

Shanthi  **Gears**

SHANTHI GEARS LIMITED

47th Annual Report
2019-2020



Shanthi 



**“WE
MAKE THE BEST &
REBUILD
THE REST”**

CONTENTS

Page No

CORPORATE REVIEW

From the Desk of The Chairman	02
10 Year Financial Highlights	05
Board of Directors	06
Corporate Information	07

MANAGEMENT REPORTS

Board's Report & Management Discussion and Analysis	08
Report on Corporate Governance	44
General Shareholder Information	55

AUDITORS' REPORT AND FINANCIAL STATEMENTS

Auditors' Report	62
Financial Statements	70



Cautionary Statement

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

The Spirit of the Murugappa Group

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

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

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

The light of
RESPECT
that inspires people
around us to perform

The light of
QUALITY
which makes us
dream of excellence

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

From the Desk of The Chairman



Dear Shareholders,

The FY 2019-20 was a challenging year for our business in many ways. The business achieved a double-digit growth in the first half of the year and the second half of the year was sluggish due to lower demand across the key sectors. The business was focused on the market development and customer engagement activities. Shanthi Gears Limited (SGL) participated in Indian and International exhibitions and gained visibility. We got the opportunity for developing products for newer applications in the overseas market. Your company continues to focus on maximizing the custom build products, cost optimization and enhancing the delivery performance. The team is working on many product development activities for major global customers in priority sectors. The results of these efforts would be seen in the coming years.

Your Company launched “**Shanthi Re-build**” to promote the service business and inaugurated Shanthi Re-build service

centers in select areas in the country to enhance reach. Customer relationships were built through a high level of customer engagement activities during the year. The company established itself as the most reliable service provider in servicing of critical Gear Boxes for various industries including the Government Sectors. SGL invested in precision equipments wherever technological upgradation was required to address the emerging opportunities.

The Company continued its focus on 4 key financial priorities i.e., Revenue growth, Profitability, Return on Capital Employed (RoCE) and Free Cash Flow (FCF). Conscious effort on cash generation such as effective working capital management helped generate strong free cash flow for the year. The year ended with COVID-19 pandemic, resulting in countrywide lock down. Your company prioritized the safety and health of its employees, ensured customer satisfaction and pitched in to help the society to battle the pandemic.

The real challenge would be in the coming months, where we must find ways to understand and respond to the gradually evolving dynamics of the new normal. Though there could be difficulties, your Company will overcome the downtrends by maintaining deep relationships with customers, suppliers and other stakeholders. As we look to the year ahead, I have confidence that Shanthi Gears will continue to be admired as a reliable partner for Mechanical Power Transmission Solutions.

The members of the Board continue to be a great source of encouragement and support to the Company's management team. I thank them for their involvement, guidance and participation.

I also take this opportunity to express my gratitude to all of you, our esteemed and valued shareholders for the continued support and the confidence you have reposed in the Company.

Sincerely,
L Ramkumar

Commitment to Stakeholders and Society

Your Company, being part of the Murugappa Group, is known for its tradition of philanthropy and community service.

The Company'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.

Your Company has identified and provided infrastructure facility for 2 government schools in rural areas of Coimbatore by constructing class rooms and overhead water tank.

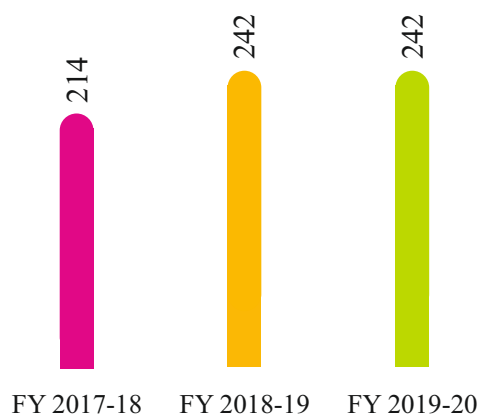
IIMPACT (IA) with the support of Shanthi Gears has mobilized and motivated non-school going and drop out girls, aged 6-14, from economically and socially backward families in the rural areas of Raigarh District, Chhattisgarh, providing them quality primary education.



Four Cardinal Metrics

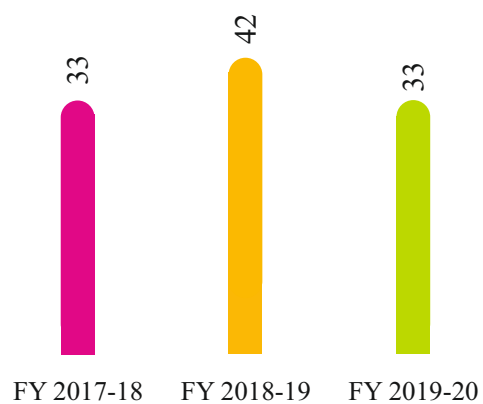
NET REVENUE

₹ in Crs

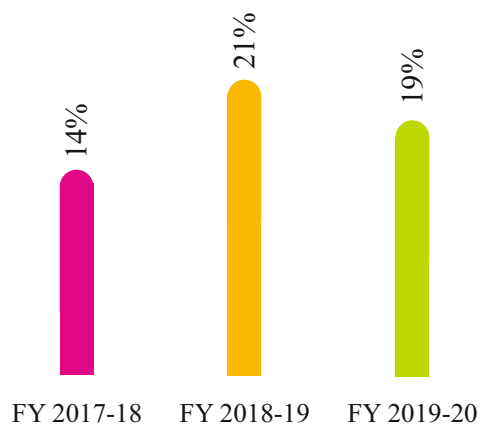


PBT

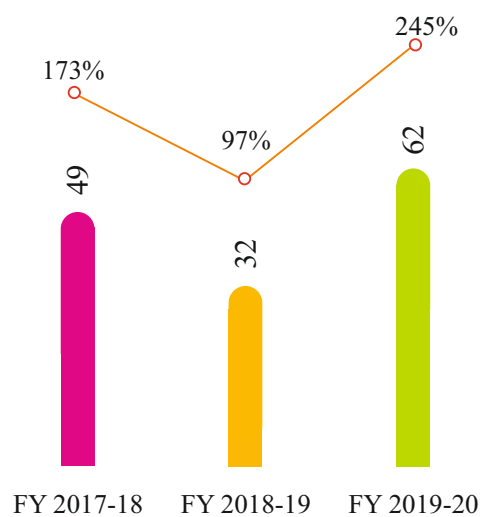
₹ in Crs



ROCE



FCF ₹ in Crs FCF / PAT %



10 YEAR FINANCIAL HIGHLIGHTS

₹ Crores

Particulars	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
OPERATING RESULTS										
Revenue (Excluding excise duty)	242.29	241.68	214.12	183.95	164.79	152.00	150.77	143.72	172.32	160.37
Earnings before Depreciation, Interest & Tax (EBITDA)	41.08	53.08	48.73	46.33	39.86	29.89	51.56	50.93	69.32	71.48
Profit before Interest & Tax (PBIT)	32.69	42.46	33.17	28.50	23.15	13.14	25.95	22.36	42.10	44.64
Profit before Tax (PBT)	32.69	42.46	33.17	28.50	23.15	13.11	25.93	22.07	41.60	43.76
Profit after Tax (PAT)	25.20	33.35	28.58	22.51	17.73	9.32	18.38	15.47	28.13	27.86
Earnings Per Share (₹)	3.28	4.08	3.50	2.75	2.23	1.14	2.25	1.89	3.44	3.41
Dividend Per Share (₹)	2.00	6.00	1.00	0.75	0.50	0.50	1.00	0.60	1.00	1.00
Book Value Per Share (₹)	29.80	36.97	38.90	37.49	34.75	33.14	32.61	31.53	30.33	28.05
Interest	-	-	-	-	-	0.03	0.02	0.29	0.62	8.76
SOURCES AND APPLICATION OF FUNDS										
SOURCES OF FUNDS										
Share Capital	7.67	8.17	8.17	8.17	8.17	8.17	8.17	8.17	8.17	8.17
Reserves & Surplus	221.00	293.91	309.62	298.15	275.72	262.57	258.23	249.41	239.67	221.04
Net Worth	228.62	302.08	317.79	306.32	283.89	270.74	266.40	257.58	247.84	229.21
Debt	-	-	-	-	-	-	-	-	3.96	9.75
Deferred Tax Liability (Net)	-	-	-	-	-	0.86	2.51	6.88	10.73	14.26
Total	228.62	302.08	317.79	306.32	283.89	271.60	268.91	264.46	262.53	253.22
APPLICATION OF FUNDS										
Gross Fixed Assets	120.45	113.76	101.28	98.14	89.93	367.52	364.27	361.09	360.21	353.46
Accumulated Depreciation	60.68	55.13	44.47	32.82	16.71	285.87	269.25	245.34	222.00	195.54
Net Fixed Assets	59.77	58.63	56.81	65.32	73.22	81.65	95.02	115.75	138.21	157.91
Capital Work-in-Progress	6.40	0.18	0.50	0.77	0.36	3.61	3.60	3.62	5.59	7.54
Deferred Tax Asset (Net)	4.13	4.96	5.95	3.60	1.45	-	-	-	-	-
Long Term Investments	27.67	14.16	12.17	12.17	6.00	-	-	-	-	-
Short Term Investments & Deposits	63.06	112.69	149.01	119.26	105.30	101.09	107.76	90.60	55.02	46.00
Net Working Capital	67.62	111.46	93.35	105.20	97.56	85.25	62.53	54.49	63.71	41.77
Total	228.62	302.08	317.79	306.32	283.89	271.60	268.91	264.46	262.53	253.22
RATIOS										
EBITDA to Sales (%)	16.95%	21.96%	22.76%	25.19%	24.19%	19.66%	34.20%	35.44%	40.23%	44.57%
PBIT to Sales (%)	13.49%	17.57%	15.49%	15.49%	14.05%	8.64%	17.21%	15.56%	24.43%	27.83%
PBT to Sales (%)	13.49%	17.57%	15.49%	15.49%	14.05%	8.63%	17.20%	15.36%	24.14%	27.29%
PAT to Sales (%)	10.40%	13.80%	13.35%	12.24%	10.76%	6.13%	12.19%	10.76%	16.32%	17.37%
Interest Cover (Times)	-	-	-	-	-	996.33	2,578.00	175.62	111.81	8.16
ROCE (%) #	14.30%	14.06%	10.44%	9.30%	8.15%	4.84%	9.65%	8.45%	16.04%	17.63%
Return on Networth (%)	11.02%	11.04%	8.99%	7.35%	6.25%	3.44%	6.90%	6.01%	11.35%	12.16%
Total Debt Equity Ratio	-	-	-	-	-	-	-	-	0.02	0.04
Long Term Debt Equity Ratio (+)	-	-	-	-	-	-	-	-	-	0.02
Sales/Net Fixed Assets (Times)	4.05	4.12	3.77	2.82	2.25	1.86	1.59	1.24	1.25	1.02
Net Working Capital Turnover (Times)	3.58	2.17	2.29	1.75	1.69	1.78	2.41	2.64	2.70	3.84

#Return on Capital Employed (ROCE) is Profit Before Interest and Tax (PBIT) divided by the Capital Employed, as at the end of the year.

* Figures pertaining to 2015-2016 to 2019-20 are as per Ind AS and 2009-10 to 2014-15 are as per IGAAAP.

OUR BOARD OF DIRECTORS



Mr. L Ramkumar, Chairman

Mr. L Ramkumar (64 years; DIN-00090089) is a Cost Accountant and has a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad. He has over 39 years of rich and varied experience in management including 27 years in Tube Investments of India Ltd.



Mr. J Balamurugan, Non-Executive Director

Mr. J Balamurugan (59 years; DIN-00023309) is an Electronics Engineer from Regional Engineering College, Trichy. He has also done the Management Programme for Entrepreneurial Firms from Indian Institute of Management, Bangalore. He has experience in managing the businesses of IT infrastructure, On-line services and Aftermarket automotive enhancements and others. He is the past Chairman of Confederation of Indian Industry, Coimbatore Zone.



Ms. Soundara Kumar, Non-Executive Director

Ms. Soundara Kumar (66 years; DIN-01974515) 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, Rajapalayam Mills Ltd, Tamil Nadu Newsprint and Papers Limited, Bank of Baroda and Carborundum Universal Ltd.



Mr. S K Sundararaman, Non-Executive Director

Mr. S K Sundararaman (47 years; DIN-00002691) holds a Masters Degree in Business Administration from Cambridge University, United Kingdom. He is currently the Managing Director of Shiva Texyarn Ltd. He has wide experience in the field of Textile Technology and well known for his innovative approach and Development of new technical textile products.



Mr. Vellayan Subbiah, Non-Executive Director

Mr. Vellayan Subbiah (50 years; DIN-01138759) is a Bachelor of Technology in Civil Engineering from IIT Madras and holds a Masters in Business Administration from the University of Michigan. He has over 23 years of work experience in consulting, technology and financial services. He is currently the Managing Director of Tube Investments of India Ltd. He was earlier the Managing Director of Cholamandalam Investment and Finance Company Ltd. He is on the Board of various companies including SRF Ltd. and Havells India Ltd.



