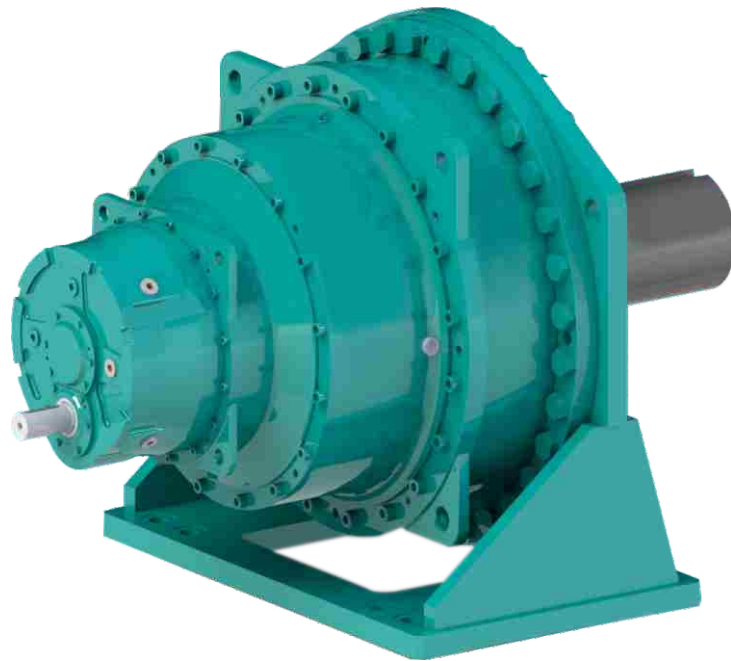


**Shanthi**  **Gears**



**SHANTHI GEARS LIMITED**

*Annual Report 2014 - 15*

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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,

2014-15 was a difficult year for Shanthi Gears. In subdued economic conditions, the company maintained its revenues but witnessed a significant decline in profits.

Our efforts in rebuilding the organisation continued during the year. The focus was towards regaining customer confidence, strengthening relationships and improving operations effectiveness in order to build a robust future. Although this has not reflected in improved performance, we are confident that it will do so in the coming years. During the year we also took a decision to make firm corrections relative to overdue payments and to manage the cost base more effectively without any compromise on quality and service.

I believe we are now at the threshold of a transformation. 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, focusing on new product development, driving revenue through service and new products and exploring new avenues for growth will be the direction of the Company. To this end, the Company has been investing in people and resources with a view to building the talent pipeline. Together with strong engineering and design capabilities, a large skill pool, state-of-the-art manufacturing infrastructure and an ability to innovate and re-engineer, we are confident in achieving our goals.

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

Sincerely,

**MM Murugappan**

## 10 Years Financials

₹ Crores

| OPERATING RESULTS                                  | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Sales (Including excise duty)                      | 165.03  | 166.69  | 159.01  | 186.67  | 173.46  | 129.07  | 276.90  | 274.73  | 227.97  | 184.26  |
| Profit before Depreciation, Interest & Tax (PBDIT) | 29.89   | 51.56   | 50.93   | 69.32   | 71.48   | 53.14   | 103.20  | 94.61   | 74.16   | 58.77   |
| Profit before Interest & Tax (PBIT)                | 13.14   | 25.95   | 22.36   | 42.10   | 44.64   | 26.21   | 77.43   | 72.15   | 55.93   | 46.06   |
| Profit before Tax (PBT)                            | 13.11   | 25.93   | 22.07   | 41.60   | 43.76   | 24.33   | 68.81   | 67.49   | 51.15   | 43.06   |
| Profit after Tax (PAT)                             | 9.32    | 18.38   | 15.47   | 28.13   | 27.86   | 16.18   | 44.06   | 44.16   | 33.59   | 28.06   |
| Earnings Per Share (₹)                             | 1.14    | 2.25    | 1.89    | 3.44    | 3.41    | 1.98    | 5.39    | 5.40    | 4.44    | 3.56    |
| Dividend Per Share (₹)                             | 0.50    | 1.00    | 0.60    | 1.00    | 1.00    | 0.80    | 1.20    | 1.20    | 1.00    | 1.00    |
| Book Value Per Share (₹)                           | 33.14   | 32.61   | 31.53   | 30.33   | 28.05   | 25.80   | 24.75   | 20.77   | 16.28   | 11.90   |
| Interest   | 0.03    | 0.02    | 0.29    | 0.62    | 8.76    | 3.81    | 11.56   | 6.37    | 6.23    | 4.26    |
| <b>SOURCES AND APPLICATION OF FUNDS</b>            |         |         |         |         |         |         |         |         |         |         |
| <b>SOURCES OF FUNDS</b>                            |         |         |         |         |         |         |         |         |         |         |
| Share Capital                                      | 8.17    | 8.17    | 8.17    | 8.17    | 8.17    | 8.17    | 8.17    | 8.17    | 8.08    | 7.88    |
| Reserves & Surplus                                 | 262.57  | 258.23  | 249.41  | 239.67  | 221.04  | 202.68  | 194.12  | 161.53  | 123.45  | 85.90   |
| Net Worth  | 270.74  | 266.40  | 257.58  | 247.84  | 229.21  | 210.85  | 202.29  | 169.70  | 131.53  | 93.79   |
| Debt   | 0.00    | 0.00    | 0.00    | 3.96    | 9.75    | 25.63   | 89.27   | 92.79   | 118.68  | 120.46  |
| Deferred Tax Liability (Net)                       | 0.86    | 2.51    | 6.88    | 10.73   | 14.26   | 17.49   | 20.09   | 19.06   | 16.58   | 9.84    |
| Total  | 271.60  | 268.91  | 264.46  | 262.53  | 253.22  | 253.97  | 311.64  | 281.55  | 266.78  | 224.09  |
| <b>APPLICATION OF FUNDS</b>                        |         |         |         |         |         |         |         |         |         |         |
| Gross Fixed Assets                                 | 367.52  | 364.27  | 361.09  | 360.21  | 353.46  | 344.13  | 338.60  | 299.19  | 265.20  | 191.18  |
| Accumulated Depreciation                           | 285.87  | 269.25  | 245.34  | 222.00  | 195.54  | 169.20  | 142.45  | 118.04  | 95.81   | 77.95   |
| Net Fixed Assets                                   | 81.65   | 95.02   | 115.75  | 138.21  | 157.91  | 174.92  | 196.15  | 181.15  | 169.38  | 113.23  |
| Capital Work-in-Progress                           | 3.61    | 3.60    | 3.62    | 5.59    | 7.54    | 5.17    | 7.07    | 16.16   | 13.19   | 8.65    |
| Short Term Investments & Deposits                  | 101.09  | 107.76  | 90.60   | 55.02   | 46.00   | 27.50   | 47.50   | 15.84   | 18.13   | 47.51   |
| Net Working Capital                                | 85.25   | 62.53   | 54.49   | 63.71   | 41.77   | 46.38   | 60.92   | 68.40   | 66.07   | 54.71   |
| Total  | 271.60  | 268.91  | 264.46  | 262.53  | 253.22  | 253.97  | 311.64  | 281.55  | 266.78  | 224.09  |
| <b>RATIOS</b>                                      |         |         |         |         |         |         |         |         |         |         |
| PBDIT To Sales (%)                                 | 18.11   | 30.93   | 32.03   | 37.14   | 41.21   | 41.17   | 37.27   | 34.44   | 32.53   | 31.90   |
| PBIT To Sales (%)                                  | 7.96    | 15.57   | 14.06   | 22.55   | 25.73   | 20.31   | 27.96   | 26.26   | 24.53   | 25.00   |
| PBT To Sales (%)                                   | 7.94    | 15.56   | 13.88   | 22.28   | 25.23   | 18.85   | 24.85   | 24.57   | 22.44   | 23.37   |
| PAT To Sales (%)                                   | 5.65    | 11.03   | 9.73    | 15.07   | 16.06   | 12.54   | 15.91   | 16.07   | 14.73   | 15.23   |
| Interest Cover (times)                             | 996.33  | 2578.00 | 175.62  | 111.81  | 8.16    | 13.95   | 8.93    | 14.85   | 11.90   | 13.80   |
| ROCE (%) #   | 7.71    | 16.10   | 12.86   | 20.29   | 21.54   | 11.57   | 29.32   | 27.15   | 22.49   | 26.08   |
| Return on Networth (%)                             | 3.44    | 6.90    | 6.01    | 11.35   | 12.16   | 7.67    | 21.78   | 26.02   | 25.54   | 29.92   |
| Total Debt Equity Ratio                            | 0.00    | 0.00    | 0.00    | 0.02    | 0.04    | 0.12    | 0.43    | 0.48    | 0.60    | 1.07    |
| Long Term Debt Equity Ratio                        | 0.00    | 0.00    | 0.00    | 0.00    | 0.02    | 0.05    | 0.08    | 0.13    | 0.18    | 0.30    |
| Sales/Net Fixed Assets (times)                     | 2.02    | 1.75    | 1.37    | 1.35    | 1.10    | 0.74    | 1.41    | 1.52    | 1.35    | 1.63    |
| Net Working Capital Turnover (times)               | 1.94    | 2.67    | 2.92    | 2.93    | 4.15    | 2.78    | 4.55    | 4.02    | 3.45    | 3.37    |

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

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

M M MURUGAPPAN, Chairman  
L RAMKUMAR  
C R SWAMINATHAN  
J BALAMURUGAN  
V VENKITESWARAN  
SOUNDARA KUMAR

### **COMPANY SECRETARY**

C SUBRAMANIAM

### **REGISTERED OFFICE**

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

### **PLANTS**

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

### **AUDITORS**

Deloitte Haskins & Sells  
Chartered Accountants

### **BANKERS**

IDBI Bank Ltd  
Kotak Mahindra Bank

**CORPORATE IDENTIFICATION NUMBER** L29130TZ1972PLC000649

## Directors' Profile

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

Mr. M M Murugappan (59 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 (67 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 (59 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 35 years of rich and varied experience in management including 23 years in Tube Investments of India Ltd.

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

Mr. V Venkiteswaran (68 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 (54 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.

### **Ms. Soundara Kumar,** Non-Executive Director

Ms. Soundara Kumar (61 Years) holds a graduate degree in Mathematics. She worked in State Bank of India for over 39 years both in India and overseas and is well experienced in the financial services industry. She retired as Deputy Managing Director, Stressed Asset Management Group of State Bank of India. She is also on the Board of various companies including Ramco Systems Ltd, Orchid Chemicals & Pharmaceuticals Ltd and Asset Reconstruction Company (India) Ltd.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Indian economy registered a growth rate of 7.4% for the year compared to 6.9% for the year 2013-14. The Indian Rupee remained range bound against the US dollar during the last financial year. After the formation of the new government at the center, various policy initiatives have been undertaken such as reallocation of coal blocks, investments in railway infrastructure, opening up of insurance to foreign direct investment. Many broad based set of initiatives aimed at encouraging "Make in India" is expected to give an impetus to the manufacturing sector. Inflation rate has been subdued and interest rates have softened.

### Review of Business

#### Industry Scenario

Your Company is in the business of design, manufacture, supply and servicing of gears and gear boxes. While the investment cycle in a few sectors of the economy such as Steel, Power, Windmill and Defence / Railways picked up, investments in many other sectors like Cement, Mining, Sugar, Construction and infrastructure did not. With the removal of hurdles in the mining sector, greater thrust on renewable energy, specifically wind power, and reactivating the stalled Construction, the Infrastructure industries would see more investments in the year.

The bulk of this market is serviced by five major national players while a fair portion of the market is met through imports. Import of gearboxes happens predominantly in the safety critical applications and high technology areas such as gearboxes for wind turbine generators, power plants and marine applications. While most of these are imported from Europe, China caters to the demand in other segments.

There are two major segments in the gear box industry, namely the standard segment and the customized segment. It is estimated that the standard gearboxes constitute about 35% of the market and the customized segment about a third of the market. Loose gears make up the balance. The market this year has been largely static. The standard gearbox segment is expected to grow at a faster rate while compared with the customized segment. The market for gearboxes is trending towards higher sizes due to larger capacities being planned by the various users. Accompanying these trends is the scale-up in capital equipment sizes. Newer technologies, energy efficiency and space reduction are emerging as key drivers in the gear box industry. India, in recent years, is witnessing a growth in the planetary gearbox segment signaling a maturing of the market.

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

While your Company services the needs of standard gearboxes, it differentiates itself through focus on supply of customised non-standard gearboxes. In addition, the Company also sells internals and spares (loose gears), and services any make of gearbox.

During the year, the Company reported a revenue of ₹152.00 crores in line with the previous year. During the year under review, the Company focused on re-establishing itself in the market and building a strong foundation for the future in terms of customers, capabilities and people. The Company grew its orders booked during the year by 20% due to the efforts taken in the previous year to enhance presence in the market especially in key user locations, enhancing its reach by strengthening its Sales and Service teams, building references in high potential segments, entry into the defence segment and building its capability in certain high end applications.

The Profit before Tax for the year was at ₹ 13.11 crores, after a charge of ₹ 3.03 crores towards settlement of a long pending dispute with a customer, against ₹ 25.93 crores. in the previous year. Intense competition and pressure on prices continued to be significant concerns through the year. The Company will focus on enhancing service levels, growing in profitable segments, improving operating efficiencies and cost reduction with a view to improving its profitability.

The Company continued to invest in human resources, its key strength, with a view to building a pool of talented people to lead the Company into the future. Skill development and employee engagement initiatives continued to receive high attention. Your Company signed its maiden Wage Settlement Agreement with the Union through amicable negotiations brining in measures for improving the productivity in the long run.

The Company undertook capital expenditure facilitating improvements in efficiency and productivity and building capability. While the Company took several steps to maintain control over its working capital, higher inventory levels were necessary to service requirements of customers. 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 market and customer requirements. Your Company's emphasis 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.

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 lasting value. Expectations of a more conducive economic environment especially with the initiatives of the government to revive manufacturing growth in India augur well for the Company.

## 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.

**On behalf of the Board**

Coimbatore  
29<sup>th</sup> April, 2015

**M M Murugappan**  
Chairman



## Enterprise Risk Analysis and Management

| Risk   | Why considered as risk  | Mitigation Plan / Counter Measure   |
|--|---|---|
| General slowdown in industry                                     | Decline in overall economic growth, especially Capital Goods sector, will impact order book | <ul style="list-style-type: none"> <li>❖ Pursue opportunities in international markets</li> <li>❖ Focus on recession proof segments like Railways and Defence</li> <li>❖ Diversify into new segments and widen customer base in traditional segments</li> <li>❖ Focus on adjacencies</li> </ul> |
| Risk of variations due to long gestation affecting profitability | Likelihood of change in input costs   | <ul style="list-style-type: none"> <li>❖ Obtaining partial payment in advance and tying up supplies</li> <li>❖ Adequate protection for price escalation, through agreements</li> <li>❖ Identifying alternative uses</li> </ul>  |
| Changes by customers specifications, schedule or inspection      | Changes to specifications could lead to change in profits                                   | <ul style="list-style-type: none"> <li>❖ System based tracking of all changes with alerts to people concerned</li> <li>❖ Feedback to Sales &amp; Costing for re-pricing</li> </ul>  |
| Statutory compliances  | Increasing regulatory oversight   | <ul style="list-style-type: none"> <li>❖ Continuous monitoring</li> <li>❖ Constant Updation of norms and regular audits</li> </ul>  |
| HR Risks   | Attrition & Loss of skilled resources   | <ul style="list-style-type: none"> <li>❖ Adequate Remuneration</li> <li>❖ Opportunities to grow from within</li> <li>❖ Training and development on contemporary practices</li> </ul>  |
| IT Risks   | Data Security, disruption due to breakdown  | <ul style="list-style-type: none"> <li>❖ Access controls, firewalls and building multiple layers of security</li> <li>❖ Back-up at two levels including remote backup</li> <li>❖ Disaster recovery systems</li> </ul>   |

On behalf of the Board

Coimbatore  
29<sup>th</sup> April, 2015

**M M Murugappan**  
Chairman

## General Shareholder Information

### Company Registration

The Corporate Identity Number (CIN) of the company is L29130TZ1972PLC000649

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

### Annual General Meeting

Day : Thursday

Date : 30<sup>th</sup> July, 2015

Time : 4.00 P.M.

