



**SHANTHI GEARS LIMITED**

*Annual Report 2013 - 14*

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## Cautionary Statement

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

## Message from the Chairman

Dear Shareholders,

It gives me great satisfaction and confidence as I look back on the year gone by. This marks the first full year as a Murugappa Group Company for Shanthi Gears and has been a rewarding year for us. The Company registered a growth in both the top line and bottom line despite not very favourable economic conditions.



Since taking over the Company in September, 2012 the Senior Management team of Shanthi Gears has been actively involved in re-building the organisation. Our focus in the early period was on winning back the confidence of customers, strengthening customer relationships, improving operational efficiencies and processes, and building the base for the future.

I am glad to say these efforts have begun to bear fruit in this year with many customers beginning to trust Shanthi with their requirements, once again. The re-organisation of the sales structure and enhancing our presence by almost doubling our sales force in the field has helped us reach out and get closer to a larger customer base. Our efforts at improving efficiencies have been focused on service levels to customers and continuous efforts at managing the cost base to help the Company in maintaining its profitability.

I believe we are now at the threshold of a transformation as we seek to move from the Transition phase of the last 2 years. We look forward with hope for a new and exciting future as we seek to grow our business, nurture relationships and deliver value to all our stakeholders. Enhancing our network of channel partners, focus on product development, driving revenue through service and exploring new avenues for growth would be the focus of the Company. To this end, the Company has been investing in people with a view to building the talent pipeline. Together with the strong engineering and design capabilities, a large skill pool, state-of-the-art manufacturing infrastructure and its ability to innovate and re-engineer, we are confident we will be able to achieve our goals.

The team at Shanthi Gears is driving this transformation with zeal and passion under the leadership of Dr. Sreeram Srinivasan. I thank all our employees and stakeholders for their contribution and support and remain hopeful of their continued passion, enthusiasm and co-operation as we progress into this phase.

I also thank my colleagues on the Board for their valuable contribution and guidance in this transformation.

I also wish to thank you, the shareholders, for your continued support and confidence in the Company.

Sincerely,

**MM Murugappan**

## 10 Years Financials

₹ Crores

OPERATING RESULTS	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Sales (Including excise duty)	166.69	159.01	186.67	173.46	129.07	276.90	274.73	227.97	184.26	138.07
Profit before Depreciation, Interest & Tax (PBDIT)	51.56	50.93	69.32	71.48	53.14	103.20	94.61	74.16	58.77	41.62
Profit before Interest & Tax (PBIT)	25.95	22.36	42.10	44.64	26.21	77.43	72.15	55.93	46.06	32.04
Profit before Tax (PBT)	25.93	22.07	41.60	43.76	24.33	68.81	67.49	51.15	43.06	30.66
Profit after Tax (PAT)	18.38	15.47	28.13	27.86	16.18	44.06	44.16	33.59	28.06	19.12
Earnings Per Share (₹)	2.25	1.89	3.44	3.41	1.98	5.39	5.40	4.44	3.56	2.45
Dividend Per Share (₹)	1.00	0.60	1.00	1.00	0.80	1.20	1.20	1.00	1.00	0.50
Book Value Per Share (₹)	32.61	31.53	30.33	28.05	25.80	24.75	20.77	16.28	11.90	8.98
Interest	0.02	0.29	0.62	8.76	3.81	11.56	6.37	6.23	4.26	2.43
<b>SOURCES AND APPLICATION OF FUNDS</b>										
<b>SOURCES OF FUNDS</b>										
Share Capital	8.17	8.17	8.17	8.17	8.17	8.17	8.17	8.08	7.88	7.80
Reserves & Surplus	258.23	249.41	239.67	221.04	202.68	194.12	161.53	123.45	85.90	62.25
Net Worth	266.40	257.58	247.84	229.21	210.85	202.29	169.70	131.53	93.79	70.05
Debt	0.00	0.00	3.96	9.75	25.63	89.27	92.79	118.68	120.46	54.95
Deferred Tax Liability (Net)	2.51	6.88	10.73	14.26	17.49	20.09	19.06	16.58	9.84	6.45
Total	268.91	264.46	262.53	253.22	253.97	311.64	281.55	266.78	224.09	131.45
<b>APPLICATION OF FUNDS</b>										
Gross Fixed Assets	364.27	361.09	360.21	353.46	344.13	338.60	299.19	265.20	191.18	142.05
Accumulated Depreciation	269.25	245.34	222.00	195.54	169.20	142.45	118.04	95.81	77.95	65.74
Net Fixed Assets	95.02	115.75	138.21	157.91	174.92	196.15	181.15	169.38	113.23	76.31
Capital Work-in-Progress	3.60	3.62	5.59	7.54	5.17	7.07	16.16	13.19	8.65	3.86
Short Term Investments & Deposits	107.76	90.60	55.02	46.00	27.50	47.50	15.84	18.13	47.51	7.50
Net Working Capital	62.53	54.49	63.71	41.77	46.38	60.92	68.40	66.07	54.71	43.78
Total	268.91	264.46	262.53	253.22	253.97	311.64	281.55	266.78	224.09	131.45
<b>RATIOS</b>										
PBDIT To Sales (%)	30.93	32.03	37.14	41.21	41.17	37.27	34.44	32.53	31.90	30.14
PBIT To Sales (%)	15.57	14.06	22.55	25.73	20.31	27.96	26.26	24.53	25.00	23.21
PBT To Sales (%)	15.56	13.88	22.28	25.23	18.85	24.85	24.57	22.44	23.37	22.21
PAT To Sales (%)	11.03	9.73	15.07	16.06	12.54	15.91	16.07	14.73	15.23	13.85
Interest Cover (times)	2578.00	175.62	111.81	8.16	13.95	8.93	14.85	11.90	13.80	17.13
ROCE (%) #	16.10	12.86	20.29	21.54	11.57	29.32	27.15	22.49	26.08	25.85
Return on Networth (%)	6.90	6.01	11.35	12.16	7.67	21.78	26.02	25.54	29.92	27.30
Total Debt Equity Ratio	0.00	0.00	0.02	0.04	0.12	0.43	0.48	0.60	1.07	0.58
Long Term Debt Equity Ratio	0.00	0.00	0.00	0.02	0.05	0.08	0.13	0.18	0.30	0.02
Sales/Net Fixed Assets (times)	1.75	1.37	1.35	1.10	0.74	1.41	1.52	1.35	1.63	1.81
Net Working Capital Turnover (times)	2.67	2.92	2.93	4.15	2.78	4.55	4.02	3.45	3.37	3.15

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

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

M M MURUGAPPAN, Chairman  
L RAMKUMAR  
C R SWAMINATHAN  
J BALAMURUGAN  
V VENKITESWARAN  
SREERAM SRINIVASAN, President & Executive Director

### **CHIEF FINANCIAL OFFICER**

KRISHNA RAMNATH

### **COMPANY SECRETARY**

C SUBRAMANIAM

### **REGISTERED OFFICE**

304-A, Trichy Road, Singanallur, Coimbatore-641005

### **PLANTS**

A UNIT, Trichy Road, Singanallur, Coimbatore  
B UNIT, Trichy Road, Singanallur, Coimbatore  
C UNIT, Avinashi Road, Muthugoundenpudur, Coimbatore  
D UNIT, K. Krishnapuram, Tirupur District  
FOUNDRY DIVISION, Kannampalayam, Coimbatore

### **AUDITORS**

Deloitte Haskins & Sells  
Chartered Accountants

### **BANKERS**

State Bank of India  
IDBI Bank Ltd  
Bank of Nova Scotia

## Directors' Profile

### **Mr. M M Murugappan,** Chairman

Mr. M M Murugappan (58 years) holds a Masters degree in Chemical Engineering from the University of Michigan, USA. He is currently the Chairman of Tube Investments of India Limited. He is also on the Board of various companies including Mahindra & Mahindra Limited and Wendt (India) Limited.

### **Mr. C R Swaminathan,** Non-Executive Director

Mr. C R Swaminathan (66 years) holds a graduate degree in Agriculture and a Masters degree in Business Administration. He had been associated with the PSG group of institutions as its Chief Executive Officer. Mr. C R Swaminathan is well experienced in the Foundry Industry and is the Past President of the Institute of Indian Foundrymen. He is also the Past President of the Confederation of Indian Industry (Southern Region).

### **Mr. L Ramkumar,** Non-Executive Director

Mr. L Ramkumar (58 years) is a Cost Accountant and has a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad. He is currently the Managing Director of Tube Investments of India Ltd. He has over 34 years of rich and varied experience in management including 22 years in Tube Investments of India Ltd.

### **Mr. V Venkiteswaran,** Non-Executive Director

Mr. V Venkiteswaran (67 years) is a Mechanical Engineer from the University of Madras and worked over 36 years with Tata Tea Limited and retired as Executive Director of Tata Tea Limited. He has business experience of over 40 years in diverse areas of operations.

### **Mr. J Balamurugan,** Non-Executive Director

Mr. J Balamurugan (53 years) is an Electronics Engineer from Regional Engineering College, Trichy. He has also done the Management Programme for Entrepreneurial Firms in Indian Institute of Management, Bangalore. He has managing experience in the businesses of IT infrastructure, On-line services and aftermarket automotive enhancements and others. He was the past Chairman of Confederation of Indian Industry, Coimbatore Zone.

### **Dr. Sreeram Srinivasan,** President & Executive Director

Dr. Sreeram Srinivasan (51 Years) holds a B.Tech. degree from IIT, Madras and also holds a MS and Ph.D from NC State University, Raleigh, USA. He has over two and a half decades of rich and varied experience, having worked for several leading multi-national and Indian companies

## MANAGEMENT DISCUSSION AND ANALYSIS

Global economies witnessed an improved year in 2013-14 when compared to the previous year. Thanks to several positive factors, global recovery is on track. The US economy registered sustained growth and is well on the path of recovery to pre-recession levels. The growth has been spurred by the shale gas boom and what is now referred as a "Renaissance in US Manufacturing". Europe seems to be coming out of its period of low growth with most major economies beginning to report growth, even though moderate. China continues to grow at a reasonable level though the rate of growth is lower when compared to the past. Japan too is witnessing improvement with the policy measures of the new administration.

The Indian economy passed through a difficult period with the growth rate expected to be less than 5%, below the initial estimates. High inflation for a greater part of the year, widening current account deficit, depreciating currency and tight money conditions together with high interest rates dampened the investment climate leading to a slowdown in completion of projects and very little commitment to new projects. The Index of Industrial Production fell by 1.93%, y-o-y February, 2014 with manufacturing registering the largest decline of 3.72%. The Capital Goods sector declined significantly by 17.37%.

### Review of Business

#### Industry Scenario

Your Company is in the business of design, manufacture, supply and servicing of gears and gear boxes. The market size for these products is estimated to be around ₹ 2500 crores, down from about ₹ 3000 crores in the previous year. The industry is expected to touch about ₹ 3200 crores in the next few years. Certain sectors like Steel, Metro and Railways have witnessed some growth but sectors like Cement, Mining, Sugar, Construction and Infrastructure have registered negative growth. The Windmill sector which used to be high in growth has been declining over the last few years. It is expected that most of these sectors will recover and start to grow in the coming months with a better industrial scenario and more growth friendly policies.

There are five major players and a few regional players in the National market while a significant portion of gearboxes for critical applications are met through imports. While most of the safety critical applications are imported from Europe, China has been very active in the other segments. The Indian market is very attractive to the European manufacturers and a few of them are exploring possibilities of establishing a presence here. Export of gears and gear boxes presents an opportunity and the opening up of the North American market augurs well for the future of exports.