Mr. Krishna Samaraj, Non-Executive Director

Mr. Krishna Samaraj (65 years; DIN-00048547) is an Engineering Graduate with a Masters in Business Administration from the University of Michigan, USA. He is currently the Managing Director of Magna Electro Castings Limited. He is also a national council member of the Institute of Indian Foundry Men (IIF) and served as the President of IIF for the year 2015-16. He is one of the Directors of Foundry Development Foundation. He is also holding directorship in various companies including Veejay Terry Products Limited and Chandra Textiles Private Limited.

CORPORATE INFORMATION

BOARD OF DIRECTORS

L Ramkumar, Chairman
J Balamurugan
Soundara Kumar
S K Sundararaman
Vellayan Subbiah
Krishna Samaraj

CHIEF EXECUTIVE OFFICER

M Karunakaran

CHIEF FINANCIAL OFFICER

B Balamurugan

COMPANY SECRETARY

C Subramaniam

REGISTERED OFFICE

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

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

CORPORATE IDENTIFICATION NUMBER

L29130TZ1972PLC000649

AUDITORS

Deloitte Haskins & Sells,
Chartered Accountants

BANKERS

HDFC Bank
IDBI Bank
Kotak Mahindra Bank

BOARD'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors have pleasure in presenting to you the performance of the Company, for the year ended 31 March 2020.

1. Business Environment

The FY 2019-20 was a challenging business year. The business environment during the year was competitive in the first half year, the demand for products remained sluggish during the second half year and the year ended with COVID-19 pandemic resulted in lockdowns.

The COVID-19 pandemic is inflicting high and rising human costs worldwide and the necessary protection measures are severely impacting the economic activity. The Great Lockdown, as one might call it, is projected to shrink global growth dramatically. As a result of the pandemic, the global economy is projected to contract sharply by 3% in 2020, much worse than during the 2008–09 financial crisis. In a baseline scenario which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound—the global economy is projected to grow by 5.8 % in 2021 as economic activity normalizes, helped by policy support.

On Indian Economy

According to IMF, the Indian economy's growth at 4.2% in FY20 and estimated as 1.9% FY 21. However, it expects economy to bounce back strongly in fiscal 2021-22.

There are tentative signs of bottoming out of slowdown in

manufacturing activity and global trade, which will have a positive impact on growth in the next fiscal. On a net assessment, it appears that the upside risks should prevail, particularly when the government, with a strong mandate, has the capacity to deliver expeditiously on reforms. Manufacturing is expected to advance by only 2%, sharply slowing from a 6.9% growth in the previous financial year, as trade tensions and global economic slowdown hit activity. However, various economic package and reliefs are being announced by GOI, RBI, other government bodies to spur growth and to build a 'self-reliant India'. The self-reliant India mission to be achieved by meeting global demands by usage of local manufacturing, local market and local supply chains.

On the Gear Industry

The industrial gear market is categorized into stationary, wind and mobility. Gearboxes for Stationary applications exist along with high torque products. Gearboxes for Mobile Applications show good opportunity. The technology trends indicate the focus on alternate materials, macro/micro gear geometry, application specific & measurement-based load design, process optimization and reduction of Total Cost of Ownership.

Industry Scenario

Focus Markets

India's industrial output contracted in March, 2020 as the spread of the COVID-19 pandemic began to disrupt economic activity from the middle of the month. All three key sectors, mining, manufacturing and electricity saw a contraction in manufacturing during Mar-20.

Industry	Growth Drivers
Steel	India's finished steel consumption grew at a CAGR of 7.5 per cent during FY08-FY19 to reach 97.54 MT. India's crude steel and finished steel production increased to 106.56 MT and 131.57 MT in 2018-19, respectively. In FY20 (till February 2020), crude steel and finished steel production stood at 100.78 MT and 94.01 MT respectively. Exports and imports of finished steel stood at 7.78 MT and 6.39 MT, respectively, in FY20 (upto February 2020).
Cement	Cement production has reached 337.32 million tonnes in 2018-19 and stood at 278.79 million tonnes from April 2019-January 2020. Capacity addition of 20 million tonnes per annum (MTPA) is expected in FY19-FY21.
Railways	Indian Railways' revenues increased at a CAGR of 6.20 per cent during FY08-FY19 to US\$ 27.13 billion in FY19. India's exports of railways have grown at a CAGR of 31.51 per cent during 2010-2018 to US\$ 507.90 million. Exports of railways in 2019E stood at US\$ 635 million. Union Budget 2020-21, Ministry of Railways have been allocated ₹ 72,216 crore (US\$ 10.33 billion).
Mining	India is the third largest producer of coal. Coal production in the country stood at 688.8 million tonnes in FY18. India's coal production in FY19 reached 739.36 million tonnes.
Roads	The Ministry of Road Transport & Highways is expected to award road projects with a total length of around 4,500 km worth ₹ 50,000 crore (US\$ 7.15 billion) in 2020. Under the Union Budget 2020-21, the Government of India has allocated ₹ 91,823 crore (US\$ 13.14 billion) under the Ministry of Road Transport and Highways.

2. Company Performance

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Revenue from operations (Net)	242.29	241.68
Earnings Before Interest Tax Depreciation & Amortisation	41.08	53.08
Depreciation and Amortisation expense	8.39	10.62
Profit Before Tax	32.69	42.46
Less: Tax expense	7.50	9.11
Profit After Tax	25.19	33.35
Add: Surplus brought forward	18.78	34.69
Appropriations:		
Final dividend paid during the year	7.67	-
Tax on Final dividend paid during the year	1.58	-
Interim dividend paid during the year	15.34	40.86
Tax on Interim dividend paid during the year	3.15	8.40
Balance carried to Balance Sheet	16.23	18.78

3. Review of Operations

During the year the business had a flat topline of ₹ 242.3 Crs (PY: ₹ 241.7 Crs) on account of sluggish demands in Q3 & Q4 and COVID-19 lockdown in Mar-20, the profit after tax was at ₹ 25.19 Crs (PY: ₹ 33.4 Crs).

Focus on Servicing and Replacement segment in power transmission helped in sustaining the competitive advantage. During the year Company has launched “Shanthi Re-build” for promoting service of gearbox and inaugurated Shanthi Re-build service centres in select areas in the country to enhance reach. The business continued to build relationships through high levels of customer engagement during the year.

Conscious effort on cash generation helped us to sustain the reduced net working capital levels of previous year.

Specific attention is given to development of alternate materials and processes to drive value addition and cost reduction. Capital investments were made wherever technological upgradation was required.

The Company remains debt free and invests its surplus funds judiciously balancing safety and returns.

4. Dividend

The Company has declared an interim dividend of ₹ 2/- per equity share of Face Value ₹1/- in February, 2020 and paid during March 2020. The Board has not recommended any final dividend for the financial year 2019-20 and the interim dividend already declared and paid will be considered as the Dividend for the financial year 2019-20.

5. Share Capital

The Company has completed the Buyback of 50,00,000 equity shares of ₹1/- each initiated during the FY 2018-19 on 9 April 2019. The paid up Equity Share Capital as on 31 March 2020 was ₹ 7.67 Crores.

6. Deposits

The Company has not accepted any fixed deposits under Chapter V of the Companies Act, 2013 and as such no amount of principal and interest was outstanding as on 31 March 2020.

7. Particulars of Loans, Guarantees

During the year under review, the Company has not given any loans or guarantees under the provisions of Section 186 of the Companies Act, 2013. As part of treasury management, the Company deploys short-term surplus in units of mutual funds, the details relating to which form part of the Notes to the financial statements provided in this Annual Report.

8. Directors

Mr. Vellayan Subbiah will retire by rotation at the ensuing Annual General Meeting under Section 152 of the Companies Act, 2013 and being eligible, he offers himself for re-appointment.

Ms. Soundara Kumar was appointed as an Independent Director. She holds office up to the date of the ensuing Annual General Meeting. The Board recommends her re-appointment as an Independent Director under Section 149 of the Act for further term of five years viz., from the date of 47th Annual General Meeting (2020) till the date of the 52nd Annual General Meeting (2025). Notice

has been received from a Member proposing the candidature of Ms. Soundara Kumar as Independent Director of the Company. The Board takes pleasure in recommending the appointment of Mr. Vellayan Subbiah as Director and Ms. Soundara Kumar as Independent Director of the Company at the forthcoming Annual General Meeting.

All the Independent Directors of the Company have furnished necessary declaration in terms of Section 149(6) of the Act affirming that they meet the criteria of independence as stipulated under the Act. In the opinion of the Board, all the Independent Directors fulfill the conditions specified in the Companies Act, 2013 and Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 and are independent of the Management.

9. Key Managerial Personnel

Mr. M Karunakaran, Chief Executive Officer, Mr. B Balamurugan, Chief Financial Officer and Mr. C Subramaniam, Company Secretary are the Key Managerial Personnel (KMP) of the Company as per Section 203 of the Companies Act, 2013.

10. Internal Control System and their Adequacy

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

11. Internal Financial Control Systems with reference to financial statements

The Company has a formal system of internal financial control to ensure the reliability of financial and operational information, regulatory and statutory compliances. The Company's business processes are enabled by an Enterprise-wide Resource Platform (ERP) for monitoring and reporting processes resulting financial discipline and accountability.

12. Enterprise Risk Analysis And Management

The Company has constituted a Risk Management Committee aligned with the requirements of the Companies Act, 2013 and Listing Regulations. The details of the Committee and its terms of reference are set out in the Corporate Governance Report forming part of this Report.

The Company operates across various product platforms built over the years. Relative advantages and disadvantages of such product verticals are studied and advances are tracked. The Company seeks to address technology gaps through continuous benchmarking of existing manufacturing processes with developments in the industry and in this connection has made arrangements with technology consultants.

Sub-par utilization of capacities may lead to inadequate leverage benefits. The Company is ramping up its marketing efforts towards successful product establishment and market acceptance of its products, exploring development of alternate products and establishing a range of applications.

13. 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 part of this report as Annexure - G.

14. Corporate Social Responsibility (CSR)

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

15. Annual Return

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as Annexure-C. The same is also available on the website of the Company at the following link <http://www.shanthigears.com/annual-reports/>

16. Directors Responsibility Statement

Pursuant to Section 134 (5) of the Companies Act, 2013, the Board of Directors to the best of their knowledge and belief confirm that:

- a) in the preparation of the annual accounts, applicable Accounting Standards have been followed and that there were no material departures therefrom;
- b) they have, in the selection of the accounting policies, consulted the statutory auditors and have applied their recommendations consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2020 and of the profit of the Company for the year ended on that date;
- c) they have taken proper and sufficient care 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;
- d) they have prepared the annual accounts on a going concern basis;
- e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively during the year ended 31 March 2020; and
- f) proper system has been devised to ensure compliances with the provisions of all applicable laws and that such systems were adequate and operating effectively during the financial year ended 31 March 2020.

17. Policy on Appointment and Remuneration of Directors

Pursuant to Section 178 (3) of the Companies Act, 2013 the Nomination and Remuneration Committee of the Board of the Company has formulated the criteria for Board nominations as well as policy on remuneration for Directors and employees of the Company.

The Remuneration policy provides the framework for remunerating the members of the Board, Key Managerial Personnel and other employees of the Company. This policy is guided by the principles and objectives enumerated in Section 178 (4) of the Companies Act, 2013 and reflects the remuneration philosophy and principles of the Murugappa Group 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. The policy lays down broad guidelines for

payment of remuneration to Executive and Non-Executive Directors within the limits approved by the shareholders.

The Board Nomination criteria and the Remuneration policy are available on the website of the Company at <http://www.shanthigears.com/wp-content/uploads/2019/05/SGL-Remuneration-Policy-Mar-2019.pdf>

18. 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. There are no materially significant related party transactions during the year which may have a potential conflict with the interest of the Company at large. Necessary disclosures as required under Accounting Standard (Ind AS 24) have been made in the notes to the Financial Statements. The Policy on Related Party Transactions, as approved by the Board, is uploaded and is available on the Company's website <http://www.shanthigears.com/wp-content/uploads/2019/05/SGL-RPT-Policy-Mar-2019.pdf>

None of the Directors had any pecuniary relationships or transactions vis-à-vis the Company.

19. Board Evaluation

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

20. Vigil Mechanism/ Whistle Blower Policy

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

21. Business Responsibility Reporting

As required under the SEBI Listing Regulations which mandate the inclusion of a Business Responsibility Report as part of the Annual Report for the top 1000 listed entities based on market capitalisation, the Business Responsibility Report forms part of the Annual Report as Annexure-F. The Business Responsibility Policy of the Company is displayed in the Company's website at the following link <http://www.shanthigears.com/wp-content/uploads/2020/06/SGL-BRR-Policy-May-2020.pdf>

22. Declarations/Affirmations

During the year under review:

- there were no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate viz., 31 March 2020 and the date of this Report; &
- there were no significant material orders passed by the regulators or courts or tribunals impacting the Company's going concern status and its operations in future.