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

### Tentative Calendar for 2015 - 16

|   |                                |
|---|--------------------------------|
| Annual General Meeting  | 30 <sup>th</sup> July, 2015    |
| Results for the Quarter Ending 30 <sup>th</sup> June, 2015      | 30 <sup>th</sup> July, 2015    |
| Results for the Quarter Ending 30 <sup>th</sup> September, 2015 | 28 <sup>th</sup> October, 2015 |
| Results for the Quarter Ending 31 <sup>st</sup> December, 2015  | January / February, 2016       |
| Results for the Year Ending 31 <sup>st</sup> March, 2016        | April / May, 2016              |

**Book Closure Dates** : 25<sup>th</sup> July, 2015 to 30<sup>th</sup> July, 2015 (Both days inclusive)

### Dividend

During the year, in February, 2015, the Company paid an interim dividend of ₹ 0.50/- 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 of transfer of the unclaimed / un-encashed 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 |
|--|---------------------|-------------------------------|
| 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                    |
| 2014-15 (Interim)                        | 02.02.2015          | 10.03.2022                    |

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/un-encashed dividends up to the year 2006-07 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 ('NSE') | : | <b>SHANTIGEAR</b>    |
| Bombay Stock Exchange Ltd ('BSE Ltd')        | : | <b>522034</b>        |
| ISIN Number in NSDL & CDSL for equity shares | : | <b>INE 631A01022</b> |

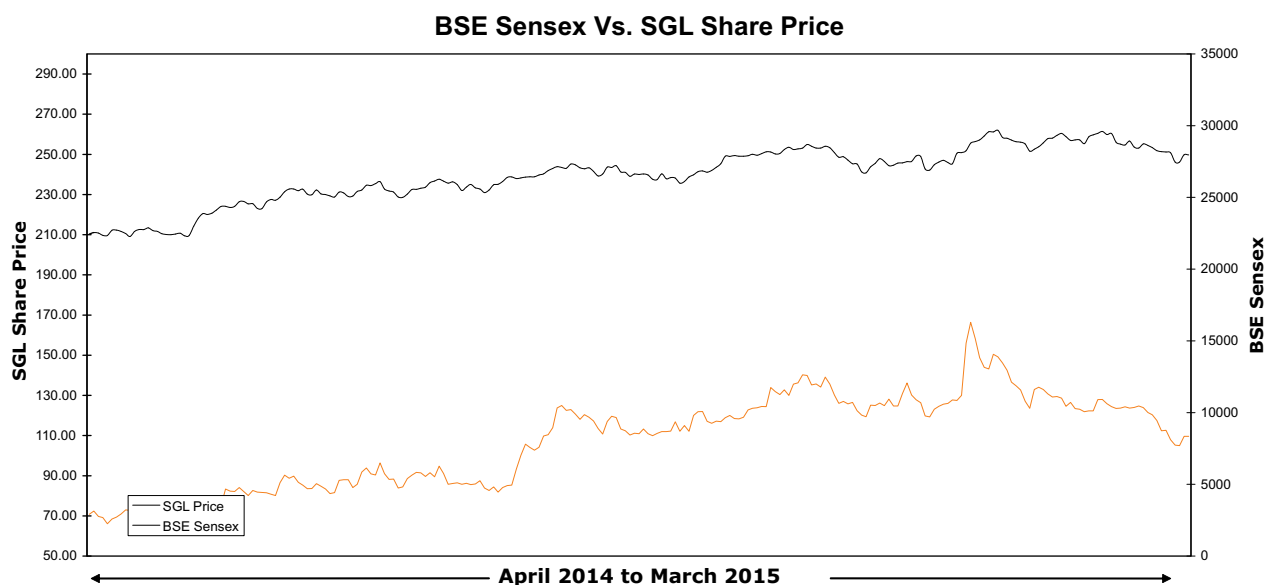
The Company has paid annual listing fees for the financial year 2015-2016 in respect of the above stock exchanges.

## Stock Market Data

| Month          | BSE Ltd  |         | NSE      |         |
|----------------|----------|---------|----------|---------|
|                | High (₹) | Low (₹) | High (₹) | Low (₹) |
| April 2014     | 82.00    | 65.45   | 82.80    | 66.80   |
| May 2014       | 86.00    | 66.50   | 86.90    | 66.20   |
| June 2014      | 92.90    | 79.00   | 92.95    | 78.70   |
| July 2014      | 102.15   | 76.00   | 101.85   | 82.25   |
| August 2014    | 111.80   | 81.60   | 111.90   | 81.15   |
| September 2014 | 128.70   | 105.70  | 128.90   | 103.65  |
| October 2014   | 128.25   | 108.00  | 128.00   | 108.00  |
| November 2014  | 144.40   | 116.50  | 144.70   | 116.45  |
| December 2014  | 142.60   | 118.60  | 144.00   | 118.05  |
| January 2015   | 179.45   | 118.00  | 179.60   | 117.95  |
| February 2015  | 148.90   | 120.70  | 148.45   | 120.10  |
| March 2015     | 136.40   | 100.20  | 136.05   | 102.25  |

## Performance in comparison to broad based indices

SGL Share Performance (April, 2014 to March, 2015)



## 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 15 days from the date of receipt, subject to the Documents being valid and complete in all respects.

## 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 - 641 006.

Tel : (0422) 6549995, 2539835-836

Fax : (0422) 2539837

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

### Shareholding pattern as on 31<sup>st</sup> March, 2015

| Sl. No. | Category   | No. of Shares   | % (Percentage) |
|---------|--|-----------------|----------------|
| 1       | Promoters  | 57302913        | 70.12          |
| 2       | Mutual Funds, Banks, Financial Institutions, Insurance Companies | 5617353         | 6.88           |
| 3       | Foreign Institutional Investors                                  | 71919           | 0.09           |
| 4       | NRI's / OCB's  | 625626          | 0.77           |
| 5       | Private Corporate Bodies   | 1522462         | 1.86           |
| 6       | Indian Public  | 16575580        | 20.28          |
|         | <b>Total</b>   | <b>81715853</b> | <b>100.00</b>  |

### Distribution of Shareholding as on 31<sup>st</sup> March, 2015

| No. of Shares held | No. of Shareholders | %             | No. of Shares   | %             |
|--------------------|---------------------|---------------|-----------------|---------------|
| 1 to 500           | 11281               | 76.23         | 1628728         | 1.99          |
| 501 to 1000        | 1332                | 9.00          | 1134940         | 1.39          |
| 1001 to 5000       | 1672                | 11.30         | 4179646         | 5.12          |
| 5001 to 10000      | 334                 | 2.26          | 2314617         | 2.83          |
| 10001 to 100000    | 154                 | 1.04          | 3914489         | 4.79          |
| 100001 and above   | 26                  | 0.17          | 68543433        | 83.88         |
| <b>Total</b>       | <b>14799</b>        | <b>100.00</b> | <b>81715853</b> | <b>100.00</b> |

### Dematerialisation of Shares and Liquidity

As on 31<sup>st</sup> March, 2015, 8,00,52,806 shares were in dematerialised form representing 97.96% of total shares.

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

| Financial Year Ending | Date       | Time      | Venue   |
|-----------------------|------------|-----------|---|
| 31.03.2012            | 23.07.2012 | 9.30 A.M. | Registered Office of the Company<br>304-A, Trichy Road, Singanallur,<br>Coimbatore-641 005. |
| 31.03.2013            | 24.07.2013 | 2.00 P.M. | Registered Office of the Company<br>304-A, Trichy Road, Singanallur,<br>Coimbatore-641 005. |
| 31.03.2014            | 26.07.2014 | 4.00 P.M. | Registered Office of the Company<br>304-A, Trichy Road, Singanallur,<br>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  |
|-------------|---|---|
| 23.07.2012  | No  | Not Applicable  |
| 24.07.2013  | Yes                                       | Provision of commission to Non-Executive Directors  |
| 26.07.2014  | Yes                                       | 1) Fixing Board's borrowing powers<br>2) Authorizing the Board to execute, mortgage, charge and/or hypothecate the properties of the company for borrowings |

#### **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 the 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.,

#### **Unclaimed shares**

In accordance with Clause 5A of the Listing Agreement with the Stock Exchanges, the Company has transferred 5,19,140 equity shares of face value of ₹1/- each held in 314 folios to unclaimed suspense account during December, 2014. Before transferring the unclaimed shares to suspense account, the Company has sent 6 reminders including a final reminder on 6<sup>th</sup> May, 2014.

The details in respect of the equity shares lying in the Unclaimed Suspense Account are as under :

| Sl. No. | Particulars   | No. of Shareholders | No. of shares |
|---------|---|---------------------|---------------|
| 1       | Aggregate number of Shareholders and the number of outstanding shares transferred to the Unclaimed Suspense Account during December, 2014     | 314                 | 5,19,140      |
| 2       | Number of Shareholder who approached the Company for transfer of their shares from Unclaimed Suspense Account during 01.04.2014 to 31.03.2015 | 2                   | 8,340         |
| 3       | Number of Shareholder to whom shares were transferred from the Unclaimed Suspense Account during 01.04.2014 to 31.03.2015                     | 2                   | 8,340         |
| 4       | Aggregate number of Shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on 31.03.2015                          | 312                 | 5,10,800      |

Shareholders who continue to hold the Share Certificates with face value of ₹10 are entitled to claim the equity shares with the face value of ₹1 from the Unclaimed Suspense Account. Further, the shareholders who have not claimed bonus shares are also entitled to claim the shares from Unclaimed Suspense Account. On receipt of the Claim, the Company will, after verification, arrange to credit the equity shares to the demat account of the shareholder concerned or deliver the Share Certificate to the shareholder in physical mode after re-materialisation.

#### 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, Sulur via, Coimbatore - 641 402

#### Contact Address

| Compliance Officer   | For all matters relating to investors Services   |
|--|--|
| Mr. C Subramaniam<br>Company Secretary<br>Shanthi Gears Limited<br>304-A, Trichy Road, Singanallur<br>Coimbatore - 641 005.<br>Tel : (0422) 4545745<br>Fax : (0422) 4545700<br>Email : cs@shanthigears.murugappa.com | S.K.D.C. CONSULTANTS LIMITED<br>Kanapathy Towers, 3 <sup>rd</sup> Floor<br>1391/A-1, Sathy Road<br>Ganapathy<br>Coimbatore - 641 006<br>Tel : (0422) 6549995, 2539835-836<br>Fax : (0422) 2539837<br>Email : info@skdc-consultants.com |

## REPORT ON 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.

### Board of Directors

The Board provides leadership, strategic guidance and objective judgement on the affairs of the company. The Board comprises of persons of eminence with excellent professional achievement in their respective fields. The independent Directors provide their independent judgement, external perspective and objectivity on the issues which are placed before them.

The Board consists of 7 members, as on the date of this Report, with knowledge and experience in different fields. Mr. M M Murugappan, Chairman (Promoter, Non-Executive), Mr. L Ramkumar, Director (Non-Executive) and Dr. Sreeram Srinivasan (Executive Director) are non-Independent Directors in terms of the Listing Agreement.

Mr. C R Swaminathan, Mr. J Balamurugan, Mr. V Venkiteswaran and Ms. Soundara Kumar are Independent Directors in terms of the Listing Agreement. None of the said Directors are related to each other.

The Committees of the Board viz., Audit Committee, Nomination & Remuneration Committee, Stakeholders Relationship Committee, Risk Management Committee and Corporate Social Responsibility Committee have specific scope and responsibilities.

Your company has a well-established practice with regard to deciding dates of meetings. The annual calendar for the meetings is finalised early on in consultation with all the Directors. A minimum of five Board Meetings are held each year. Evolving strategy, annual business plans, review of actual performance and course correction, as deemed fit, constitute the primary business of the Board. The role of the Board also includes de-risking, investment, divestment and business re-organisation. Matters such as capital expenditure, recruitment of senior level personnel, safety & environment, HR related developments, compliance with status and risk management are also reviewed by the Board from time to time.

The Company's commitment to good governance practice allows the Board to effectively perform these functions. The Company ensures that timely and relevant information is made available to all Directors in order to facilitate their effective participation and contribution during meetings and discussions.

There were six meetings of the Board during the financial year 2014-15. The dates of the Board meetings, attendance and the number of Directorships/ Committee memberships held by the Directors as on 31<sup>st</sup> March, 2015 are given in **Table 1** of the annexure to this Report.



Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees. A structured questionnaire covering various aspects of the Board's functioning such as composition of the Board and its Committees, Governance, functioning and reporting processes was used for the evaluation. In addition, the evaluation covered a self-rating, peer rating and assessment of Chairman by all Directors.

All the Independent Directors of the Company met on 19<sup>th</sup> March, 2015, without the attendance of the Non-Independent Directors and members of the management to discuss *inter alia* the matters specified under Schedule IV of the Companies Act, 2013.

The details of familiarization programme for Independent Directors are given in Company's website: Web link : <http://www.shanthigears.com/wp-content/themes/shanthi/pdf/Familiarization-programme-for-Independent-Directors.pdf>

### **Audit Committee**

The role of Audit Committee, in brief, is to review financial statements, internal controls, accounting policies and internal audit reports.

The Company has an independent Audit Committee. Of the four members of the Committee, three are independent Directors, with Mr. C R Swaminathan, being the Chairman. All the members of the Committee have excellent financial and accounting knowledge. President & Executive Director is invitee to the meetings of the Audit Committee.

The quarterly financial results are placed before the Audit Committee for its review, suggestions and recommendations, before taking the same to the Board. The Statutory audit plans and progress are shared with the Committee for its review. The internal audit plans are drawn up in consultation with the President & Executive Director and Chief Financial Officer and the Audit Committee. The Committee reviews the observations of the internal auditor periodically. The Committee also provides guidance on compliance with the Accounting Standards and accounting policies. The statutory and internal auditors attend the audit committee meetings. The Committee also tracks the implementations of its guidelines/ suggestions through review of action taken reports. The terms of reference of Audit Committee have further been enhanced/modified to be in line with the enhanced scope for the Committees as laid down under Section 177 of the Companies Act, 2013 and amended Corporate Governance norms with effect from 1<sup>st</sup> October, 2014.

The Committee met four times during the year ended 31<sup>st</sup> March, 2015. The Composition of the Audit Committee and the attendance of each member at these meetings are given in **Table 2** of the annexure to this Report.

### **Nomination and Remuneration Committee**

The role of the Nomination and Remuneration Committee (earlier known as the 'Nomination Committee') has been modified / enhanced as required under Section 178 of the Companies Act, 2013 and the revised Corporate Governance norms to become effective from 1<sup>st</sup> October, 2014. Under the enhanced terms of reference, the scope of the Committee includes (a) identify/recommend to the Board persons qualified to

become Directors and for appointment in senior management (b) formulate criteria for evaluation of Independent Directors and the Board (c) devise Board diversity policy and (d) formulate criteria relating to Directors and recommend remuneration policy relating to Directors, key managerial personnel and other employees.

The composition of the Committee and the attendance of each member at these meetings are given in **Table 3** of the annexure to this Report.

### **Remuneration to Directors**

The compensation to the Non-executive Directors takes the form of commission on profits. Though the shareholders have approved payment of commission up to one per cent of the net profits of the Company for each year calculated as per the provisions of Companies Act, 2013, the actual commission paid to the Directors is restricted to a fixed sum. The sum is reviewed periodically taking into consideration various factors such as performance of the Company, time devoted by the Directors in attending to the affairs and business of the Company and the extent of responsibilities cast on the Directors under various laws and other relevant factors. The Non-executive Directors are also paid sitting fees as permitted by government regulations for all Board and Committee meetings attended by them.

The details of remuneration paid/payable to the non-executive Directors, for the financial year ended 31<sup>st</sup> March, 2015 is given in **Table 4** of the annexure to this Report.

### **Corporate Social Responsibility Committee**

The Corporate Social Responsibility (CSR) Committee has been constituted to formulate and monitor the implementation of the CSR Policy, as required under the new Companies Act, 2013 and the Rules thereunder. The CSR Committee consists of three Directors as its members, with two of them being Independent Directors.

The composition of the CSR Committee and the attendance of each member at these meetings are given in **Table 5** of the annexure to this Report.

### **Investors' Service**

Your Company promptly attends to investors' queries/grievances. In order to provide timely services, the power to approve transfer of shares has been delegated by the Board to the Share Transfer Committee. The Board has also authorised the Executive Director to approve transfers/transmissions. Share transfer requests are processed within 15 days from the date of receipt. M/s. S.K.D.C. Consultants Limited, Coimbatore is the Company's share transfer agent.

The Stakeholders Relationship Committee was constituted to specifically focus on investor service levels. This Committee has prescribed norms for attending to the investors' services and the Committee periodically reviews the service standard achieved by the Company and its Registrar and Transfer Agent as against the prescribed norms. In accordance with the requirement of Section 178 of the Companies Act, 2013 and the revised corporate governance norms to take effect from 1<sup>st</sup> October, 2014, the Shareholders'/Investors' Grievance Committee has been renamed as the 'Stakeholders Relationship Committee' with its terms of reference specifically enhanced to resolve grievances of security holders of the Company including complaints, if any, relating to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

Mr. L Ramkumar, a Non-executive Director, is the Chairman of the Stakeholders Relationship Committee. The Committee met twice during the year ended 31<sup>st</sup> March 2015. The composition of the Committee and attendance of its members at the meetings are given in **Table 6** of the annexure to this Report.

No investor complaints were received during the year ended 31<sup>st</sup> March 2015. No complaints were pending as at 31<sup>st</sup> March, 2015.

In order to expedite the redressal of complaints, if any, investors are requested to register their complaints and also to take follow up action, as necessary, at the exclusive e-mail id i.e. [cs@shanthigears.murugappa.com](mailto:cs@shanthigears.murugappa.com), Mr. C Subramaniam, Company Secretary is the Compliance Officer.

### **Statutory Compliance**

The Company attaches the highest importance to compliance with statutes. Every function/department of the business is aware of the requirements of various statutes relevant to them. The Company has system in place to remain updated with the changes in statutes and the means of compliances. An affirmation regarding compliance with the statutes by the heads of functions is placed before the Board on quarterly basis for its review.

### **Internal Control**

The Company is conscious of the importance of the internal processes and controls. The Company a robust business planning & review mechanism and has adequate internal control systems commensurate with the nature of its business and size. These systems are regularly reviewed and improved upon. The Executive Director and the Chief Financial Officer have certified to the Board on matters relating to financial reporting and related disclosures, compliance with relevant statutes, Accounting Standards and adequacy of internal control systems.

### **Whistle Blower Policy**

Pursuant to the non-mandatory requirements of the Listing Agreement, the Company has established a whistle blower mechanism to provide an avenue to raise concerns. The Ombudsperson appointed by the Board deals with the complaints received and ensures appropriate action. No employee was denied access to the Audit Committee. In line with the requirement of Section 177 of the Companies Act, 2013, the scope of the Whistle Blower Policy has been amended to include the Directors also (in addition to the employees, customers and vendors) to facilitate reporting of their genuine concerns relating to unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. Further, the mechanism also provides adequate safeguards against victimisation of persons using the mechanism and provides direct access to the chairperson of the Audit Committee in appropriate or exceptional cases.