There are two major segments in the gears and gear box industry, namely the standard segment and the customised segment. It is estimated that the standard gearboxes constitute about 35% of the market and the customised segment about a third of the market. In the current year it is estimated that the market has shrunk due to the depressed economic conditions. Consequently, the standard and customised segments too have declined. Over a longer term, the standard gearbox segment is estimated to grow faster than the customised segment. The remainder of the industry is made up of loose gears and this segment has been largely static. The industry is witnessing a greater drive towards use of more energy efficient, compact gearboxes and the

planetary segment is beginning to witness greater interest. Growth in planetary gearboxes vis a vis helical or worm gearboxes is a sign of maturing of the market. This trend is likely to accelerate as the economy and the market grows and the awareness for energy efficiency improves. It is therefore important to build capabilities and technology for the manufacture of Planetary gearboxes.

Growth of the Capital Goods sector, Industrial growth, in general, and Infrastructure growth, in particular, present the opportunities for growth in the gears and gearbox industry. Import substitution by local players and overall economic growth would also drive the growth in this industry. Acquisition or development of technology from segment leaders would be critical to the indigenization drive.

## Review of Performance

Your Company focuses on supply of customised non-standard gearboxes, internals and spares (loose gears), and servicing of any make of gearbox. During the year the Company reported a revenue of ₹ 151 crores against ₹ 144 crores in the previous year resulting in a growth of 5%. This growth needs to be viewed against the backdrop of low industrial activity and decline in the key user segments for the Company's products leading to a drop in the total market for gears and gearboxes itself. The Company grew its top line in both the domestic market and in exports. This was possible mainly due to the focus on winning back customers lost during the difficult years of the past, improving operational efficiencies leading to higher service levels and focus on the service segment. The Company enhanced its presence in the market expanding its presence in key user locations and enhancing its reach to customers by strengthening its teams involved in sales and service. The Company also built on its distribution network during the year and established its presence in many key markets.

Thanks to focus on product mix, efficiencies and costs, the Profit before Tax for the year was higher at ₹ 25.93 crores against ₹ 22.07 crores. Intense competition and pressure on prices continued to be significant concerns through the year and are expected to continue well into the new financial year. Nevertheless, your company continued to build a strong team to create an efficient and enduring talent pool with a view on the long-term growth of the company. Your company continued to invest in new products, skill development and employee engagement initiatives.

The Company took several steps to maintain its control over the utilisation of resources, both fixed and revolving. Working Capital continued to be managed tightly and remained in line with the previous year despite worsening trends in the industry. Essential Capital expenditure was undertaken primarily to improve efficiency and productivity at the plants. The Company remains debt free and invests its surplus funds judiciously ensuring safety and appropriate returns.

The Product development initiatives of the Company are in line with its plan and are linked to market / customer requirements. A new range of standard gearboxes was also launched during the year enhancing our competitiveness in this segment. Your Company's stress on cost innovation is likely to result in further enhancing cost competitiveness of products aimed at the faster growing standard gearbox segment. The Company also continued to invest in building strong capabilities in Planetary gearboxes. These gear boxes, developed completely in-house by the Company, have met with good acceptance from pedigreed customers and have created industry leading references for critical applications in certain important market segments during the year.



The Company remains confident that the future is positive given the confidence of its customers on the Company's products, service and on its ability to provide value over a long period.

## **Internal Control**

The Company has an Internal Audit system commensurate with its size and operations. The internal audit is carried out by external experts covering key aspects of the business. The internal team periodically evaluates the adequacy and effectiveness of internal controls. The Audit committee reviews the plan for Internal Audit, significant internal audit observations and its satisfactory closure and functioning of the internal audit department on a periodical basis.

Coimbatore  
29<sup>th</sup> April, 2014

**By Order of the Board**

**Sreeram Srinivasan**  
President & Executive Director

## General Shareholder Information

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

### Annual General Meeting

Day : Saturday

Date : 26<sup>th</sup> July, 2014

Time : 4.00 P.M.

Venue : Registered Office of the Company  
304-A, Trichy Road, Singanallur, Coimbatore - 641 005

### Financial Calendar

Annual General Meeting	26 <sup>th</sup> July, 2014
Results for the Quarter Ending 30 <sup>th</sup> June, 2014	26 <sup>th</sup> July, 2014
Results for the Quarter Ending 30 <sup>th</sup> September, 2014	27 <sup>th</sup> October, 2014
Results for the Quarter Ending 31 <sup>st</sup> December, 2014	January / February, 2015
Results for the Year Ending 31 <sup>st</sup> March, 2015	April / May, 2015

**Book Closure Dates** : 19<sup>th</sup> July, 2014 to 26<sup>th</sup> July, 2014 (Both days inclusive)

### Dividend

During the year, in February, 2014, the Company paid an interim dividend of ₹ 1/- per equity share. The same has been treated as final dividend.

### Unclaimed Dividend

The details of dividend paid by the Company and the respective due dates for transfer of the unclaimed/unencashed dividend to the Investor Education & Protection Fund ("IE&P Fund") of the Central Government are as below:

Financial Year to which dividend relates	Date of declaration	Due for Transfer to IE&P Fund
2006-07(Final)	16.07.2007	21.08.2014
2007-08(Final)	14.07.2008	19.08.2015
2008-09(Final)	10.07.2009	15.08.2016
2009-10(Final)	13.08.2010	18.09.2017
2010-11(Final)	11.07.2011	16.08.2018
2011-12(Final)	23.07.2012	28.08.2019
2012-13(Final)	24.07.2013	29.08.2020
2013-14 (Interim)	27.01.2014	04.03.2021

As provided under the Companies Act, 2013, dividends remaining unclaimed for a period of seven years shall be transferred by the Company to the IE&P Fund. In the interest of the investors, the company is in the practice of sending reminders to the investors concerned, before transfer of unclaimed dividend to the IE&P Fund. Unclaimed/unencashed dividends up to 2005-06 have been transferred to the IE&P Fund.

## Instructions to Shareholders

### (a) Shareholders holding shares in physical form

Requests for change of address must be sent to the Company's Registrar & Transfer Agent viz., S.K.D.C. Consultants Limited, Kanapathy Towers, 3<sup>rd</sup> Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore-641006 ("RTA"). Members are also advised to intimate the RTA the details of their bank account to enable incorporation of the same on dividend warrants. This would help prevent any fraudulent encashment of dividend warrants.

### (b) Shareholders holding shares in demat form

Shareholders can make use of the National Electronic Clearing Services ("NECS") of Reserve Bank of India, offered at select centres, to receive dividend payment directly into their bank account, avoiding thereby the hassles relating to handling of physical warrants besides elimination of risk of loss in postal transit/ fraudulent encashment of warrants. The NECS operates on the account number allotted by the Bank post Core Banking Solution ("CBS") implementation. The new Bank account number may kindly be intimated by the shareholders to the Depository Participant (in case the shares are held in demat mode) or to the Company's RTA viz., S.K.D.C. Consultants Limited (in case the shares are held in physical mode) by sending a request letter along with a cancelled cheque, if not already done.

## Listing on Stock Exchanges and Stock Code

National Stock Exchange of India Ltd	:	<b>SHANTIGEAR</b>
Bombay Stock Exchange Ltd	:	<b>522034</b>
ISIN Number in NSDL & CDSL for equity shares	:	<b>INE 631A01022</b>

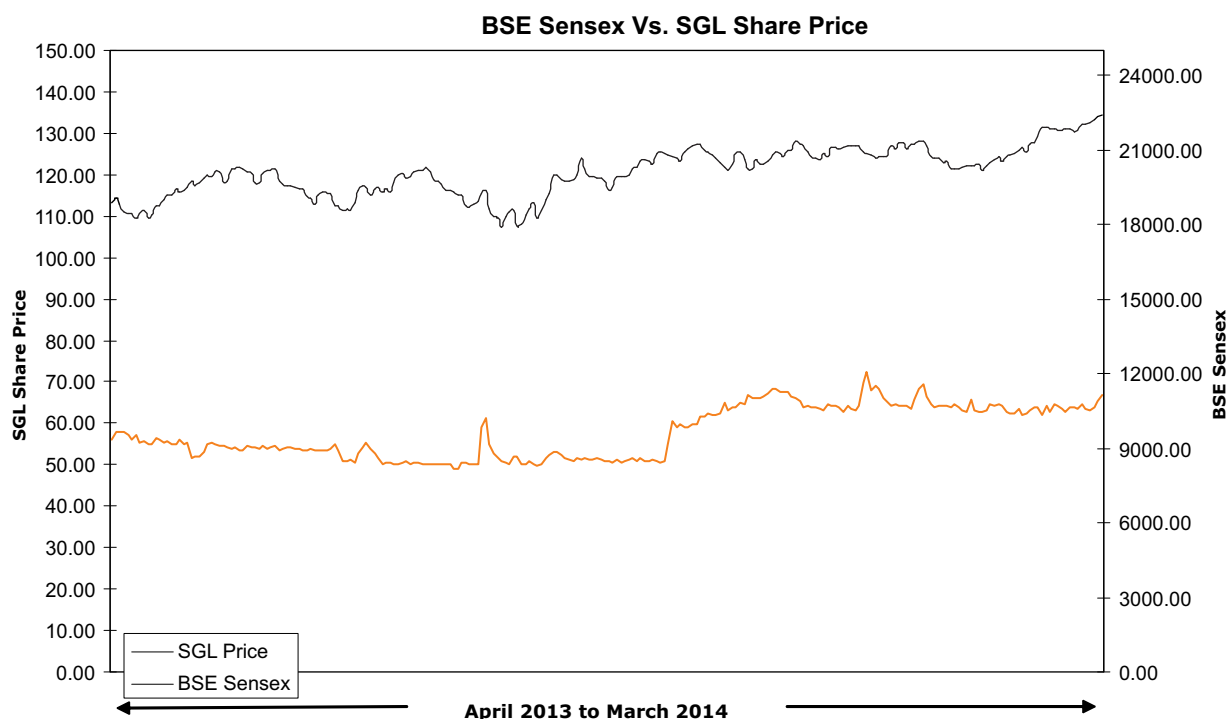
The Company has paid annual listing fees for the financial year 2014-2015 in respect of the above stock exchanges.

## Stock Market Data

Month	Bombay Stock Exchange Limited (BSE)		National Stock Exchange of India Limited (NSE)	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2013	59.80	52.40	60.00	47.55
May 2013	57.00	48.55	56.30	48.50
June 2013	55.00	50.00	55.00	49.75
July 2013	55.70	49.10	55.70	49.50
August 2013	65.50	49.00	65.35	48.60
September 2013	54.35	49.00	55.00	48.80
October 2013	60.90	50.50	60.95	50.10
November 2013	68.85	58.00	69.00	58.75
December 2013	72.50	61.15	74.50	62.30
January 2014	75.90	62.80	75.90	62.60
February 2014	70.50	59.90	69.00	59.20
March 2014	67.20	61.00	67.00	60.75

## Performance in comparison to broad based indices

SGL Share Performance (April, 2013 to March, 2014)



## Share Transfer System

The Company's Shares are in the Compulsory Demat List and are transferable through Depository system. Both dematerialisation requests 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.