23. 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. Industrial Relations continued to be cordial.

Senior leaders have been investing a lot of time and efforts in identifying and developing succession pipeline for critical positions in the organization. The transition management programmes viz., FTF and LEAD have been successful and as part of the programme, implementation of Individual Development Plans (IDPs) for talent pool identified through these programmes is being facilitated. The IDPs are being reviewed regularly and On-the-Job projects, job enlargement /job rotation, mentoring support to the target group are being provided. Coaching & mentoring was done for select talent across the organization with an intent of developing future leaders. Internal employees have been given opportunities to take up higher roles and grow in the system.

The Company had 523 permanent employees on its rolls, as on 31 March 2020.

The disclosure with respect to remuneration as required under Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached and forms part of this Report as Annexure-B.

The information relating to employees and other particulars required under Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 will be provided upon request. In terms of Section 136 of the Companies Act, 2013, the Report and Accounts are being sent to the Members excluding the information on employees, particulars of which are available for inspection by the Members at the Registered Office of the Company during business hours on all working days of the Company up to the date of the forthcoming Annual General Meeting. If any Member is interested in obtaining a copy thereof, such member may write to the Company Secretary in the said regard.

24. 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-D.

25. 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 2019-20.

26. Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. R Sridharan & Associates, Company Secretaries to undertake Secretarial Audit of the Company. The Secretarial Audit Report is annexed herewith and forms part of this Report as Annexure-E. The Company has ensured compliance of the Secretarial Standards issued by the Institute of Company Secretaries of India during the period under review. Accordingly, no qualification or observation or other remarks have been made by the Secretarial Auditor in his Report.

27. Auditors

The Members have appointed M/s Deloitte Haskins & Sells, Chartered Accountants (Firm Registration No. 008072S) the Statutory Auditors of the Company for a period of 5 years from the conclusion of 45th AGM (2018) till the conclusion of 50th AGM (2023) subject to ratification of such appointment by members at every AGM. The requirement to place the matter relating to appointment of auditors for ratification by Members at every AGM has been done away by the Companies (Amendment) Act, 2017 with effect from May 7, 2018. Accordingly, no resolution is being proposed for ratification of appointment of statutory auditors at the Forty-seventh AGM

Mr. B. Venkateswar was appointed as Cost Auditor for audit of the Cost Accounting records of the Company for the year ended 31 March 2021. A resolution seeking Members' ratification of the Remuneration payable to Cost Auditor is included in the AGM notice dated 26 May 2020. The Cost Audit report will be filed within the stipulated period.

The Directors thank all Customers, Vendors, Banks, State Governments 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

Chennai
26 May 2020

L Ramkumar
Chairman
DIN-00090089

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:

Shanthi Gears Limited ("Company" or "SGL"), being part of Murugappa Group is known for its tradition of philanthropy and community service. The Company'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.

SGL has been upholding the Group's tradition by earmarking a part of its income for carrying out its social responsibilities. The Company believes that social responsibility is not just a corporate obligation that has to be carried out but it is one's *dharma*. Therefore, the Company's philanthropic endeavours are a reflection of spiritual conscience and this provides a way to discharge our responsibilities to the various sections of the society.

CSR Policy of the Company *inter alia* provides for identification of CSR projects and programmes, modalities of execution, monitoring process. The policy can be accessed on the Company's website weblink: <http://www.shanthigears.com/wp-content/uploads/2018/07/CSR-Policy.pdf>

Overview of the CSR Projects and Programmes

SGL is committed to identifying and supporting programmes aimed at:

- Empowerment of the disadvantaged Sections of the society through education, access to and awareness about financial services and the like;
- Provision of access to basic necessities like healthcare, drinking water & sanitation and the like to underprivileged;
- Work towards eradicating hunger and poverty, through livelihood generation and skill development;
- Supporting environmental and ecological balance through afforestation, soil conservation, rain water harvesting, conservation of flora & fauna and similar programme;
- Promotion of rural sports, nationally recognized sports, Paralympic sports and Olympic sports through training of sports persons;
- Undertake rural development projects; and
- 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.

2. Composition of CSR Committee:

Ms. Soundara Kumar, Chairperson (Independent Director)

Mr. L Ramkumar (Non-Independent Director)

Mr. S K Sundararaman (Independent Director)

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

The average net profit of the Company made during the three immediately preceding financial years as calculated under Section 135 of the Companies Act, 2013 and Rules thereunder works out to ₹ 34.18 Crores.

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

The Company is required to spend ₹ 0.68 Crores towards CSR.

5. Details of CSR spend for the financial year:

a. Total amount spent for the financial year:
₹ 0.69 Crores

b. Amount Unspent, if any:
Nil

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

Sl. No.	Project / Activities	Sector	Location	Amount Outlay (Budget) Project /programs wise	Amount Spent on the project /programs	Cumulative Expenditure upto reporting period	Amount Spent: Direct (D) OR through implementing agency (IA)*
				District (State) ₹ Crores	₹ Crores	₹ Crores	₹ Crores
1.	Studies on Bio-energy from agro and other wastes for Rural India	Environment	Rural India	0.36	0.36	0.36	0.36 (IA)
2.	Girls Education Centres	Education	Raigarh (Chhattisgarh)	0.12	0.12	0.12	0.12 (IA)
3.	Infrastructure for Government Schools	Education	Coimbatore (TamilNadu)	0.22	0.22	0.22	0.22 (D)
Total				0.69	0.69	0.69	0.69

Details of implementing agencies (IA)*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:

Not applicable as the Company has spent in excess of the mandatory minimum.

7. Responsibility Statement:

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.

On behalf of the Board

L Ramkumar
Chairman
DIN-00090089
Chennai

Soundara Kumar
Chairperson of the CSR Committee
DIN- 01974515
Coimbatore

26 May 2020

ANNEXURE B TO THE BOARD'S REPORT

Disclosure pursuant to Section 197 (12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**1. Ratio of remuneration* to each Director to the median Employee Remuneration**

Name	Designation	Ratio
Mr. L Ramkumar	Chairman	1.44
Mr. J Balamurugan	Director	1.44
Mr. S K Sundararaman	Director	1.40
Ms. Soundara Kumar	Director	1.54
Mr. Krishna Samaraj	Director	1.21

Note: * Remuneration includes sitting fees

2. Percentage increase in Remuneration of each Director & Key Managerial Personnel in the financial year 2019-2020.

Name	Designation	% Increase
Mr. L Ramkumar	Chairman	Not applicable
Mr. J Balamurugan	Director	-1.41%
Mr. S K Sundararaman	Director	7.09%
Ms. Soundara Kumar	Director	20.97%
Mr. Krishna Samaraj	Director	Not applicable
Mr. M Karunakaran	Chief Executive Officer	Not applicable
Mr. B Balamurugan	Chief Financial Officer	11.00%
Mr. C Subramaniam	Company Secretary	8.00%

3. Percentage increase in the Median Remuneration of Employees

Median Remuneration	in ₹ Lakhs
2018-19	3.58
2019-20	4.87
Increase / (Decrease)	1.29
% Change	36.1%

4. Number of Permanent Employees on Roll : 523

5. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration

The average increase granted to employees other than managerial personnel is 39%. The increase granted to managerial personnel is 10%.

6. Affirmation that the remuneration is as per the remuneration policy of the Company

The remuneration paid to the Directors, Key Managerial Personnel and Employees is in line with the remuneration policy approved by the Board of Directors of the Company.

On behalf of the Board

Chennai
26 May 2020

L Ramkumar
Chairman
DIN-00090089

ANNEXURE C TO THE BOARD'S REPORT

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31 MARCH 2020

[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	Public Company/Limited by Shares
5	Address of the Registered office and contact details	304-A, Trichy Road, Singanallur, Coimbatore-641005, Tamil Nadu, India. Tel : 0422-4545745, Fax: 0422-4545700 E-Mail : cs@shanthigears.murugappa.com
6	Whether listed Company Yes / No	Yes
7	Name, Address and Contact details of Registrar and Transfer Agent, if any	M/s. S.K.D.C. Consultants Limited, Kanapathy Towers, 3 rd Floor, 1391/A-1, Sathy Road, Ganapathy Coimbatore-641006, Tamil Nadu. Tel : 0422- 4958995, 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 more of the total 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	2814	96.71%

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, 'Dare House', 234, NSC Bose Road, Chennai-600001	L35100TN2008PLC069496	Holding Company	70.47	2(46)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**i) Category-wise Share Holding**

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		
(A) Promoters										
(1) Indian										
a) Individuals/Hindu Undivided Family	-	-	-	-	-	-	-	-	-	-
b) Central Government/ State Government(s)	-	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	57302913	-	57302913	70.13	54063189	-	54063189	70.47	0.35	
d) Financial Institutions/ Banks	-	-	-	-	-	-	-	-	-	-
e) Any others (Specify)	-	-	-	-	-	-	-	-	-	-
TRUST	-	-	-	-	-	-	-	-	-	-
Sub Total(A)(1)	57302913	-	57302913	70.13	54063189	-	54063189	70.47	0.35	
(2) Foreign										
a) Individuals (Non-Residents Individuals/ Foreign Individuals)	-	-	-	-	-	-	-	-	-	-
b) Bodies Corporate	-	-	-	-	-	-	-	-	-	-
c) Institutions	-	-	-	-	-	-	-	-	-	-
d) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-	-
e) Any others (Specify)	-	-	-	-	-	-	-	-	-	-
Sub Total (A) (2)	-	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	57302913	-	57302913	70.13	54063189	-	54063189	70.47	0.35	
(B) Public shareholding										
(1) Institutions										
a) Mutual Funds/ UTI	1199426	4000	1203426	1.47	665445	4000	669445	0.87	-0.60	
b) Venture Capital Funds	-	-	-	-	-	-	-	-	-	-
c) Alternate Investment Funds	2490294	-	2490294	3.05	2011721	-	2011721	2.62	-0.43	
d) Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-	-
e) Foreign Portfolio Investors	1400793	-	1400793	1.71	2463593	-	2463593	3.21	1.50	
f) Financial Institutions / Banks	4059	-	4059	0.01	6010	-	6010	0.01	0.00	

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity) (Contd...)**i) Category-wise Share Holding**

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	
g) Insurance Companies	554682	-	554682	0.68	554682	-	554682	0.72	0.04
h) Provident Funds / Pension funds	-	-	-	-	-	-	-	-	-
i) Any Other (specify)	-	-	-	-	-	-	-	-	-
Foreign Financial Institutions	1003324	2000	1005324	1.23	-	2000	2000	0.00	-1.23
Foreign Banks	3000	-	3000	0.00	-	-	-	-	0.00
Sub-Total (B)(1)	6655578	6000	6661578	8.15	5701451	6000	5707451	7.44	-0.71
(2) Non-institutions									
a) Bodies Corporate									
i) Indian	499213	15750	514963	0.63	886559	15000	901559	1.18	0.55
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹ 2 lakhs	9571646	929359	10501005	12.85	9219092	845149	10064241	13.12	0.27
ii) Individual shareholders holding nominal share capital in excess of ₹ 2 lakhs	4275000	-	4275000	5.23	4143073	-	4143073	5.40	0.17
c) Others (specify)									
Directors & Their Relatives	-	-	-	-	-	-	-	-	-
Non Resident Indians	549974	6740	556714	0.68	597211	6740	603951	0.79	0.11
Clearing Members	756746	-	756746	0.93	86616	-	86616	0.11	-0.81
Hindu Undivided Families	581173	-	581173	0.71	576151	-	576151	0.75	0.04
Foreign Corporate Bodies	793	-	793	0.00	793	-	793	0.00	0.00
Investors Education and Protection Fund Authority	296678	-	296678	0.36	329299	-	329299	0.43	0.07
Unclaimed Share Suspense Account	268290	-	268290	0.33	239530	-	239530	0.31	-0.02
Sub-Total (B)(2)	16799513	951849	17751362	21.72	16078324	866889	16945213	22.09	0.37
Total Public Shareholding (B) = (B)(1) + (B)(2)	23455091	957849	24412940	29.88	21779775	872889	22652664	29.53	-0.35
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
GRAND TOTAL (A) + (B) + (C)	80758004	957849	81715853	100.00	75842964	872889	76715853	100.00	(0.0)

ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (1 April 2019)			Shareholding at the end of the year (31 March 2020)			% Change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of the Shares Pledged/ encumbered to the total shares	No. of Shares	% of total Shares of the Company	% of the Shares Pledged/ encumbered to the total shares	
1	TUBE INVESTMENTS OF INDIA LIMITED (Formerly Known as 'TI FINANCIAL HOLDINGS LIMITED') (CIN: L35100TN2008PLC069496)	57296413	70.12	-	54057475	70.47	-	0.35
2	AMBADI INVESTMENTS LIMITED	6500	0.01	-	5714	0.01	-	(0.00)
Total		57302913	70.13	-	54063189	70.47	-	0.35

iii) Change in Promoters' Shareholding, (please specify, if there is any change)