### **Compliance of Corporate Governance Norms**

The Company has complied with all the mandatory requirements of corporate governance norms during the financial year. Quarterly financial results of the Company are published in leading newspapers, uploaded on the Company's website.

The Board of Directors has laid down a Code of Conduct for all the Board members and the senior management of the Company. The Code of Conduct has been posted on the website of the Company. A declaration of affirmation in this regard certified by the Chairman is annexed to this report.

A Risk Management Committee was constituted by the Board of Directors on 27<sup>th</sup> October, 2014 to specifically identify/monitor key risks of the Company and evaluate the management of such risks for effective mitigation. The Committee provides periodical updates to the Board and provides support in the discharge of the Board's overall responsibility in overseeing the risk management process.

Mr. J Balamurugan, a Non-executive Director, is the Chairman of the Risk Management Committee. The Committee met once during the year. The Composition of the Committee and attendance of the members at the meeting are given in **Table 7** of the annexure to this Report.

#### **Other Disclosures**

A Management Discussion and Analysis Report highlighting the performance of the Company has been included in the Annual Report.

A write up on the risks associated with the business and mitigation plans therefore is included in the Management Discussion and Analysis, annexed to the Annual Report.

Related party transactions during the year have been disclosed as a part of the financial statements as required under the Accounting Standard 18 issued by the institute of Chartered Accountants of India.

There have been no instances of non-compliance by the Company or have any penalty or strictures been imposed on the Company by the Stock Exchanges or the Securities and Exchange Board of India or by any statutory authority on any matter related to the capital markets during the last three years.

#### **General Shareholder Information**

A separate section has been annexed to the Annual Report furnishing various details viz., last three Annual General Meetings, its time and venue, share price movement, distribution of shareholding, location of factories, means of communication etc., for shareholder's reference.

**On behalf of the Board**

Coimbatore  
29<sup>th</sup> April, 2015

**M M Murugappan**  
Chairman

## Declaration on code of Conduct

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, 2015, as envisaged in Clause 49 of the Listing Agreement with the Stock Exchanges.

Coimbatore  
29<sup>th</sup> April, 2015

**M M Murugappan**  
Chairman

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## AUDITORS' CERTIFICATE

### **To The Members of M/s. 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, 2015 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

Coimbatore, 29<sup>th</sup> April, 2015

Membership No. 23418

## ANNEXURE TO THE CORPORATE GOVERNANCE REPORT

### A) Board Meeting Dates and Attendance

The Board of Directors met six times during the financial year 2014-15. The dates of the Board meetings were 29<sup>th</sup> April, 2014, 26<sup>th</sup> July, 2014, 27<sup>th</sup> October, 2014, 02<sup>nd</sup> February, 2015, 13<sup>th</sup> March, 2015 and 31<sup>st</sup> March, 2015.

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, 2015 are as follows :

**TABLE 1**

| Sl.No. | Name of Director                 | Board meetings attended (no.of meeting held) | Number of Directorships including SGL (out of which as Chairman) <sup>(a)</sup> | Number of committee memberships including SGL (out of which as Chairman) <sup>(b)</sup> | Attendance at last AGM | No. of Shares held as on 31 <sup>st</sup> March, 2015 |
|--------|----------------------------------|--|---|---|------------------------|---|
| 1      | Mr. M M Murugappan               | 5(6)   | 10(5)   | 8(4)  | Present                | -   |
| 2      | Dr. Sreeram Srinivasan           | 6(6)   | 1   | 1   | Present                | -   |
| 3      | Mr. L Ramkumar                   | 6(6)   | 3(1)  | 2(1)  | Present                | -   |
| 4      | Mr. C R Swaminathan              | 6(6)   | 3   | 4(2)  | Present                | 5000  |
| 5      | Mr. J Balamurugan                | 6(6)   | 4   | 1   | Present                | -   |
| 6      | Mr. V Venkiteswaran              | 5(6)   | 1   | 1   | Present                | 5000  |
| 7      | Ms.Soundara Kumar <sup>(c)</sup> | Not Applicable                               | 7 (1)   | 3   | Not Applicable         |   |

- a) Excludes foreign Companies, Private Limited Companies, alternative Directorship and companies registered under section 25 of the Companies Act, 1956/ Section 8 of the Companies Act, 2013.
- b) Includes only membership in Audit and Stakeholders Relationship Committee.
- c) Ms. Soundara Kumar was co-opted as Additional Director with effect from 31<sup>st</sup> March, 2015.

## B) Composition of Audit Committee and Attendance

The Committee met four times during the financial year 2014-15. The composition of the Audit Committee and attendance of each Member at these meetings are as follows :

**TABLE 2**

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

## C) Composition of Nomination and Remuneration Committee and Attendance

The Committee met four times during the financial year ended 31<sup>st</sup> March, 2015. The composition of Nomination & Remuneration Committee (formerly, Remuneration Committee) and the attendance of each member at these meetings are as follows :

**TABLE 3**

| Sl. No. | Name of Member                | No. of Meetings Attended<br>(No. of meeting held) |
|---------|-------------------------------|---|
| 1       | Mr. C R Swaminathan, Chairman | 4(4)  |
| 2       | Mr. J Balamurugan             | 4(4)  |
| 3       | Mr. M M Murugappan            | 3(4)  |

## D) Remuneration of 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, 2015 are as follows:

(Amount ₹)

**TABLE 4**

| Name of the Director | Commission* | Sitting fees | Total    |
|----------------------|-------------|--------------|----------|
| Mr. M M Murugappan   | 3,00,000    | 55,000       | 3,55,000 |
| Mr. C R Swaminathan  | 3,00,000    | 95,000       | 3,95,000 |
| Mr. J Balamurugan    | 3,00,000    | 75,000       | 3,75,000 |
| Mr. V Venkiteswaran  | 3,00,000    | 65,000       | 3,65,000 |

\* Provisional and will be paid after the adoption of accounts by the Shareholders at the Annual General Meeting

#### E) Composition of Corporate Social Responsibility Committee and Attendance

The Committee met three times during the financial year ended 31<sup>st</sup> March, 2015. The composition of Corporate Social Responsibility Committee and the attendance of each member at these meetings are as follows :

**TABLE 5**

| Sl. No. | Name of Member                | No. of Meetings Attended<br>(No. of meeting held) |
|---------|-------------------------------|---|
| 1       | Mr. V Venkiteswaran, Chairman | 3(3)  |
| 2       | Mr. C R Swaminathan           | 3(3)  |
| 3       | Dr. Sreeram Srinivasan        | 3(3)  |

#### F) Composition of Stakeholders Relationship Committee and Attendance

The Committee met twice during the financial year ended 31<sup>st</sup> March, 2015. The composition of the Stakeholders Relationship Committee (formerly, Shareholders'/Investors' Grievance Committee) and the attendances at the meetings are as follows :

**TABLE 6**

| Sl. No. | Name of Member           | No. of Meetings Attended<br>(No. of meeting held) |
|---------|--------------------------|---|
| 1       | Mr. L Ramkumar, Chairman | 2(2)  |
| 2       | Mr. C R Swaminathan      | 2(2)  |
| 3       | Dr. Sreeram Srinivasan   | 2(2)  |

#### G) Composition of Risk Management Committee and Attendance

The Committee met once during the financial year ended 31<sup>st</sup> March, 2015. The composition of the Risk Management Committee and the attendance of each member at the meeting are as follows:

**TABLE 7**

| Sl. No. | Name of Member              | No. of Meetings Attended<br>(No. of meeting held) |
|---------|-----------------------------|---|
| 1       | Mr. J Balamurugan, Chairman | 1(1)  |
| 2       | Mr. V Venkiteswaran         | 1(1)  |
| 3       | Dr. Sreeram Srinivasan      | 1(1)  |

On behalf of the Board

Coimbatore  
29<sup>th</sup> April, 2015

**M M Murugappan**  
Chairman



## 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, 2015

| <b>FINANCIAL RESULTS</b>  |             | (₹ Crores)               |                          |
|---|-------------|--------------------------|--------------------------|
|   | PARTICULARS | YEAR ENDED<br>31.03.2015 | YEAR ENDED<br>31.03.2014 |
| <b>Revenue from Operations (Gross)</b>                                |             | <b>165.03</b>            | <b>166.69</b>            |
| Less: Excise Duty   |             | 13.03                    | 15.92                    |
| <b>Revenue from Operations (Net)</b>                                  |             | <b>152.00</b>            | <b>150.77</b>            |
| <b>Earnings Before Interest, Tax, Depreciation &amp; Amortisation</b> |             | <b>29.89</b>             | <b>51.56</b>             |
| Finance Cost  |             | 0.03                     | 0.02                     |
| Depreciation & Amortisation Expense                                   |             | 16.75                    | 25.61                    |
| <b>Profit Before Tax</b>  |             | <b>13.11</b>             | <b>25.93</b>             |
| Less: Tax Expense   |             | 3.79                     | 7.55                     |
| <b>Profit After Tax</b>   |             | <b>9.32</b>              | <b>18.38</b>             |
| Add: Surplus brought forward  |             | 13.92                    | 15.10                    |
|   |             | <b>23.24</b>             | <b>33.48</b>             |
| <b>Appropriations :</b>   |             |                          |                          |
| Transfer to General Reserve   |             | 5.00                     | 10.00                    |
| Depreciation on transition to Schedule II of the Companies Act, 2013  |             | (0.07)                   | -                        |
| Interim / Final Dividend paid   |             | 4.09                     | 8.17                     |
| Tax on Interim / Final Dividend                                       |             | 0.82                     | 1.39                     |
| <b>Balance carried to Balance Sheet</b>                               |             | <b>13.26</b>             | <b>13.92</b>             |

## Review of Operations

The year 2014-15 was a year of building the base for the Company. It was a year in which a firm foundation was laid with a view to positioning the Company for the future.

The key initiatives undertaken by the Company were building references (track record of supplies) and experience in large sized gearboxes to several key customers, making a breakthrough in the high growth segments such as Defence, consolidating our strong position in the Railways and Metro segments, building capability in the designing of high-value added critical gearboxes for complex applications, establishing a strong Service network and capability in Gearbox Condition Monitoring (GCMC), establishing strategic alliances and building a strong team and future leadership pipeline capable of handling the upcoming challenges. These initiatives helped re-establish the Shanthi brand in the market place and position it as a reliable, dependable and quality brand. The Company also undertook many measures aimed at improving its execution and servicing

its customers better. This process is expected to be taken forward further in this year paving the way for a stable execution environment. The transformation to a customer-centric organization has begun.

The revenue during the year was at ₹ 152.00 crores against ₹ 150.77 crores in the previous year. The Company grew its order book significantly during the year and registered a growth of 20%. This growth in orders booked came largely from the initiatives mentioned above as well as the measures taken last year to expand our presence in the market, build the service network and enter into new segments and industries hitherto not addressed. While we were able to grow the order book we could not execute some of the large value orders due to delays in the project implementation by customers, internal issues with respect to ramping up execution and technical challenges constraining our growth. The benefits of these initiatives, being long term in nature, are expected to accrue to the Company during the current year and in the years to come. The Profit before Tax for the current year amounts to ₹ 13.11 crores as compared to ₹ 25.93 crores last year. The profit for the year was affected due to the one time impact of providing for certain doubtful debts, (₹ 3.03 crores) strategic need for some products at a lower margin and making an entry in certain segments.

## Management Discussion and Analysis

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

## Dividend

The Company declared an interim dividend of ₹ 0.50/- per equity share of Face Value ₹ 1/- in February, 2015. (PY ₹ 1/- per share). The same has been treated as final dividend.

## Directors

During the year the Company appointed Ms. Soundara Kumar as an Additional Director of the Company under Section 149 of the Companies Act, 2013 with effect from 31<sup>st</sup> March, 2015. She holds office up to the date of the ensuing AGM. Ms. Soundara Kumar has worked extensively in State Bank of India and has held several important positions including being the CEO of SBI in California and Managing Director of State Bank of Indore. Her knowledge and experience will be of benefit to the Company. The Board recommends her appointment as Independent Director under section 149 of the Companies Act, 2013 for a term of five years viz. from the date of the 42<sup>nd</sup> AGM (2015) till the date of 47<sup>th</sup> AGM (2020).

Mr. L Ramkumar is liable to retire by rotation and being eligible, offers himself for re-appointment.

Dr. Sreeram Srinivasan, President & Executive Director, resigned from the Board of Directors as he wishes to pursue other interests. Dr. Sreeram Srinivasan guided the Company since it was acquired by Tube Investments of India Ltd and led it through the transition years under the new Management. The foundation he laid in terms of customer goodwill and building a strong leadership team along with the various processes and systems put in place will help the Company in the years to come. The Board wishes to place on record its appreciation of the good work done by Dr. Sreeram Srinivasan during his tenure with the Company.

All Independent Directors have given a declaration that they meet the criteria of independence as laid down under section 149 (6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

Composition of Audit Committee and its terms of references are given in Report on Corporate Governance. Board has accepted all recommendations of Audit Committee.

### **Key Managerial Personnel**

Mr. Krishna Ramnath, was appointed as Chief Financial Officer with effect from 29<sup>th</sup> April, 2014. The remuneration and other particulars of Mr. Krishna Ramnath is included in extract of Annual Report in Form MGT 9 annexed as Annexure B.

### **Internal Control System and their Adequacy**

The Company has an Internal Control System, Commensurate with its size, scale and complexity of its operations. Audit Committee reviews internal audit reports and oversees the internal control system of the Company.

### **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 and to build a strong leadership pipeline for the present and several years into the future. The Company designed specific programs for building skills of its current employees, Graduate Engineer Trainees and Management Trainees. A Grow from Within program was also introduced to facilitate the growth of new entrants. Industrial Relations continued to be cordial and the first wage settlement with the Union was concluded amicably. Several unique features have been introduced to enhance and drive shop-floor productivity as a part of the settlement.

The Company had 562 permanent employees on its rolls, as on 31<sup>st</sup> March, 2015.

### **Corporate Social Responsibility Initiative**

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. As a part of Corporate Social Responsibility program the company has undertaken projects in the area of Education, Scientific Research, etc., List of CSR Activities, Composition of CSR Committee and CSR Policy is annexed herewith as Annexure A.

### **Extract of Annual Report**

The Details forming part of the extract of the Annual Report form MGT 9 is annexed herewith as Annexure B.

## **Meetings**

A Calendar of Meetings is prepared and circulated in advance to the Directors. During the Financial Year 2014-15 Six Board Meetings and Four Audit Committee Meetings were held. The details of which are given in the Corporate Governance Report.

## **Directors Responsibility Statement**

Directors Responsibility Statement is annexed herewith as Annexure C.

## **Remuneration Policy**

The Board has on recommendation of Nomination & Remuneration Committee formed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is annexed herewith as Annexure D.

## **Related Party Transactions**

All related party transactions that were entered during the year under review were on an arm's length basis and were in ordinary course of business. All related party transactions are placed before the Audit Committee for approval. The Policy on Related Party Transactions, as approved by the Board, is uploaded on the company's website. Weblink:<http://www.shanthigears.com/wp-content/themes/shanthi/pdf/Policy-on-Related-Party-Transactions.pdf>.

## **Board Evaluation**

The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

## **Vigil Mechanism/ Whistle Blower Policy**

The details of vigil mechanism/Whistle Blower policy is given in the Corporate Governance Report.

## **Particulars of Employees**

The information required pursuant to Section 197 (12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, will be provided upon request. In terms of Section 136 of the Act, the Report and Accounts are being sent to Members and others entitled thereto excluding the information on employees particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company upto the date of the ensuing Annual General Meeting. There are no employees drawing salaries in excess of the limit prescribed under Section 197 (12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rule, 2014.

## **Conservation of energy, Technology absorption and foreign exchange earnings and outgo**

Conservation of energy, Technology absorption and foreign exchange earnings and outgo is annexed herewith as Annexure E.

## **Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company has in place an anti sexual harassment policy in line with the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Compliance Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (Permanent, contractual, temporary and trainees) are covered under this policy. The company has not received any complaint about sexual harassment during the year 2014-15.

## **Auditors**

The Members appointed M/s Deloitte Haskins & Sells, the Statutory Auditors of the Company for a period of 4 years from the conclusion of 41<sup>st</sup> AGM (2014) till the conclusion of 45<sup>th</sup> AGM (2018). A resolution seeking ratification of the appointment of Statutory Auditors and remuneration payable to them for the financial year 2015-16 is included in the AGM Notice dated 29<sup>th</sup> April, 2015.

Mr. B Venkateswar, was appointed as Cost Auditor for audit of the Cost Accounting records of the Company for the year ended 31<sup>st</sup> March, 2016. A resolution seeking Members' ratification of the Remuneration payable to Cost Auditor is included in the AGM notice dated 29<sup>th</sup> April, 2015. The Cost Audit report will be filed within the stipulated period.

Mr. M.R.L Narasimha, Practicing Company Secretary was appointed to undertake the Secretarial Audit of the Company. The Report of Secretarial Audit is annexed herewith as Annexure F.