SEBI vide its circular dated 16<sup>th</sup> December, 2010 has amended clause 5A of the Listing agreement by laying down a uniform procedure for dealing with unclaimed shares in physical mode and getting the same dematerialised after completing the said procedure. The Company's Registrar and Share Transfer Agent is in the process of complying with the said amendment.

## Registrar and Share Transfer Agents

S.K.D.C. CONSULTANTS LIMITED,  
Kanapathy Towers, 3<sup>rd</sup> Floor,  
1391/A-1, Sathy Road, Ganapathy,  
Coimbatore-641006.

Tel : (0422) 6549995, 2539835-836

Fax : (0422) 2539837

Email : [info@skdc-consultants.com](mailto:info@skdc-consultants.com)

### Share holding pattern as on 31<sup>st</sup> March, 2014

Sl. No.	Category	No. of Shares	% (Percentage)
1	Promoters	57302913	70.12
2	Mutual Funds, Banks, Financial Institutions, Insurance Companies	1942522	2.38
3	Foreign Institutional Investors	1552000	1.90
4	NRI's / OCB's	773511	0.95
5	Private Corporate Bodies	1687042	2.06
6	Indian Public	18457865	22.59
	<b>Total</b>	<b>81715853</b>	<b>100.00</b>

### Distribution of Share holding as on 31<sup>st</sup> March, 2014

No. of Shares held	No. of Shareholders	%	No. of Shares	%
1 to 500	11708	74.78	1806829	2.21
501 to 1000	1485	9.49	1269703	1.55
1001 to 5000	1862	11.89	4715373	5.77
5001 to 10000	385	2.46	2651610	3.25
10001 to 100000	188	1.20	4854173	5.94
100001 and above	28	0.18	66418165	81.28
<b>Total</b>	<b>15656</b>	<b>100.00</b>	<b>81715853</b>	<b>100.00</b>

### Dematerialisation of Shares and Liquidity

As on 31<sup>st</sup> March, 2014, 7,93,35,106 shares were in dematerialised form representing 97.09% of total shares.

### Location and time of Last Three Annual General Meetings held are given below

Financial Year Ending	Date	Time	Venue
31.03.2011	11.07.2011	9.30 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005.
31.03.2012	23.07.2012	9.30 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005.
31.03.2013	24.07.2013	2.00 P.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005.

**Details of the Special Resolutions passed during the last Three Annual General Meetings are given below:**

Date of AGM	Whether any Special Resolution was passed	Resolution
11.07.2011	No	Not Applicable
23.07.2012	No	Not Applicable
24.07.2013	Yes	Provision of commission to Non-Executive Directors

### **Resolution passed by Postal Ballot**

No Resolutions were passed by postal ballot in the previous year.

### **Means of Communication**

The quarterly/annual results are published in a leading national English newspaper ("Business Line") and in one vernacular (Tamil) newspaper ("Dinamani").

The quarterly/annual results are also available on the Company's website, [www.shanthigears.com](http://www.shanthigears.com)

The Company's website also displays the shareholding pattern, compliance report on Corporate Governance, corporate presentations, etc.,

### **Plant Locations**

**A Unit** : 304-A, Trichy Road, Singanallur, Coimbatore-641 005

**B Unit** : 304-F, Trichy Road, Singanallur, Coimbatore-641 005

**C Unit** : Avinashi Road, Muthugoundenpudur (PO), Coimbatore-641 406

**D Unit** : K.Krishnapuram, Kamanaickenpalayam (PO), Palladam Taluk, Tirupur District-641 658

**Foundry Division** : Kannampalayam, Sullur via, Coimbatore-641 402

### **Contact Address**

Compliance Officer	For all matters relating to investors Services
Mr. C Subramaniam Company Secretary Shanthi Gears Limited 304-A, Trichy Road, Singanallur Coimbatore - 641 005. Tel : (0422) 4545745 Fax : (0422) 4545700 Email : <a href="mailto:cs@shanthigears.com">cs@shanthigears.com</a>	S.K.D.C. CONSULTANTS LIMITED Kanapathy Towers, 3 <sup>rd</sup> Floor 1391/A-1, Sathy Road Ganapathy Coimbatore-641006 Tel : (0422) 6549995, 2539835-836 Fax : (0422) 2539837 Email : <a href="mailto:info@skdc-consultants.com">info@skdc-consultants.com</a>

## REPORT ON CORPORATE GOVERNANCE

### 1. Company's Philosophy of Corporate Governance

Your Company believes that the fundamental objective of corporate governance is to enhance the interests of all stakeholders. The Company's corporate governance practices emanate from its commitment towards discipline, accountability, transparency and fairness. Key elements in corporate governance are timely and adequate disclosure, establishment of internal controls and high standards of accounting fidelity, product and service quality.

Your Company also believes that good corporate governance practices help to enhance performance and valuation of the Company.

### 2. Board of Directors

- The Board of Directors consists of 6 Directors as on 31<sup>st</sup> March, 2014, of whom 3 are Independent Non- Executive Directors. A Non- Executive Chairman heads the Board.
- The Board of Directors met five times during the financial year 2013-14. The dates of the Board meetings were 30<sup>th</sup> April, 2013, 24<sup>th</sup> July, 2013, 23<sup>rd</sup> October, 2013, 27<sup>th</sup> January, 2014 and 29<sup>th</sup> March, 2014.
- There is no inter-se relationship between Directors.
- The attendance of each Director at the meetings, the last Annual General Meeting and number of other Directorships/Committee memberships held by them as on 31<sup>st</sup> March, 2014 are as follows:

Sl.No.	Name of Director	Board meetings attended (no.of meeting held)	Number of Directorships <sup>(a)</sup> including SGL (out of which as Chairman)	Number of committee memberships <sup>(b)</sup> including SGL (out of which as Chairman)	Attendance at last AGM	No. of Shares held as on 31 <sup>st</sup> March, 2014
1.	Mr. M M Murugappan	5(5)	13(8)	6(4)	Present	-
2.	Dr. Sreeram Srinivasan	5(5)	NIL	1	Present	-
3.	Mr. L Ramkumar	4(5)	4(1)	2(1)	Present	-
4.	Mr. C R Swaminathan	4(5)	3	3(1)	Present	5000
5.	Mr. J Balamurugan	5(5)	5	1	Present	-
6.	Mr. V Venkiteswaran	5(5)	2	2	Present	5000

(a) Excludes foreign companies, private limited companies, alternative Directorships and companies registered under section 25 of the Companies Act, 1956.

(b) Includes only membership in Audit and Stakeholders Relationship Committee.

### 3. Audit Committee

The Audit Committee consists of 4 Directors.

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 & 2013.

The Audit Committee met four times during the financial year 2013-14. The dates of the meetings were 30<sup>th</sup> April, 2013, 24<sup>th</sup> July, 2013, 23<sup>rd</sup> October, 2013 and 27<sup>th</sup> January, 2014.

The Composition of the Audit Committee and attendance of each member at these meetings are as follows:

Sl. No.	Member	No. of Meetings Attended (No. of meeting held)
1	Mr. C R Swaminathan, Chairman	3(4)
2	Mr. J Balamurugan	4(4)
3	Mr. M M Murugappan	4(4)
4	Mr. V Venkiteswaran	4(4)

### 4. Remuneration paid to Non-Executive Directors

The details of commission provided for/ sitting fees paid to Non-Executive Directors for the year ended 31<sup>st</sup> March, 2014 are as follows :

(Amount in ₹)

Name of the Director	Commission <sup>(a)</sup>	Sitting fees	Total
Mr. M M Murugappan	3,00,000	45,000	3,45,000
Mr. C R Swaminathan	3,00,000	35,000	3,35,000
Mr. J Balamurugan	3,00,000	45,000	3,45,000
Mr. V Venkiteswaran	3,00,000	45,000	3,45,000

(a) Provisional and will be paid after the adoption of accounts by the Shareholders at the Annual General Meeting.

### 5. Stakeholders Relationship Committee

- The erstwhile Shareholders'/ Investors' Grievance Committee has been re-named as "Stakeholders Relationship Committee" in line with the provisions of the Companies Act, 2013. It consists of 3 Directors as on 31<sup>st</sup> March, 2014.



- b) Composition of Stakeholders Relationship Committee is as follows:

Sl. No.	Member
1	Mr. L Ramkumar, Chairman
2	Mr. C R Swaminathan
3	Dr. Sreeram Srinivasan

- c) Compliance Officer

Mr. C Subramaniam, Company Secretary

- d) Complaints

During the year 2 letters/complaints were received from investors, which were replied/resolved to the satisfaction of the investors and none of the complaints is pending as on date. The Stakeholders Relationship Committee also reviewed the redressal system of the Company.

There was no request for Share Transfer and Dematerialisation pending as on 31<sup>st</sup> March, 2014.

- e) The Company has designated an e-mail id exclusively for Investor Relations viz., cs@shanthigears.com

## 6. Nomination and Remuneration Committee

- a) The erstwhile Remuneration Committee has been re-named as “Nomination and Remuneration Committee” in line with the provisions of the Companies Act, 2013. It consists of 3 Directors as on 31<sup>st</sup> March, 2014.

- b) The Composition of Nomination and Remuneration Committee is as follows:

Sl. No.	Member
1	Mr. C R Swaminathan, Chairman
2	Mr. J Balamurugan
3	Mr. M M Murugappan

## 7. Corporate Social Responsibility Committee

- a) The Corporate Social Responsibility Committee consists of 3 Directors as on 31<sup>st</sup> March, 2014

- b) The Composition of Corporate Social Responsibility Committee is as follows:

Sl. No.	Member
1	Mr. V Venkiteswaran
2	Mr. C R Swaminathan
3	Dr. Sreeram Srinivasan

- c) The terms of reference of Corporate Social Responsibility Committee are as follows:
  - (i) To formulate and recommend to the Board, a Corporate Social Responsibility Policy, which shall indicate the activities to be undertaken by the Company as specified under Schedule VII of the Companies Act, 2013, as may be amended from time to time;
  - (ii) To recommend the amount of expenditure to be incurred on the activities referred to above;
  - (iii) To monitor the Corporate Social Responsibility Policy of the Company from time to time; &
  - (iv) To exercise any other powers as may be conferred by the Board in future.

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

9. 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. 35 of Notes to Financial Statements. All the transactions covered under related party transaction were fair, transparent and at arms length.

- b) There was no 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.
- c) The Company has adopted a formal Whistle-blower policy. The approved whistleblower policy is available on the Company's website [www.shanthigears.com](http://www.shanthigears.com).
- d) The Company has implemented all mandatory requirements of clause 49 of the listing agreement. Details of compliance with Non-mandatory requirements are given below.
  - i. Chairman of the Board  
A Non-Executive Chairman heads the Board.
  - ii. Remuneration Committee  
The Company has formed a Nomination and Remuneration Committee. Details of the Committee are given in point No. 6 of the report on Corporate Governance.
  - iii. Audit Qualifications  
The Financial Statements of the Company do not have any qualifications.

#### 10. General Share Holders Information

A separate section has been annexed to the Annual Report furnishing various details viz., previous Annual General Meeting, its time and venue, share price movement, distribution of shareholding, location of factories, means of communication, etc., for shareholders reference.

**On behalf of the Board**

Coimbatore  
29<sup>th</sup> April, 2014

**M M Murugappan**  
Chairman

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

To

**The Members of Shanthi Gears Limited**

This is to confirm that the Board has laid down a Code of Conduct for all Board members and Senior Management of the Company. The Code of Conduct has also been posted on the website of the Company.

