03-2009 Rs.	For the Year Ended 31-03-2008 Rs.
I INCOME	Schedule		
GROSS TURNOVER	8	2,768,954,123	2,747,384,269
LESS : Excise Duty		<u>244,111,877</u>	<u>306,023,677</u>
NET TURNOVER		2,524,842,246	2,441,360,592
Other Income	8	<u>12,582,463</u>	<u>11,719,676</u>
		2,537,424,709	2,453,080,268
ADD/(DEDUCT)			
Difference In Stock	8	<u>94,623,739</u>	<u>49,977,600</u>
		<u>2,632,048,448</u>	<u>2,503,057,868</u>
II EXPENDITURE			
Material Cost	9	979,040,725	1,000,495,117
Labour Cost	9	211,574,290	188,707,000
Power & Fuel		86,659,093	76,635,536
Repairs	9	109,106,153	117,157,329
Interest Paid (Net of Receipts)	9	86,247,361	51,134,315
Administrative Expenses	9	213,094,697	168,873,892
Depreciation		<u>257,723,057</u>	<u>224,604,838</u>
		1,943,445,376	1,827,608,027
III PROFIT for the year		688,603,072	675,449,841
Less : Donations		<u>532,784</u>	<u>524,650</u>
Profit Before Tax		688,070,288	674,925,191
Less : Provision for Taxation Current/Withholding Tax		231,195,991	206,742,362
Provision For Fringe Benefit Tax		2,500,000	2,500,000
Deferred Tax		10,261,362	24,843,104
Add : Excess Provision no longer required		114,529	770,686
LESS : Income Tax paid for earlier years		<u>3,617,674</u>	<u>-</u>
Profit after Tax		440,609,790	441,610,411
Add : Surplus brought forward		<u>72,142,335</u>	<u>45,256,079</u>
Profit available for appropriation		<u>512,752,125</u>	<u>486,866,490</u>
IV APPROPRIATIONS			
Proposed Dividend		98,059,024	98,059,024
Tax on Proposed Dividend		16,665,131	16,665,131
Amount transferred to General Reserve		300,000,000	300,000,000
Surplus carried to Balance Sheet		<u>98,027,970</u>	<u>72,142,335</u>
		<u>512,752,125</u>	<u>486,866,490</u>
EARNING PER SHARE (Basic/Diluted)			
See Note No.10 Of Notes to Accounts			
	Basic	5.39	5.40
	Diluted	5.39	5.39

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
27th May, 2009

S. Sangeetha
Wholetime Director
C. Subramaniam
Company Secretary

S. Lakshminarayanan
Partner
T. Raghunathan
Internal Auditor

SCHEDULES

	As At 31-03-2009 Rs.	As At 31-03-2008 Rs.
SCHEDULE : 1		
SHARE CAPITAL		
Authorised		
100,000,000 Equity Shares of Re. 1 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued, Subscribed & Paid up		
81,715,853 Equity Shares of Re. 1 each	<u>81,715,853</u>	<u>81,715,853</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
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General Reserve

As per Last Balance Sheet	1,300,000,000	
Add : Transfer from Profit and Loss Account	<u>300,000,000</u>	
	1,600,000,000	1,300,000,000

Securities Premium Account

As per Last Balance Sheet	240,644,710	240,644,710
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Premium On FCCB Issue

As per Last Balance Sheet	2,284,500	2,284,500
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Capital Redemption Reserve

As per Last Balance Sheet	180,000	180,000
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Surplus In Profit & Loss Account

98,027,970	72,142,335
<u>1,941,153,880</u>	<u>1,615,268,245</u>

SCHEDULES (Contd...)

	As At 31-03-2009 Rs.	As At 31-03-2008 Rs.
SCHEDULE : 3		
SECURED LOANS		
TERM LOANS		
From Banks	522,108,442	328,624,000
Working Capital Loan		
From State Banks of India [Details of Security Refer Note No. 3]	26,227,358	106,762,950
	<u>548,335,800</u>	<u>435,386,950</u>

SCHEDULE : 4**UNSECURED LOANS**

From Banks	344,316,623	250,345,274
FCCB 0.5% A Series	-	242,157,000
	<u>344,316,623</u>	<u>492,502,274</u>

SCHEDULES (Contd...)