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, 2015

**M M Murugappan**  
Chairman

## Annexure A to the Board's Report

### ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. **A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes :**

CSR Policy is stated in point No.8 in this report

**Weblink :** <http://www.shanthigears.com/wp-content/themes/shanthi/pdf/CSR-Policy.pdf>

2. **Composition of CSR Committee:**

Mr. V Venkiteswaran, Chairman (Independent Director)

Mr. C R Swaminathan (Independent Director)

Dr. Sreeram Srinivasan, (President & Executive Director)

3. **Average Net Profit of the Company for the last three Financial Years:**

Average Net Profit : ₹ 29.47 Crores

4. **Prescribed CSR Expenditure (two percent of the amount as in item 3 above) :**

The Company is required to spend ₹ 0.59 Crores towards CSR

5. **Details of CSR spend for the financial Year :**

- a. Total amount spent for the financial year:

₹ 0.38 Crores

- b. Amount Unspent, if any:

₹ 0.21 Crores

Reason for unspent: Refer Note No.6 in this report

**c. Manner in which the amount spent during the financial year is detailed below:**

| Sl. No. | Project / Activities   | Sector                 | Location                | Amount Outlay (Budget) Project or programs wise | Amount Spent on the project of programs | Cumulative Expenditure Upto reporting period | Amount Spend: Direct or through implementing agency* |
|---------|--|------------------------|-------------------------|---|---|--|--|
|         |  |                        | District (States)       | ₹ Lakhs   | ₹ Lakhs                                 | ₹ Lakhs                                      | ₹ Lakhs  |
| 1       | Studies on Bio-energy from agro and other wastes for Rural India | Education              |                         | 30.00   | 30.00                                   | 30.00  | 30.00  |
| 2       | Girls Education Centres  | Education              | Raigarh (Chhatisgarh)   | 9.15  | 0.00                                    | 0.00   | 0.00   |
| 3       | Infrastructure for Government Schools                            | Education              | Coimbatore (Tamil Nadu) | 9.00  | 8.00                                    | 8.00   | 8.00   |
| 4       | Laying Roads and other infrastructure                            | Rural Development      | Coimbatore (Tamil Nadu) | 10.00   | 0.00                                    | 0.00   | 0.00   |
| 5       | Tree Plantation  | Conservation of Energy | Coimbatore (Tamil Nadu) | 0.85  | 0.00                                    | 0.00   | 0.000  |

\* Details of implementation agencies : 1) Shri AMM Murugappa Chettiar Research Centre 2) IIMPACT

**6. In case the Company has failed to spend two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report :**

The Company had identified projects amounting to ₹ 0.59 Crores. However, being the first year, all projects could not be completed due to lack of expertise and paucity of time. A mechanism to execute all identified projects in future has been put in place and will be overseen by the CSR Committee.

**7. The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.**

## 8. CSR Policy

### CSR POLICY

#### Preamble

The Murugappa Group is known for its tradition of philanthropy and community service. The Group's philosophy is to reach out to the community by establishing service-oriented philanthropic institutions in the field of education and healthcare as the core focus areas.

Shanthi Gears Limited has been upholding the Group's tradition by earmarking a part of its income for carrying out its social responsibilities. We believe that social responsibility is not just a corporate obligation that has to be carried out but it is one's *dharma*. Therefore, our philanthropic endeavours are a reflection of our spiritual conscience and this provides us a way to discharge our responsibilities to the various sections of the society. We have been carrying out Corporate Social Responsibility (CSR) activities through AMM Foundation, an autonomous charitable trust, in the field of Education and Healthcare, while also pursuing CSR activities for the benefit of the local community around our various areas of operation in the state of Tamil Nadu.

#### Corporate Social Responsibility Purpose Statement

The Company shall seek to impact the lives of the disadvantaged by supporting and engaging in activities that aim to improve their wellbeing. We are dedicated to the cause of empowering people, educating them and in improving their quality of life. While we will undertake programmes based on the identified needs of the community, education and healthcare shall remain our priority. Across the different programme areas identified by the company, it would be our endeavour to reach the disadvantaged and the marginalised sections of the society to make a meaningful impact on their lives. We are committed to identifying and supporting programmes aimed at:

- a) Empowerment of the disadvantaged sections of the society through education, access to and awareness about financial services and the like;
- b) Provision of access to basic necessities like healthcare, drinking water & sanitation and the like to underprivileged;
- c) Work towards eradicating hunger and poverty, through livelihood generation and skill development;
- d) Supporting environmental and ecological balance through afforestation, soil conservation, rain water harvesting, conservation of flora & fauna, and similar programme;
- e) Promotion of rural sports, nationally recognized sports, Paralympic sports and Olympic sports through training of sportspersons;
- f) Undertake rural development projects;
- g) Any other programme that falls under CSR purpose listed in Schedule VII of the Companies Act, 2013 amended from time to time and which are aimed at the empowerment of disadvantaged sections of the society.



### **Scope**

This policy will apply to all projects/programmes undertaken as part the Company's Corporate Social Responsibility and will be developed, reviewed and updated periodically with reference to relevant changes in corporate governance, international standards and sustainable and innovative practices. The policy will maintain compliance and alignment with the activities listed in Schedule VII and Section 135 of the Companies Act, 2013 and the rules framed there under.

### **Governance**

The approval of the CSR policy and oversight is the responsibility of the Company's Board of Directors. The responsibility of the CSR committee is to formulate the policy and to administer the policy through implementing partner(s) or via self-implementation. The CSR Committee shall provide guidelines for projects/partner selection to the respective HR or CSR teams, wherever applicable. The CSR committee is to ensure that projects/programmes are compliant with regulations and are monitored and reported effectively.

As the Company's CSR activities evolve, the policy may be revised by the CSR committee and approved by the Board of Directors.

### **CSR Expenditure**

The CSR Committee shall recommend to the Board the amount of expenditure to be incurred on the CSR activities to be undertaken by the company as approved by the Board.

In case of any surplus arising out of CSR projects, the same shall not form part of business profits of the Company.

### **Implementation**

The Company shall undertake CSR project/programmes identified by the CSR Committee and approved by the Board of Directors in line with the CSR Policy.

The Company shall implement its CSR programmes/projects :

- ❖ Through an implementation partner that can be a public charitable trust or a society registered under applicable Acts or a Company registered under Section 8 of the Companies Act, 2013; or
- ❖ On its own, through the relevant HR or CSR department or through its own foundation (if applicable) specifically created for implementing its CSR initiatives.

The Company may enter into partnerships or alliances with NGOs, Trusts, or other Corporate Foundations etc. to effectively implement its CSR programmes / projects.

The Company can also implement programme(s) in collaboration with other company(ies), if permissible and feasible in such a manner that the CSR Committee is in a position to report separately on such projects / programs.

The Company shall formulate criteria and procedure for selection, screening and due diligence of its implementing partners.

### **Monitoring and Reporting**

The CSR Committee will oversee the implementation and monitoring of all CSR projects/ programmes and periodic reports shall be provided for review to the Board.

The Company will institute a well-defined, transparent monitoring and review mechanism to ensure that each CSR project/programme has:

- a) Clear objectives developed out of the societal needs that may be determined through need assessment studies and research (secondary or primary);
- b) Clear targets, time lines and measurable indicators, wherever possible;

A progress monitoring and reporting framework that is aligned with the requirements of Section 135 of the Companies Act, 2013 and the CSR Rules.

**On behalf of the Board**

**MM Murugappan**  
Chairman

20<sup>th</sup> April, 2015  
Coimbatore

**On behalf of the  
Corporate Social Responsibility Committee**

**C R Swaminathan**  
Chairman of the Corporate Social  
Responsibility Committee

**Annexure B to the Board's Report****Form No. MGT-9****EXTRACT OF ANNUAL RETURN****as on the financial year ended on 31<sup>st</sup> March, 2015**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS**

- 1) CIN : L29130TZ1972PLC000649
- 2) Registration Date : 01/07/1972
- 3) Name of the Company : SHANTHI GEARS LIMITED
- 4) Category / Sub-Category of the Company : Manufacturing
- Address of the Registered office and contact details : 304-A, Trichy Road, Singanallur  
Coimbatore - 641 005, Tamil Nadu, India.
- 5) Whether listed company Yes / No : Yes
- 6) Name, Address and Contact details of Registrar and Transfer Agent, if any : M/s. S.K.D.C. Consultants Limited,  
Kanapathy Towers, 3<sup>rd</sup> Floor,  
1391/A-1, Sathy Road, Ganapathy  
Coimbatore - 641 006  
Tel : (0422) 6549995, 2539835-836  
Fax : (0422) 2539837  
E-mail : info@skdc-consultants.com

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10 % or turnover of the company shall be stated:-

| Sl. No. | Name and description of main products / service | NIC code of the product / service | % to total turnover of the company |
|---------|---|-----------------------------------|------------------------------------|
| 1       | Gears, Gear Boxes and Geared Motors             | 29131                             | 98.86%                             |

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

| Sl. No. | Name and address of the Company   | CIN / GLN             | Holding / Subsidiary / Associate | % of shares held | Applicable Section |
|---------|---|-----------------------|----------------------------------|------------------|--------------------|
| 1       | Tube Investments of India Ltd,<br>'Dare House',<br>234, NSC Bose Road,<br>Chennai - 600 001 | L35921TN1949PLC002905 | Holding Company                  | 70.12            | 2(46)              |

#### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

##### i) Category-wise Shareholding

| Category of shareholders  | No. of Shares held at the beginning of the year |              |                 |                   | No. of Shares held at the end of the year |             |                 |                   | % of change during the year |
|---|---|--------------|-----------------|-------------------|---|-------------|-----------------|-------------------|-----------------------------|
|   | Demat   | Physical     | Total           | % of Total Shares | Demat                                     | Physical    | Total           | % of Total Shares |                             |
| <b>A) Promoters</b>   |   |              |                 |                   |   |             |                 |                   |                             |
| <b>1) Indian</b>  |   |              |                 |                   |   |             |                 |                   |                             |
| a) Individuals/ Hindu Undivided Family                                      | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| b) Central Government/ State Government(s)                                  | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| c) Bodies Corporate   | 57302913  | -            | 57302913        | 70.125            | 57302913                                  | -           | 57302913        | 70.125            | -                           |
| d) Financial Institutions/ Banks  | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| e) Any Others(Specify)  | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| TRUSTS  | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| <b>Sub Total (A) (1)</b>  | <b>57302913</b>                                 | <b>-</b>     | <b>57302913</b> | <b>70.125</b>     | <b>57302913</b>                           | <b>-</b>    | <b>57302913</b> | <b>70.125</b>     | <b>-</b>                    |
| <b>2) Foreign</b>   |   |              |                 |                   |   |             |                 |                   |                             |
| a) Individuals (Non-Residents Individuals/ Foreign Individuals)             | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| b) Bodies Corporate   | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| c) Institutions   | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| d) Qualified Foreign Investor   | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| e) Any Others(Specify)  | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| <b>Sub Total(A)(2)</b>  | <b>-</b>  | <b>-</b>     | <b>-</b>        | <b>-</b>          | <b>-</b>                                  | <b>-</b>    | <b>-</b>        | <b>-</b>          | <b>-</b>                    |
| <b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b> | <b>57302913</b>                                 | <b>-</b>     | <b>57302913</b> | <b>70.125</b>     | <b>57302913</b>                           | <b>-</b>    | <b>57302913</b> | <b>70.125</b>     | <b>-</b>                    |
| <b>B) Public shareholding</b>   |   |              |                 |                   |   |             |                 |                   |                             |
| <b>1) Institutions</b>  |   |              |                 |                   |   |             |                 |                   |                             |
| a) Mutual Funds/ UTI  | 43019   | 6950         | 49969           | 0.061             | 5028288                                   | 4000        | 5032288         | 6.158             | 6.097                       |
| b) Financial Institutions / Banks   | -   | 4000         | 4000            | 0.005             | 28383                                     | 2000        | 30383           | 0.037             | 0.032                       |
| c) Central Government/ State Government(s)                                  | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| d) Venture Capital Funds  | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| e) Insurance Companies  | 1888553   | -            | 1888553         | 2.311             | 554682                                    | -           | 554682          | 0.679             | -1.632                      |
| f) Foreign Institutional Investors  | 1550000   | 2000         | 1552000         | 1.899             | 69919                                     | 2000        | 71919           | 0.088             | -1.811                      |
| g) Foreign Venture Capital Investors  | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| h) Qualified Foreign Investor   | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| i) Any Other (specify)  |   |              |                 |                   |   |             |                 |                   |                             |
| FOREIGN FINANCIAL INSTITUTIONS/BANKS  | 3000  | -            | 3000            | 0.004             | 3000                                      | -           | 3000            | 0.004             | -                           |
| FOREIGN PORTFOLIO INVESTMENT - CORPORATE                                    | -   | -            | -               | -                 | -   | -           | -               | -                 | -                           |
| <b>Sub-Total (B)(1)</b>   | <b>3484572</b>                                  | <b>12950</b> | <b>3497522</b>  | <b>4.280</b>      | <b>5684272</b>                            | <b>8000</b> | <b>5692272</b>  | <b>6.966</b>      | <b>2.686</b>                |

| Category of shareholders   | No. of Shares held at the beginning of the year |                |                 |                   | No. of Shares held at the end of the year |                |                 |                   | % of change during the year |
|--|---|----------------|-----------------|-------------------|---|----------------|-----------------|-------------------|-----------------------------|
|  | Demat   | Physical       | Total           | % of Total Shares | Demat                                     | Physical       | Total           | % of Total Shares |                             |
| <b>2) Non-institutions</b>   |   |                |                 |                   |   |                |                 |                   |                             |
| <b>a) Bodies Corporate</b>   |   |                |                 |                   |   |                |                 |                   |                             |
| i) Indian  | 1660282   | 26760          | 1687042         | 2.065             | 1506712                                   | 15750          | 1522462         | 1.863             | -0.202                      |
| ii) Overseas   | -   | -              | -               | -                 | -   | -              | -               | -                 | -                           |
| <b>b) Individuals</b>  |   |                |                 |                   |   |                |                 |                   |                             |
| i) Individual shareholders holding nominal share capital up to Rs 1 lakh           | 10600737  | 2312557        | 12913294        | 15.802            | 9672582                                   | 1617557        | 11290139        | 13.816            | -1.986                      |
| ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh. | 4912752   | -              | 4912752         | 6.012             | 4638510                                   | -              | 4638510         | 5.676             | -0.336                      |
| <b>c) Others (specify)</b>   |   |                |                 |                   |   |                |                 |                   |                             |
| TRUSTS   | 3000  | -              | 3000            | 0.004             | -   | -              | -               | -                 | -0.004                      |
| DIRECTORS & THEIR RELATIVES  | 5000  | 5000           | 10000           | 0.012             | 5000                                      | 5000           | 10000           | 0.012             | 0.000                       |
| NON RESIDENT INDIANS   | 749238  | 23480          | 772718          | 0.946             | 605093                                    | 16740          | 621833          | 0.761             | -0.185                      |
| CLEARING MEMBERS   | 101634  | -              | 101634          | 0.124             | 126546                                    | -              | 126546          | 0.155             | 0.031                       |
| HINDU UNDIVIDED FAMILIES   | 514185  | -              | 514185          | 0.629             | 510385                                    | -              | 510385          | 0.625             | -0.004                      |
| FOREIGN CORPORATE BODIES   | 793   | -              | 793             | 0.001             | 793                                       | -              | 793             | 0.001             | -                           |
| <b>Sub - Total ( B ) ( 2 )</b>   | <b>18547621</b>                                 | <b>2367797</b> | <b>20915418</b> | <b>25.595</b>     | <b>17065621</b>                           | <b>1655047</b> | <b>18720668</b> | <b>22.909</b>     | <b>-2.686</b>               |
| <b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>                             | <b>22032193</b>                                 | <b>2380747</b> | <b>24412940</b> | <b>29.875</b>     | <b>22749893</b>                           | <b>1663047</b> | <b>24412940</b> | <b>29.875</b>     | <b>-</b>                    |
| <b>C. Shares held by Custodian for GDRs &amp; AD</b>                               | <b>-</b>  | <b>-</b>       | <b>-</b>        | <b>-</b>          | <b>-</b>                                  | <b>-</b>       | <b>-</b>        | <b>-</b>          | <b>-</b>                    |
| <b>GRAND TOTAL ( A ) + ( B ) + ( C )</b>   | <b>79335106</b>                                 | <b>2380747</b> | <b>81715853</b> | <b>100.000</b>    | <b>80052806</b>                           | <b>1663047</b> | <b>81715853</b> | <b>100.000</b>    | <b>-</b>                    |

## ii) Shareholding of Promoters

| Shareholders Name             | No. of Shares held at the beginning of the year |          |                 |                   | No. of Shares held at the end of the year |          |                 |                   | % of change during the year |
|-------------------------------|---|----------|-----------------|-------------------|---|----------|-----------------|-------------------|-----------------------------|
|                               | Demat   | Physical | Total           | % of Total Shares | Demat                                     | Physical | Total           | % of Total Shares |                             |
| TUBE INVESTMENTS OF INDIA LTD | 57296413  | -        | 57296413        | 70.117            | 57296413                                  | -        | 57296413        | 70.117            | -                           |
| PRESSMET PVT LTD.             | 6500  | -        | 6500            | 0.008             | 6500                                      | -        | 6500            | 0.008             | -                           |
| <b>Total</b>                  | <b>57302913</b>                                 | <b>-</b> | <b>57302913</b> | <b>70.125</b>     | <b>57302913</b>                           | <b>-</b> | <b>57302913</b> | <b>70.125</b>     | <b>-</b>                    |

## iii) Change in Promoters' Shareholding (please specify, if there is no change)

| Shareholding at the beginning of the year   |                           |                                  | Cumulative shareholding during the year |                                  |
|---|---------------------------|----------------------------------|---|----------------------------------|
|   | No. of Shares             | % of total shares of the Company | No. of Shares                           | % of total shares of the Company |
| At the beginning of the year  | 57302913                  | 70.12%                           | 57302913                                | 70.12%                           |
| Datewise Increase/ Decrease in Promoters shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus /sweat equity etc.,) | No Change during the year |                                  |   |                                  |
| At the end of the year  | 57302913                  | 70.12%                           | 57302913                                | 70.12%                           |