It is further confirmed that all Directors and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended 31<sup>st</sup> March, 2014, as envisaged in Clause 49 of the Listing agreement with Stock Exchanges.

Coimbatore  
29<sup>th</sup> April, 2014

**Sreeram Srinivasan**  
President & Executive Director

## AUDITORS' CERTIFICATE

### To The Members of Shanthi Gears Limited

We have examined the compliance of conditions of Corporate Governance by M/s. Shanthi Gears Limited (the "Company") for the year ended March 31, 2014 as stipulated in Clause 49 of the Listing Agreement of the said company with the relevant Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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 **Deloitte Haskins & Sells**  
Chartered Accountants  
Firm's Registration No. 008072S

**C.R. Rajagopal**  
Partner  
Membership No. 23418

Coimbatore, 29<sup>th</sup> April, 2014

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting to you the performance of the Company, for the year ended 31<sup>st</sup> March, 2014

<b>FINANCIAL RESULTS</b>		(₹ In crores)	
	PARTICULARS	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013
<b>Revenue from Operations (Gross)</b>		<b>166.69</b>	<b>159.01</b>
Less: Excise Duty		15.91	15.29
<b>Revenue from Operations (Net)</b>		<b>150.78</b>	<b>143.72</b>
<b>Earnings Before Interest, Tax, Depreciation &amp; Amortisation</b>		<b>51.56</b>	<b>50.92</b>
Finance Cost		0.02	0.29
Depreciation & Amortisation Expense		25.61	28.56
<b>Profit Before Tax</b>		<b>25.93</b>	<b>22.07</b>
Less: Tax Expense		7.55	6.60
<b>Profit After Tax</b>		<b>18.38</b>	<b>15.47</b>
Add: Surplus brought forward		15.10	10.36
		<b>33.48</b>	<b>25.83</b>
<b>Appropriations :</b>			
Transfer to General Reserve		10.00	5.00
Interim / Final Dividend paid		8.17	4.90
Tax on Interim / Final Dividend		1.39	0.83
<b>Balance carried to Balance Sheet</b>		<b>13.92</b>	<b>15.10</b>

## Review of Operations

The year 2013-14 was a satisfactory year for the Company. The year marked the first full year of operation as a Murugappa Group Company. While the country witnessed a good monsoon in some parts, economic activity remained subdued and the Capital Goods sector in particular fared poorly.

During the year under review, the Company recorded a revenue of ₹ 151 crores as against ₹ 144 crores in the previous year, a growth of 5%. During the year, the Company focused on enhancing its customer base; improving efficiency in operations; building the skill base and on-boarding key talents. On the customer front the Company continued to direct its efforts towards winning back customers as well as breaking into new accounts. Expanding reach to customers and ensuring prompt and appropriate service was also a key thrust area. These measures have begun to yield results and the full benefit of these initiatives is expected to accrue in the coming years. The Company has also streamlined many processes by leveraging IT as a part of its Operational Excellence journey resulting in improved deliveries to customers.

The year 2013-14 was challenging in many respects. The key user segments of the Company's products such as cement, mining, construction & infrastructure either declined or remained at the same level as in the previous year. The policy uncertainty combined with high interest rates prevailing in the country acted as a deterrent to investments and new projects. The resulting shrinkage in the gears and gear box market led to intense competition and pricing pressures. Added to the above, poor power availability and increase in input costs exerted pressure on margins. Despite these challenges, the Company was able to maintain its trend of booking orders and continued to have a healthy order book position. Focus on key customers and segments, improvement in servicing and enhanced presence in the market helped the Company grow its top line by 6%. The Company embarked on various cost management initiatives aimed at protecting its margins in a difficult market. The Profit before Tax was at ₹ 25.93 crores against ₹ 22.07 crores in the previous year.

## Management Discussion and Analysis

The Management Discussion and Analysis, which forms part of the Annual Report, sets out an analysis of the business, the industrial scenario and the performance.

## Dividend

The Company declared an interim dividend of ₹ 1/- per equity share of Face Value ₹ 1/- in January, 2014. The same has been treated as final dividend.

## Directors

Consequent to the introduction of the Companies Act, 2013 the Independent Directors of the Company have to be appointed for a period of 5 years in accordance with Section 149 of the said Act. The Company has a policy governing the retirement of Non-Executive/ Independent Directors. In line with this, Independent Directors retire at the age of 70 years. Accordingly, Independent Directors seek re-appointment as follows :

Sl.No.	Name of Independent Director	Period of Appointment
1	Mr. C R Swaminathan	Three consecutive years from the conclusion of this Annual General Meeting.
2	Mr. J Balamurugan	Five consecutive years from the conclusion of this Annual General Meeting.
3	Mr. V Venkiteswaran	Two consecutive years from the conclusion of this Annual General Meeting.

Mr. M M Murugappan is liable to retire by rotation and being eligible offers himself for re-appointment.

## Corporate Governance

Your Company is committed to maintaining high standards of Corporate Governance. A report on Corporate Governance, along with a certificate from the Statutory Auditors on compliance with Corporate Governance norms forms a part of this report.

## Human Resources

The HR strategy and initiatives of your Company are designed to effectively partner the business in the achievement of its ambitious growth plans. With a view to building capabilities, professionals with talent and of high caliber have been on boarded at various levels in the organisation. The operating teams have also been strengthened with infusion of fresh engineers and experienced people both from within the industry and elsewhere. The current focus for the Company is to enhance and strengthen its Sales and Distribution network.

The Company had 562 permanent employees on its rolls, as on 31<sup>st</sup> March, 2014.

## Social Commitment

As a corporate citizen, your Company is committed to the conduct of its business in a socially responsible manner. The Company contributed a portion of its profit for the promotion of worthy causes like education, healthcare, scientific research, etc.

## Auditors

M/s. Deloitte Haskins & Sells, the Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting. M/s. Deloitte Haskins & Sells are seeking re-appointment and have confirmed that their appointment, if approved, will be in compliance with Section 141 of the Companies Act, 2013. In accordance with Section 139 of the Companies Act, 2013 the auditors of the Company are to be appointed for a period of five years. In line with this requirement the appointment of M/s. Deloitte Haskins & Sells will be for a period of 4 years commencing from the conclusion of the ensuing Annual General Meeting, making in all five years together with the current year.

Mr. B Venkateswar, has been appointed as Cost Auditor for audit of the Cost Accounting records for Engineering Products for the year ended 31<sup>st</sup> March, 2014. The Cost Audit report relating to the above products will be filed within the stipulated period of 180 days from the close of the financial year.

The other information required to be furnished in the Directors' Report under the provisions of Section 217 of the Companies Act, 1956 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, particulars of employees and Directors' Responsibility Statement are annexed and form a part of this Report.

The Directors thank all Customers, Vendors, Banks, State Government and Investors for their continued support to your Company's performance and growth. The Directors also wish to place on record their appreciation of the contribution made by all the employees of the Company in delivering the good performance during the year.

**On behalf of the Board**

Coimbatore  
29<sup>th</sup> April, 2014

**M M Murugappan**  
Chairman

## Annexure to the Directors' Report

### Directors' Responsibility Statement

(Pursuant to Section 217 (2AA) of the Companies Act, 1956)

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that :

- in the preparation of the Statement of Profit for the financial year ended 31<sup>st</sup> March, 2014 and the Balance Sheet as at that date ("financial statements"), applicable Accounting Standards have been followed.
- appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. To ensure this, the Company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system of internal controls its inherent limitations should be recognised. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliances with these systems. The Audit Committee meets at regular intervals to review the internal audit function.
- the financial statements have been prepared on a going concern basis.
- the financial statements have been audited by M/s. Deloitte Haskins & Sells, Statutory Auditors and their report is appended thereto.

**On behalf of the Board**

Coimbatore  
29<sup>th</sup> April, 2014

**M M Murugappan**  
Chairman



## Annexure to the Directors' Report

**Information under section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report:**

### 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.

During the year under review electricity consumption has reduced when compared with previous year. The Company has also installed a facility for generating Solar Power upto 100 KW in its premises. Apart from this, efforts have been made to reduce power consumption in all machines, especially in high consumption areas such as Heat Treatment and Grinding through implementation of guidelines for operation of furnaces, their loading intensity, efficiency and proper maintenance. Wherever possible the company has also replaced high energy consuming lights with Compact Fluorescent Bulbs and LED lights to reduce consumption.

For the Company's existing product line, there is no technical collaboration/arrangement.

### Foreign Exchange Earnings and Outgo (₹ in Crores)

Earnings in Foreign Currency- FOB value of Exports	16.01
Outgo in Foreign Currency	1.56

### Information under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975

There are no employees drawing salaries in excess of the limits prescribed under section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time.

**On behalf of the Board**

Coimbatore  
29<sup>th</sup> April, 2014

**M M Murugappan**  
Chairman

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHANTHI GEARS LIMITED**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **SHANTHI GEARS LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs).
  - (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
Firm's Registration No. 008072S

**C.R. Rajagopal**  
Partner  
Membership No. 23418

Coimbatore, 29<sup>th</sup> April, 2014

## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Having regard to the nature of the Company's business / activities / results during the year, clauses (vi), (x), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of paragraph 4 of the Order are not applicable to the Company.

- (i) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) In respect of its inventories:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transaction is in excess of ₹ 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time, other than certain purchases which are of a special nature for which comparable quotations are not available and in respect of which we are, therefore, unable to comment.

- (vi) In our opinion, the internal audit functions carried out during the year by an external agency appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (vii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, *prima facie*, the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (viii) According to the information and explanations given to us, in respect of statutory dues:
- The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31<sup>st</sup> March, 2014 for a period of more than six months from the date they became payable.
  - Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31<sup>st</sup> March, 2014 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (₹)
The Central Excise Act	Excise duty on Inter unit transfer of Machinery	Appellate Tribunal, South Zonal Bench, Chennai	2005 - 06	Duty ₹ 0.76 Crores and Penalty ₹ 0.76 Crores

- (ix) According to the information and explanations given to us, the Company has not raised any loans from financial institutions, banks and debenture holders, therefore the provisions of Clause xi of the Order is not applicable to the Company.
- (x) According to the information and explanations given to us, no term loan is raised during the year by the Company therefore the provision of Clause xvi of the Order is not applicable to the Company.
- (xi) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long-term investment.
- (xii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
Firm's Registration No. 008072S

**C.R. Rajagopal**  
Partner

Coimbatore, 29<sup>th</sup> April, 2014

Membership No. 23418

## Balance Sheet

₹ Crores

Particulars	Note No.	As At 31.03.2014	As At 31.03.2013
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
a) Share Capital	2	8.17	8.17
b) Reserves and Surplus	3	258.23	249.41
<b>(2) Non-current Liabilities</b>			
a) Deferred Tax Liabilities (Net)	4	2.51	6.87
b) Other Long Term Liabilities	5	0.10	0.09
c) Long Term Provisions	6	1.21	1.32
<b>(3) Current Liabilities</b>			
a) Trade Payables	7	10.92	3.37
b) Other Current Liabilities	8	17.58	13.24
c) Short Term Provisions	9	0.16	5.88
<b>TOTAL</b>		<b>298.88</b>	<b>288.35</b>
<b>II. ASSETS</b>			
<b>(1) Non-current Assets</b>			
a) Fixed Assets			
i) Tangible Assets	10	93.96	114.32
ii) Intangible Assets	11	1.06	1.43
iii) Capital Work-in-Process		3.60	3.62
b) Long Term Loans and Advances	12	3.42	2.99
<b>(2) Current Assets</b>			
a) Current Investments	13	50.16	37.99
b) Inventories	14	48.24	42.03
c) Trade Receivables	15	27.08	25.16
d) Cash and Bank Balances	16	59.79	53.31
e) Short Term Loans and Advances	17	5.64	2.26
f) Other Current Assets	18	5.93	5.24
<b>TOTAL</b>		<b>298.88</b>	<b>288.35</b>

Significant Accounting Policies

1

See accompanying notes forming part of the Financial Statements

In terms of our report attached.