SCHEDULE : 5

FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Cost as on 01.04.2008 Rs.	Additions during the year Rs.	Sales/ Transfer/ Refund Rs.	Cost As on 31.03.2009 Rs.	Depreciation upto 01.04.2008 Rs.	For the year ended 31.03.2009 Rs.	Withdrawn During the year Rs.	Value As on 31.03.2009 Rs.	Value As on 31.03.2008 Rs.
Land	55,018,304	-	-	55,018,304	-	-	-	55,018,304	55,018,304
Buildings	241,669,798	37,105,029	-	278,774,827	48,661,388	7,967,863	-	222,145,576	193,008,410
Plant & Machinery	2,481,879,343	344,587,861	8,144,346	2,818,322,858	996,503,699	226,061,679	8,125,751	1,603,883,231	1,485,375,644
Tools & Equipments	43,146,926	871,890	-	44,018,816	31,891,202	3,264,485	-	8,863,129	11,255,724
Electrical Equipments	25,071,049	17,062,420	-	42,133,469	12,420,862	3,215,861	-	26,496,746	12,650,187
Furniture & Fittings	11,792,887	1,450,486	82,876	13,160,497	8,429,173	898,182	72,973	3,906,115	3,363,714
Office Equipments	24,557,118	4,459,081	2,862,987	26,153,212	8,510,010	2,478,353	1,189,308	16,354,157	16,047,108
Computers	72,820,169	3,651,198	3,128,126	73,343,241	51,864,049	9,988,910	3,003,083	14,493,365	20,956,120
Vehicles	35,908,903	380,637	1,284,936	35,004,604	22,113,132	3,847,724	1,236,164	10,279,912	13,795,771
Capital Work in Progress	161,615,111	15,907,123	106,785,351	70,736,883	-	-	-	70,736,883	161,615,111
TOTAL	3,153,479,608	425,475,725	122,288,622	3,456,666,711	1,180,393,515	257,723,057	13,627,279	2,032,177,418	1,973,086,093
Previous Year	2,783,973,860	449,931,533	80,425,785	3,153,479,608	958,143,444	224,604,838	2,354,767	1,973,086,093	1,825,830,416

SCHEDULES (Contd...)

	As At 31-03-2009 Rs.	As At 31-03-2008 Rs.
SCHEDULE : 6		
CURRENT ASSETS, LOANS & ADVANCES		
Inventories		
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	224,022,168	263,338,437
Semi Finished Goods	359,212,791	264,709,706
Finished Goods	20,103,452	19,982,798
	<u>603,338,411</u>	<u>548,030,941</u>
Sundry Debtors		
Unsecured and Considered Good		
More than Six Months	10,356,591	4,025,965
Less than Six Months	343,831,753	303,086,955
	<u>354,188,344</u>	<u>307,112,920</u>
Cash & Bank Balances		
Cash with Scheduled Banks : a) in Current Accounts	13,915,774	15,340,397
b) in Fixed Deposits	475,000,001	158,364,678
Cash at Bank with Others : a) in Current Accounts	123,616	197,275
Stamps on Hand	21,269	9,366
Cash on Hand	1,081,100	1,010,622
	<u>490,141,760</u>	<u>174,922,338</u>
Other Current Assets		
Interest Accrued and Receivable	9,066,808	7,297,641
Income Receivable	379,969	300,598
	<u>9,446,777</u>	<u>7,598,239</u>
LOANS & ADVANCES		
Unsecured and Considered Good. Recoverable in Cash or in kind or for Value to be Received		
Advance for Purchase of Capital Goods	1,800,000	32,376,625
Advance to Others	2,186,847	6,249,470
Deposits/Advances with Central Excise, Sales Tax & Customs Authorities	71,037,039	110,771,084
Deposits with Others	19,433,471	16,455,478
Prepaid Expenses	5,250,520	2,187,220
	<u>99,707,877</u>	<u>168,039,877</u>

SCHEDULES (Contd...)