**iv) Shareholding Pattern of top ten Shareholders (Other than Directors, Promoters and Holders of GDRs and ADRs)**

| Sl. No. | For each of of top 10 shareholders Name,<br>Date & Reason for change |             | Shareholding at the<br>beginning of the<br>year (01-04-2014) |      | Cumulative<br>shareholding<br>during the year |      |
|---------|--|-------------|--|------|---|------|
|         |  |             | No. of Shares  | %    | No. of Shares                                 | %    |
| 1       | NATIONAL INSURANCE COMPANY LTD                                       |             | 1254682  | 1.54 | 1254682                                       | 1.54 |
| Less    | 13/06/2014   | Market Sale | 35489  | 0.04 | 1219193                                       | 1.49 |
| Less    | 30/06/2014   | Market Sale | 50000  | 0.06 | 1169193                                       | 1.43 |
| Less    | 04/07/2014   | Market Sale | 54169  | 0.07 | 1115024                                       | 1.36 |
| Less    | 18/07/2014   | Market Sale | 100000   | 0.12 | 1015024                                       | 1.24 |
| Less    | 25/07/2014   | Market Sale | 160342   | 0.20 | 854682  | 1.05 |
| Less    | 22/08/2014   | Market Sale | 200000   | 0.24 | 654682  | 0.80 |
| Less    | 29/08/2014   | Market Sale | 100000   | 0.12 | 554682  | 0.68 |
|         | At the end of the year (31-03-2015)                                  |             | N.A.   | N.A. | 554682  | 0.68 |
| 2       | DURGESH S SHAH   |             | 750000   | 0.92 | 750000  | 0.92 |
|         | At the end of the year (31-03-2015)                                  |             | N.A.   | N.A. | 750000  | 0.92 |
| 3       | DHANESH S SHAH   |             | 750000   | 0.92 | 750000  | 0.92 |
|         | At the end of the year (31-03-2015)                                  |             | N.A.   | N.A. | 750000  | 0.92 |
| 4       | NIMESH SUMATILAL   |             | 750000   | 0.92 | 750000  | 0.92 |
|         | At the end of the year (31-03-2015)                                  |             | N.A.   | N.A. | 750000  | 0.92 |
| 5       | HDFC STANDARD LIFE INSURANCE COMPANY                                 |             | 633871   | 0.78 | 633871  | 0.78 |
| Less    | 04/04/2014   | Market Sale | 633871   | 0.78 | -   | -    |
|         | At the end of the year (31-03-2015)                                  |             | N.A.   | N.A. | -   | -    |
| 6       | ACACIA PARTNERS, LP  |             | 600000   | 0.73 | 600000  | 0.73 |
| Less    | 23/01/2015   | Market Sale | 600000   | 0.73 | -   | -    |
|         | At the end of the year (31-03-2015)                                  |             | N.A.   | N.A. | -   | -    |
| 7       | DIXIT GUNVANTRAI SHAH  |             | 525000   | 0.64 | 525000  | 0.64 |
|         | At the end of the year (31-03-2015)                                  |             | N.A.   | N.A. | 525000  | 0.64 |
| 8       | ACACIA INSTITUTIONAL PARTNERS, LP                                    |             | 370100   | 0.45 | 370100  | 0.45 |
| Less    | 23/01/2015   | Market Sale | 370100   | 0.45 | -   | -    |
|         | At the end of the year (31-03-2015)                                  |             | N.A.   | N.A. | -   | -    |
| 9       | ACACIA CONSERVATION FUND LP  |             | 255000   | 0.31 | 255000  | 0.31 |
| Less    | 23/01/2015   | Market Sale | 255000   | 0.31 | -   | -    |
|         | At the end of the year (31-03-2015)                                  |             | N.A.   | N.A. | -   | -    |
| 10      | ACACIA BANYAN PARTNERS   |             | 229900   | 0.28 | 229900  | 0.28 |
| Less    | 23/01/2015   | Market Sale | 229900   | 0.28 | -   | -    |
|         | At the end of the year (31-03-2015)                                  |             | N.A.   | N.A. | -   | -    |

| Sl. No. | For each of of top 10 shareholders Name,<br>Date & Reason for change |                 | Shareholding at the<br>beginning of the<br>year (01-04-2014) |      | Cumulative<br>shareholding<br>during the year |      |
|---------|--|-----------------|--|------|---|------|
|         |  |                 | No. of Shares  | %    | No. of Shares                                 | %    |
| 11      | SBI INFRASTRUCTURE FUND  |                 | -  | -    | -   | -    |
| Add     | 29/08/2014   | Market Purchase | 287784   | 0.35 | 287784  | 0.35 |
| Add     | 05/09/2014   | Market Purchase | 13076  | 0.02 | 300860  | 0.37 |
| Add     | 12/09/2014   | Market Purchase | 145507   | 0.18 | 446367  | 0.55 |
| Add     | 19/09/2014   | Market Purchase | 59183  | 0.07 | 505550  | 0.62 |
| Add     | 17/10/2014   | Market Purchase | 9967   | 0.01 | 515517  | 0.63 |
| Add     | 24/10/2014   | Market Purchase | 22378  | 0.03 | 537895  | 0.66 |
| Add     | 31/10/2014   | Market Purchase | 75000  | 0.09 | 612895  | 0.75 |
| Add     | 07/11/2014   | Market Purchase | 30219  | 0.04 | 643114  | 0.79 |
| Add     | 14/11/2014   | Market Purchase | 29066  | 0.04 | 672180  | 0.82 |
| Add     | 21/11/2014   | Market Purchase | 236058   | 0.29 | 908238  | 1.11 |
| Add     | 28/11/2014   | Market Purchase | 147742   | 0.18 | 1055980                                       | 1.29 |
| Add     | 05/12/2014   | Market Purchase | 27643  | 0.03 | 1083623                                       | 1.33 |
| Add     | 12/12/2014   | Market Purchase | 78050  | 0.10 | 1161673                                       | 1.42 |
| Add     | 19/12/2014   | Market Purchase | 119420   | 0.15 | 1281093                                       | 1.57 |
| Add     | 31/12/2014   | Market Purchase | 63230  | 0.08 | 1344323                                       | 1.65 |
| Add     | 02/01/2015   | Market Purchase | 555677   | 0.68 | 1900000                                       | 2.33 |
| Add     | 13/02/2015   | Market Purchase | 25000  | 0.03 | 1925000                                       | 2.36 |
|         | At the end of the year (31-03-2015)                                  |                 | N.A.   | N.A. | 1925000                                       | 2.36 |
| 12      | SBI SMALL AND MIDCAP FUND  |                 | -  | -    | -   | -    |
| Add     | 22/08/2014   | Market Purchase | 184472   | 0.23 | 184472  | 0.23 |
| Add     | 29/08/2014   | Market Purchase | 324542   | 0.40 | 509014  | 0.62 |
| Add     | 05/09/2014   | Market Purchase | 4357   | 0.01 | 513371  | 0.63 |
| Add     | 30/09/2014   | Market Purchase | 14978  | 0.02 | 528349  | 0.65 |
| Add     | 03/10/2014   | Market Purchase | 5149   | 0.01 | 533498  | 0.65 |
| Add     | 10/10/2014   | Market Purchase | 32786  | 0.04 | 566284  | 0.69 |
| Add     | 17/10/2014   | Market Purchase | 45773  | 0.06 | 612057  | 0.75 |
| Add     | 24/10/2014   | Market Purchase | 22379  | 0.03 | 634436  | 0.78 |
| Add     | 31/10/2014   | Market Purchase | 75000  | 0.09 | 709436  | 0.87 |
| Add     | 07/11/2014   | Market Purchase | 30220  | 0.04 | 739656  | 0.91 |
| Add     | 14/11/2014   | Market Purchase | 50344  | 0.06 | 790000  | 0.97 |
| Add     | 09/01/2015   | Market Purchase | 30225  | 0.04 | 820225  | 1.00 |
| Add     | 16/01/2015   | Market Purchase | 47670  | 0.06 | 867895  | 1.06 |
| Add     | 23/01/2015   | Market Purchase | 722105   | 0.88 | 1590000                                       | 1.95 |
|         | At the end of the year (31-03-2015)                                  |                 | N.A.   | N.A. | 1590000                                       | 1.95 |

| Sl. No. | For each of of top 10 shareholders Name,<br>Date & Reason for change |                 | Shareholding at the<br>beginning of the<br>year (01-04-2014) |      | Cumulative<br>shareholding<br>during the year |      |
|---------|--|-----------------|--|------|---|------|
|         |  |                 | No. of Shares  | %    | No. of Shares                                 | %    |
| 13      | SBI MAGNUM BALANCED FUND   |                 | -  | -    | -   | -    |
| Add     | 23/01/2015   | Market Purchase | 695000   | 0.85 | 695000  | 0.85 |
|         | At the end of the year (31-03-2015)                                  |                 | N.A.   | N.A. | 695000  | 0.85 |
| 14      | MEENAXI N MEHTA  |                 | 202000   | 0.25 | 202000  | 0.25 |
| Add     | 18/04/2014   | Market Purchase | 48000  | 0.06 | 250000  | 0.31 |
| Add     | 23/05/2014   | Market Purchase | 50000  | 0.06 | 300000  | 0.37 |
|         | At the end of the year (31-03-2015)                                  |                 | N.A.   | N.A. | 300000  | 0.37 |
| 15      | SUNDARAM MUTUAL FUND A/C   |                 |  |      |   |      |
|         | SUNDARAM SELECT MICR   |                 | -  | -    | -   | -    |
| Add     | 31/10/2014   | Market Purchase | 3716   | -    | 3716  | -    |
| Add     | 07/11/2014   | Market Purchase | 280228   | 0.34 | 283944  | 0.35 |
|         | At the end of the year (31-03-2015)                                  |                 | N.A.   | N.A. | 283944  | 0.35 |

**v) Shareholding of Directors and Key Managerial Personnel**

| For each Director and KMP   | Shareholding at the<br>beginning of the year |                                     | Cumulative shareholding<br>during the year |                                     |
|---|--|-------------------------------------|--|-------------------------------------|
|   | No. of Shares                                | % of total shares<br>of the Company | No. of Shares                              | % of total shares<br>of the Company |
| <b>Mr. C R Swaminathan, Director</b>  |  |                                     |  |                                     |
| At the beginning of the year  | 5000   | 0.01%                               | 5000                                       | 0.01%                               |
| Datewise Increase/ Decrease in Promoters shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus /sweat equity etc.,) | NIL  |                                     |  |                                     |
| At the end of the year  | 5000   | 0.01%                               | 5000                                       | 0.01%                               |
| <b>Mr. V Venkiteswaran, Director</b>  |  |                                     |  |                                     |
| At the beginning of the year  | 5000   | 0.01%                               | 5000                                       | 0.01%                               |
| Datewise Increase/ Decrease in Promoters shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus /sweat equity etc.,) | NIL  |                                     |  |                                     |
| At the end of the year  | 5000   | 0.01%                               | 5000                                       | 0.01%                               |

**Note :** Other than the above, none of the Directors and KMPs held shares at the beginning, during and end of the financial year 2014-15.



## V) INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

|   | Secured Loans<br>excluding<br>deposits | Unsecured<br>Loans | Deposits | Total<br>Indebtness |
|---|--|--------------------|----------|---------------------|
| Indebtness at the beginning of the financial year   |  |                    |          |                     |
| i) Principal amount<br>ii) Interest due but not paid<br>iii) Interest accrued but not due<br>Total (i+ii+iii) | NIL                                    |                    |          |                     |
| Changes in indebtness during the financial year   |  |                    |          |                     |
| Addition<br>Reduction<br>Net Change   | NIL                                    |                    |          |                     |
| Indebtness at the end of the financial year   |  |                    |          |                     |
| i) Principal amount<br>ii) Interest due but not paid<br>iii) Interest accrued but not due<br>Total (i+ii+iii) | NIL                                    |                    |          |                     |

## VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### a) Remuneration to Managing Director, Whole-time Directors and/or Manager

During the financial year 2014-15, no remuneration was paid to President & Executive Director

### b) Remuneration to other Directors

#### 1. Independent Directors

(₹ Lakhs)

| Particulars of<br>Remuneration                      | Mr.<br>C R Swaminathan | Mr.<br>J Balmurugan | Mr.<br>V. Venkiteswaran | Ms.<br>Soundara Kumar | Total        |
|---|------------------------|---------------------|-------------------------|-----------------------|--------------|
| Fees for attending<br>Board / Committee<br>Meetings | 0.95                   | 0.75                | 0.65                    | N. A.                 | 2.35         |
| Commission  | 3.00                   | 3.00                | 3.00                    | N. A.                 | 9.00         |
| Others  | NIL                    | NIL                 | NIL                     | N. A.                 | NIL          |
| <b>TOTAL (B) (1)</b>                                | <b>3.95</b>            | <b>3.75</b>         | <b>3.65</b>             | <b>N. A.</b>          | <b>11.35</b> |

## 2. Other Non - Executive Directors

(₹ Lakhs)

| Particulars of Remuneration                   | Mr. M M Murugappan | Mr. L Ramkumar | Total        |
|---|--------------------|----------------|--------------|
| Fees for attending Board / Committee Meetings | 0.55               | NIL            | 0.55         |
| Commission                                    | 3.00               | NIL            | 3.00         |
| Others  | NIL                | NIL            | NIL          |
| <b>TOTAL (B) (2)</b>                          | <b>3.55</b>        | <b>NIL</b>     | <b>3.55</b>  |
| <b>TOTAL (B) (1)+(B)(2)</b>                   |                    |                | <b>14.90</b> |

Note : Overall Ceiling as per the Companies Act, 1956 ₹ 18.38 Lakhs

## c) Remuneration to Key Managerial personnel other than MD / Manager / WTD

(₹ Lakhs)

| Sl.No. | Particulars of Remuneration   | Key Managerial Personnel   |  |              |
|--------|---|--|--|--------------|
|        |   | Mr. Krishna Ramnath<br>Vice President &<br>Chief Financial Officer | Mr. C Subramaniam<br>Company Secretary | Total Amount |
| 1      | Gross Salary  |  |  |              |
|        | a) Salary as per the provision contained in Section 17(1) of the Income Tax Act, 1961 | 42.06  | 11.20                                  | 53.26        |
|        | b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961               | 4.93   | -                                      | 4.93         |
|        | c) Profit in lieu of salary under Section 17(3) of the Income Tax Act, 1961           | -  | -                                      | -            |
| 2      | Stock options   | -  | -                                      | -            |
| 3      | Sweat Equity  | -  | -                                      | -            |
| 4      | Commission  | -  | -                                      | -            |
|        | - as % of profit  | -  | -                                      | -            |
|        | - others, specify   | -  | -                                      | -            |
| 5      | Others, please specify  | -  | -                                      | -            |
|        | <b>TOTAL ( C )</b>  | <b>46.99</b>   | <b>11.20</b>                           | <b>58.19</b> |

## VII) PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

| Type                               | Section of the Companies Act | Brief Description | Details of Penalty / Punishment / Compounding fees imposed | Authority (RD/NCLT/ COURT) | Appeal made, if any (give details) |
|------------------------------------|------------------------------|-------------------|--|----------------------------|------------------------------------|
| <b>A. COMPANY</b>                  |                              |                   |  |                            |                                    |
| Penalty                            | NIL                          |                   |  |                            |                                    |
| Punishment                         |                              |                   |  |                            |                                    |
| Compounding                        |                              |                   |  |                            |                                    |
| <b>B. DIRECTOR</b>                 |                              |                   |  |                            |                                    |
| Penalty                            | NIL                          |                   |  |                            |                                    |
| Punishment                         |                              |                   |  |                            |                                    |
| Compounding                        |                              |                   |  |                            |                                    |
| <b>C. OTHER OFFICER IN DEFAULT</b> |                              |                   |  |                            |                                    |
| Penalty                            | NIL                          |                   |  |                            |                                    |
| Punishment                         |                              |                   |  |                            |                                    |
| Compounding                        |                              |                   |  |                            |                                    |

On behalf of the Board

Coimbatore  
29<sup>th</sup> April, 2015

**M M Murugappan**  
Chairman

## Annexure C to the Board's Report

### Directors' Responsibility Statement

(Pursuant to Section 134 (3) (c) of the Companies Act, 2013)

Pursuant to Section 134 (3) (c) of the Companies Act, 2013, 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, 2015 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, 2013 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 compliance 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.
- that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively.
- the systems to ensure compliances with the provisions of all applicable laws were in place and were adequate and operating effectively.
- the financial statements have been audited by Messrs. Deloitte Haskins & Sells, Statutory Auditors and their report is appended thereto.

On behalf of the Board

Coimbatore  
29<sup>th</sup> April, 2015

**M M Murugappan**  
Chairman

## **Annexure D to the Board's Report**

### **Remuneration Policy**

#### **1. Preamble**

This Remuneration Policy provides the framework for remuneration of members of the Board of Directors, Key Managerial Personnel and other employees of the Company.

This Policy is guided by the principles and objectives as enumerated in Section 178 of the Companies Act, 2013 to ensure reasonableness and sufficiency of remuneration to attract, retain and motivate competent resources, a clear relationship of remuneration to performance and a balance between rewarding short and long-term performance of the Company.

This Policy reflects the remuneration philosophy and principles of the Murugappa Group and considers the pay and employment conditions with peers/competitive market to ensure that pay structures are appropriately aligned.

#### **2. Remuneration of Non-Executive Directors**

2.1 Non-Executive Directors ("NEDs") are paid remuneration by way of Sitting Fees and Commission.

2.2 As approved by the shareholders, Commission is paid at a rate not exceeding 1% per annum of the profits of the Company computed in accordance with Section 198 of the Companies Act, 2013. The Commission paid is restricted to a fixed sum within the above limit annually on the basis of their tenor in office during the financial year.

2.3 The payment of the Commission to the NEDs is placed before the Board every year for its consideration and approval.

The sitting fee payable to the NEDs for attending the Board and Committee meetings is fixed subject to the statutory ceiling. The fee is reviewed periodically and aligned to comparable best in class companies.