Sl. No.	Name of Promoter	No. of Shares at the beginning of the year (1.4.2019)/at the end of the year (31.3.2020)	% of total Shares of the Company	Shareholding			Cumulative Shareholding during the year (1.4.2019 to 31.3.2020)	
				Date	Increase/ Decrease in Shareholding	Reason	No. of Shares	% of the total Shares of the Company
1	TUBE INVESTMENTS OF INDIA LIMITED (Formerly Known as 'TI FINANCIAL HOLDINGS LIMITED')	57296413	70.12	5-Apr-2019	-3238938	Buyback	54057475	70.47
				31-Mar-2020			54057475	70.47
2	AMBADI INVESTMENTS LIMITED	6500	0.01	5-Apr-2019	-786	Buyback	5714	0.01
				31-Mar-2020			5714	0.01

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

Sl. No.	Name	Shareholding					Cumulative Shareholding during the year (1.4.2019 to 31.3.2020)	
		No of Shares at the beginning of the year (1.4.2019)/at the end of the year (31.3.2020)	% of total Shares of the Company	Date	Increase/ Decrease in Shareholding	Reason	No of Shares	% of the total Shares of the Company
1	SUNDARAM	1873294	2.29	5-Apr-19	-226126	Sales	1647168	2.15
	ALTERNATIVE	1647168	2.15	13-Sep-19	-43143	Sales	1604025	2.09
	OPPORTUNITIES	1604025	2.09	20-Sep-19	-18500	Sales	1585525	2.07
	FUND - NANO	1585525	2.07	27-Sep-19	-116391	Sales	1469134	1.91
	CAP SERIES I	1469134	1.92	31-Mar-20			1469134	1.91
2	FIRST STATE	1370857	1.68	30-Sep-19	52124	Purchase	1422981	1.85
	INVESTMENTS	1422981	1.85	13-Mar-20	-9032	Sales	1413949	1.84
	ICVC- STEWART	1413949	1.84	20-Mar-20	-2628	Sales	1411321	1.84
	INVESTORS	1411321	1.84	31-Mar-20			1411321	1.84
	INDIAN SUBCONTINENT FUND							
3	PACIFIC ASSETS	1003324	1.23	30-Sep-19	48948	Purchase	1052272	1.37
	TRUST PLC	1052272	1.37	31-Mar-20			1052272	1.37
4	NIMESH	1100000	1.35	5-Apr-19	-125886	Sales	974114	1.27
	SUMATILAL	974114	1.27	31-Mar-20			974114	1.27
5	DURGESH S SHAH	1100000	1.35	5-Apr-19	-125886	Sales	974114	1.27
		974114	1.27	31-Mar-20			974114	1.27
6	DHANESH S SHAH	1100000	1.35	5-Apr-19	-125886	Sales	974114	1.27
		974114	1.27	31-Mar-20			974114	1.27
7	NATIONAL	554682	0.68	NO MOVEMENT			554682	0.68
	INSURANCE COMPANY LTD	554682	0.68	31-Mar-20			554682	0.72
8	SUNDARAM	617000	0.76	5-Apr-19	-74413	Sales	542587	0.71
	ALTERNATIVE OPPORTUNITIES FUND - NANO CAP SERIES II	542587	0.71	31-Mar-20			542587	0.71
9	DIXIT	525000	0.64	5-Apr-19	-63437	Sales	461563	0.60
	GUNVANTRAI SHAH	461563	0.60	31-Mar-20			461563	0.60
10	PURVAJ	-	-	7-Feb-20	367278	Purchase	367278	0.48
	ADVISORS	367278	0.48	6-Mar-20	7772	Purchase	375050	0.49
	PRIVATE LIMITED	375050	0.49	31-Mar-20			375050	0.49
11	INVESTOR	296678	0.36	11-Oct-19	10691	Transfer	307369	0.40
	EDUCATION AND	307369	0.40	18-Oct-19	21930	Transfer	329299	0.40
	PROTECTION FUND	329299	0.40	31-Mar-20			329299	0.40
	AUTHORITY (MINISTRY OF CORPORATE AFFAIRS)							

Note:

- As the Company is listed, its shares are traded on a daily basis and hence the above dates refer to the respective beneficiary dates.
- The above list comprises of top 10 shareholders as on 1 April 2019 and as on 31 March 2020.

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

None of the Directors and Key managerial personnel held shares at the beginning, during and end of the financial year 2019-20

V. INDEBTEDNESS

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

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

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**a. Remuneration to Managing Director, Whole-time Directors and/or Manager**

During the financial year 2019-20, no Managing Director, Whole-time Director or Manager was in employment of the Company.

b. Remuneration to other Directors**1. Independent Directors**

₹ Lakhs

Particulars of Remuneration	Name of the Director				Total Amount
	Mr. J Balamurugan	Ms. Soundara Kumar	Mr. S.K. Sundararaman	Mr. Krishna Samaraj	
Fee for attending Board/Committee Meetings	2.00	2.50	1.80	0.90	7.20
Commission	5.00	5.00	5.00	5.00	20.00
Others, Please specify					
TOTAL (B)(1)	7.00	7.50	6.80	5.90	27.20

2. Other Non- Executive Directors

₹ Lakhs

Particulars of Remuneration	Name of the Director		Total Amount
	Mr. L. Ramkumar	Mr. Vellayan Subbiah	
Fee for attending Board/Committee Meetings	2.00	NIL	2.00
Commission	5.00	NIL	5.00
Others, Please specify	NIL	NIL	NIL
TOTAL (B)(2)	7.00	NIL	7.00
Total (B)(1)+(B)(2) Total Remuneration			34.20

Note: Overall Ceiling for Commission to Directors as per the Companies Act, 2013 is ₹ 31.35 Lakhs

c. Remuneration to Key Managerial Personnel Other than MD/Manager /WTD

₹ Lakhs

Sl. No.	Particulars of Remuneration	Mr. M Karunakaran, Chief Executive Officer	Mr. B Balamurugan, Chief Financial Officer	Mr.C Subramaniam, Company Secretary	Total Amount
1.	Gross Salary				
	(a) Salary as per the provision contained in Section 17(1) of the Income Tax Act, 1961	68.63	38.50	18.18	125.30
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	4.54	-	-	4.54
	(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	-	-	-	-
	Total	73.17	38.50	18.18	129.84

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There were no penalties, punishment or compounding of offences during the year ended 31 March 2020.

On behalf of the Board

Chennai
26 May 2020

L Ramkumar
Chairman
DIN-00090089

ANNEXURE D TO THE BOARD'S REPORT**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Company is committed to the conservation of energy and various measures are pursued in this regard. Some of the measures taken during 2019-20 are highlighted hereunder:

The Company has invested on LED light installation at Shop floor, installed the Variable Frequency Drive for Turning, Thread Milling, Hobbing & Key way milling machines. Conventional panels are replaced with programmable logic controls and installed the new Packaged Air conditioning unit with latest VRF technology at shop floors. Measures taken to optimize the Cooling tower pump & Air compressor functioning and "APFC" panels are installed to improve the Power factor.

Green Power

The company has 9 Wind Mills with a total capacity of 6.7 MW. These wind mills generated 110.47 Lakh units of electricity and these units were used for captive production. In addition to this, the company also generated 1.97 Lakh units of electricity from the 200 KW Roof top Solar panels installed in the Company's premises.

Technology Absorption**Efforts made by the Company towards technology absorption and its benefits**

Research and Development (R&D) continued introducing new Technologies using advanced computational tools having the latest international specifications and standards. R&D efforts during the year focused on projects in IIOT, aiming at improving the overall operational efficiencies. Data integration of internal processes using IIOT & SCADA systems for shop floor aimed at achieving maximum OEE and faster product delivery. Leading in the technology, the wireless sensors having the state-of-the-art Condition Monitoring Systems are being tested for the new Gearboxes, for implementation. The patentable back-back Test-rig, conceptualized internally and successfully developed for validation of new gearbox designs with the aim of providing more reliable products. The research and development in the area of high strength & light weight materials are in progress with number of laboratory experiments and lab tests to find an appropriate chemical composition and heat treatment. New innovations in the area of gear tooth geometry and its designs, including, the development of Anti-backlash mechanism in worm screw Jacks, which is an internal idea for easy installation and disassembly.

The R&D is set for a new benchmark in transmission industry, with multi-stage high torque gearboxes in intricate applications for Mining, Cement and Marine with efficient Fluid Lubrication System and technologically advanced NVH (Noise Vibration and Harshness) designs.

Expenditure on R & D

₹ Crores

Particulars	2019-20	2018-19
Capital Expenditure	0.20	0.17
Revenue Expenditure	2.13	2.22
Total R & D Expenditure	2.33	2.39
Total R & D Expenditure as a % of turnover	0.96%	1.01%

Foreign Exchange Earnings and Outgo	2019-20
Foreign Exchange Earned	14.70
Foreign Exchange Outgo	7.10

On behalf of the Board

Chennai
26 May 2020

L. Ramkumar
Chairman
DIN-00090089

ANNEXURE E TO THE BOARD'S REPORT

FORM NO. MR - 3

**SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 24 A of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 as amended]

The Members,

Shanthi Gears Limited

CIN:L29130TZ1972PLC000649

304 -A, Trichy Road, Singanallur

Coimbatore - 641005.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by SHANTHI GEARS LIMITED [Corporate Identification Number : L29130TZ1972 PLC000649] (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's 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, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31 March 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March 2020 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made there under;

- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye- laws framed thereunder;
- (iv) The Company has not dealt with the matters relating to Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings under FEMA during the year under review and hence, the question of complying with the provisions of Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder does not arise;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') are applicable;
 - 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, 2015;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (not applicable to the company during the audit period);
 - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (not applicable to the company during the audit period);
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (not applicable to the company during the audit period);
 - 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 ; (not applicable to the company during the audit period); and

h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;

(vi) We have reviewed the systems and mechanisms established by the Company for ensuring compliances under the other applicable Acts, Rules, Regulations and Guidelines prescribed under various laws which are applicable to the Company and categorized under the following major heads/groups:

1. Factories Act, 1948;
2. Labour laws and other incidental laws related to labour and employees appointed by the Company including those on contractual basis as relating to wages, gratuity, prevention of sexual harassment, dispute resolution, welfare, provident fund, insurance, compensation etc.;
3. Industries (Development & Regulation) Act, 1951;
4. Acts relating to consumer protection including the Competition Act, 2002;
5. Acts and Rules prescribed under prevention and control of pollution;
6. Acts and Rules relating to Environmental protection and energy conservation;
7. Acts and Rules relating to hazardous substances and chemicals;
8. Acts and Rules relating to electricity, fire, petroleum, drugs, motor vehicles, explosives, boilers etc.;
9. Acts relating to protection of IPR;

10. Land revenue laws; and

11. Other local laws as applicable to various plants and offices.

We believe that the audit evidence which we have obtained is sufficient and appropriate to provide a basis for our audit opinion. In our opinion and to the best of our information and according to explanations given to us, we believe that the systems and mechanisms established by the Company are adequate to ensure compliance of laws as mentioned above.

With respect to the applicable financial laws such as direct and indirect tax laws, based on the information & explanations provided by the management and officers of the Company and certificates placed before the Board of Directors, we report that adequate systems are in place to monitor and ensure compliance.

We have also examined compliance with the applicable clauses / regulations of the following:

- (i) Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India (ICSI).
- (ii) The Uniform Listing Agreement entered with BSE Limited and National Stock Exchange of India Limited pursuant to the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

We have not verified the correctness and appropriateness of financial records and books of accounts of the company.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors, woman

Independent Director and Independent Directors. The company has appointed “CEO” as key managerial personnel in compliance with the provisions of Section 203 of the Act. 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. Notes on Agenda which are circulated less than the specified period the necessary compliances under the Companies Act, 2013 and secretarial standard on Meeting of the Board of Directors are complied with. Board Meetings that were held through video conferencing or other audio visual means, / the directors who were participated through video conferencing during the period under review the necessary compliances of Rule 3 & 4 of the Companies (Meetings of Board and its Powers) Rules, 2014 have been complied with.

Based on the verification of the records and minutes, the decisions at the Board / Committee Meetings were taken with the consent of the Board of Directors / Committee Members and no Director / Member had dissented on any of the decisions taken at such Board / Committee Meetings. Further, in the minutes of the General Meeting, the number of votes cast against the resolutions has been recorded.

We further report that based on review of compliance mechanism established by the Company we are of the opinion that the management has adequate systems and processes

commensurate with its size and operations, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

We further report that the above mentioned Company being a Listed entity this report is also issued pursuant to Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended and circular No.CIR/CFD/CMD1/27/2019 dated 8 February 2019 issued by Securities and Exchange Board of India.