	As At 31-03-2009 Rs.	As At 31-03-2008 Rs.
SCHEDULE : 7		
CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Liability for Purchase of Capital Goods (includes Dues to MSME Units Rs. Nil Previous Year Nil)	6,316,456	22,093,073
Liability for Purchases (includes Dues to MSME Units Rs. Nil Previous Year Nil)	27,499,247	16,235,971
Liability for Expenses (includes Dues to MSME Units Rs. Nil Previous Year Nil)	101,109,809	86,594,779
Liability for Other Finance	1,089,724	12,447,412
Advance from Customers	165,630,727	96,664,830
Investor Protection and Educational Fund shall be credited by the following accounts when due:		
Unpaid Dividends	2,402,551	1,977,544
Unencashed Fixed Deposits including Interest [in stale Cheques account]	15,265	32,832
	304,063,779	236,046,441
Provisions		
Provision for Taxation [Net of Advance Payment of Taxes]	50,233,556	9,230,482
Proposed Dividend	98,059,024	98,059,024
Tax on Dividend	16,665,131	16,665,131
Provision for Fringe Benefit Tax [Net of Advance Payment]	587,130	807,559
Provision for Warranty	3,000,000	2,500,000
	472,608,620	363,308,637
SCHEDULE : 8		
1. GROSS TURNOVER		
Sale of Manufactured Goods	2,654,313,282	2,681,690,773
Machining Charges Receipts	114,640,841	65,693,496
	2,768,954,123	2,747,384,269
2. OTHER INCOME		
Profit on Sale of Assets	1,057,555	107,025
Miscellaneous Income [Including Net Exchange Gain of Rs. Nil Previous Year Rs. 3,609,941]	10,650,908	9,995,680
Rental Receipts[TDS Rs.167,791 Previous Year Rs.136,058]	874,000	1,616,971
	12,582,463	11,719,676

SCHEDULES (Contd...)

	As At 31-03-2009 Rs.	As At 31-03-2008 Rs.
SCHEDULE : 8 (Contd...)		
3. DIFFERENCE IN STOCKS		
Closing Stock		
Semi Finished Goods	359,212,791	264,709,706
Finished Goods	20,103,452	19,982,798
	<u>379,316,243</u>	284,692,504
Opening Stock		
Semi Finished Goods	264,709,706	219,318,203
Finished Goods	19,982,798	15,396,701
	<u>284,692,504</u>	234,714,904
	<u>94,623,739</u>	49,977,600
SCHEDULE : 9		
MATERIAL COST		
Opening Stock of Raw Materials & Consumables	263,338,437	301,793,408
Purchases	946,379,954	970,020,748
	<u>1,209,718,391</u>	1,271,814,156
LESS : Sale of Materials	6,655,498	7,980,602
	<u>1,203,062,893</u>	1,263,833,554
LESS : Closing Stock	224,022,168	263,338,437
Materials Consumed	<u>979,040,725</u>	1,000,495,117
LABOUR COST		
Salaries, Wages, Bonus & Gratuity	147,197,375	129,120,624
Contribution to Provident Fund	5,158,313	4,426,355
Workmen & Staff Welfare Expenses	25,728,248	21,536,530
Labour and Machining Charges	33,490,354	33,623,491
	<u>211,574,290</u>	188,707,000
REPAIRS		
Buildings	12,989,871	12,295,357
Machinery	69,446,403	75,744,875
General	26,669,879	29,117,097
	<u>109,106,153</u>	117,157,329
INTEREST		
Bank Loans	68,331,864	67,014,886
FCCB	47,283,628	1,204,611
	<u>115,615,492</u>	68,219,497
LESS : Interest Receipts (TDS Rs. 5,322,818 Previous Year Rs.1,830,269)	<u>29,368,131</u>	17,085,182
INTEREST PAID (NET OF RECEIPTS)	<u>86,247,361</u>	51,134,315

SCHEDULES (Contd...)