2.4 Keeping with evolving trends in industries and considering the time and efforts spent by specific Non-executive Directors, the practice of paying differential commission is considered by the Board.

#### **3. Remuneration of Executive Director**

3.1 The compensation paid to the Executive Directors (including Managing Director) is within the scale approved by the Shareholders. The elements of the total compensation are approved by the N&R ("Nomination & Remuneration") Committee within the overall limits specified under the Companies Act, 2013.

3.2 The elements of compensation of the Executive Director include the elements as described in 4 below.

- 3.3 The N&R Committee determines the annual variable pay compensation in the form of annual incentive and annual increment for the Executive Director based on Company's and individual's performance as against the pre-agreed objectives for the year.
- 3.4 The Executive Director, except a promoter director, is also eligible for ESOPs as per the scheme in force from time to time. Grants under the Scheme shall be approved by the N&R Committee.
- 3.5 In case of inadequacy of profit in any financial year, the remuneration payable to the Executive Director shall be further subject to the relevant provisions of the Companies Act, 2013.
- 3.6 Executive Directors will not be paid sitting fees for any Board/ Committee meetings attended by them.

#### **4. Remuneration to Key Managerial Personnel/Other Employees**

- 4.1 The Company's total compensation for Key Managerial Personnel/other employees consists of:
  - ❖ fixed compensation
  - ❖ variable compensation in the form of annual incentive
  - ❖ benefits
  - ❖ work related facilities and perquisites.
- 4.2 In addition, select senior executives are eligible for long-term incentive plan in the form of ESOPs, as per the scheme in force from time to time. Grants under the Scheme are approved by the N&R Committee.
- 4.3 Fixed compensation is determined on the basis of size and scope of the job typically as reflected by the level or grade of the job, trends in the market value of the job and the skills, experience and performance of the employee. Fixed compensation includes Basic Salary, Housing Allowance, Leave Travel Allowance and a cash allowance.
- 4.4 The Annual Incentive (variable pay) of executives is linked directly to the performance of the Business Unit and the Company in accordance with the Employees Incentive Scheme of the Company.
- 4.5 Based on the grade and seniority of employees, benefits for employees include:
  - 4.5.1 Health-related:
    - (a) Health (hospitalization) insurance
    - (b) Accident and Life insurance
  - 4.5.2 Retirement-related:
    - (a) Contribution to a Superannuation Fund (in addition to statutory benefits such as Provident Fund account, Gratuity etc).

- 4.6 Employees are also eligible for work related facilities and perquisites as may be determined through HR policies issued from time to time based on the Grade of the employee.
- 4.7 A formal annual performance management process is applicable to all employees, including senior executives. Annual increases in fixed and variable compensation of individual executives are directly linked to the performance ratings of individual employee.
- 4.8 Overall compensation shall be subject to periodic reviews which takes into account data from compensation surveys conducted by specialist firms, as well as factors such as affordability based on the Company's performance and the economic environment.
- 4.9 Employees may be eligible for ESOPs as per the ESOP program approved by the Shareholders and in force from time to time. The objective of the ESOP scheme will be to reward employees for their contribution to the long term growth and profitability of the Company by providing a platform to share the value they create for the Company.
- 4.10 Employees may be eligible for severance payments in accordance with the termination clause in their employment agreement subject to applicable regulatory requirements.

## **5. Adoption, Changes and Disclosure of Information**

- 5.1 This Remuneration Policy and any changes thereof are approved by the Board of Directors based on the recommendation(s) of the N&R Committee.
- 5.2 The Policy may be reviewed at such intervals as the Board or N&R Committee may deem necessary.
- 5.3 Such disclosures of this Remuneration Policy as may be required under the Companies Act, 2013 and the Listing Agreement may be made.

**On behalf of the Board**

Coimbatore  
29<sup>th</sup> April, 2015

**M M Murugappan**  
Chairman

## Annexure E to the Board's 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 revamped furnaces and replaced street lights from sodium vapour to compact fluorescent lamps. The Company also installed LED lights in various places. Based on the findings of an energy audit, conservation measures have been taken to reduce power used by compressors, cooling pipeline, oil coolers, pumps, painting booth, idle running, Air Conditioners, hydraulic pumps and lighting.

### Green Power

The Company has 9 windmills with a total rated capacity of 6.7 MW. The total number of units of electricity generated from these windmills was around 100.65 lakhs units. This generation helped the Company not only in tiding over the shortage in power but also in reducing its cost.

The Company has also installed solar panels for a rated capacity of 100 KW. The number of units generated through this source was around 1.35 lakhs units.

The Company does not have Technology Transfer Agreements / collaboration agreements with respect to its product line.

### Foreign Exchange Earnings and Outgo

|                         | (₹ Crores) |
|-------------------------|------------|
| Foreign Exchange Earned | 13.75      |
| Foreign Exchange Outgo  | 1.28       |

On behalf of the Board

Coimbatore  
29<sup>th</sup> April, 2015

**M M Murugappan**  
Chairman



## **Annexure F to the Board's Report**

### **Form No. MR - 3**

### **SECRETARIAL AUDIT REPORT**

**For the financial year ended 31<sup>st</sup> March, 2015**

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies  
(Appointment and Remuneration Personnel) Rules, 2014]

To,

The Members,  
Shanthi Gears Limited

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Shanthi Gears Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Shanthi Gears Limited books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2015 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Shanthi Gears Limited ("the Company") for the financial year ended on 31<sup>st</sup> March, 2015 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

- b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (vi) The other laws applicable specifically to the company:
- 1 Factories Act, 1948
  - 2 Apprentice Act, 1961
  - 3 Industrial Dispute Act, 1947
  - 4 The Industrial Employment (Statutory Orders) Act, 1946
  - 5 Minimum Wages Act, 1948
  - 6 Payment of Bonus Act, 1965
  - 7 Payment of Gratuity Act, 1972
  - 8 Workmen's Compensation Act, 1923
  - 9 Air (Prevention and Control of Pollution) Act, 1981
  - 10 Water (Prevention and Control of Pollution) Act, 1974
  - 11 Environment Protection Act, 1986 and all other environmental laws.
  - 12 All other Labour related Acts
  - 13 Employees Provident Funds & Miscellaneous Provisions Act, 1952
  - 14 Employees State Insurance Act, 1948
  - 15 Indian Contract Act, 1872
  - 16 Negotiable Instruments Act
  - 17 Indian Stamp Act, 1899
  - 18 Electricity Act, 1910
  - 19 Central Excise Act, 1944
  - 20 Customs Act, 1962
  - 21 Service Tax Rules
  - 22 Imports & Exports (Control) Act, 1947
  - 23 Foreign Trade (Development /& Regulations) Act, 1992

- 24 Central Sales Tax Act, 1956
- 25 Local Sales Tax Act
- 26 Motor Vehicles Act
- 27 Income Tax Act, 1961
- 28 Wealth Tax Act, 1957

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**I further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

**I further report that** there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**I further report that** during the audit period the company has passed special resolution U/s.180 (1)(c) and 180(1)(a) of The Companies Act, 2013 at Annual General Meeting held on 26<sup>th</sup>, July, 2014

Coimbatore  
29<sup>th</sup> April, 2015

Name of Company Secretary in practice : **M. R. L. Narasimha**  
ACS/FCS No. 2851  
C P No. 799

## **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, 2015, the Statement of Profit and Loss, 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 Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

## 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, of the state of affairs of the Company as at 31<sup>st</sup> March, 2015, and its profit and its cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that :
  - a) We have sought and 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 27 to the financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by 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, 2015

## 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 (v) and (xi) of paragraph 3 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.
- (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 not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013.
- (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) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended and prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, *prima facie*, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vi) According to the information and explanations given to us, in respect of statutory dues:
  - a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.

- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrears as at March 31, 2015 for a period of more than six months from the date they became payable.
- c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax and Cess which have not been deposited as on March 31, 2015 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 |
| Income tax Act         | Demand on Dividend distribution tax             | Joint Commissioner of Income tax, Range III    | 2010-11                            | ₹ 0.03 crores                                |

- d) The Company has been regular in transferring amounts to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and Rules made thereunder within time.
- vii) The Company does not have accumulated losses at the end of the financial year and the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- viii) In our opinion and according to the information and explanations given to us, the Company has not taken any loans from financial institutions and banks and the Company has not issued any debentures.
- ix) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
- x) 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  
Membership No. 23418

Coimbatore, 29<sup>th</sup> April, 2015

## Balance Sheet

₹ Crores

| Particulars                        | Note No. | As At 31.03.2015 | As At 31.03.2014 |
|------------------------------------|----------|------------------|------------------|
| <b>I. EQUITY AND LIABILITIES</b>   |          |                  |                  |
| <b>(1) Shareholders' Funds</b>     |          |                  |                  |
| a) Share Capital                   | 2        | 8.17             | 8.17             |
| b) Reserves and Surplus            | 3        | 262.57           | 258.23           |
| <b>(2) Non-current Liabilities</b> |          |                  |                  |
| a) Deferred Tax Liabilities (Net)  | 4        | 0.86             | 2.51             |
| b) Other Long Term Liabilities     | 5        | 0.09             | 0.10             |
| c) Long Term Provisions            | 6        | 0.10             | 0.10             |
| <b>(3) Current Liabilities</b>     |          |                  |                  |
| a) Trade Payables                  | 7        | 23.55            | 19.01            |
| b) Other Current Liabilities       | 8        | 10.81            | 9.49             |
| c) Short Term Provisions           | 9        | 0.14             | 0.16             |
| <b>TOTAL</b>                       |          | <b>306.29</b>    | <b>297.77</b>    |
| <b>II. ASSETS</b>                  |          |                  |                  |
| <b>(1) Non-current Assets</b>      |          |                  |                  |
| a) Fixed Assets                    |          |                  |                  |
| i) Tangible Assets                 | 10       | 80.80            | 93.96            |
| ii) Intangible Assets              | 11       | 0.85             | 1.06             |
| iii) Capital Work-in-Progress      |          | 3.61             | 3.60             |
| b) Long Term Loans and Advances    | 12       | 5.83             | 3.42             |
| <b>(2) Current Assets</b>          |          |                  |                  |
| a) Current Investments             | 13       | 15.54            | 50.16            |
| b) Inventories                     | 14       | 65.45            | 48.24            |
| c) Trade Receivables               | 15       | 37.03            | 27.08            |
| d) Cash and Bank Balances          | 16       | 89.09            | 59.78            |
| e) Short Term Loans and Advances   | 17       | 3.15             | 5.03             |
| f) Other Current Assets            | 18       | 4.94             | 5.44             |
| <b>TOTAL</b>                       |          | <b>306.29</b>    | <b>297.77</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

**C R Rajagopal**  
Partner

**M M Murugappan**  
Chairman

**L Ramkumar**  
Director

Coimbatore  
29<sup>th</sup> April, 2015

**Krishna Ramnath**  
Chief Financial Officer

**C Subramaniam**  
Company Secretary



## Statement of Profit

₹ Crores

| Particulars   | Note No. | Year Ended 31.03.2015 | Year Ended 31.03.2014 |
|---|----------|-----------------------|-----------------------|
| Revenue from Operations (Gross)                                       | 19       | 165.03                | 166.69                |
| Less: Excise Duty   |          | 13.03                 | 15.92                 |
| Revenue from Operations (Net)   |          | 152.00                | 150.77                |
| Other Operating Income  | 20       | 3.19                  | 4.99                  |
|   |          | 155.19                | 155.76                |
| Other Income  | 21       | 11.65                 | 9.88                  |
| <b>Total Revenue</b>  |          | <b>166.84</b>         | <b>165.64</b>         |
| <b>Expenses</b>   |          |                       |                       |
| a) Cost of Materials Consumed   | 22       | 69.24                 | 56.60                 |
| b) Change in Inventories of Finished Goods and Work-in-Process        | 23       | (4.86)                | (4.26)                |
| c) Employee Benefits Expense  | 24       | 36.52                 | 31.51                 |
| d) Other Expenses   | 25       | 36.05                 | 30.23                 |
| <b>TOTAL</b>  |          | <b>136.95</b>         | <b>114.08</b>         |
| <b>Earnings Before Interest, Tax, Depreciation &amp; Amortisation</b> |          | <b>29.89</b>          | <b>51.56</b>          |
| Finance Costs   | 26       | 0.03                  | 0.02                  |
| Depreciation and Amortisation Expense                                 |          | 16.75                 | 25.61                 |
| <b>Profit Before Tax</b>  |          | <b>13.11</b>          | <b>25.93</b>          |
| <b>Tax Expense / (Benefit)</b>  |          |                       |                       |
| Income Tax  |          |                       |                       |
| Current year  |          | 5.66                  | 11.92                 |
| Prior Years   |          | (0.22)                | -                     |
| Deferred Tax  |          | (1.65)                | (4.37)                |
| <b>Net Tax Expense / (Benefit)</b>                                    |          | <b>3.79</b>           | <b>7.55</b>           |
| <b>Profit for the Year</b>  |          | <b>9.32</b>           | <b>18.38</b>          |
| <b>Earnings per Equity Share (Face Value ₹ 1/- each)</b>              |          |                       |                       |
| Basic   | 36       | 1.14                  | 2.25                  |
| Diluted   | 36       | 1.14                  | 2.25                  |
| 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

**C R Rajagopal**  
Partner

**M M Murugappan**  
Chairman

**L Ramkumar**  
Director

Coimbatore  
29<sup>th</sup> April, 2015

**Krishna Ramnath**  
Chief Financial Officer

**C Subramaniam**  
Company Secretary

## Cash Flow Statement

₹ Crores

Year Ended  
31.03.2015

Year Ended  
31.03.2014

### A. Cash Flow from Operating Activities

|   |              |              |
|---|--------------|--------------|
| Profit Before Tax   | 13.11        | 25.93        |
| Adjustments for :   |              |              |
| Depreciation and Amortisation Expense                                   | 16.75        | 25.60        |
| (Profit) / Loss on Sale / Write Off of Assets                           | (0.67)       | (0.31)       |
| Advances Written Back   | (1.52)       | -            |
| Finance Costs   | 0.03         | 0.03         |
| Interest Income   | (6.06)       | (5.38)       |
| Dividend Income   | (2.89)       | (3.64)       |
| Provision for Doubtful Trade Receivables                                | 0.76         | -            |
| Doubtful Debts Written Off  | 3.31         | -            |
| <b>Operating Profit / (Loss) before Working Capital Changes</b>         | <b>22.82</b> | <b>42.23</b> |
| <b>Changes in Working Capital :</b>                                     |              |              |
| <b>Adjustments for (Increase) / Decrease in Operating Assets :</b>      |              |              |
| Inventories   | (17.21)      | (6.21)       |
| Trade Receivables   | (14.03)      | (1.92)       |
| Short Term Loans and Advances   | 1.89         | (2.76)       |
| Long Term Loans and Advances  | (0.52)       | 0.42         |
| Other Current Assets  | 0.78         | (0.34)       |
|   | (29.09)      | (10.81)      |
| <b>Adjustments for Increase / (Decrease) in Operating Liabilities :</b> |              |              |
| Trade Payables  | 4.55         | 15.64        |
| Other Current Liabilities   | 3.02         | (3.75)       |
| Other Long Term Liabilities   | -            | (0.01)       |
| Short Term Provisions   | (0.02)       | 0.02         |
| Long Term Provisions  | -            | (1.22)       |
|   | 7.55         | 10.68        |
| Cash Generated from Operations  | 1.28         | 42.10        |
| Net Income Tax (Paid) / Refunds   | (7.39)       | (12.97)      |
| Net Cash Flow from / (used in) Operating Activities (A)                 | (6.11)       | 29.13        |

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

₹ Crores

Year Ended  
31.03.2015

Year Ended  
31.03.2014

### B. Cash Flow from Investing Activities

|   |         |         |
|---|---------|---------|
| Capital Expenditure on Fixed Assets, including Capital Advances | (3.62)  | (4.78)  |
| Proceeds from Sale of Fixed Assets                              | 0.72    | 0.47    |
| Bank Balances not considered as Cash and Cash Equivalents       | (30.40) | (4.17)  |
| Proceeds from Current Investments (Net)                         | 34.63   | (12.17) |
| Interest Received   |         |         |
| - Others  | 5.77    | 5.51    |
| Dividend Received   |         |         |
| - Others  | 2.89    | 3.64    |
| Net Cash Flow from / (used in) Investing Activities (B)         | 9.99    | (11.50) |

### C. Cash Flow from Financing Activities

|  |        |         |
|--|--------|---------|
| Finance Costs  | (0.03) | (0.03)  |
| Dividends Paid   | (4.14) | (13.07) |
| Tax on Dividend  | (0.82) | (2.22)  |
| Net Cash Flow from / (used in) Financing Activities (C)        | (4.99) | (15.32) |
| Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C) | (1.11) | 2.31    |
| Cash and Cash Equivalents at the beginning of the Year         | 4.13   | 1.82    |
| Cash and Cash Equivalents at the end of the Year               | 3.02   | 4.13    |
| Cash and Cash Equivalents at the end of the Year               |        |         |
| Comprises:   |        |         |
| a) Cash on Hand  | 0.04   | 0.05    |
| b) Balances with Banks   |        |         |
| i) In Current Accounts   | 2.98   | 1.58    |
| ii) In Demand Deposit Accounts                                 | -      | 2.50    |
|  | 3.02   | 4.13    |

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

**C R Rajagopal**  
Partner

**M M Murugappan**  
Chairman

**L Ramkumar**  
Director

Coimbatore  
29<sup>th</sup> April, 2015

**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, 2013. 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 Schedule III of the Companies Act, 2013.