We further report that as per the information and explanations provided by the Management, the Company does not have any Material Unlisted Subsidiary (ies) Incorporated in India as defined in Regulation 16(1) (c) and Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the period under review.

We further report that during the audit period, the Company has

1. Obtained the approval of the Board of Directors at their meeting held on 22 October 2019 for deployment of funds in debentures, deposits, mutual funds, inter-corporate deposits, etc. up to an aggregate limit of ₹ 250 Crores.
2. Obtained the approval of the Buyback Committee constituted by the Board at their meeting held on 9 April 2019 for buy back of 50,00,000 Equity Shares at a price of ₹140 per Equity share based on the valid applications received from the shareholders during the offer period. Consequent to the buy back of the above said shares the paid up share capital of the company stands reduced to 7,67,15,853 of ₹ 1/- each.

For **R.SRIDHARAN & ASSOCIATES**
COMPANY SECRETARIES

CS R.SRIDHARAN

CP No. 3239

FCS No. 4775

UIN : S2003TN063400

UDIN: F004775B000275419

Place : Chennai

Date : 26 May 2020

ANNEXURE-F TO THE BOARD REPORT

BUSINESS RESPONSIBILITY REPORT

About this Report

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) prescribe that the top 1000 listed entities based on market capitalisation as at the end of March of every financial year are required to include a Business Responsibility Report (BRR) as part of their Annual Report. The following report has been prepared in accordance with Regulation 34 of the Listing Regulations since the Company figures among the top 1000 listed entities in India based on market capitalisation at the National Stock Exchange of India Limited (NSE) and the BSE Ltd (BSE) as at 31 March 2020.

Section A: General Information about the Company

1	Corporate Identity Number (CIN)	L29130TZ1972PLC000649
2	Name of the Company	Shanthi Gears Limited
3	Registered office address	304-A, Trichy Road, Singanallur, Coimbatore – 641005
4	Website	www.shanthigears.com
5	E-mail ID	cs@shanthigears.murugappa.com
6	Financial Year reported	1 April 2019 to 31 March 2020
7	Sectors that the Company is engaged in(industrial activity code-wise)	Gears, Gear Boxes and Geared Motors (NIC Code : 2814)
8	List three key products/services that the Company (as in balance sheet)	Gears, Gear Boxes and Geared Motors
9	Total number of locations where business activity is undertaken by the Company a) Number of International Locations (Provide details of major 5) b) Number of National locations	There are no international manufacturing operations for the Company The Company has manufacturing operations in 4 locations locally in Coimbatore (Unit A, Unit B, Unit C and Unit F).
10	Markets served by the Company	Local/State/National/ International The Company predominantly serves the Indian market. The Company also has export to other countries in Asia, Europe and the America.

Section B: Financial details of the Company

1	Paid up Capital (INR)	₹ 7.67 Crs
2	Total Turnover (INR)	₹ 242.3 Crs
3	Total profit after taxes (INR)	₹ 25.19 Crs
4	Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	₹ 0.69 Crs 2.7 %
5	List of activities in which expenditure in 4 above has been incurred	Education and Rural Sustainability has been incurred (please refer the CSR Annual Report for details)

Section C: Other details

- Does the Company have any Subsidiary company/companies?
No. The Company has no subsidiaries. (The Company is a subsidiary of Tube Investments of India Limited)
- Do the subsidiary company/companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).

Not Applicable
- Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%].

The Company does not mandate its suppliers and distributors to participate in its BR activities. However, they are encouraged to do so.

Section D: BR Information**1. Details of Director/Directors responsible for BR****a) Details of the Director/Director responsible for implementation of the BR policy/policies**

DIN Number	01138759
Name	Vellayan Subbiah
Designation	Director

b) Details of the BR head

DIN Number	01138759
Name	Vellayan Subbiah
Designation	Director
Telephone number	044- 42286701
Email ID	vellayans@tii.murugappa.com

2. Principle-wise (as per NVGs) BR Policy/policies

The 9 areas of business responsibility enunciated under the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs, Government of India are:

Principle (“P”)	Area of BR
1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
3	Businesses should promote the well-being of all employees
4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised
5	Businesses should respect and promote human rights
6	Business should respect, protect and make efforts to restore the environment
7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
8	Businesses should support inclusive growth and equitable development
9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

Sl.No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have policy/policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy been formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national/international	Y	Y	Y	Y	Y	Y	Y	Y	Y
4	Has the policy been approved by the Board? Is yes, has it been signed by MD/owner/CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Does the Company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?	http://www.shanthigears.com								
7	Has the policy been formally communicated to All relevant Internal and external stakeholders	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the company have in house structure to Implement the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the company have grievance redressal Mechanism Related to the policy/policies to address stakeholders' Grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

The policies of the Company are based on its guiding principles and core values and are mapped to each of the principles hereunder.

Principle	Applicable Policies
Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	<ul style="list-style-type: none"> • Values and Beliefs, called the 'Five Lights' • Whistle Blower Policy • SGL Code of Conduct
Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle	<ul style="list-style-type: none"> • Safety, Health and Environmental Policy Businesses
Businesses should promote the well-being of all employees	<ul style="list-style-type: none"> • Safety, Health and Environmental Policy • Policy on prevention of Sexual Harassment at the work place
Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised	<ul style="list-style-type: none"> • CSR Policy
Businesses should respect and promote human rights	<ul style="list-style-type: none"> • Values and Beliefs, called the 'Five Lights' • Whistle Blower Policy • Code of Conduct
Business should respect, protect and make efforts to restore the environment	<ul style="list-style-type: none"> • Safety, Health and Environmental Policy
Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	<ul style="list-style-type: none"> • Values and Beliefs, called the 'Five Lights'
Businesses should support inclusive growth and equitable development	<ul style="list-style-type: none"> • CSR Policy
Businesses should engage with and provide value to their customers and consumers in a responsible manner	<ul style="list-style-type: none"> • Values and Beliefs, called the 'Five Lights'

2a. If answer to Sl. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options): **Not applicable.**

3. Governance related to BR

- **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, annually, more than 1 year.**

The BR performance revolves around a number of policies which is assessed by the BR Head monthly, quarterly and annually based upon its importance and impact on the Company's operations and activities.

- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this Report? How frequently it is published?**

Yes. The Company publishes a BR Report as part of its Annual Report. The said Report is also available in the Company's website at www.shanthigears.com.

Section E: Principle-wise Performance

Principle 1 – Ethics, Transparency & Accountability

The Company is committed to developing governance structures, procedures and practices that ensure ethical conduct at all levels; and promoting the adoption of this principle across its value chain. Commitment to ethical and lawful business conduct is a fundamental shared value of the Board of Directors, senior management and all employees of the Company.

1. Does the policy relating to Ethics, Bribery and Corruption cover only the Company? Yes/No. Does it extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?

The Company's policies relating to Governance rest on adhering to ethics, transparency in dealing with stakeholders, adequate and timely disclosure etc. These policies are similar across all the entities in the Group. All stakeholders of the Company - internal as well as external are expected to work within the framework of the aforesaid policies/principles. In the selection of its vendors and contractors, the Company ensures to identify and deal with those who can maintain and follow ethical standards. The Company further on a regular basis endeavours to reiterate awareness and also impart training on these values to its employees. The relevant stakeholders of the Company are also made aware of the said values from time to time.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

The Company has set up a Whistle-blower mechanism as an avenue for voicing of concerns *inter alia* relating to unethical behaviour. During the year, there were no complaints under the Company's Whistle Blower policy. There were one complaint from stakeholder (viz., shareholders) under the Stakeholders Relationship Committee established for voicing of grievances/issues by investors, all of which were promptly resolved. There were no complaints pending as at 31st March, 2020

Principle 2 - Safety and sustainability of goods & services

The Company undertakes to assure safety and optimal resource use over the life-cycle of its products. Efforts will be made to ensure that everyone connected with it be it designers, producers, value chain members, customers and recyclers are made aware of their responsibilities.

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

Gears & Gearboxes

The company has developed Gears and Gearboxes for different Industrial applications such as Steel, Cement, Paper, Material handling, Railways, Mining etc., Some of the products are Import substitutes, enabling conservation of foreign currency. The company caters to the requirements of infrastructure industry by providing gears of Steel, Cement and Railway Sectors. To support environment, the company is servicing/replacing the windmill gearboxes/gear components. Needless to say, windmill is one of the renewable energy sources.

The Company, being conscious on supporting 'Make in India' drive of Indian Government, is making gears and gearboxes for defence sector which are imported earlier. The Company is also developing number of new energy efficient and compact gearboxes to save energy and space.

The Company has strong focus on managing and reducing its energy, water and waste footprint, and is in constant lookout for improvement opportunities. Some interventions taken in this regard include implementation of ISO 14001 and OHSAS 18001 standardisation systems, reducing overall dependence on direct fuel consumption at our operational sites. All these efforts have allowed us to improve upon our resource use efficiency.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

Not Applicable

3. Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably?

Yes. Vendors/service providers are encouraged to adopt management practices detailed under the international standards such as ISO 9001, ISO 14001, OHSAS 18001 and Company's Environment, Health and Safety (EHS) Guidelines. The Company's integrated operations ensure sustainable exploitation of the available resources. Joint project opportunities amongst various business units improve efficiencies in sourcing besides resulting in product efficiencies. Conscious efforts are made to ensure that everyone connected with the Company be it the designers, producers, value chain members, customers and recyclers are made aware of their responsibilities. The Company is continuously focused on internal improvements which helps in achieving operational efficiencies also resulting in energy conservation and sustainable operations. Usage of materials which are either recycled or capable of recycling assumes top priority.

4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

The Company has developed a vendor base around many of its manufacturing locations. Capability building is the primary focus of the Company's vendor development and management process. The Company recognises the importance of its vendor base and continuously monitors the financial health and business practices of the same.

5. Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

The Company has sustainable processes in place to recycle the products and waste, post completion of manufacturing life cycle.

Principle 3 - Promotion of well-being of employees

The Company ensures a work environment that promotes well-being of all its employees. Focusing on health, safety and preventing discrimination are part of the Company's guiding principles on employees' well-being.

1	Please indicate the total number of employees	1,227
2	Please indicate the total number of employees hired on temporary/ contractual/casual basis	704
3	Please indicate the number of permanent women employees	28
4	Please indicate the number of permanent employees with disabilities	NIL
5	Do you have an employee association that is recognized by management?	Yes
6	What percentage of your permanent employees is members of this recognized employee association?	38
7	Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	NIL
8	What safety & skill up-gradation training was provided in the last year? <u>Safety Training:</u> 1. First Aid Competency Training 2. Hazard Communication (Do's & Don'ts) 3. 5S & Safety Orientation 4. Emergency Preparedness & response (Roles & Responsibility) 5. Building Safety Culture 6. Occupation Health & Safety Management (IMS/ ISO45001-2018) 7. Industrial safety & health in foundries 8. Safety & Health in Foundries <u>Other Trainings:</u> 1. Fuelling the Future - Batch 3 2. Young Leadership Development Program 3. Team Building 4. Inner Engineering 5. Leadership Skill Program for women professionals 6. AS9100D - Quality System Training 7. Leadership Quest - 2019 8. Business Communication	

Principle 4 - Responsiveness towards stakeholders

The Company is responsive to the requirements of all its Stakeholders and this is enshrined in its Corporate Values & Beliefs of Integrity, Passion, Quality, Respect and Responsibility. These values require that the Company act as a responsible corporate citizen and change lives for the better and this is to be done in a manner that reflects humility. The Company considers its employees, business associates, suppliers, stockists, dealers, customers, shareholders/investors and communities surrounding its operations and regulatory authorities as its key stakeholders. The Company continues its engagement with them through various mechanisms such as consultations with local communities, supplier/vendor meetings, customer/employee engagement surveys, investor forums, etc. The Company's website, www.shanthigears.com provides comprehensive information to the stakeholders about the Company.

1. Has the Company mapped its internal and external stakeholders?

Yes. The Company has mapped its internal and external stakeholders

2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?

The Company identifies underprivileged communities around its business locations as disadvantaged, vulnerable and marginalised stakeholders and continuously engages with all such stakeholders identifying their needs and priorities so as to serve these needs accordingly. The systems and processes are in place to systematically identify stakeholders and for understanding their concerns and for engaging with them are reviewed from time to time.

3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders.

The Company on a periodical basis undertakes dedicated activities as a part of its CSR initiatives for the disadvantaged, vulnerable and marginalised stakeholders in and around the Company's factories/plants.

Principle 5 - Promoting human rights

The Company respects the rights and dignity of all individuals and upholds the principles of human rights. The Company's commitment to human rights and fair treatment is set out in its Code of Conduct and the Five Principles governing the Group. The policy provides conduct of operations with honesty, integrity and openness with respect for human rights and interests of employees. The Company believes that a sustainable organisation rests on a foundation of ethics and respect for human rights.