	As At 31-03-2009 Rs.	As At 31-03-2008 Rs.
SCHEDULE : 9 (Contd...)		
ADMINISTRATIVE EXPENSES		
Managing Director's Remuneration	37,028,929	36,321,766
Whole Time Director's Remuneration	14,811,571	14,528,706
Postage, Telegram and Telephones	4,684,583	5,908,176
Printing & Stationery	3,260,531	4,228,143
Travelling & Maintenance of Motor Vehicles	21,077,465	19,937,951
Insurance	1,599,672	3,001,831
Taxes & Licences	8,906,683	16,327,884
Transport Charges & Selling Expenses	15,046,128	17,080,683
Commission & Discount	8,433,114	10,633,594
Advertisement	26,969,444	28,905,980
Bank Charges, Filing Fees & Subscription Etc.,	6,468,414	6,576,834
Machinery & Building Rent	259,000	36,000
Director's Sitting Fees	135,000	135,000
Auditor's Remuneration		
Audit Fees	250,000	200,000
Certification Fees	38,750	44,100
	288,750	
Accountancy & Legal Charges	6,151,782	3,555,096
Miscellaneous Expenses	911,768	921,381
Bad Debts Written Off	137,337	24,866
Loss on Sale of Asset	588,229	505,901
Loss on Foreign Currency Fluctuation	56,336,297	-
[Net of Exchange Gain Of Rs 15,211,352. Previous Year Nil]	213,094,697	168,873,892

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
27th May, 2009

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 31st March, 2009

1. ACCOUNTING POLICIES :

The Financial statements are prepared under the historical cost convention, on the accrual basis of accounting. The statements 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 are 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 period 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. 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.

e. LEASE RENTALS:

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

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2009 (contd...)

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 31/03/2009
- 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.

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 has been invested in Units of Mutual Funds until they were deployed for Working Capital needs.

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2009 (contd...)

2. CONTINGENT LIABILITIES:

Estimated amount of contracts remaining to be executed and not provided for:

- a) On Capital Accounts **Rs.17.01 Crores.**
- b) On account of Guarantees issued **Rs.12.24 Crores.**

- 3. a) The Working Capital facilities and Corporate Loan 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 Borrowing) availed from ICICI Bank Limited is secured by specific items of Plant and Machinery.
- 4. a) The Chairman & Managing Director of the Company has given personal guarantee for **Rs.84.00 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.5.21 Crores.**

5. a) Details of Remuneration paid to Managing Director

	31.03.2009	31.03.2008
	Rs.	Rs.
Salary	2,400,000	2,400,000
Commission	34,628,929	33,921,766
Total	<u>37,028,929</u>	<u>36,321,766</u>

b) Details of Remuneration paid to Wholetime Director

Salary	1,200,000	1,200,000
Company's contribution to Provident Fund	144,000	144,000
Commission	13,467,571	13,184,706
Total	<u>14,811,571</u>	<u>14,528,706</u>

6. Calculation of Director's Remuneration

	31.03.2009	31.03.2008
	Rs.	Rs.
Profit as per Profit & Loss Account	688,603,072	675,449,841
ADD : Book Depreciation	257,723,057	224,604,838
Managing Director's Remuneration	37,028,929	36,321,766
Directors sitting fees	135,000	135,000
Wholetime Directors Remuneration	<u>14,811,571</u>	<u>14,528,706</u>
	309,698,557	275,590,310
	998,301,629	951,040,151
LESS : Depreciation under Section 350	<u>257,723,057</u>	224,604,838
Profit under Section 349	<u>740,578,572</u>	<u>726,435,313</u>
10% of the above	<u>74,057,857</u>	<u>72,643,531</u>
Restricted to 5% for Managing Director	37,028,929	36,321,766
Restricted to 2% for Wholetime Director	14,811,571	14,528,706

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2009 (contd...)