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells**  
Chartered Accountants

**M M Murugappan**  
Chairman

**C R Rajagopal**  
Partner

**Sreeram Srinivasan**  
President & Executive Director

**L Ramkumar**  
Director

Coimbatore  
29<sup>th</sup> April, 2014

**Krishna Ramnath**  
Chief Financial Officer

**C Subramaniam**  
Company Secretary

## Statement of Profit

₹ Crores

Particulars	Note No.	Year Ended 31.03.2014	Year Ended 31.03.2013
Revenue from Operations (Gross)	19	166.69	159.01
Less: Excise Duty		15.91	15.29
Revenue from Operations (Net)		150.78	143.72
Other Operating Income	20	4.98	2.81
		155.76	146.53
Other Income	21	9.88	7.63
<b>Total Revenue</b>		<b>165.64</b>	<b>154.16</b>
<b>Expenses</b>			
a) Cost of Materials Consumed	22	56.60	43.71
b) Change in Inventories of Finished Goods and Work-in-Process	23	(4.26)	6.55
c) Employee Benefits Expense	24	31.51	25.09
d) Other Expenses	25	30.23	27.89
<b>TOTAL</b>		<b>114.08</b>	<b>103.24</b>
<b>Earnings Before Interest, Tax, Depreciation &amp; Amortisation</b>		<b>51.56</b>	<b>50.92</b>
Finance Costs	26	0.02	0.29
Depreciation and Amortisation Expense	10 & 11	25.61	28.56
<b>Profit Before Tax</b>		<b>25.93</b>	<b>22.07</b>
<b>Tax Expense/(Benefit)</b>			
a) Current Tax Expense		11.92	10.90
b) Short / (Excess) provision for tax relating to prior years		0.00	(0.44)
c) Net Current Tax Expense		11.92	10.46
d) Deferred Tax		(4.37)	(3.86)
Net Tax Expense / (Benefit)		7.55	6.60
<b>Profit for the Year</b>		<b>18.38</b>	<b>15.47</b>
<b>Earnings per Equity Share (Face Value ₹ 1/- each)</b>			
Basic	36	2.25	1.89
Diluted	36	2.25	1.89
Significant Accounting Policies	1		

**See accompanying notes forming part of the Financial Statements**

In terms of our report attached.

**For and on behalf of the Board of Directors**

For **Deloitte Haskins & Sells**  
Chartered Accountants

**M M Murugappan**  
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**C R Rajagopal**  
Partner

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President & Executive Director

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Director

Coimbatore  
29<sup>th</sup> April, 2014

**Krishna Ramnath**  
Chief Financial Officer

**C Subramaniam**  
Company Secretary

## Cash Flow Statement

₹ Crores

	Year Ended 31.03.2014	Year Ended 31.03.2013
<b>A. Cash Flow from Operating Activities</b>		
Profit Before Tax	25.93	22.07
Adjustments for:		
Depreciation and Amortisation Expense	25.60	28.56
(Profit) on Sale of Fixed Assets	(0.31)	(0.84)
Finance Costs	0.03	0.29
Interest Income	(5.38)	(5.46)
Dividend Income	(3.64)	(0.94)
<b>Operating Profit Before Working Capital Changes</b>	<b>42.23</b>	<b>43.68</b>
<b>Changes in Working Capital:</b>		
<b>Adjustments for (Increase) / Decrease in Operating Assets:</b>		
Inventories	(6.21)	14.97
Trade Receivables	(1.92)	(1.29)
Short Term Loans and Advances	(3.38)	1.46
Long Term Loans and Advances	0.42	0.23
Other Current Assets	(0.83)	(1.93)
	<b>(11.92)</b>	<b>13.44</b>
<b>Adjustments for Increase / (Decrease) in Operating Liabilities :</b>		
Trade Payables	7.55	1.93
Other Current Liabilities	4.34	1.42
Other Long Term Liabilities	(0.01)	0.00
Short Term Provisions	0.02	0.13
Long Term Provisions	(0.11)	(0.20)
	<b>11.79</b>	<b>3.28</b>
Cash Generated from Operations	<b>42.10</b>	<b>60.40</b>
Net Income Tax (Paid)	<b>(12.97)</b>	<b>(11.23)</b>
Net Cash Flow from Operating Activities (A)	<b>29.13</b>	<b>49.17</b>
<b>B. Cash Flow from Investing Activities</b>		
Capital Expenditure on Fixed Assets, including Capital Advances	<b>(4.78)</b>	<b>(6.79)</b>
Proceeds from Sale of Fixed Assets	<b>0.47</b>	<b>1.09</b>
Bank Balances not considered as Cash and Cash Equivalents	<b>(4.17)</b>	<b>(29.06)</b>
Proceeds from Current Investments (Net)	<b>(12.17)</b>	<b>(37.99)</b>



## Cash Flow Statement (Contd...,)

₹ Crores

	Year Ended 31.03.2014	Year Ended 31.03.2013
Interest Received		
- Others	5.51	4.70
Dividend Received		
- Others	3.64	0.94
Net Cash Flow (used in) Investing Activities (B)	(11.50)	(67.11)
<b>C. Cash Flow from Financing Activities</b>		
(Repayment) of Long Term Borrowing	0.00	(3.96)
Finance Costs	(0.03)	(0.29)
Dividends Paid	(13.07)	(8.17)
Tax on Dividend	(2.22)	(1.33)
Net Cash Flow (used in) Financing Activities (C)	(15.32)	(13.75)
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)	2.31	(31.69)
Cash and Cash Equivalents at the beginning of the Year	1.82	33.51
Cash and Cash Equivalents at the end of the Year	4.13	1.82
Cash and Cash Equivalents at the end of the Year		
Comprises:		
a) Cash on Hand	0.05	0.05
b) Balances with Banks		
i) In Current Accounts	1.58	0.22
ii) In Demand Deposit Accounts	2.50	1.55
	4.13	1.82

### See accompanying notes forming part of the Financial Statements

In terms of our report attached.

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells**  
Chartered Accountants

**M M Murugappan**  
Chairman

**C R Rajagopal**  
Partner

**Sreeram Srinivasan**  
President & Executive Director

**L Ramkumar**  
Director

Coimbatore  
29<sup>th</sup> April, 2014

**Krishna Ramnath**  
Chief Financial Officer

**C Subramaniam**  
Company Secretary

## Notes Forming part of the Financial Statements

### 1. Significant Accounting Policies

#### 1.1. Accounting Convention

The financial statements of the Company are prepared under the historical cost convention, on an accrual basis, in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified by the Government of India / issued by the Institute of Chartered Accountants of India (ICAI), as applicable, and the relevant provisions of the Companies Act, 1956. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

#### 1.2. Presentation and Disclosure of Financial Statements

From the year ended 31<sup>st</sup> March, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The presentation and disclosures made in the financial statements are in accordance with the requirements of the revised Schedule VI.

An asset has been classified as current when it satisfies any of the following criteria;

- a) It is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) It is held primarily for the purpose of being traded;
- c) It is expected to be realized within twelve months after the reporting date; or
- d) It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

A liability has been classified as current when it satisfies any of the following criteria;

- a) It is expected to be settled in the Company's normal operating cycle;
- b) It is held primarily for the purpose of being traded;
- c) It is due to be settled within twelve months after the reporting date; or
- d) The company does not have an unconditional right to defer settlements of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counter party, result in its settlement by the issue of equity instruments do not affect its classification.

All other assets and liabilities have been classified as non-current.

#### 1.3. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses like provision for employee benefits, provision for doubtful trade receivables/advances/contingencies, provision for warranties, allowance for slow/non-moving inventories, useful life of fixed assets, provision for taxation, etc., during the reporting year. The

## Notes Forming part of the Financial Statements

Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

### 1.4. Tangible Fixed Assets

Fixed Assets are stated at historical cost less accumulated depreciation and impairment losses, if any. Cost includes related taxes, duties, freight, insurance, etc. attributable to the acquisition and installation of the fixed assets but excludes duties and taxes that are recoverable from tax authorities. Borrowing costs are capitalised as part of qualifying fixed assets. Exchange differences arising on restatement / settlement of long term foreign currency borrowings relating to acquisition of depreciable fixed assets are recognized in the Statement of Profit and Loss.

Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Fixed assets retired from active use and held for sale are stated at the lower of their net book value and net realisable value and are disclosed separately in the Balance Sheet.

Capital Work-in-Process: Projects under which assets are not ready for their intended use and other capital work-in-process are carried at cost, comprising direct cost and attributable interest.

### 1.5. Impairment of Assets

The carrying values of assets/cash generating units are reviewed at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased such reversal of impairment loss is recognised in the Statement of Profit and Loss.

### 1.6. Investments

- a) Investments, which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as Current Investments. All other investments are classified as Non-Current investments.
- b) Non-Current investments are carried at cost. Diminution in the value of such investments, other than temporary, is provided for.
- c) Current investments are carried at lower of cost and fair value.

## Notes Forming part of the Financial Statements

### 1.7. Inventories

- a) Raw materials, stores & spare parts and traded goods are valued at lower of weighted average cost (net of allowances) and estimated net realisable value. Cost includes freight, taxes and duties and is net of credit under VAT and CENVAT scheme, where applicable.
- b) Work-in-process and finished goods are valued at lower of weighted average cost (net of allowances) and estimated net realisable value. Cost includes all direct costs and appropriate proportion of overheads to bring the goods to the present location and condition.
- c) Due allowance is made for slow/non-moving items, based on Management estimates.

### 1.8. Revenue and Other Income

- a) Sales are recognised on shipment or on unconditional appropriation of goods and comprise amounts invoiced for the goods, including excise duty, but excluding Sales Tax/Value Added Tax.
- b) Service revenues are recognised when services are rendered.
- c) Dividend income is accounted for when the right to receive is established as on the date of Balance Sheet.
- d) Interest Income is recognised on time proportion basis.

### 1.9. Government Grants, Subsidies and Export Incentives

Government grants and subsidies are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants/subsidy will be received.

When the grant or subsidy from the Government relates to revenue, it is recognised as income on a systematic basis in the statement of profit or loss over the period necessary to match them with the related costs, which they are intended to compensate.

When the grant or subsidy from the Government is in the nature of promoters' contribution, where no repayment is ordinarily expected in respect thereof, it is credited to Capital Reserve and treated as a part of the Shareholders' funds on receipt basis.

Export benefits are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same.

### 1.10. Employee Benefits

#### I. Defined Contribution Plan

##### Provident Fund

Contributions are made to the Regional Provident Fund in accordance with the fund rules. The interest rate payable to the beneficiaries every year is being notified by the Government.

#### II. Defined Benefit Plan

##### Gratuity

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by Life Insurance Corporation of India ("LIC"). The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined

## Notes Forming part of the Financial Statements

every year using the Projected Unit Credit method. Actuarial gains/losses are immediately recognised in the Statement of Profit and Loss.