1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

The policy of the Company on human rights is enshrined in the values represented in the Five Lights guiding the Company, its Group companies and their employees across all spheres. The alignment with this value system is expected out of any person dealing with the Company.

The Company's Policy on Human Rights covers not only the Company but extends to its subsidiaries. The Company encourages its suppliers, contractors and others to follow the principles laid down in the five principles of its values and beliefs.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

No complaint pertaining to violation of human rights was received during the financial year ended 31 March 2020.

Principle 6 - Protecting the environment

The Company takes responsibility for and accords the highest value to the protection of the environment. Accordingly, the best practices and procedures relating to environment protection are followed by all the factories of the Company. The Company strives to promote ecological sustainability and green initiatives by adopting energy saving mechanism and sensitising employees to reduce carbon foot print of the Company.

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/ Suppliers/ Contractors/NGOs/others.

Sustainability is an important element of the Company's business processes. The Company encourages all its stakeholders to follow environment-friendly processes.

2. Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming etc.? Y/N. If yes, please give hyperlink for webpage etc.

As a manufacturing company, necessary mechanisms have been set up for ensuring compliance with the laws on environment. mechanisms in place to ensure compliance with the applicable environmental laws. The Company is committed to be an environment friendly organisation and has a dedicated Environmental Policy across all its business units. The Company is an active player in practicing initiatives to address environmental issues and ensuring sustainable development.

3. Does the Company identify and assess potential environmental risks? Y/N

Yes. The Company does have a mechanism to identify and assess potential environmental risks in its plants, projects and operations. Environmental risk identification and mitigation is ingrained in the Company's risk management system.

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any Environmental Compliance Report is filed?

No, the Company has not undertaken any specific project related to the Clean Development Mechanism as per the Kyoto Protocol.

5. Has the Company undertaken any other initiatives on - clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

The Company utilises its resources in an optimal and responsible manner ensuring sustainability through reduction, re-use, re-cycling and managing waste. Continuous efforts are on to improve energy efficiency in every sphere of Company's operations. Appropriate measures to check and prevent pollution are undertaken. The Company seeks to improve its environmental performance by adopting cleaner production methods, promotion of energy efficient and environmental

friendly technologies. Suitable processes and systems are developed with contingency plans and processes that help in preventing, mitigating and controlling environmental damages caused due to the Company's operations.

6. Are the emissions/wastes generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

All businesses of the Company are engaged in manufacturing activity. Accordingly, it is being ensured that the emissions/wastes being generated through such activities are in compliance with the applicable environmental laws

7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

No show cause/legal notices were received from CPCB/ SPCB during the financial year.

Principle 7- Responsibility towards public and regulatory policy

1. Is your Company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with.

Yes.

- 1) Confederation of Indian Industry (CII)
- 2) Madras Management Association (MMA)
- 3) The Employers' Federation of Southern India (EFSI)
- 4) Indian Wind Power Association (IWPA)
- 5) American Gear Manufacturers Association (AGMA)
- 6) The Institute of Indian Foundry men (IIF)

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, others)

Yes. While the Company is not actively involved in lobbying, as a responsible corporate citizen, the Company as a part of major industry associations/chambers makes recommendations/representations before regulators and associations for advancement and improvement of industrial climate in India.

The Company also represents its views/opinions on energy security, economic reforms, governance etc

Principle 8 – Supporting inclusive growth and development

1. Does the Company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

Yes. Please refer to the CSR Annual Report for the financial year ended 31 March 2020.

2. Are the programmes/projects undertaken through inhouse team/own foundation/external NGO/government structures/any other organization?

For the financial year, 2019-20, while certain budgeted CSR initiatives were implemented directly by the Company with in-house support, for projects requiring specialised experience and expertise for execution, implementing agencies were also involved.

3. Have you done any impact assessment of your initiative?

All CSR initiatives are supported by an Impact assessment to ensure that they reach the community intended and positively impact the life of those.

4. What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?

Please refer to the CSR Annual Report of the Board's Report for the FY 2019-20 for details of the direct contribution made by the Company during the financial year ended 31 March 2020.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

Initiatives are identified based on the requirement of the community such that the benefits out of them are of an enduring nature. – Please refer to the CSR Annual Report for the financial year ended 31 March 2020.

Principle 9 – Providing value to customers & consumers

The Company firmly believes in being a quality and customer centric organisation offering products/goods of genuine value to all its discerning customers that meets with their expectations every time. The products/goods of the Company undergo several quality checks at every level of the production process chain. Well-defined Standard Operating Procedures (SOPs) and processes aid in identifying and eradicating process/system impediments.

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.

Pending customer complaints/consumer cases constitute a very meager percentage (less than 1%) as at the end of 31 March 2020. Proactive steps are being taken to resolve the same at the earliest.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information).

Yes. The Company displays product information on all product/goods of the Company in accordance with the Legal Metrology Act, 2011 and the applicable Rules thereunder/ other laws. In addition, wherever it is considered relevant and appropriate for facilitating better usage of the product/ goods by the customer, additional information about the products/goods, the use and the mode of handling thereof are also provided.

3. **Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so**

There have been no cases relating to unfair trade practices, irresponsible advertising and/or anti-competitive behaviour against the Company.

4. **Did your Company carry out any consumer survey/ consumer satisfaction trends?**
No.

On behalf of the Board

Chennai
26 May 2020

L Ramkumar
Chairman
DIN-00090089

ANNEXURE-G TO THE BOARD REPORT

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 six members, as on the date of this Report, with knowledge and experience in different fields. Mr. L Ramkumar, Chairman (Non-Executive) and Mr. Vellayan Subbiah, Director (Promoter, Non-Executive) are Non-Independent Directors in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

Mr. J Balamurugan, Ms. Soundara Kumar, Mr. S K Sundararaman and Mr. Krishna Samaraj are Independent Directors in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. None of the said Directors are related to each other. In the Board's opinion, all the Independent Directors of the Company fulfil the conditions specified in the SEBI Listing Regulations and the Companies Act, 2013, are independent of the management.

Members had approved the appointment of Mr. J Balamurugan, Ms. Soundara Kumar Mr. S K Sundararaman and Mr. Krishna Samaraj as Independent Directors for such terms as mentioned under the respective resolutions relating

to their appointment in Notice of the Annual General Meetings. The Board also recommended the re-appointment of Ms. Soundara Kumar as an Independent Director of the Company. The Company had issued letter of appointment to the said Independent Director as required under Schedule IV to the Companies Act, 2013 and the terms and conditions of their appointment have also been disclosed on the Company's website <http://www.shanthigears.com/wp-content/uploads/2018/07/Appointment-of-Independent-Directors-Terms-and-Conditions.pdf>

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 Listing Regulations.

A certificate from Practicing Company Secretary as required under Listing Regulations confirming that none of the Directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as Director of the Company by SEBI/Ministry of Corporate Affairs or any such Statutory Authority is enclosed as annexure B to this Report.

On their appointment, Independent Directors are familiarized about the Company's operations and businesses. As part of the familiarization programme, a handbook is provided to all Directors including Independent Directors at the time of appointment. The hand book provides a snapshot to the Directors of their duties and responsibilities, rights, appointment process and evaluation, compensation, Board Procedure and stakeholders' expectations. The handbook also provides the Directors with insight into the Group's practice.

The details of familiarization programme for Independent Directors are given in Company's website: [Web link: http://www.shanthigears.com/wp-content/uploads/2018/07/Familiarization-programme-for-Independent-Directors.pdf](http://www.shanthigears.com/wp-content/uploads/2018/07/Familiarization-programme-for-Independent-Directors.pdf)

None of the Directors of the Company was a member of more than ten Board-level Committees or a chairman of more than five such committees across all companies, in which he/she was a Director.

Your Company has a well-established practice with regard to deciding dates of meetings. The annual calendar for the meetings of the Board 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 and compliance with status are also reviewed by the Board from time to time.

The Board has identified business strategy, leadership, technology, finance, board insight skills, expertise and competencies are required in the context of the business. All the above core sets are available with the present Board of Directors. Board skill matrix is given in annexure A to this Report.

Towards succession planning, the Board also reviews its composition to ensure that the same is closely aligned with the business strategy and long-term needs of the Company.

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 2019-20. The dates of the Board meetings, attendance and the number of Directorships/ Committee memberships held by the Directors as on 31 March 2020 are given in **Table 1** of the annexure A to this Report.

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.

Audit Committee

The role of Audit Committee, in brief, is to review financial statements, internal controls, accounting policies, internal audit reports, related party transactions, risk management systems and functioning of the Whistle Blower mechanism.

The Company has an independent Audit Committee. Of the three members of the Committee, all are independent Directors, with Ms. Soundara Kumar, being the Chairperson. All the members of the Committee have excellent financial and accounting knowledge.

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 Chief Executive Officer 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 are in line with the enhanced scope for the Committees as laid down under Section 177 of the Companies Act, 2013 and Corporate Governance norms under Listing Regulations.

The Committee met four times during the year ended 31 March 2020. The Composition of the Audit Committee and the attendance of each member at these meetings are given in **Table 2** of the annexure A to this Report.

Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee in accordance with the requirement of Section 178 of the Companies Act, 2013 and the revised Corporate Governance norms. 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.

Mr. J Balamurugan, a Non-Executive Director, is the Chairman of the Nomination and Remuneration Committee. The composition of the Committee and the attendance of each member at these meetings are given in **Table 3** of the annexure A 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 March 2020 is given in **Table 4** of the annexure A 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 Companies Act, 2013 and the Rules thereunder. The CSR Committee consists of three members including two Independent Directors as its members.

Ms. Soundara Kumar, a Non-Executive Director, is the Chairperson of the Corporate Social Responsibility Committee. The composition of the CSR Committee and the attendance of each member at these meetings are given in **Table 5** of the annexure A to this Report.

Risk Management Committee

The Risk Management Committee's scope includes 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 A to this Report.

Performance Evaluation

The annual performance evaluation was carried out pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. As part of the performance evaluation process, an evaluation questionnaire based on the criteria as finalized in consultation with the Directors together with supporting documents was circulated to all the Board members, in advance. The Directors evaluated themselves, the Chairman, Managing Director/CEO, other Board Members, the Board as well as functioning of the Committees viz., Audit, Nomination & Remuneration, Risk Management, Corporate Social Responsibility and Stakeholders Relationship Committees on the basis of well-defined evaluation parameters as set out in the questionnaire. The duly filled questionnaire received back from the Chairman and all the other Directors.

To take the evaluation exercise forward, all the Independent Directors of the Company met on 26 May 2020, 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 Board reviewed the process of evaluation of the Board of Directors and its Committees including Chairman, Managing Director/CEO and the Individual Directors.

Related Party Transactions

During financial year under review, all the transactions entered into with Related Parties, as defined under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 were in the ordinary course of business and on arm's length pricing basis only. Accordingly, these transactions do not attract the provision of Section 188 of the Companies Act, 2013.

Further, there were no materially significant transactions with related parties which were in conflict with the interest of the Company.

The policy for related party transactions approved by the Board had been uploaded on the Company's website (Web link: <http://www.shanthigears.com/wp-content/uploads/2019/05/SGL-RPT-Policy-Mar-2019.pdf>)

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 Officials 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 requirements of Section 178 of the Companies Act, 2013 and the revised corporate governance norms, the terms of reference of the Committee have specifically been enhanced to resolve grievances of security holders of the Company including complaints, if any, relating to transfer of shares, non-receipt of Annual Report and non-receipt of dividends etc.

Mr. L Ramkumar, a Non-Executive Director, is the Chairman of the Stakeholders Relationship Committee. The Committee met once during the year ended 31 March 2020. The composition of the Committee and attendance of its members at the meetings are given in **Table 6** of the annexure A to this Report.

One investor complaint was received and resolved during the year. No complaints were pending as at 31 March 2020.

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, 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 has 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 Chief Executive Officer and Chief Financial Officer has 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 requirements of Section 177 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has established a vigil mechanism (Whistle Blower Policy) for the employees and Directors as an avenue to voice concerns relating to unethical behavior, actual or suspected fraud or violation of the Company's code of conduct. The Ombudsperson appointed by the Board deals with the complaints received and ensures appropriate action. 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. No employee was denied access to the Audit Committee.

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 and 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 Chief Executive Officer is annexed 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 there for also forms part of the Board's Report.

Related party transactions during the year have been disclosed as a part of the financial statements as required under the Indian Accounting Standard (Ind AS 24).

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

Chennai
26 May 2020

L Ramkumar
Chairman
DIN-00090089

DECLARATION ON CODE OF CONDUCT**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 March 2020, as envisaged in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Coimbatore
26 May 2020

M Karunakaran
Chief Executive Officer

(A) Board Skills Matrix

The Board has identified the key qualifications, skills and attributes as essential for effective oversight of the Company taking into account its varied business interests. These are presented as a matrix below:

Expertise & Experience	Remarks
Business Strategy Leadership Technology Finance Board insight	All Directors have expertise & experience required for business of the Company

B) Board Meeting Dates and Attendance

The Board of Directors met six times during the financial year 2019-20. The dates of the Board meetings were 29 April 2019, 23 July 2019, 22 October 2019, 27 January 2020, 28 February 2020 and 27 March 2020.