7. Income Tax assessment is completed upto the Assessment year 2006-07
8. As per the information available with the Company there are no dues outstanding including interest as on 31st March, 2009 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	2008-2009	2007-2008
i) Gear wheels and Accessories (including the production for Captive Consumption)	Nos.	394,622	645,743
ii) Drafting Units, Conversion Brackets, Spares and complete set of Head Stock Gearing End Conversions, Coilers etc., (including the production for Captive Consumption)	Nos.	1,037	1,781
iii) Gear Boxes and Accessories (including the production for Captive Consumption)	Nos.	27,254	29,054
iv) Geared Motors (including the production for Captive Consumption)	Nos.	1,400	966
v) Carding Machines	Nos.	—	2
vi) Lathes (including the production for Captive Consumption)	Nos.	—	1
vii) Crane (including the production for Captive Consumption)	Nos.	—	5

C. Stock of Finished Goods:

		As at 31.03.2009	As at 31.03.2008
i) Gear wheels and Accessories	Nos.	345,525	378,072
ii) Drafting Units, Conversion Brackets, Spares and complete set of Head Stock Gearing End Conversions, Coilers etc.	Nos.	198	199
iii) Gear Boxes and Accessories	Nos.	1,529	1,832
iv) Geared Motors	Nos.	48	49

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2009 (contd...)

D. Sale of Finished Goods:

	2008-2009		2007-2008	
	Qty/Nos.	Value Rs.	Qty/Nos.	Value Rs.
i) Gear wheels and Accessories	370,677	969,263,620	513,715	886,222,367
ii) Drafting Units, Conversion Brackets, Spares and complete set of Head Stock Gearing End Conversions, Coilers etc.	381	4,421,315	1,086	9,408,173
iii) Gear Boxes & Accessories	26,888	1,383,739,553	28,228	1,407,891,858
iv) Geared Motors	1,400	43,941,449	958	39,473,117
v) Carding Machines	-	-	2	2,000,000
vi) Machining Charges Receipts	-	114,640,841	-	65,693,496
vii) Others	-	8,835,468	-	30,671,581
		<u>2,524,842,246</u>		<u>2,441,360,592</u>

E. Value of Imports (CIF Value) :

a) Plant & Machinery	211,510,431	102,868,405
b) Tools & Equipments	-	8,291,361
c) Raw Materials	17,060,518	8,331,734
d) Consumable Stores & Tools	12,228,618	14,432,077
e) Machinery Spares	8,787,120	11,885,649
f) General Repairs	113,947	-

F. Raw Materials Consumed:

a) Steel Rods & Steel Forgings (Kgs)	3,260,345	423,218,912	4,585,531	441,682,038
b) Bearings (Nos.)	124,191	124,672,797	147,326	112,684,948
c) Others	-	431,149,016	-	446,128,131
		<u>979,040,725</u>		<u>1,000,495,117</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)

G. Particulars of Consumption:

Raw Materials & Stores and Spares:	Value Rs.	2008-2009		2007-2008	
		Consumption	% of	Value Rs.	% of Consumption
Imported	35,321,923		3.61	35,090,023	3.51
Indigenous	943,718,802		96.39	965,405,094	96.49
	<u>979,040,725</u>		<u>100.00</u>	<u>1,000,495,117</u>	<u>100.00</u>

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2009 (contd...)

H. Payments made in foreign currency on account of:	2008-2009	2007-2008
	Rs.	Rs.
a) Interest	59,628,578	22,918,138
b) Export Sales Promotion Expenses	178,398	644,440
c) Advertisement	5,629,145	5,437,900
d) Subscription	-	528,737
e) FCCB Expenses	-	72,310
f) Commission	449,265	-
g) Professional & Consulting Charges	102,426	29,841
h) Germany Office – Liaison Office Expenses	2,896,911	2,612,716
I. Earnings in Foreign Currency		
FOB Value of Exports	335,386,830	237,260,589
Interest Receipts	-	49,528
J. Amount remitted during the year in Foreign Currencies		
i) On account of Dividends	-	-
ii) Number of Non-Resident Share Holders	281	330
iii) Number of Shares held by Non-Resident Share-Holders on which Dividends are due	1,444,530	1,814,464
iv) The year to which dividends relate	F.Y. 2007-2008	F.Y. 2006-2007