### III. Long Term Employee Benefits

The Company makes an annual contribution to LIC in satisfaction of its liability towards leave encashment of a Long Term nature based on actuarial valuation on the Balance Sheet date using the Projected Unit Credit Method.

### IV. Short Term Employee Benefits

Short term employee benefits includes short term compensated absences which is recognized based on the eligible leave at credit on the Balance Sheet date, and the estimated cost is based on the terms of the employment contract.

### V. Voluntary Retirement Scheme

Compensation to employees under Voluntary Retirement Schemes is expensed in the period in which the liability arises.

### 1.11. Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the revenue account as per the lease terms.

### 1.12. Foreign Currency Transactions

#### Initial recognition

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

#### Measurement

Foreign currency monetary items (other than derivative contracts) of the Company outstanding at the Balance Sheet date are restated at year end exchange rates.

Non-monetary items are carried at historical cost.

#### Treatment of exchange differences

Exchange differences arising on settlement/restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

#### Accounting of forward contracts

The Company enters into forward exchange contracts and other instruments that are in substance a forward exchange contract to hedge its risks associated with foreign currency fluctuations. The

## Notes Forming part of the Financial Statements

premium or discount arising at the inception of a forward exchange contract (other than for a firm commitment or a highly probable forecast transaction) or similar instrument is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the Statement of Profit and Loss in the year in which the exchange rates change. Any profit or loss arising on cancellation of such a contract is recognised as income or expense for the year.

### 1.13. Depreciation and Amortisation

Till the year ended 31<sup>st</sup> March, 2012 the Company followed a policy of providing for Depreciation as follows:

With respect to 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.

With respect to 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.

With respect to all other assets based on the Written Down Value method at rates prescribed under Schedule XIV of the Companies Act, 1956.

The Company has decided to change the method of providing for Depreciation, effective 1<sup>st</sup> April, 2012, in accordance with the Straight Line Method as per the rates prescribed in Schedule XIV to the Companies Act, 1956 except in respect of the following categories of assets, where depreciation is provided based on useful life of the assets assessed as under:

Description of assets	Useful life and Basis of depreciation/amortisation
Furniture and fixtures	5 Years
Motor cars	4 Years
Office Equipment (including Data Processing Equipment)	3 Years
Individual fixed assets whose actual cost does not exceed ₹5000/-	Fully depreciated in the year of acquisition
Computer Software	3 years

Depreciation is provided pro-rata from the day of Capitalisation.

The Company also has a system of providing additional depreciation, where, in the opinion of the Management, the recovery of the fixed asset is likely to be affected by the variation in demand and/or its condition/usability.

### 1.14. Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year and is determined in accordance with the provisions of the Income Tax Act, 1961.

## Notes Forming part of the Financial Statements

Deferred tax is recognised on timing differences; being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Other deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

### 1.15. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

## 2. Share Capital

₹ Crores

	31-03-2014	31-03-2013
Authorised		
10,00,00,000 Equity Shares of ₹ 1/- each	10.00	10.00
Issued, Subscribed and fully Paid-Up		
8,17,15,853 Equity Shares of ₹ 1/- each	8.17	8.17

- 2 (i) Reconciliation of the equity shares and amount outstanding at the beginning and at the end of the reporting period :

₹ Crores

Particulars	Opening Balance	Fresh Issue	Other Changes	Closing Balance
Equity shares with voting rights				
Year ended 31 <sup>st</sup> March, 2014				
- Number of Shares ( ₹ 1/- each)	8,17,15,853	-	-	8,17,15,853
- Amount	8.17	-	-	8.17
Year ended 31 <sup>st</sup> March, 2013				
- Number of Shares ( ₹ 1/- each)	8,17,15,853	-	-	8,17,15,853
- Amount	8.17	-	-	8.17

## Notes Forming part of the Financial Statements

- 2.(ii) Details of shares held by the holding company, the ultimate holding company, their subsidiaries and associates:

Particulars	As at March 31, 2014 (No. of Shares)	As at March 31, 2013 (No. of Shares)
Out of the equity shares issued by the company:		
- Tube Investments of India Limited, the Holding Company	5,72,96,413	5,72,96,413

2. (iii) Details of shares held by each shareholder holding more than 5% shares:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares of ₹ 1/- each fully paid up with voting rights : - Tube Investments of India Limited, the Holding Company	5,72,96,413	70.12%	5,72,96,413	70.12%

2. (iv) The Company has only one class of equity shares having par value of ₹ 1/- each. Each holder of Equity shares is entitled to one vote per share.



## Notes Forming part of the Financial Statements

₹ Crores

### 3. Reserves and Surplus

	31-03-2014	31-03-2013
a) Capital Reserve (₹ 16,700/-)	0.00	0.00
b) Capital Redemption Reserve	0.02	0.02
c) Securities Premium Account	24.29	24.29
d) General Reserve	210.00	205.00
Add : Transferred from surplus in Statement of Profit	10.00	5.00
Closing Balance	220.00	210.00
e) Surplus / (Deficit) in Statement of Profit		
Opening Balance	15.10	10.36
Add : Profit for the year	18.38	15.47
Less : Transfer to General Reserve	(10.00)	(5.00)
Interim Dividend ₹ 1/- per share (PY Nil per share)	(8.17)	-
Tax on Interim Dividend	(1.39)	-
Proposed Dividend ₹ Nil per share (PY ₹ 0.60 Per share)	-	(4.90)
Tax on Proposed Dividend	-	(0.83)
Closing Balance	13.92	15.10
<b>Total</b>	<b>258.23</b>	<b>249.41</b>

### 4. Deferred Tax (Liabilities)/Assets (Net)

a) Deferred Tax Liabilities		
Depreciation on Fixed Assets	(4.96)	(9.02)
b) Deferred Tax Assets		
Provision for Compensated Absences and Gratuity	2.45	2.15
<b>Deferred Tax (Liabilities)/Assets (Net)</b>	<b>(2.51)</b>	<b>(6.87)</b>

### 5. Other Long Term Liabilities

Payable on Purchase of Fixed Assets	0.01	0.03
Rental Deposits	0.09	0.06
<b>Total</b>	<b>0.10</b>	<b>0.09</b>

## Notes Forming part of the Financial Statements

₹ Crores

<b>6. Long Term Provisions</b>	<b>31-03-2014</b>	<b>31-03-2013</b>
a) Provision for Employee Benefits		
Provision for Gratuity (Net)	-	0.36
Provision for Compensated Absences	1.11	0.86
b) Provision - Others		
Provision for Warranty-(Refer note below)	0.10	0.10
<b>Total</b>	<b>1.21</b>	<b>1.32</b>
6. (i) Provision for warranty is recognised based on past experience of claims received during the warranty period provided by the company.		
<b>Provision for Warranty</b>		
At the beginning of the year	0.10	0.30
Add: Provision created during the year	0.05	0.03
	0.15	0.33
Less: Utilised during the year	0.05	0.03
Less: Provision no longer required written back	-	0.20
<b>At the end of the year</b>	<b>0.10</b>	<b>0.10</b>
<b>7. Trade Payables</b>		
Other than Acceptances (Refer Note below)	10.92	3.37
<b>Total</b>	<b>10.92</b>	<b>3.37</b>
7.(i) Based on, and to the extent of information received from the suppliers regarding their status under the Micro, Small & Medium Enterprises Development Act, 2006 (MSMED Act), and relied upon by the Auditors, there are no dues to such suppliers.		
7.(ii) Trade payable includes ₹ 4.86 crores representing cheques issued and not presented for payment.		
<b>8. Other Current Liabilities</b>		
Unpaid Dividends (Refer Note 8(ii) below)	0.56	0.43
Other Payables :		
Advances from Customers	7.41	7.57
Statutory Remittances	0.98	0.75
Payables on Purchase of Fixed Assets	0.34	0.22
Others (Refer Note 8(i) below)	8.29	4.27
<b>Total</b>	<b>17.58</b>	<b>13.24</b>

## Notes Forming part of the Financial Statements

8.(i) Includes amount due to Holding Company– Nil (PY ₹ 0.66 Crores Net of Tax).

8.(ii) There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

### 9. Short Term Provisions

	₹ Crores	
	31-03-2014	31-03-2013
a) Provision for Employee Benefits		
Provision for Compensated Absences	0.16	0.15
b) Other Payables		
Provision for Proposed Dividend	-	4.90
Provision for Tax on Proposed Dividend	-	0.83
<b>Total</b>	<b>0.16</b>	<b>5.88</b>

9.(i) There are no provisions that are not contingent and was not provided based on estimation as per Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets (Accounting Standard-29).

## Notes Forming part of the Financial Statements

### 10. Tangible Assets

₹ Crores

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as on 01.04.2013	Additions during the year	Sales / Transfer / Refund	Cost As on 31.03.2014	Depreciation upto 01.04.2013	For the Year ended 31.03.2014	Withdrawn during the Year	Depreciation as on 31.03.2014	Value as on 31.03.2014	Value as on 31.03.2013
Land	5.50 5.50	- -	- -	5.50 5.50	- -	- -	- -	- -	5.50 5.50	5.50 5.50
Buildings	34.00 31.52	1.16 2.48	- -	35.16 34.00	9.33 8.38	1.35 0.95	- -	10.68 9.33	24.48 24.67	24.67 23.14
Plant & Machinery	303.90 306.11	1.84 1.94	0.93 4.15	304.81 303.90	221.56 200.79	22.59 24.83	0.86 4.06	243.29 221.56	61.52 82.34	82.34 105.32
Furniture & Fittings	1.93 1.89	1.06 0.06	0.01 0.02	2.98 1.93	1.46 1.14	0.30 0.34	0.01 0.02	1.75 1.46	1.23 0.47	0.47 0.75
Office Equipment	8.26 8.40	0.52 0.32	0.03 0.46	8.75 8.26	7.58 6.26	0.71 1.77	0.03 0.45	8.26 7.58	0.49 0.68	0.68 2.14
Vehicles	2.81 3.66	0.35 -	0.89 0.85	2.27 2.81	2.15 2.82	0.18 0.04	0.80 0.71	1.53 2.15	0.74 0.66	0.66 0.84
TOTAL	356.40	4.93	1.86	359.47	242.08	25.13	1.70	265.51	93.96	114.32
Previous Year	357.08	4.80	5.48	356.40	219.39	27.93	5.24	242.08	114.32	137.69

#### Notes:

- During the year 2012-13 the method of providing Depreciation was changed from Written Down Value to Straight Line method with respect to all categories of assets, other than Plant & Machinery. Consequently, the Depreciation charge for 2012-13 was higher by ₹ 0.23 crores. Please also refer Note 1.13.