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 counterparty, 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-Progress : Projects under which assets are not ready for their intended use and other capital work-in-progress 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 it 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

The Company provides for depreciation based on the estimated useful life of assets. The useful life estimated by the Company is lesser than the life prescribed under Schedule II of the Companies Act, 2013, with respect to certain categories of assets. The Company has assessed the estimated useful life for the various categories as under:

| Description of assets                                     | Useful life and Basis of depreciation/amortisation |
|---|--|
| Furniture and fixtures                                    | 5 Years  |
| Motor cars  | 4 Years  |
| Office Equipment<br>(including Data Processing Equipment) | 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.

Consequent to implementation of the Companies Act, 2013 and the change in the useful life of Plant & Machinery, the depreciation charge for the year is lower by ₹ 6.24 crores.

### 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.

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



## Notes Forming part of the Financial Statements

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.

### 1.16. Cash and Cash Equivalents (For purposes of Cash Flow Statement)

Cash comprises of Cash on hand and Demand deposits with Banks. Cash Equivalents are Short Term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of Cash and which are subject to insignificant risk of changes in value.

## 2. Share Capital

|  | As at<br>31-03-2015 | ₹ Crores<br>As at<br>31-03-2014 |
|--|---------------------|---------------------------------|
| (a) Authorised   |                     |                                 |
| 10,00,00,000 (P.Y. 10,00,00,000) Equity<br>Shares of ₹ 1/- each with voting right. | 10.00               | 10.00                           |
| (b) Issued, Subscribed and fully Paid-Up   |                     |                                 |
| 8,17,15,853 (P.Y. 8,17,15,853) Equity<br>Shares of ₹ 1/- each with voting right    | 8.17                | 8.17                            |
| <b>Total</b>   | <b>8.17</b>         | <b>8.17</b>                     |

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

| Particulars                             | Opening<br>Balance | Fresh<br>Issue | Other<br>Changes | Closing<br>Balance |
|---|--------------------|----------------|------------------|--------------------|
| Equity shares with voting rights        |                    |                |                  |                    |
| Year ended 31 <sup>st</sup> March, 2015 |                    |                |                  |                    |
| - Number of Shares ( ₹ 1/- each)        | 8,17,15,853        | -              | -                | 8,17,15,853        |
| - Amount (₹)                            | 8,17,15,853        | -              | -                | 8,17,15,853        |
| Year ended 31 <sup>st</sup> March, 2014 |                    |                |                  |                    |
| - Number of Shares ( ₹ 1/- each)        | 8,17,15,853        | -              | -                | 8,17,15,853        |
| - Amount (₹)                            | 8,17,15,853        | -              | -                | 8,17,15,853        |

## 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, 2015<br>(No. of shares) | As at March 31, 2014<br>(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, 2015  |                                   | As at March 31, 2014  |                                   |
|--|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
|  | 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 :<br>- 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

|   | As at<br>31-03-2015 | As at<br>31-03-2014 |
|---|---------------------|---------------------|
| a) Capital Reserve  | 0.00                | 0.00                |
| b) Capital Redemption Reserve   | 0.02                | 0.02                |
| c) Securities Premium Account   | 24.29               | 24.29               |
| d) General Reserve  |                     |                     |
| Opening Balance   | 220.00              | 210.00              |
| Add : Transferred from surplus in Statement of Profit and Loss        | 5.00                | 10.00               |
| Closing Balance   | 225.00              | 220.00              |
| e) Surplus / (Deficit) in Statement of Profit and Loss                |                     |                     |
| Opening Balance   | 13.92               | 15.10               |
| Depreciation on transition to Schedule II of the Companies Act, 2013* | (0.07)              | -                   |
| Add : Profit for the year   | 9.32                | 18.38               |
| Less : Interim Dividend ₹ 0.50 per share (PY ₹ 1/- per share)         | (4.09)              | (8.17)              |
| Tax on Interim Dividend   | (0.82)              | (1.39)              |
| Transfer to General Reserve   | (5.00)              | (10.00)             |
| Closing Balance   | 13.26               | 13.92               |
| <b>Total</b>  | <b>262.57</b>       | <b>258.23</b>       |

\* Represents depreciation on tangible fixed assets (net of deferred tax ₹ 0.04 crores) whose residual value as at 01<sup>st</sup> April 2014 has been exhausted. Refer note 1.13 & 10.

### 4. Deferred Tax Liabilities (Net)

The net deferred tax liability of ₹ 0.86 crores as at 31<sup>th</sup> March 2015 (Previous Year ₹ 2.51 crores) has arisen on account of the following:

|   |             |             |
|---|-------------|-------------|
| a) Deferred Tax Liabilities                                 |             |             |
| Depreciation on Fixed Assets                                | 2.36        | 3.73        |
| b) Deferred Tax Assets                                      |             |             |
| Provision for Employee Benefits, Doubtful Debts & Warranty. | (1.50)      | (1.22)      |
| <b>Net Deferred Tax Liabilities</b>                         | <b>0.86</b> | <b>2.51</b> |

### 5. Other Long Term Liabilities

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

## Notes Forming part of the Financial Statements

₹ Crores

### 6. Long Term Provisions

|   | As at<br>31-03-2015 | As at<br>31-03-2014 |
|---|---------------------|---------------------|
| Provision for Warranty-(Refer note below) | 0.10                | 0.10                |
| <b>Total</b>                              | <b>0.10</b>         | <b>0.10</b>         |

Provision for warranty is recognised based on past experience of claims received during the warranty period provided by the company.

#### Provision for Warranty

|  |             |             |
|--|-------------|-------------|
| At the beginning of the year           | 0.10        | 0.10        |
| Add: Provision created during the year | 0.05        | 0.05        |
|  | 0.15        | 0.15        |
| Less: Utilised during the year         | (0.05)      | (0.05)      |
| <b>At the end of the year</b>          | <b>0.10</b> | <b>0.10</b> |

### 7. Trade Payables

|   |              |              |
|---|--------------|--------------|
| Other than Acceptances (Refer Note below) | 23.55        | 19.01        |
| <b>Total</b>                              | <b>23.55</b> | <b>19.01</b> |

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.

### 8. Other Current Liabilities

|                                      |              |             |
|--------------------------------------|--------------|-------------|
| Advances from Customers              | 8.69         | 7.41        |
| Unclaimed Dividends                  | 0.51         | 0.56        |
| Statutory Remittances                | 1.40         | 1.18        |
| Payables on Purchase of Fixed Assets | 0.21         | 0.34        |
| <b>Total</b>                         | <b>10.81</b> | <b>9.49</b> |

### 9. Short Term Provisions

|                                 |             |             |
|---------------------------------|-------------|-------------|
| Provision for Employee Benefits | 0.14        | 0.16        |
| <b>Total</b>                    | <b>0.14</b> | <b>0.16</b> |

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              |                           |                              | ACCUMULATED DEPRECIATION |                          |                          |                         | NET BLOCK                |                          |
|----------------------|--------------------------|---------------------------|------------------------------|--------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|
|                      | Balance as at 01.04.2014 | Additions during the year | Disposal / Transfer / Refund | Balance As at 31.03.2015 | Balance As at 31.03.2014 | For the Year 31.03.2015* | Elimination on disposal | Balance As at 31.03.2015 | Balance As at 31.03.2014 |
| Land                 | 5.50                     | -                         | 0.02                         | 5.48                     | -                        | -                        | -                       | 5.48                     | 5.50                     |
|                      | 5.50                     | -                         | -                            | 5.50                     | -                        | -                        | -                       | -                        | -                        |
| Buildings            | 35.16                    | 0.55                      | 0.05                         | 35.66                    | 10.68                    | 1.04                     | 0.03                    | 11.69                    | 24.48                    |
|                      | 34.00                    | 1.16                      | -                            | 35.16                    | 9.33                     | 1.35                     | -                       | 10.68                    | -                        |
| Plant & Machinery    | 304.81                   | 1.39                      | -                            | 306.20                   | 243.29                   | 13.90                    | -                       | 257.19                   | 61.52                    |
|                      | 303.90                   | 1.84                      | 0.93                         | 304.81                   | 221.56                   | 22.59                    | 0.86                    | 243.29                   | -                        |
| Furniture & Fittings | 2.98                     | 0.26                      | 0.02                         | 3.22                     | 1.75                     | 0.39                     | 0.02                    | 2.12                     | 1.23                     |
|                      | 1.93                     | 1.06                      | 0.01                         | 2.98                     | 1.46                     | 0.30                     | 0.01                    | 1.75                     | -                        |
| Office Equipment     | 8.75                     | 0.77                      | 0.14                         | 9.38                     | 8.26                     | 0.56                     | 0.13                    | 8.69                     | 0.49                     |
|                      | 8.26                     | 0.52                      | 0.03                         | 8.75                     | 7.58                     | 0.71                     | 0.03                    | 8.26                     | -                        |
| Vehicles             | 2.27                     | -                         | 0.07                         | 2.20                     | 1.53                     | 0.19                     | 0.07                    | 1.65                     | 0.74                     |
|                      | 2.81                     | 0.35                      | 0.89                         | 2.27                     | 2.15                     | 0.18                     | 0.80                    | 1.53                     | -                        |
| <b>TOTAL</b>         | <b>359.47</b>            | <b>2.97</b>               | <b>0.30</b>                  | <b>362.14</b>            | <b>265.51</b>            | <b>16.08</b>             | <b>0.25</b>             | <b>281.34</b>            | <b>93.96</b>             |
| Previous Year        | 356.40                   | 4.93                      | 1.86                         | 359.47                   | 242.08                   | 25.13                    | 1.70                    | 265.51                   | -                        |

\* Depreciation for the year is net of ₹ 0.11 crores representing residual value on assets whose useful life has been exhausted as at 01<sup>st</sup> April 2014, charged to Surplus in Profit & Loss Account.

## Notes Forming part of the Financial Statements

### 11. Intangible Assets

₹ Crores

| Particulars       | GROSS BLOCK              |                           |                              |                          | ACCUMULATED DEPRECIATION |                         |                         | NET BLOCK                |                          |
|-------------------|--------------------------|---------------------------|------------------------------|--------------------------|--------------------------|-------------------------|-------------------------|--------------------------|--------------------------|
|                   | Balance as at 01.04.2014 | Additions during the year | Disposal / Transfer / Refund | Balance As at 31.03.2015 | Balance As at 31.03.2014 | For the Year 31.03.2015 | Elimination on disposal | Balance As at 31.03.2015 | Balance As at 31.03.2014 |
| Computer Software | 4.80                     | 0.58                      | -                            | 5.38                     | 3.74                     | 0.79                    | -                       | 0.85                     | 1.06                     |
|                   | 4.69                     | 0.11                      | -                            | 4.80                     | 3.26                     | 0.48                    | -                       |                          | 3.74                     |
| <b>TOTAL</b>      | <b>4.80</b>              | <b>0.58</b>               | <b>-</b>                     | <b>5.38</b>              | <b>3.74</b>              | <b>0.79</b>             | <b>-</b>                | <b>0.85</b>              | <b>1.06</b>              |
| Previous Year     | 4.69                     | 0.11                      | -                            | 4.80                     | 3.26                     | 0.48                    | -                       |                          |                          |

## Notes Forming part of the Financial Statements

₹ Crores

### 12. Long Term Loans and Advances

(Unsecured, Considered Good)

|   | As at<br>31-03-2015 | As at<br>31-03-2014 |
|---|---------------------|---------------------|
| Capital Advances  | 0.18                | 0.26                |
| Security Deposits   | 1.12                | 0.67                |
| Loans & Advances to Employees   | 0.14                | 0.10                |
| Advance Income Tax [Net of Provision ₹ 28.47 crores<br>(P.Y. ₹ 57.82 crores)] | 4.30                | 2.33                |
| Rental Advances   | 0.09                | 0.06                |
| <b>Total</b>  | <b>5.83</b>         | <b>3.42</b>         |

### 13. Current Investments

₹ Crores

| Particulars   | Nominal<br>Value | As at 31-03-2015 |              | As at 31-03-2014 |              |
|---|------------------|------------------|--------------|------------------|--------------|
|   |                  | No of Units      | Amount       | No of Units      | Amount       |
| <b>Other Current Investments</b><br>(At lower of Cost and fair value,<br>unless otherwise stated) |                  |                  |              |                  |              |
| <b>Investment in Mutual Fund - Quoted</b>   |                  |                  |              |                  |              |
| DSP Blackrock Liquidity Fund -<br>Direct Plan - Daily Dividend                                    | 1000             | 11856.38         | 1.18         | 74839.61         | 7.49         |
| HSBC Cash Fund -<br>Direct Plan - Daily Dividend  | 1000             | 8853.65          | 0.89         | 72284.64         | 7.23         |
| HDFC Cash Management Fund -<br>Direct Plan - Daily Dividend                                       | 10               | 3602331.93       | 3.83         | 10829709.13      | 11.52        |
| ICICI Prudential Liquid Direct<br>Plan - Daily Dividend   | 100              | -                | -            | 120881.16        | 1.21         |
| ICICI Pru Banking & PSU Debt<br>Fund Direct Dividend Daily  | 10               | -                | -            | 1974264.49       | 2.03         |
| ICICI Prudential Flexible Income -<br>Direct Plan -Daily Dividend                                 | 100              | 84886.02         | 0.90         | 303339.95        | 3.21         |
| ICICI Prudential Interval Fund<br>IV Quarterly Interval Plan<br>B Direct Plan                     | 10               | -                | -            | 600000.00        | 0.60         |
| Principal Debt Opportunities<br>Fund Conservative Plan -<br>Direct Plan - Daily Dividend          | 1000             | 24197.62         | 2.43         | 20366.49         | 2.04         |
| SBI Premier Liquid Fund -<br>Regular Plan - Daily Dividend  | 1000             | 34108.34         | 3.42         | 64449.64         | 6.47         |
| UTI-Treasury Advantage Fund -<br>Direct Plan - Daily Dividend                                     | 1000             | 28821.02         | 2.89         | 83704.08         | 8.36         |
| <b>Total</b>  |                  | -                | <b>15.54</b> | -                | <b>50.16</b> |

Note : During the year, the Company has invested an aggregate of ₹ 42.33 crores (Previous Year ₹ 60.92 crores) and redeemed an aggregate of ₹ 76.95 crores (Previous Year ₹ 48.75 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

### 14. Inventories

|  | As at<br>31-03-2015 | As at<br>31-03-2014 |
|--|---------------------|---------------------|
| (Lower of Cost (Net of Allowances) and estimated Net Realisable Value) |                     |                     |
| Raw Material and Consumables   | 32.30               | 19.95               |
| Semi Finished Goods  | 31.03               | 26.16               |
| Finished Goods   | 2.12                | 2.13                |
| <b>Total</b>   | <b>65.45</b>        | <b>48.24</b>        |

### 15. Trade Receivables (Unsecured)

|  |              |              |
|--|--------------|--------------|
| Outstanding for a period exceeding six months from the day they were due for payment |              |              |
| - Considered Good  | 1.47         | 4.87         |
| - Considered Doubtful  | 0.76         | -            |
| Less: Provision for Doubtful Receivable  | (0.76)       | -            |
| Others *   | 35.56        | 22.21        |
| <b>Total</b>   | <b>37.03</b> | <b>27.08</b> |

\* Includes an amount of ₹ NIL (P.Y. ₹ 0.05 crores) receivable from Holding Company

### 16. Cash and Bank Balances

#### A. Cash and Cash Equivalents (as per AS 3 Cash Flow Statements)

|   |             |             |
|---|-------------|-------------|
| a) Cash on Hand   | 0.04        | 0.05        |
| b) Balance with Scheduled Banks   |             |             |
| i) In Current Accounts  | 2.98        | 1.58        |
| ii) In Deposit Accounts with original maturity of 3 months or less              | -           | 2.50        |
| <b>Total - Cash and Cash Equivalents (as per AS 3 Cash Flow Statements) (A)</b> | <b>3.02</b> | <b>4.13</b> |

#### B. Other Bank Balances

|  |              |              |
|--|--------------|--------------|
| a) In Deposit Accounts-Original maturity of more than 3 months [Note 16 (a)] | 85.51        | 54.55        |
| b) In Earmarked Accounts   |              |              |
| i) Unpaid Dividend Accounts  | 0.51         | 0.56         |
| ii) Margin Money Deposit with Banks (towards Bank Guarantee)                 | 0.05         | 0.54         |
| <b>Total - Other Bank Balances (B)</b>                                       | <b>86.07</b> | <b>55.65</b> |
| <b>Total Cash and Cash Equivalents (A+B)</b>                                 | <b>89.09</b> | <b>59.78</b> |

- 16 (a) There are no Balances with banks with remaining maturity of more than 12 months from the balance sheet date.