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

Mutual Funds	No. Of Units Purchased	Cost Of Units (Rs)	No.of Units Redeemed	Redemption Value (Rs.)	Balance No. Of Units
HDFC	17166204 (3068010)	307507897 (49000000)	17166204 (3068010)	309738814 (49620253)	NIL (NIL)
RELIANCE	2912055 (13495181)	66000000 (165000000)	2912055 (13495181)	66327592 (167106286)	NIL (NIL)
SUNDARAM	8046514 (9273400)	115000000 (95000000)	8046514 (9273400)	115402336 (96048642)	NIL (NIL)
PRINCIPAL	11160593 (4868410)	150005850 (60000000)	11160593 (4868410)	151529328 (60708388)	NIL (NIL)
SBI	13445730 (597004)	200240611 (10000000)	13445730 (597004)	200604415 (10034360)	NIL (NIL)
UTI	4786006	50000000	4786006	50416409	NIL
TOTAL	57517102 (31302005)	888754358 (379000000)	57517102 (31302005)	894018894 (383517929)	

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

A. Basic EPS:

	As at	As at
	31.03.2009	31.03.2008
	Rs.	Rs
a) Total Equity Shares outstanding at the End of the year (Nos)	81,715,853	81,715,853
b) Net Profit after Tax	440,609,790	441,610,411
c) Earning Per Share (Basic)	5.39	5.40
d) Diluted Earning Per Share	5.39	5.39

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2009 (contd...)

B. Diluted EPS

(On the Basis of FCCB as Potential Equity Shares)

a) Calculation of Weighted Average number of Equity Shares Re.1 each for the Previous Year	31.03.2008
i) Number of Shares at the Beginning of the year	80,776,215
ii) FCCB Allotment During the year	
a) During August 2007	156,606
b) During December 2007	391,516
c) During January 2008	391,516
iii) Total Number of Equity Shares to be outstanding on Conversion (Potential Equity Shares)	85,865,934
iv) a) Equity Shares outstanding for 4 month	80,776,215
b) Equity Shares outstanding for 4.75 Months taking into consideration Potential Equity shares	80,932,821
c) Equity Shares outstanding for 0.50 Months taking into consideration Potential Equity shares	81,324,337
d) Equity Shares outstanding for 2.75 Months taking into consideration Potential Equity shares	85,865,934
vi) Weighted Average number of Equity Shares including Potential Equity Shares	82,027,437
c) Net profit after tax as per Profit & Loss account	441,610,411
Add : Increase in Net profit:	
interest on FCCB	1,204,611
Less : Tax Effect at 33.99%	409,447
Net Profit after tax for Diluted EPS	<u>442,405,575</u>

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).

12. Deferred Tax

	As at 31.03.2009	As at 31.03.2008
Opening Liability	190,608,449	165,765,345
Add/Deduct : Assets / Liabilities / Difference in I.T. & Book Depreciation - Liability	12,010,779	28,619,717
Less : 43B Liabilities/ Disallowance under IT Act - Asset	<u>1,749,417</u>	<u>3,776,613</u>
Net Liability for the year	10,261,362	24,843,104
Closing Balance	<u>200,869,811</u>	<u>190,608,449</u>

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2009 (contd...)

13. Notes on Assets Given on Lease:	As at 31.03.2009	As at 31.03.2008
1) Gross value of Assets		
a) Land	1,934,621	1,934,621
b) Buildings	5,478,846	5,478,846
c) Plant & Machinery	25,435	25,435
2) Accumulated Depreciation at the end of the Year		
a) Land	-	-
b) Buildings	406,963	311,451
c) Plant & Machinery	-	24,163
3) WDV of Assets at the end of the Year		
a) Land	1,934,621	1,934,621
b) Buildings	5,071,883	5,167,395
c) Plant & Machinery	-	1,272
4) Depreciation for the Year		
a) Land	-	-
b) Buildings	95,512	95,512
c) Plant & Machinery	-	-
5) Rental Receipts		
a) Land	360,000	360,000
b) Buildings	468,000	468,000
c) Plant & Machinery	12,000	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)	51,840,500 (50,850,472)	1,126,269 (1,118,123)	52,858,769 (51,968,595)
Receiving of Services (Previous Year)	4,500 (18,000)	3,806,531 (3,747,516)	3,811,031 (3,765,516)
Sale of Goods (Previous Year)	-- --	9,473 (Nil)	9,473 (Nil)
Outstanding Balance as at 31.03.2009 – Payable (Previous Year)	48,096,500 (47,106,472)	-- --	48,096,500 (47,106,472)

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 31st March, 2009 (contd...)