## Notes Forming part of the Financial Statements

### 11. Intangible Assets

₹ Crores

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	Cost as on 01.04.2013	Additions during the year	Sales / Transfer / Refund	Cost As on 31.03.2014	Depreciation upto 01.04.2013	For the Year ended 31.03.2014	Withdrawn during the Year	Depreciation as on 31.03.2014	Value as on 31.03.2013
Computer Software	4.69	0.11	-	4.80	3.26	0.48	-	3.74	1.43
<b>TOTAL</b>	<b>4.69</b>	<b>0.11</b>	<b>-</b>	<b>4.80</b>	<b>3.26</b>	<b>0.48</b>	<b>-</b>	<b>3.74</b>	<b>1.43</b>
Previous Year	3.13	1.56	-	4.69	2.62	0.64	-	3.26	0.52

## Notes Forming part of the Financial Statements

₹ Crores

### 12. Long Term Loans and Advances

31-03-2014 31-03-2013

(Unsecured, Considered Good)

Capital Advances	0.26	0.47
Security Deposits	0.67	0.97
Loans & Advances to Employees	0.10	0.23
Advance Income Tax [Net of Provision ₹ 2.31 crores (PY ₹ 1.26 crores)]	2.33	1.26
Rental Advances	0.06	0.06
<b>Total</b>	<b>3.42</b>	<b>2.99</b>

### 13. Current Investments

₹ Crores

Particulars	Nominal Value	31-03-2014		31-03-2013	
		No of Units	Value	No of Units	Value
<b>Other Current Investments</b> (At lower of Cost and fair value, unless otherwise stated)					
DSP Blackrock Liquidity Fund - Direct Plan - Daily Dividend	1000	74839.61	7.49	30186.66	3.02
HSBC Cash Fund - Daily Dividend Direct Plan	1000	72284.64	7.23	20089.84	2.01
HDFC Cash Management Fund - Direct Plan - Daily Dividend	10	10829709.13	11.52	12556829.73	13.36
ICICI Prudential Flexible Income - Direct Plan -Daily Dividend	100	303339.95	3.21	-	-
ICICI Prudential Interval Fund IV Quarterly Interval Plan B Direct Plan	10	600000	0.60	-	-
ICICI PRU Banking & PSU Debt Fund Direct Dividend Daily	10	1974264.49	2.03	-	-
ICICI Prudential Liquid Direct Plan - Daily Dividend	100	120881.16	1.21	301967.04	3.02
SBI Premier Liquid Fund - Regular Plan - Daily Dividend	1000	64449.64	6.47	97522.34	9.78
Principal Debt Opportunities Fund Conservative Plan - Direct Plan - Daily Dividend	1000	20366.49	2.04	-	-
UTI-Treasury Advantage Fund - Direct Plan - Daily Dividend	1000	83704.08	8.36	68003.59	6.80
<b>Total</b>		-	<b>50.16</b>	-	<b>37.99</b>

13. (a) During the year, the Company has invested an aggregate of ₹ 60.92 crores (Previous Year ₹ 80.31 crores) and redeemed an aggregate of ₹ 48.75 crores (Previous Year ₹ 44.59 crores) of units in various Cash Management Schemes of Mutual Funds, invested for the purpose of deployment of temporary cash surpluses.

## Notes Forming part of the Financial Statements

₹ Crores

<b>14. Inventories</b>	<b>31-03-2014</b>	<b>31-03-2013</b>
(At lower of Cost (Net of Allowances) and estimated Net Realisable Value)		
Raw Materials	19.95	18.00
Work-in-Process	26.16	21.66
Finished Goods	2.13	2.37
<b>Total</b>	<b>48.24</b>	<b>42.03</b>
<b>15. Trade Receivables</b>		
<b>Unsecured, Considered Good</b>		
Trade receivables outstanding for a period exceeding six months from the date they were due for payment	4.87	4.69
Other Trade Receivables	22.21	20.47
<b>Total</b>	<b>27.08</b>	<b>25.16</b>
15.(i) Trade receivables includes debts from Holding company - Tube Investments of India Limited amounting to ₹ 0.05 crores (PY ₹ 0.03 crores).		
<b>16. Cash and Bank Balances</b>		
<b>Cash and Cash Equivalents</b>		
a) Cash on Hand	0.05	0.05
b) Balance with Scheduled Banks		
i) In Current Accounts	1.58	0.22
ii) In Deposit Accounts with original maturity of 3 months or less	2.50	1.55
	<b>4.13</b>	<b>1.82</b>
<b>Other Bank Balances</b>		
a) In Deposit Accounts-Original maturity of more than 3 months	54.55	49.56
b) In Earmarked Accounts		
i) Unpaid Dividend Accounts	0.56	0.43
ii) Margin Money Deposit with Banks (towards Bank Guarantee)	0.55	1.50
	<b>55.66</b>	<b>51.49</b>
<b>Total</b>	<b>59.79</b>	<b>53.31</b>
<b>17. Short Term Loans and Advances</b>		
<b>Unsecured, Considered Good</b>		
a) Prepaid Expenses	0.62	0.27
b) Balance with Customs and Excise, Sales Tax Authorities	2.53	1.47
c) Other Loans and Advances		
i) Advance to Suppliers	2.14	0.19
ii) Others	0.35	0.33
<b>Total</b>	<b>5.64</b>	<b>2.26</b>

## Notes Forming part of the Financial Statements

₹ Crores

### 18. Other Current Assets

31-03-2014 31-03-2013

a) Accruals		
i) Interest Accrued on Deposits	1.42	1.55
b) Others		
i) Receivable from Sale of Surplus Energy	3.97	3.69
ii) Gratuity Fund with LIC (net)	0.50	-
iii) Government of India Trainee Stipend Receivable	0.04	-
<b>Total</b>	<b>5.93</b>	<b>5.24</b>

### 19. Revenue from Operations (Gross)

Sale of Products	164.78	154.69
Sale of Services - Machining Charges	1.91	4.32
<b>Total</b>	<b>166.69</b>	<b>159.01</b>

### 20. Other Operating Income

Sale of Scrap	3.89	0.87
Duty Draw Back	0.28	0.01
Sale of Surplus Energy	0.81	1.93
<b>Total</b>	<b>4.98</b>	<b>2.81</b>

### 21. Other Income

a) Interest Income on		
Bank Deposits	5.38	5.35
Others	0.10	0.11
b) Dividend Income from Current Investments	3.65	0.76
c) Net Gain on Sale/Redemption of Current Investments	-	0.19
d) Net Gain on Foreign Currency Transactions & Translation	-	0.02
e) Other Non-Operating Income		
Rental Income	0.43	0.35
Profit on Sale of Fixed Assets	0.31	0.83
Miscellaneous Income	0.01	0.02
<b>Total</b>	<b>9.88</b>	<b>7.63</b>



## Notes Forming part of the Financial Statements

₹ Crores

### 22. Cost of Materials Consumed

31-03-2014 31-03-2013

Opening Stock	18.00	26.42
Add: Purchases	58.55	35.29
	76.55	61.71
Less: Closing Stock	(19.95)	(18.00)
Cost of Material Consumed	56.60	43.71
Cost of Material Consumed comprises of:		
Steel Rods & Forgings	24.68	15.01
Bearings	7.29	6.08
Other Items (not exceeding 10% of total consumption)	24.63	22.62
<b>Total</b>	<b>56.60</b>	<b>43.71</b>

### 23. Changes in Inventories of Finished Goods and Work-in-Process

Inventories at the beginning of the year:

Work-in-Process	21.66	27.04
Finished Goods	2.37	3.54
	24.03	30.58

Inventories at the end of the year:

Work-in-Process	26.16	21.66
Finished Goods	2.13	2.37
	28.29	24.03

**Net (Increase)/Decrease**

**(4.26) 6.55**

### 24. Employee Benefits Expense

Salaries, Wages & Bonus	28.48	21.49
Contribution to Provident & Other Funds	1.05	1.60
Staff Welfare Expenses	1.98	2.00
<b>Total</b>	<b>31.51</b>	<b>25.09</b>

## Notes Forming part of the Financial Statements

₹ Crores

<b>25. Other Expenses</b>	<b>31-03-2014</b>	<b>31-03-2013</b>
Consumption of Stores & Spares	0.10	0.13
Power & Fuel	6.82	8.45
Conversion Charges	2.54	2.71
Rent	0.18	0.15
Managing Director's Remuneration	-	0.10
Repairs & Maintenance - Building	1.52	0.53
Repairs & Maintenance - Machinery	4.60	4.32
Repairs & Maintenance - Others	1.08	2.61
Insurance	0.35	0.20
Rates & Taxes	1.11	1.17
Travelling & Conveyance	1.31	1.08
Printing & Stationery	0.65	0.61
Freight & Forwarding	0.99	0.84
Sales Commission	0.93	0.77
Discounts/Incentives on Sales	0.90	0.71
Business Promotion	1.00	0.69
Trade Receivables Written Off	0.55	-
Payments to Auditors (Refer Note (i) below)	0.08	0.04
Directors' Sitting Fees	0.02	0.03
Donations to Charitable & Other Institutions	0.16	0.14
Service Fees	3.12	0.74
Commission to Non-Executive Directors	0.12	-
Bank Charges	0.28	0.32
Professional & Consultancy Charges	1.59	1.40
Net Loss on Foreign Currency Translation	0.03	-
Miscellaneous Expenses	0.20	0.15
<b>Total</b>	<b>30.23</b>	<b>27.89</b>

### 25(i) Payment to Auditors

Payment to Auditors comprise (Net of Service Tax, input credit, where applicable)

a) To Statutory Auditor		
For Audit	0.08	0.04
For Other Services	0.00	0.00
Reimbursement of Expenses	-	-
b) To Cost Auditor( ₹ 50000)	0.00	0.00
<b>Total</b>	<b>0.08</b>	<b>0.04</b>

## Notes Forming part of the Financial Statements

₹ Crores

26. Finance Costs	31-03-2014	31-03-2013
Interest Expense	-	0.19
Other Borrowing Costs	0.02	0.10
<b>Total</b>	<b>0.02</b>	<b>0.29</b>

## 27. Contingent Liabilities and Commitments (to the extent not provided for)

### A. Contingent Liabilities

a) Claims against the Company not acknowledged as debt	4.21	7.25
b) Disputed Demand for Additional Sales Tax on Central Sales Tax pertaining to the year 1998-99. The matter is pending before the Assistant Commissioner, Fast Track Assessment Circle-I, Coimbatore. The value has been paid under protest and writ petition is pending with Madras High Court.	0.01	0.01
c) Disputed Demand for Additional Sales Tax on Central Sales Tax pertaining to the year 1998-99. The matter is pending before the Assistant Commissioner, Fast Track Assessment Circle-I, Coimbatore. The value has been paid under protest and writ petition is pending with Madras High Court.	0.01	0.01
d) Disputed Excise Duty on Inter Unit transfer of Machinery-Duty ₹ 0.76 crores and penalty ₹ 0.76 crores. The matter is pending before The Appellate Tribunal, South Zonal Bench, Chennai.	1.52	1.52

### B. Commitments

Estimated amount of contracts remaining to be executed on Capital Account and not provided for(net of advances)	0.85	2.06
---	------	------

Note : Show Cause Notices received from various Government Agencies pending formal demand notices have not been considered as contingent liabilities.