## Notes Forming part of the Financial Statements

₹ Crores

### 17. Short Term Loans and Advances

(Unsecured, Considered Good)

|   |      |      |
|---|------|------|
| a) Prepaid Expenses                               | 0.40 | 0.62 |
| b) Balance with Customs and Excise, Sales Tax     | 2.09 | 2.53 |
| c) Other Loans and Advances                       |      |      |
| i) Advance to Suppliers                           | 0.40 | 1.03 |
| ii) Gratuity Fund with LIC (net ) (Refer Note 32) | 0.24 | 0.50 |
| ii) Others  | 0.02 | 0.35 |

#### Total

| As at<br>31-03-2015 | As at<br>31-03-2014 |
|---------------------|---------------------|
| 3.15                | 5.03                |

### 18. Other Current Assets

(Unsecured, Considered Good)

|   |      |      |
|---|------|------|
| a) Accruals                               |      |      |
| i) Interest Accrued on Deposits           | 1.70 | 1.42 |
| b) Others                                 |      |      |
| i) Receivable from Sale of Surplus Energy | 3.12 | 3.97 |
| ii) Others                                | 0.12 | 0.05 |

#### Total

|      |      |
|------|------|
| 4.94 | 5.44 |
|------|------|

### 19. Revenue from Operations (Gross)

|                                      |        |        |
|--------------------------------------|--------|--------|
| Sale of Products                     | 163.15 | 164.78 |
| Sale of Services - Machining Charges | 1.88   | 1.91   |

#### Total

| Year ended<br>31-03-2015 | Year ended<br>31-03-2014 |
|--------------------------|--------------------------|
| 165.03                   | 166.69                   |

### 20. Other Operating Income

|                        |      |      |
|------------------------|------|------|
| Sale of Scrap          | 2.81 | 3.89 |
| Duty Draw Back         | 0.25 | 0.28 |
| Sale of Surplus Energy | 0.13 | 0.82 |

#### Total

|      |      |
|------|------|
| 3.19 | 4.99 |
|------|------|

### 21. Other Income

|   |      |      |
|---|------|------|
| a) Interest Income on                       |      |      |
| Bank Deposits                               | 5.97 | 5.38 |
| Others                                      | 0.09 | 0.10 |
| b) Dividend Income from Current Investments | 2.89 | 3.65 |
| c) Other Non-Operating Income               |      |      |
| Rental Income                               | 0.46 | 0.43 |
| Profit on Sale of Fixed Assets              | 0.67 | 0.31 |
| Miscellaneous Income                        | 0.05 | 0.01 |
| Liabilities no longer required written back | 1.52 | -    |

#### Total

|       |      |
|-------|------|
| 11.65 | 9.88 |
|-------|------|

## Notes Forming part of the Financial Statements

₹ Crores

### 22. Cost of Materials Consumed

|  | Year ended<br>31-03-2015 | Year ended<br>31-03-2014 |
|--|--------------------------|--------------------------|
| Opening Stock  | 19.95                    | 18.00                    |
| Purchases  | 81.59                    | 58.55                    |
|  | 101.54                   | 76.55                    |
| Closing Stock  | (32.30)                  | (19.95)                  |
| Cost of Material Consumed                            | 69.24                    | 56.60                    |
| Cost of Material Consumed comprises of:              |                          |                          |
| Steel Rods & Forgings                                | 31.76                    | 24.68                    |
| Bearings   | 9.67                     | 7.29                     |
| Other Items (not exceeding 10% of total consumption) | 27.81                    | 24.63                    |
| <b>Total</b>   | <b>69.24</b>             | <b>56.60</b>             |

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

|  |               |               |
|--|---------------|---------------|
| Inventories at the beginning of the year |               |               |
| Work-in-Process                          | 26.16         | 21.66         |
| Finished Goods                           | 2.13          | 2.37          |
|  | 28.29         | 24.03         |
| Inventories at the end of the year       |               |               |
| Work-in-Process                          | 31.03         | 26.16         |
| Finished Goods                           | 2.12          | 2.13          |
|  | 33.15         | 28.29         |
| <b>Net (Increase)/Decrease</b>           | <b>(4.86)</b> | <b>(4.26)</b> |

### 24. Employee Benefits Expense

|   |              |              |
|---|--------------|--------------|
| Salaries, Wages & Bonus                                     | 32.36        | 28.48        |
| Contribution to Provident & Other Funds (Refer Note No. 32) | 1.51         | 1.05         |
| Staff Welfare Expenses                                      | 2.65         | 1.98         |
| <b>Total</b>  | <b>36.52</b> | <b>31.51</b> |

## Notes Forming part of the Financial Statements

₹ Crores

### 25. Other Expenses

|   | Year ended<br>31-03-2015 | Year ended<br>31-03-2014 |
|---|--------------------------|--------------------------|
| Consumption of stores and spare parts                     | 0.21                     | 0.10                     |
| Power and Fuel  | 4.62                     | 6.82                     |
| Subcontracting Charges                                    | 3.67                     | 2.54                     |
| Rent including lease rentals                              | 0.28                     | 0.18                     |
| Repairs and maintenance - Buildings                       | 1.01                     | 0.73                     |
| Repairs and maintenance - Machinery                       | 6.30                     | 4.60                     |
| Repairs and maintenance - Others                          | 0.94                     | 1.08                     |
| Insurance   | 0.36                     | 0.35                     |
| Rates and taxes   | 2.56                     | 0.91                     |
| Increase / (Decrease) of ED on Inventory                  | 0.29                     | 0.20                     |
| Communication   | 0.29                     | 0.40                     |
| Travelling and conveyance                                 | 1.78                     | 1.31                     |
| Printing and stationery                                   | 0.31                     | 0.25                     |
| Freight and forwarding                                    | 2.06                     | 0.99                     |
| Sales commission  | 0.97                     | 0.93                     |
| Sales discount  | 0.58                     | 0.90                     |
| Business promotion  | 0.49                     | 1.00                     |
| Donations and contributions                               | 0.01                     | 0.16                     |
| Payments to auditors (Refer Note No. (i) below)           | 0.08                     | 0.08                     |
| Expenditure on Corporate Social Responsibility*           | 0.38                     | -                        |
| Professional & Consultancy charges                        | 2.20                     | 2.38                     |
| Service Fees  | 2.01                     | 3.12                     |
| Trade receivables written off                             | 3.31                     | 0.55                     |
| Provision for doubtful trade receivables                  | 0.76                     | -                        |
| Net loss on foreign currency transactions and translation | 0.15                     | 0.03                     |
| Commission to Non Executive Directors                     | 0.12                     | 0.12                     |
| Directors' sitting fees                                   | 0.03                     | 0.02                     |
| Bank Charges  | 0.28                     | 0.48                     |
| <b>Total</b>  | <b>36.05</b>             | <b>30.23</b>             |

\*Please refer annexure 'A' of the Director's Report

#### 25(i) Auditors Remuneration

Payment to Auditors comprise (Net of levies)

For Statutory Auditor & Tax Audit

**Total**

0.08 0.08

**0.08 0.08**

### 26. Finance Costs

Other Borrowing Costs

**Total**

0.03 0.02

**0.03 0.02**

## Notes Forming part of the Financial Statements

₹ Crores

### 27. Commitments and Contingent Liabilities

|  | Year ended<br>31-03-2015 | Year ended<br>31-03-2014 |
|--|--------------------------|--------------------------|
| <b>A. Commitments</b>  |                          |                          |
| Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances)   | 1.64                     | 0.85                     |
| <b>B. Contingent Liabilities</b>   |                          |                          |
| a) Claims against the Company not acknowledged as debt   | 0.55                     | 4.21                     |
| 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 1999-2000. 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                     |

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

### 28. Imported and Indigenous Materials Consumed

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

|              |               | Year ended<br>31.03.2015 |            | Year ended<br>31.03.2014 |
|--------------|---------------|--------------------------|------------|--------------------------|
|              | %             | ₹ Crores                 | %          | ₹ Crores                 |
| Imported     | 1.03          | 0.72                     | 0.50       | 0.28                     |
| Indigenous   | 98.97         | 68.52                    | 99.50      | 56.32                    |
| <b>Total</b> | <b>100.00</b> | <b>69.24</b>             | <b>100</b> | <b>56.60</b>             |

### 29. Value of Imports calculated on CIF Basis

|                           |             |             |
|---------------------------|-------------|-------------|
| Fixed Assets              | 0.07        | -           |
| Raw Material              | 0.45        | 0.39        |
| Consumable Stores & Tools | 0.24        | 0.03        |
| Spares                    | 0.44        | 0.13        |
| <b>Total</b>              | <b>1.20</b> | <b>0.55</b> |

### 30. Earnings in Foreign Exchange

|                      |       |       |
|----------------------|-------|-------|
| FOB value of Exports | 14.02 | 15.87 |
|----------------------|-------|-------|

### 31. Expenditure in Foreign Currency

|                               |             |             |
|-------------------------------|-------------|-------------|
| Subscriptions                 | 0.09        | 0.16        |
| Advertisement                 | 0.02        | 0.04        |
| Technical Consultancy Charges | 0.10        | 0.78        |
| Others                        | 0.15        | 0.03        |
| <b>Total</b>                  | <b>0.36</b> | <b>1.01</b> |

## Notes Forming part of the Financial Statements

### 32. Employee Benefits Plans

#### a) Defined Contribution Plan

The Company makes Provident Fund and Employees State Insurance scheme contributions which are defined contribution plans for qualifying employees. Under the scheme the Company is required to contribute a specified percentage of the payroll cost to fund the benefits. The Company recognised ₹ 1.18 crores (P.Y. ₹1.01 crores) for Provident Fund contribution and ₹ 0.09 crores (P.Y. ₹ 0.08 crores) for Employees State Insurance scheme in the Statment of Profit and Loss. The contribution payable to these plans by the Company are at the rates specified in the rules of the schemes.

#### b) Defined Benefit Plan

##### A. GRATUITY

##### Details of Actuarial Valuation

##### Change in Benefit Obligation

Projected Benefit Obligation as at Year

Beginning

Service Cost

Interest Cost

Actuarial (Gains) / Losses

Benefits Paid

**Projected Benefit Obligation as at Year End**

##### Change in Plan Assets

Fair Value of Plan Assets as at Year Beginning

Expected Return on Plan Assets

Employer's Contribution

Benefits Paid

**Fair Value of Plan Assets as at Year End**

##### Amounts Recognised in the Balance Sheet

Projected Benefit Obligation at the Year End

Fair Value of the Plan Assets at the Year End

**Net (Liability)/Asset Recognised in the Balance Sheet**

##### Components of Employer's expense

Current Service Cost

Interest on Obligation

Expected Return on Plan Assets

Net Actuarial (Gains) / Losses Recognised in the Year

**Net Cost Recognised in the Profit and Loss Account**

##### Actuarial Assumptions

Discount Rate

Future Salary increase

Attrition Rate

Expected Rate of Return on Plan Assets

##### 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.

|  | ₹ Crores                             |                                      |
|--|--------------------------------------|--------------------------------------|
|  | Year ended<br>31-03-2015<br>(Funded) | Year ended<br>31-03-2014<br>(Funded) |
| Beginning  | 3.51                                 | 3.51                                 |
| Service Cost   | 0.33                                 | 0.32                                 |
| Interest Cost  | 0.28                                 | 0.28                                 |
| Actuarial (Gains) / Losses                                   | (0.00)                               | (0.30)                               |
| Benefits Paid  | (0.18)                               | (0.30)                               |
| <b>Projected Benefit Obligation as at Year End</b>           | <b>3.94</b>                          | <b>3.51</b>                          |
| <b>Change in Plan Assets</b>                                 |                                      |                                      |
| Fair Value of Plan Assets as at Year Beginning               | 4.01                                 | 3.81                                 |
| Expected Return on Plan Assets                               | 0.36                                 | 0.34                                 |
| Employer's Contribution                                      | (0.01)                               | 0.16                                 |
| Benefits Paid  | (0.18)                               | (0.30)                               |
| <b>Fair Value of Plan Assets as at Year End</b>              | <b>4.18</b>                          | <b>4.01</b>                          |
| <b>Amounts Recognised in the Balance Sheet</b>               |                                      |                                      |
| Projected Benefit Obligation at the Year End                 | 3.94                                 | 3.51                                 |
| Fair Value of the Plan Assets at the Year End                | 4.18                                 | 4.01                                 |
| <b>Net (Liability)/Asset Recognised in the Balance Sheet</b> | <b>0.24</b>                          | <b>0.50</b>                          |
| <b>Components of Employer's expense</b>                      |                                      |                                      |
| Current Service Cost   | 0.33                                 | 0.32                                 |
| Interest on Obligation                                       | 0.28                                 | 0.28                                 |
| Expected Return on Plan Assets                               | (0.36)                               | (0.34)                               |
| Net Actuarial (Gains) / Losses Recognised in the Year        | 0.00                                 | (0.30)                               |
| <b>Net Cost Recognised in the Profit and Loss Account</b>    | <b>0.25</b>                          | <b>(0.04)</b>                        |
| <b>Actuarial Assumptions</b>                                 |                                      |                                      |
| Discount Rate  | 8%                                   | 8%                                   |
| Future Salary increase                                       | 8%                                   | 8%                                   |
| Attrition Rate   | 5%                                   | 3%                                   |
| Expected Rate of Return on Plan Assets                       | 8.75%                                | 8.75%                                |

## Notes Forming part of the Financial Statements

### B. Long Term Compensated Absences

|  | Year ended<br>31-03-2015 | Year ended<br>31-03-2014 |
|--|--------------------------|--------------------------|
| Discount Rate                          | 8%                       | 8 %                      |
| Future Salary Increase (%)             | 6.5%                     | 6.5%                     |
| Attrition Rate                         | 1 to 3%                  | 1 to 3%                  |
| Expected Rate of Return on Plan Assets | 8%                       | 8%                       |

### 33. 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

#### SECONDARY SEGMENT DISCLOSURE

|   | Year ended<br>2014 - 2015 | Year ended<br>2013 - 2014 |
|---|---------------------------|---------------------------|
| 1. Revenue by Geographic Market             |                           |                           |
| India                                       | 141.04                    | 139.76                    |
| Rest of the World                           | 14.15                     | 16.00                     |
| <b>Total</b>                                | <b>155.19</b>             | <b>155.76</b>             |
| 2. Segment Assets by Geographic Market      |                           |                           |
| India                                       | 305.91                    | 297.51                    |
| Rest of the World                           | 0.38                      | 0.26                      |
| <b>Total</b>                                | <b>306.29</b>             | <b>297.77</b>             |
| 3. Capital Expenditure by Geographic Market |                           |                           |
| India                                       | 3.36                      | 5.04                      |
| Rest of the World                           | 0.19                      | -                         |
| <b>Total</b>                                | <b>3.55</b>               | <b>5.04</b>               |

## Notes Forming part of the Financial Statements

### 34. Disclosure in respect of Related Parties pursuant to Accounting Standard 18

#### a) List 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     | TI Subamex Pvt Ltd   |                          |
| 9     | Financiere C10 SAS   |                          |
| 10    | Sedis SAS  |                          |
| 11    | Societe De Commercialisation De Composants Industries SARL |                          |
| 12    | Sedis Company Limited                                      |                          |
| 13    | Dr. Sreeram Srinivasan                                     | Key Management Personnel |

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

#### b) During the year, the following transactions were carried out with the related parties in the ordinary course of business :

| Transaction                                       | Related Party                                  | ₹ Crores              |                       |
|---|--|-----------------------|-----------------------|
|   |  | Year ended<br>2014-15 | Year ended<br>2013-14 |
| Sale of Goods                                     | Tube Investments of India Ltd                  | 0.29                  | 0.59                  |
| Sale of Fixed Assets                              | Tube Investments of India Ltd                  | -                     | 0.17                  |
| Dividend Paid                                     | Tube Investments of India Ltd                  | 2.86                  | 9.17                  |
| Service Fee<br>(Excluding Service Tax)            | Tube Investments of India Ltd                  | 2.01                  | 3.12                  |
| Reimbursement of<br>Expenses (Net)                | Tube Investments of India Ltd                  | 0.72                  | 0.09                  |
| Purchase of Scrap                                 | Tube Investments of India Ltd                  | 0.18                  | 0.05                  |
| Lease Rent and<br>Maintenance Received            | Cholamandalam MS General Insurance Company Ltd | 0.15                  | 0.10                  |
| Insurance Premium Paid                            | Cholamandalam MS General Insurance Company Ltd | 0.41                  | 0.43                  |
| Lease Rent Paid                                   | Cholamandalam MS General Insurance Company Ltd | 0.07                  | 0.03                  |
| Lease Rent Paid                                   | Tube Investments of India Ltd                  | 0.03                  | -                     |
| <b>Balance Outstanding at the End of the Year</b> |  |                       |                       |
| Receivable  | Tube Investments of India Ltd                  | -                     | 0.05                  |
|   | Cholamandalam MS General Insurance Company Ltd | 0.02                  | 0.02                  |
| Payable   | Tube Investments of India Ltd                  | -                     | -                     |
|   | Cholamandalam MS General Insurance Company Ltd | -                     | 0.04                  |

## Notes Forming part of the Financial Statements

### 35. Operating Leases

The Company has operating lease agreements for office space and is cancellable on mutual consent. As per the lease terms an amount of ₹ 0.28 crores (P.Y. ₹ 0.18 crores) is charged to statement of Profit and Loss. As lessor the Company realized an income of ₹ 0.46 crores (P.Y. ₹ 0.43 crores) on properties under lease.

|                                   | ₹ Crores                 |                          |
|-----------------------------------|--------------------------|--------------------------|
|                                   | Year ended<br>31-03-2015 | Year ended<br>31-03-2014 |
| <b>36. Earnings Per Share</b>     |                          |                          |
| Profit After Tax (₹ Crores)       | 9.32                     | 18.38                    |
| 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                             | 1.14                     | 2.25                     |
| Diluted                           | 1.14                     | 2.25                     |

Note: Earnings per Share calculations are done in accordance with Accounting Standard 20 (AS 20) "Earnings Per Share".

### 37. Details of Unhedged Foreign Currency Exposures

| Particulars      | Currency | As at<br>31.03.2015 |                      | As at<br>31.03.2014 |                      |
|------------------|----------|---------------------|----------------------|---------------------|----------------------|
|                  |          | Foreign<br>Currency | INR (₹ in<br>crores) | Foreign<br>Currency | INR (₹ in<br>crores) |
| Trade Receivable | USD      |                     |                      | 42,855              | 0.26                 |
| Trade Receivable | GBP      | 36,909              | 0.34                 | NIL                 | -                    |
| Trade Receivable | EURO     | 5,205               | 0.04                 | NIL                 | -                    |

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

For and on behalf of the Board of Directors

**M M Murugappan**  
Chairman

**L Ramkumar**  
Director

Coimbatore  
29<sup>th</sup> April, 2015

**Krishna Ramnath**  
Chief Financial Officer

**C Subramaniam**  
Company Secretary



Notes :

Notes :





**murugappa**

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