15. Details of Cash and Bank Balance:

	31.03.2009 Rs.	31.03.2008 Rs.
a) Cash with Schedule Bank in Current account includes:		
i) Unpaid Dividend Warrant A/c	2,402,551	1,977,544
b) Cash with other Banks in Current account :		
HSBC Dusseldorf		
i) Balance at the end of the Year	123,616	197,275
ii) Maximum amount at any time during the Year	722,702	746,194

16. Miscellaneous income includes:

Income From Redemption of Investments in Mutual Fund	5,206,138	4,483,569
Dividend From Mutual Fund	58,398	34,360
	<u>5,264,536</u>	<u>4,517,929</u>

17. Details of Warranty Provision:

Opening Balance	2,500,000	2,000,000
Less : Claims settled	1,877,350	1,545,993
	622,650	454,007
Add : Provision for the Year	2,377,350	2,045,993
	<u>3,000,000</u>	<u>2,500,000</u>

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:

	Rs. As on 31.03.2009	Rs. As on 31.03.2008
Present value of funded obligations	17,582,104	13,845,237
Fair value of plan assets	18,740,738	15,077,517
Net Surplus in the Balance Sheet (Grouped under Prepaid Expenses)	1,093,053	1,232,280

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

	For the year ended 31.03.2009	For the year ended 31.03.2008
Current service cost	1,575,199	1,329,726
Interest on obligation	796,561	904,698
Expected return on plan assets	1,425,411	1,252,369
Net actuarial losses (gains) recognized in year	2,530,106	781,475
Total included in Labour cost	3,542,038	1,763,530

Notes to Balance Sheet and Profit and Loss Account as at 31st March, 2009 (contd...)

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

	For the year ended 31.03.2009	For the year ended 31.03.2008
Opening defined benefit obligation	13,845,237	11,708,770
Prior period adjustment	-	-
Service cost	1,575,199	1,329,726
Interest cost	796,561	904,698
Actuarial gains (Losses)	2,520,374	717,826
Benefits paid	(1,155,269)	(815,783)
Closing defined benefit obligation	17,582,102	13,845,237

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

Opening fair value of plan assets	15,077,517	13,204,578
Expected return	1,425,411	1,252,369
Actuarial gains and (losses)	(9,732)	(63,647)
Contributions by employer	3,402,811	1,500,000
Assets acquired in an amalgamation in the nature of purchase	-	-
Exchange differences on foreign plans	-	-
Benefits paid	(1,155,269)	(815,783)
Closing fair value of plan assets	18,740,738	15,077,517

Balance Sheet Reconciliation

Opening Net (Liability) Asset	1,232,280	1,495,810
Expenses Recognized in Profit and Loss Account	3,542,038	1,763,530
Contribution made	3,402,811	1,500,000
Closing unfunded status (Surplus – Grouped under Prepaid Expenses)	1,093,053	1,232,280

Principal actuarial assumptions at the balance sheet date (expressed as weighted average)

Discount rate Current	6.00%	8.00%
Expected return per annum on plan assets	9.25%	9.25%
Salary Escalation per annum	5.00%	6.00%
Retirement Age	58 Years	58 Years
Mortality	LIC 1994-96 Mortality Table	LIC 1994-96 Mortality Table
Attrition rate	3%	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
27 May, 2009