## 28. Details of Consumption of Imported and Indigenous Items

### Consumption of Raw Materials (Refer Note 22)

	31.03.2014		31.03.2013	
	%	₹ Crores	%	₹ Crores
Imported	0.50	0.28	1.58	0.69
Indigenous	99.50	56.32	98.42	43.02
<b>Total</b>	<b>100.00</b>	<b>56.60</b>	<b>100.00</b>	<b>43.71</b>

## 29. Value of Imports calculated on CIF Basis

Raw Material	0.39	0.54
Consumable Stores & Tools	0.03	0.19
Spares	0.13	0.09
<b>Total</b>	<b>0.55</b>	<b>0.82</b>

## Notes Forming part of the Financial Statements

₹ Crores

	31-03-2014	31-03-2013
<b>30. Earnings in Foreign Exchange</b>		
FOB value of Exports	16.01	10.85
<b>31. Expenditure in Foreign Currency</b>		
Interest on Foreign Currency Loans	-	0.19
Advertisement	0.04	0.10
Technical Consultancy Charges	0.78	0.34
Others	0.19	-
<b>Total</b>	<b>1.01</b>	<b>0.63</b>
<b>32. Employee Benefits under Defined Benefit Plans</b>		
<b>A. GRATUITY</b>		
<b>Change in Defined Benefit Obligation during the year</b>		
Projected Benefit Obligation as at the beginning of the year	3.51	2.94
Service Cost	0.32	0.26
Interest Cost	0.28	0.24
Actuarial (Gains) / Loss on obligations	(0.30)	0.15
Benefits Paid	(0.30)	(0.08)
<b>Present value of Defined Benefit Obligation at the end of the year</b>	<b>3.51</b>	<b>3.51</b>
<b>Change in Fair value of Plan Assets during the year</b>		
Plan Assets as at the beginning of the year	3.81	3.27
Expected Return on Plan Assets	0.34	0.32
Company Contribution	0.16	0.30
Benefits Paid	(0.30)	(0.08)
<b>Plan Assets at the end of the Year</b>	<b>4.01</b>	<b>3.81</b>
<b>Net Asset / (Liability) Recognised in the Balance Sheet</b>		
Present Value of Defined Benefit Obligation	3.51	3.51
Fair Value of the Plan Assets	4.01	3.81
<b>Surplus / (Deficit)</b>	<b>0.50</b>	<b>0.30</b>
<b>Net Asset / (Liability) Recognised in the Balance Sheet</b>	<b>0.50</b>	<b>0.30</b>
<b>Components of Employer Expense</b>		
Current Service Cost	0.32	0.26
Interest Cost	0.28	0.24
Expected Return on Plan Assets	(0.34)	(0.32)
Net Actuarial (Gain) / Loss Recognised in the Year	(0.30)	0.15
<b>Total Expense Recognised in the Statement of Profit and Loss</b>	<b>(0.04)</b>	<b>0.33</b>
<b>Actuarial Assumptions</b>		
Discount Rate	8%	8%
Salary Escalation	8%	8%
Attrition Rate	3%	3%
Expected Rate of Return on Plan Assets	9.25%	9.25%

- Notes:**
- The entire Plan Assets are managed by LIC.
  - The expected return on Plan Assets is as furnished by LIC.
  - The estimate of future salary increase takes into account inflation, likely increments, promotions and other relevant factors.

## Notes Forming part of the Financial Statements

### B. Long Term Compensated Absences

Discount Rate	8 %
Future Salary Increase (%)	6.5%
Attrition Rate	1to3%
Expected Rate of Return on Plan Assets	8%

### 33. Details of Unhedged Foreign Currency Exposures

Particulars	Currency	As at 31.03.2014		As at 31.03.2013	
		Foreign Currency	INR ( ₹ in crores)	Foreign Currency	INR ( ₹ in crores)
Trade Receivable	USD	42,855	0.26	13,237	0.07
Trade Receivable	GBP	-	-	30,331	0.25

### 34. Segment Reporting

The Company's main business is manufacture of Gears & Gear Products. There are no separate reportable segments as per Accounting Standard 17 (AS17). Secondary segmental reporting is based on geographical location of customers and assets.

		₹ Crores	
		31-03-2014	31-03-2013
1.	Revenue by Geographic Market		
	India	139.76	135.68
	Rest of the World	16.00	10.85
	<b>Total</b>	<b>155.76</b>	<b>146.53</b>
2.	Segment Assets by Geographic Market		
	India	298.62	288.03
	Rest of the World	0.26	0.32
	<b>Total</b>	<b>298.88</b>	<b>288.35</b>
3.	Capital Expenditure by Geographic Market		
	India	5.04	6.36
	Rest of the World	-	-
	<b>Total</b>	<b>5.04</b>	<b>6.36</b>

## Notes Forming part of the Financial Statements

### 35. Related Party Transactions

#### a) Details of Related Parties

S.No.	Name of the Related Party	Relationship
1	Tube Investments of India Limited	Holding Company
2	Cholamandalam MS General Insurance Company Limited	
3	Cholamandalam Investment and Finance Company Limited	
4	Cholamandalam Distribution Services Limited	Fellow Subsidiaries
5	Cholamandalam Factoring Limited	
6	Cholamandalam Securities Limited	
7	TI Financial Holdings Limited	
8	TICI Motors (Wuxi) Company Limited (upto 31 <sup>st</sup> July, 2013)	
9	Financiere C10 SAS	
10	Sedis SAS	
11	Societe De Commercialisation De Composants Industries SARL	
12	Sedis Company Limited	
13	Mr. P. Subramanian (Upto 3 <sup>rd</sup> September, 2012)	Key Management Personnel
14	Dr. Sreeram Srinivasan	

Note: Related party relationships are as identified by the Management and relied upon by the Auditors.

#### b) Details of Related Party Transactions during the year ended 31<sup>st</sup> March, 2014 and balances outstanding as at 31<sup>st</sup> March, 2014:

		₹ Crores	
Transaction	Related Party	2013-14	2012-13
Sale of Goods	Tube Investments of India Ltd	0.59	0.12
Sale of Fixed Assets	Tube Investments of India Ltd	0.17	-
Dividend Paid	Tube Investments of India Ltd	9.17	-
Service Fee	Tube Investments of India Ltd	3.12	0.74
Reimbursement of Expenses (Net)	Tube Investments of India Ltd	0.09	-
Purchase of Scrap	Tube Investments of India Ltd	0.05	-
Lease Rent and Maintenance Received	Cholamandalam MS General Insurance Company Ltd	0.10	0.03
Insurance Paid	Cholamandalam MS General Insurance Company Ltd	0.43	-
Lease Rent Paid	Cholamandalam MS General Insurance Company Ltd	0.03	-
<b>Balance Outstanding at the End of the Year</b>			
Receivable	Tube Investments of India Ltd	0.05	0.03
	Cholamandalam MS General Insurance Company Ltd	0.02	-
Payable	Tube Investments of India Ltd	-	0.66
	Cholamandalam MS General Insurance Company Ltd	0.04	-

## Notes Forming part of the Financial Statements

₹ Crores

### c) Details of Remuneration to Key Management Personnel is given below:

Transaction	Related Party	2013-14	2012-13
Salary (Upto 3 <sup>rd</sup> September, 2012)	Mr. P. Subramanian	-	0.10

Note : No remuneration is payable to Dr. Sreeram Srinivasan

### 36. Earnings Per Share

Profit After Tax (₹ Crores)	18.38	15.47
Weighted Average Number of Shares		
Basic	8,17,15,853	8,17,15,853
Diluted	8,17,15,853	8,17,15,853
Earnings Per Share of ₹ 1/-		
Basic	2.25	1.89
Diluted	2.25	1.89

**37.** The working capital facility with State Bank of India is secured by hypothecation of Inventory, Book Debts, Land & Buildings of A and C Units and certain items of Plant & Machinery. The working capital facility with IDBI Bank is secured by an exclusive charge on certain items of Plant & Machinery.

**38.** Previous period figures have been re-grouped/re-classified wherever necessary to correspond with the current year's classification / disclosure.

### The accompanying notes are an integral part of Financial Statements.

In terms of our report attached.

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells**  
Chartered Accountants

**M M Murugappan**  
Chairman

**C R Rajagopal**  
Partner

**Sreeram Srinivasan**  
President & Executive Director

**L Ramkumar**  
Director

Coimbatore  
29<sup>th</sup> April, 2014

**Krishna Ramnath**  
Chief Financial Officer

**C Subramaniam**  
Company Secretary

## NOTES



## NOTES

## NOTES

# SHANTHI GEARS LIMITED

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

Tel : +91-422-4545745 Fax : +91-422-4545700

Website : [www.shanthigears.com](http://www.shanthigears.com) E-mail : [cs@shanthigears.com](mailto:cs@shanthigears.com)

CIN : L29130TZ1972PLC000649.

## 41<sup>st</sup> 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 41<sup>st</sup> Annual General Meeting held at .....

.....

Signature of the Members / Proxy\* .....

\* Strike out whichever is not applicable.



# SHANTHI GEARS LIMITED

304-A, Trichy Road, Singanallur, Coimbatore-641005

Tel : +91-422-4545745 Fax : +91-422-4545700

Website : www.shanthigears.com E-mail : cs@shanthigears.com

CIN: L29130TZ1972PLC000649.

## PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19 (3) of the Companies Management and Administration) Rules, 2014]

Name of the Member(s)	
Registered Address	
E mail	
Folio No./Client ID	
DP ID	

I / We, being the member(s) of ..... shares of the above  
named company, hereby appoint

Name.....E-mail : .....  
.....Address : .....  
.....  
.....Signature:\_\_\_\_\_

or failing him / her

Name.....E-mail : .....  
.....Address : .....  
.....  
.....Signature:\_\_\_\_\_

or failing him / her

Name.....E-mail : .....  
.....Address : .....  
.....  
.....Signature:\_\_\_\_\_

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 41<sup>st</sup> Annual General Meeting of the Company, to be held on Saturday, 26<sup>th</sup> July, 2014, at 4:00 p.m. IST, at the Registered Office of the Company at 304-A, Trichy Road, Singanallur, Coimbatore-641 005, Tamil Nadu and at any adjournment thereof in respect of such resolutions as are indicated below :

Resolution Number	Resolution	Vote (Optional See Note 2) (Please mention no. of shares)		
		For	Against	Abstain
Ordinary Business				
1	Adoption of Directors' Report, Statement of Profit for the year ended 31 <sup>st</sup> March, 2014 and the Balance Sheet as on that date and the Auditor's Report thereon.			
2	Appoint Director in place of Mr. M M Murugappan (DIN 00170478), who retires by rotation and being eligible, offers himself for re-appointment.			
3	Re-appoint M/s. Deloitte Haskins & Sells as the auditors of the Company from the conclusion of this AGM until the conclusion of the fourth consecutive AGM and to fix their remuneration.			
Special Business				
4	Appoint Mr. C R Swaminathan (DIN. 00002169) as Independent Director of the Company for three consecutive years from the conclusion of this Annual General Meeting.			
5	Appoint Mr. J Balamurugan (DIN. 00023309) as Independent Director of the Company for five consecutive years from the conclusion of this Annual General Meeting.			
6	Appoint Mr. V Venkiteswaran (DIN. 00062246) as Independent Director of the Company for two consecutive years from the conclusion of this Annual General Meeting.			
7	Approve the Board's power to borrow, exceeding the aggregate of the paid-up capital of the Company and its free reserves, provided that the total outstanding amount so borrowed shall not at any time exceed the limit of ₹ 100 Crore			
8	Approve the Board's power to execute, mortgage, charge, and/or hypothecate in respect of the whole or part of the properties of the company both present and future to secure borrowings of money with interest and other moneys.			

Signed this .....day of.....2014.

Affix ₹ 1/-  
Revenue  
Stamp

.....  
Signature of the member

.....  
Signature of the proxy holders(s)

- Notes :**
1. This form, in order to be effective, should be duly stamped, completed, signed and deposited at the registered office of the Company, not less than 48 hours before the meeting.
  2. It is optional to indicate your preference. If you leave the for, against or abstain column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he / she may deem appropriate.





**murugappa**

304-A, Trichy Road, Singanallur, Coimbatore - 641 005  
[www.shanthigears.com](http://www.shanthigears.com)