S. Sangeetha
Wholetime Director
C. Subramaniam
Company Secretary

S. Lakshminarayanan
Partner
T. Raghunathan
Internal Auditor

CASH FLOW STATEMENT

	As At 31-03-2009	As At 31-03-2008
	Rs. in Million	
A NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	688.070	674.925
Adjustments for :		
Depreciation	257.723	224.605
Interest	86.247	46.571
Income From Mutual Fund	-5.265	-4.518
Profit On Sale Of Assets (Net)	-0.469	0.399
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1026.307	941.982
Adjustments for:		
Trade and other Receivable	19.408	-51.537
Inventories	-55.307	-11.523
Trade Payable	109.300	14.945
Cash Generated From Operations	1099.707	893.867
Direct Taxes Paid	-231.196	-206.742
Fringe Benefit Tax	-2.500	-2.500
Prior Year Taxes Paid	-3.618	0.771
Income Tax Provision No Longer Required	0.114	-
Cash Flow Before Extraordinary Items	862.507	685.396
Net Cash From Operating Activities	(A) 862.507	685.396
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-318.690	-372.465
Sale of Fixed Assets	1.571	0.204
Discount on Fixed Assets	0.774	-
Income From Mutual Fund	5.265	4.518
Net Cash Used in Investing Activities	(B) -311.080	-367.743
C CASH FLOW FROM FINANCE ACTIVITIES		
Proceeds from Long Term Borrowings	45.299	176.715
Overdraft	-80.536	-393.237
Interest Paid	-86.247	-46.571
Dividend Paid	-98.059	-98.059
Tax on Dividend	-16.665	-16.665
Change in FCCB Liability due to Exchange Difference	-	12.480
Net Cash From in Finance Activities	(C) -236.208	-365.337
Net Increase in Cash & Cash Equivalents	(A+B+C) 315.219	-47.684
Cash and Cash Equivalents (Opening Balance)	174.922	222.606
Cash and Cash Equivalents (Closing Balance)	490.141	174.922

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
27th May, 2009

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
Corporate Identity No.(CIN)	: L29130TZ1972PLC000649		
Balance Sheet Date	: 31 03 2009		
	Date Month Year		

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

Public Issue	: NIL	Rights Issue	: NIL
Bonus Issue	: NIL	Private Placement	: NIL

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

Total Liabilities	: 3116392	Total Assets	: 3116392
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Sources of Funds

Paid-up Capital	: 81716	Reserves & Surplus	: 1941154
Secured Loans	: 548336	Deferred Tax	: 200870
		Unsecured Loans	: 344316

Application of Funds

Net Fixed Assets	: 2032177	Investments	: NIL
Net Current Assets	: 1084215	Misc. Expenditure	: NIL
Accumulated Losses	: NIL		

IV Performance of Company (Amount in Rs. Thousands)

Turnover (Including other income)	: 2537425	Total Expenditure	: 1849355
Profit Before Tax	: 688070	Profit After Tax	: 440610
Earning Per Share	: Rs. 5.39	Dividend Rate	: 120%

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
For S. Lakshminarayanan Associates
Chartered Accountants

P. Subramanian
Chairman & Managing Director
Coimbatore
27th May, 2009

S. Sangeetha
Wholetime Director
C. Subramaniam
Company Secretary

S. Lakshminarayanan
Partner
T. Raghunathan
Internal Auditor

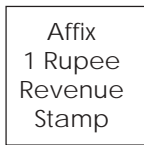
Shanthi Gears Limited

Registered Office : 304-A, Trichy Road, Singanallur, COIMBATORE - 641 005

PROXY FORM

I/We..... of
.....
..... being a Member / Members of Shanthi Gears Limited
hereby appoint
..... of
..... or failing him
..... of
..... or failing him
..... of
as my / our proxy to vote for me / us and on my / our behalf, at the Thirty Sixth Annual General Meeting of the Company to be held on Monday, the 10th July, 2009 at 10.00 a.m. and any adjournment thereof.

Signed this day of 2009



Folio No. :
DP ID No. :
Client A/c No. :
No. of Shares :

Signed by the said

Note : This form duly completed should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.



Shanthi Gears Limited

Thirty Sixth Annual General Meeting

ATTENDANCE SLIP

Folio No. :
DP ID No. :
Client A/c No. :
No. of Shares :

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall. Only members or their proxies are entitled to be present at the Meeting.

Name and Address :

I hereby record my presence at Thirty Sixth Annual General Meeting held at

* Signature of the Member / Proxy

* Strike out whichever is not applicable.

Financial Performance Indicators