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 March 2020 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) ^(a)	Number of committee memberships including SGL (out of which as Chairman) ^(b)	Attendance at last AGM	No. of Shares held as on 31-Mar-2020
1	Mr.L Ramkumar	6(6)	1(1)	1(1)	Present	-
2	Mr.J Balamurugan	5(6)	3	2	Present	-
3	Ms.Soundara Kumar	6(6)	7	6(3)	Present	-
4	Mr.S K Sundararaman	4(6)	6	6	Absent	-
5	Mr.Vellayan Subbiah	5(6)	5	2	Present	-
6	Mr.Krishna Samaraj	5(6)	3	2	Present	-

(a) Excludes foreign companies, private limited companies (which are not subsidiary or holding Company of public Company), alternative Directorship and companies registered under Section 8 of the Companies Act, 2013

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

(C) Composition of Audit Committee and Attendance

The Committee met four times during the financial year 2019-20. The dates of meetings were 29 April 2019, 23 July 2019, 22 October 2019 and 27 January 2020. The composition of the Audit Committee and attendance of each Member at these meetings are as follows:

TABLE 2

No.	Name of Member	No. of Meetings Attended (No. of meeting held)
1	Ms. Soundara Kumar, Chairperson	4(4)
2	Mr. J Balamurugan	3(4)
3	Mr. S K Sundararaman	3(4)

(D) Composition of Nomination and Remuneration Committee and Attendance

The Committee met three times during the financial year ended 31 March 2020. The dates of meetings were 29 April 2019, 23 July 2019 and 22 October 2019. The composition of Nomination & Remuneration Committee and the attendance of each member at these meetings are as follows:

TABLE 3

No.	Name of Member	No. of Meetings Attended (No. of meeting held)
1	Mr. J Balamurugan, Chairman	2(3)
2	Mr. L Ramkumar	3(3)
3	Mr. S K Sundararaman	2(3)

(E) Remuneration of Non-Executive Directors

The details of commission provided for/ sitting fees paid to Non-Executive Directors for the year ended 31 March 2020 are as follows:

TABLE 4

			Amount in ₹
Name of the Directors	Commission*	Sitting fees	Total
Mr. L Ramkumar	5,00,000	2,00,000	7,00,000
Mr. J Balamurugan	5,00,000	2,00,000	7,00,000
Ms. Soundara Kumar	5,00,000	2,50,000	7,50,000
Mr. S K Sundararaman	5,00,000	1,80,000	6,80,000
Mr. Krishna Samaraj	5,00,000	90,000	5,90,000
Total	25,00,000	9,20,000	34,20,000

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

(F) Composition of Corporate Social Responsibility Committee and Attendance

The Committee met two times during the financial year ended 31 March 2020. The dates of meetings were 23 July 2019 and 27 January, 2020. The composition of Corporate Social Responsibility Committee and the attendance of each member at these meetings are as follows:

TABLE 5

No	Name of Members	No. of Meetings Attended (No. of meeting held)
1	Ms. Soundara Kumar, Chairperson	2(2)
2	Mr. L Ramkumar	2(2)
3	Mr. S K Sundararaman	1(2)

(G) Composition of Stakeholders Relationship Committee and Attendance

The Committee met once during the financial year ended 31 March 2020. The date of meeting was 27 March 2020. The composition of the Stakeholders Relationship Committee and the attendances at the meetings are as follows:

TABLE 6

No	Name of Members	No. of Meetings Attended (No. of meeting held)
1	Mr. L Ramkumar, Chairman	1(1)
2	Mr. J Balamurugan	1(1)
3	Ms. Soundara Kumar	1(1)

(H) Composition of Risk Management Committee and Attendance

The Committee met once during the financial year ended 31 March 2020. The date of meeting was 27 January 2020. The composition of the Risk Management Committee and the attendance of each member at the meeting are as follows:

TABLE 7

No	Name of Members	No. of Meetings Attended (No. of meeting held)
1	Mr. J Balamurugan, Chairman	1(1)
2	Ms. Soundara Kumar	1(1)
3	Mr. M Karunakaran	1(1)

On behalf of the Board

Chennai
26 May 2020

L Ramkumar
Chairman
DIN: 00090089

ANNEXURE B TO THE CORPORATE GOVERNANCE REPORT**CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS**

Pursuant to Regulation 34 (3) read with Schedule V Para-C Sub clause (10) (i) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Members,

Shanthi Gears Limited

CIN:L29130TZ1972PLC000649

304-A, Trichy Road, Singanallur,

Coimbatore - 641005.

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of SHANTHI GEARS LIMITED (CIN: L29130TZ1972PLC000649) having its Registered Office at 304-A, Trichy Road, Singanallur, Coimbatore – 641005 (hereinafter referred to as “The Company”) produced before us by the Company for the purpose of issuing this certificate, in accordance with Regulation 34 (3) read with Schedule V Part-C Sub clause 10 (i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015.

In our opinion and to the best of our knowledge and according to the verifications (including Director Identification Number (DIN) Status at the portal www.mca.gov.in) and based on such examination as well as information and explanations furnished to us, which to the best of our knowledge and belief were necessary for the purpose of issue of this certificate and based on such verification as considered necessary, we hereby certify that none of the Directors as stated below on the Board of the Company as on 31 March 2020 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India /Ministry of Corporate Affairs or any such other statutory authority.

Sl.No.	DIN	NAME OF THE DIRECTOR	DESIGNATION	DATE OF APPOINTMENT
1.	00090089	L Ramkumar	Non-Executive-Chairman	03/09/2012
2.	00023309	J Balamurugan	Non-Executive -Independent Director	03/09/2012
3.	01974515	Soundara Kumar	Non-Executive -Independent Director	31/03/2015
4.	00002691	S K Sundararaman	Non-Executive -Independent Director	06/02/2018
5.	01138759	Vellayan Subbiah	Non-Executive -Non Independent Director	01/02/2019
6.	00048547	Krishna Samaraj Narayanaswamy	Non-Executive -Independent Director	25/03/2019

Ensuring the eligibility of, for the appointment/ continuity of, every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For R.SRIDHARAN & ASSOCIATES
COMPANY SECRETARIES**

CS R.SRIDHARAN

CP No. 3239

FCS No. 4775

UIN: S2003TN063400

UDIN: F004775B000275386

Chennai
26 May 2020

INDEPENDENT AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**TO THE MEMBERS OF SHANTHI GEARS LIMITED**

1. This certificate is issued in accordance with the terms of our engagement letter dated June 21 2019.
2. We, Deloitte Haskins & Sells, Chennai, Chartered Accountants, the Statutory Auditors of Shanthi Gears Limited ("the Company"), have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on March 31 2020, as stipulated in Regulations 17 to 27 and Clauses (b) to (i) of Regulation 46 (2) and paras C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations).
6. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

Managements' Responsibility

3. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

Auditor's Responsibility

4. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

8. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Regulations 17 to 27 and Clauses (b) to (i) of Regulation 46 (2) and paras C and D of Schedule V of The Listing Regulations during the year ended March 31 2020.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 008072S)

C.R. Rajagopal
Partner
(Membership No. 023418)
(UDIN : 20023418AAAABC4824)

Coimbatore
26 May 2020

GENERAL SHAREHOLDER INFORMATION

Company Registration

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

Registered Office

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

Annual General Meeting

Day : Tuesday

Date : 21 July 2020

Time : 4.00 P.M.

Venue : Video Conferencing ("VC") / Other Audio Visual Means ("OAVM")

Tentative Calendar for 2020-21

Annual General Meeting	:	21 July 2020
Results for the Quarter Ending 30 June 2020	:	21 July 2020
Results for the Quarter Ending 30 September 2020	:	October/ November, 2020
Results for the Quarter Ending 31 December 2020	:	January/February 2021
Results for the Year Ending 31 March 2021	:	April/May 2021

Book Closure Date: 11 July 2020 to 21 July 2020 (Both days inclusive)

Dividend

During the financial year, in March 2020, the Company paid an interim dividend of ₹ 2 per equity share. This may be 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
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
2015-16 (Interim)	27.01.2016	03.03.2023
2016-17 (Final)	26.07.2017	31.08.2024
2017-18 (Interim)	06.02.2018	14.03.2025
2018-19(Interim)	26.12.2018	31.01.2026
2018-19 (Final)	23.07.2019	28.08.2026
2019-20 (Interim)	28.02.2020	04.04.2027

As provided under the Companies Act, 1956/2013, 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 2011-12 have been transferred to the IE&P Fund.

In terms of the circular dated 10 May 2012 issued by the Ministry of Corporate Affairs ("MCA"), Government of India, the Company has also uploaded the details relating to unclaimed dividend, for the benefit of Shareholders, on the website viz., www.shanthigears.com

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, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore-641006 ("RTA") to enable them to forward the dividend warrants to the latest address of Members. 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 several centres across the country, 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 implementation. The new Bank account number may kindly be intimated by the shareholders to the Depository Participant.

If there is any change in bank account details, Shareholders are requested to advise their Depository Participant/ Company's RTA, as the case may be, immediately about the change.

Further, if in case of any change in address, Shareholders are requested to advise their Depository Participant(s) immediately about their new address.

Name and address of Stock Exchanges

Name of Stock Exchange	Address
National Stock Exchange of India Ltd.	Exchange Plaza, 5 th Floor, Plot No.C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.
BSE Ltd.	New Trading Ring, 1 st Floor, P J Towers, Rotunda Building, Dalal Street, Mumbai - 400 001.

Listing on Stock Exchanges and Stock Code

National Stock Exchange of India Ltd ("NSE") : **SHANTIGEAR**
Bombay Stock Exchange Ltd ('BSE Ltd') : **522034**
ISIN Number in NSDL & CDSL for equity shares : **INE 631A01022**

The Company has paid annual listing fees for the financial year 2020-2021 in respect of the above stock exchanges.

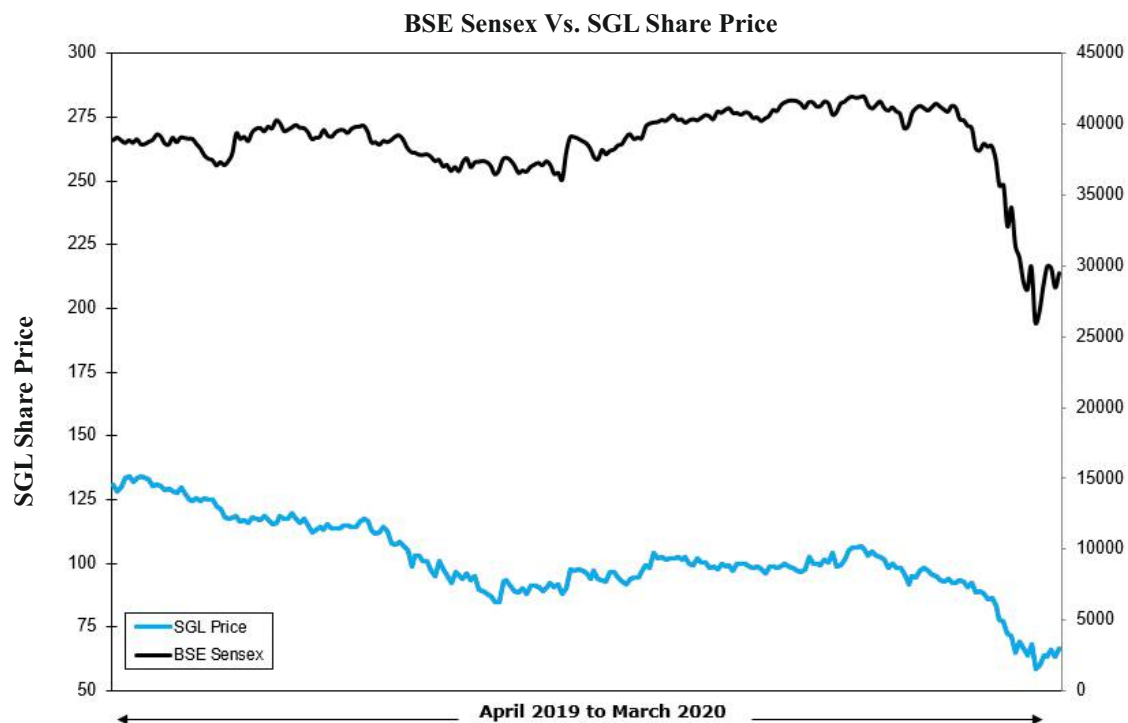
Market Price Data and Comparison

Monthly high and low price of the Equity Shares of the Company during 2019-20 are as follows:

MONTH	NSE		BSE	
	HIGH(₹) PRICE	LOW(₹) PRICE	HIGH(₹) PRICE	LOW(₹) PRICE
April 2019	137.50	125.00	135.85	124.55
May 2019	127.95	111.25	127.90	113.05
June 2019	119.06	111.90	124.00	111.50
July 2019	121.50	92.50	124.90	93.00
August 2019	101.00	82.75	99.90	83.50
September 2019	103.45	84.85	101.00	85.10
October 2019	106.15	91.30	106.00	91.05
November 2019	113.00	96.50	108.95	96.05
December 2019	105.50	93.95	106.00	89.05
January 2020	111.00	97.00	110.45	96.25
February 2020	100.50	88.10	100.00	88.30
March 2020	96.30	55.50	92.75	56.30

Performance in comparison to broad based indices

Shanthi Gears Limited (SGL) Share Performance (April 2019 to March 2020)



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, 3rd Floor,
 1391/A-1, Sathy Road,
 Ganapathy, Coimbatore - 641006. TamilNadu
 Tel : (0422) 4958995, 2539835-836
 Fax : (0422) 2539837
 Email : info@skdc-consultants.com

Shareholding pattern as on 31 March 2020

Sl.No.	Category	No.of Shares	%
1	Promoters	5,40,63,189	70.47
2	Mutual Funds, Banks, Financial Institutions, Insurance Companies	12,30,137	1.60
3	Alternate Investment Funds	20,11,721	2.62
4	NRI's/OCB's	6,03,951	0.79
5	Foreign Portfolio Investors	24,63,593	3.21
6	Foreign Financial Institutions	2,000	0.00
7	Foreign Corporate Bodies	793	0.00
8	Private Corporate Bodies	9,88,175	1.29
9	Indian Public	1,47,83,465	19.27
10	IEPF Authority	3,29,299	0.43
11	Unclaimed Share Suspense Account	2,39,530	0.31
Total		7,67,15,853	100.00

Distribution of Shareholding as on 31 March 2020

No.of Equity Shares held	No. of Shareholders	% Shareholders	No. of Shares	% Shares
1 - 500	11,247	79.06	14,38,882	1.87
501 - 1000	1,079	7.59	9,10,141	1.19
1001 - 5000	1,416	9.95	35,30,771	4.60
5001 - 10000	305	2.14	21,29,624	2.78
10001 - 100000	157	1.10	34,00,024	4.43
100001 And Above	22	0.16	6,53,06,411	85.13
Total	14,226	100.00	7,67,15,853	100.00

Dematerialisation of Shares and Liquidity

As on 31 March 2020, 7,58,42,964 shares were in dematerialised form representing 98.86 % of total shares.

Commodity Price Risk/Foreign Exchange Risk and Hedging Activities

The Foreign Exchange Risks are managed after netting the exports and imports. Commodity Price Risk and hedging thereof is not applicable to the Company.

Credit Rating

The Company has obtained the following credit rating from ICRA

- 1) Long term fund based : [ICRA] AA (Stable)
- 2) Long term non-fund based : [ICRA] AA (Stable)
- 3) Short term non-fund based (sublimit) : [ICRA] A1+
- 4) Long term/short term unallocated : [ICRA] AA (Stable)/[ICRA] A1+

There has been no change in credit rating from ICRA during the year

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

Financial Year Ending	Date	Time	Venue
31.03.2017	26.07.2017	4.00 P.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore - 641 005
31.03.2018	02.08.2018	4.00 P.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005
31.03.2019	23.07.2019	4.00 P.M.	Jenneys Residency, 2/2 Avinashi Road, Opposite to CIT, Civil Aerodrome Post, Peelamedu, Coimbatore-641014

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
26.07.2017	Yes	Re-appointment of Mr. C R Swaminathan as an Independent Director
23.07.2019	Yes	Re-appointment of Mr. J Balamurugan as an Independent Director

Resolution passed by Postal Ballot

There was no resolution passed by Postal Ballot during the Financial year 2019-20

Means of Communication

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

The quarterly/annual results are also available on the Company's website, 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 Regulation 34(3) and Schedule V part F of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the details in respect of the Equity Shares lying in the Unclaimed Suspense Account are given below:

Sl.No.	Particulars	No. of Shareholders	No. of shares
1	Aggregate number of Shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on 01.04.2019	182	2,68,290
2	Number of Shareholder who approached the Company for transfer of their shares from Unclaimed Suspense Account during 01.04.2019 to 31.03.2020	5	6,980
3	Number of Shareholder to whom shares were transferred from the Unclaimed Suspense Account during 01.04.2019 to 31.03.2020	5	6,980
4	Shares relating to unclaimed dividend for 7 years transferred to Investors Education & Protection Fund account during the year 01.04.2019 to 31.03.2020	12	21,780
5	Aggregate number of Shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on 31.03.2020	165	2,39,530

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. The voting rights on the shares outstanding in the suspense account as on 31 March 2020 shall remain frozen till the rightful owner of such share claims the share. 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, Suler via, Coimbatore - 641 402

Contact Address

Compliance Officer	For all matters relating to investors Services
Mr. C Subramaniam Company Secretary Shanthi Gears Limited 304-A, Trichy Road, Singanallur, Coimbatore-641005, TamilNadu Tel : 0422-4545745 Fax : 0422-4545700 Email: cs@shanthigears.murugappa.com	S.K.D.C. CONSULTANTS LIMITED Kanapathy Towers, 3 rd Floor 1391/A-1, Sathy Road Ganapathy Coimbatore – 641 006.TamilNadu Tel : 0422-4958995, 2539835-836 Fax : 0422-2539837 Email: info@skdc-consultants.com

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHANTHI GEARS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Shanthi Gears Limited ("the Company"), which comprise the Balance Sheet as at 31st March 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the [Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sl.No.	Key Audit Matter	Auditor's Response
1.	Valuation of inventory work in progress <p>The Company has significant balance in inventory work in progress. The valuation of inventory work in progress are complex as it includes inputs for overheads from various process, each overhead is allocated to inventory work in progress based on different basis for allocation. Inventory work in progress are valued at lower of cost or net realisable value, and is dependent on establishing appropriate valuation processes. Management uses Information Technology System (Oracle) for calculating and apportioning the overheads cost in inventory work in progress.</p>	Principal audit procedures <p>Our audit approach was a combination of test of internal controls and substantive procedures which included the following:</p> <ul style="list-style-type: none"> Obtained an understanding of the determination and allocation of the overheads values to inventory work in progress and assessed and tested the appropriateness of capturing the overhead from various process, basis of allocation of overheads. Evaluated the design of internal controls relating to the overhead allocation in inventory work in progress and tested the operating effectiveness of the controls relating to overhead allocation of inventory work in progress. Tested the controls placed in Information Technology

for overheads allocation in inventory work in progress using the experts.

- Traced on a sample basis, the cost of overheads considered for inventory work in progress to the actual cost of expenses accounted in the financial statements.
- Tested on a sample basis, the correctness of capturing of cost of overheads from various process, and tested on sample basis the correctness of basis of allocation of overheads in accordance with the GAAP.
- Verified on a sample basis, the cost of inventory and sales value agreed for inventory in the sales contract.
- Used Information technology expert to validate the Information system configurations that are relevant to allocation of overheads to the inventory work in progress

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of other information. The other information comprises the information included in the Board's Report & Management Discussion and Analysis including annexures to the Board Report, Corporate Governance and Shareholder's Information, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a

going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a

matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit, 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 and the reports of the other auditors
- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

- h) 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, as amended 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;
- ii. The Company did not have any long-term contracts including derivative contracts.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For DELOITTE HASKINS & SELLS

Chartered Accountants

(Firm's Registration No. 008072S)

C.R. Rajagopal

Partner

(Membership No. 023418)

(UDIN : 20023418AAAABC4824)

Coimbatore
26 May 2020

ANNEXURE “A” TO THE INDEPENDENT AUDITOR'S REPORT

Report on Internal Financial Controls Over Financial Reporting

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

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Shanthi Gears Limited (“the Company”) as of March 31, 2020 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain

reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles,

and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control

over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For DELOITTE HASKINS & SELLS

Chartered Accountants

(Firm's Registration No. 008072S)

C.R. Rajagopal

Partner

(Membership No. 023418)

(UDIN : 20023418AAAABC4824)

Coimbatore
26 May 2020

ANNEXURE “B” TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under “Report on Other Legal and Regulatory Requirements” section of our report of even date)

- | | |
|---|---|
| <p>i. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.</p> <p>b) Some of the fixed assets were physically verified during the year by the Management in accordance with a 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.</p> <p>c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.</p> <p>ii. As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.</p> <p>iii. The company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.</p> <p>iv. The Company has not granted any loans, made investments, or provided guarantees and hence reporting under clause (iv) of the CARO 2016 is not applicable.</p> | <p>v. According to the information and explanations given to us, the Company has not accepted any deposit during the year to which the provisions of Sections 73 to 76 or any other relevant provisions of Companies Act, 2013 were applicable.</p> <p>vi. The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013 for Gears and Accessories. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended 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.</p> <p>vii. According to the information and explanations given to us, in respect of statutory dues:</p> <p>a. The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income- tax, Service Tax, Goods and Services Tax, Cess and other material statutory dues applicable to it to the appropriate authorities.</p> <p>b. There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Cess and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.</p> |
|---|---|

ANNEXURE “B” TO THE INDEPENDENT AUDITOR'S REPORT

- c. Details of dues of Income-tax, Excise Duty, Service Tax and which have not been deposited as on March 31, 2020 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 (₹ In crores)	Amount unpaid (₹ In crores)
Central Excise Act, 1944	Excise Duty on Inter unit transfer of Machinery	Jurisdictional Officer	2005-06	1.52*	1.52
Income Tax Act, 1961	Demand on Dividend distribution tax	Joint Commissioner of Income tax, Range III	2010-11	0.03	0.03
Finance Act	Reversal of Service Tax Credit	CESTAT, Chennai	2011-12 to 2014-15	0.03	0.03
Finance Act	Classification of duty	CESTAT, Chennai	2011-12 to 2015-16	0.07	0.07

* Includes penalty of ₹ 0.76 Crores

- viii. The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of CARO 2016 is not applicable to the Company.
- ix. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable
- x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi. In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- xii. The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.
- xiii. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 Order is not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 008072S)

C.R. Rajagopal
Partner

(Membership No. 023418)
(UDIN : 20023418AAAABC4824)

Coimbatore
26 May 2020

BALANCE SHEET AS AT 31 MARCH 2020

₹ Crores

Particulars	Note No.	As at 31.03.2020	As at 31.03.2019
I. ASSETS			
Non-current Assets			
(a) Property, plant and equipment	4a	52.18	51.09
(b) Capital work-in-progress		6.37	0.18
(c) Investment property	5	7.26	7.09
(d) Intangible assets	4b	0.33	0.45
(e) Financial assets			
(i) Investments	6	27.67	14.16
(f) Deferred tax assets (net)	7	4.13	4.96
(g) Other non-current assets	8	9.80	5.74
Total Non-current assets		107.74	83.67
Current Assets			
(a) Inventories	9	60.84	70.13
(b) Financial assets			
(i) Investments	10a	51.65	109.69
(ii) Trade receivables	10b	38.19	56.51
(iii) Cash and cash equivalents	10c	1.06	1.55
(iv) Other bank balances	10c	0.93	18.19
(v) Other financial assets	10d	13.86	5.51
(c) Current tax assets (Net)		1.53	2.02
(d) Other current assets	11	7.23	5.35
Total Current assets		175.29	268.95
TOTAL ASSETS		283.03	352.62
II. EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	12	7.67	8.17
(b) Other equity	13	220.95	293.91
Total Equity		228.62	302.08
Liabilities			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Other long-term liabilities	14	1.38	-
(b) Provisions	15	0.16	0.16
Total Non-current liabilities		1.54	0.16
Current Liabilities			
(a) Financial liabilities			
(i) Trade payables	16a		
-total outstanding dues of micro enterprises and small enterprises		3.21	0.28
-total outstanding dues of creditors other than micro enterprises and small enterprises		26.91	30.65
(ii) Other financial liabilities	16b	0.93	0.69
(b) Provisions	17	0.44	0.66
(c) Other current liabilities	18	21.38	18.10
Total Current liabilities		52.87	50.38
Total Liabilities		54.41	50.54
TOTAL EQUITY AND LIABILITIES		283.03	352.62
Significant Accounting Policies	3		

See accompanying notes forming part of the Financial Statements

In terms of our report attached.
For Deloitte Haskins & Sells
Chartered Accountants

C R Rajagopal
Partner

Place: Coimbatore
Date: 26 May 2020

B Balamurugan
Chief Financial Officer



M Karunakaran
Chief Executive Officer

For and on behalf of the Board of Directors

L Ramkumar
Chairman
(DIN: 00090089)
Place: Chennai

C Subramaniam
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2020

₹ Crores

Particulars	Note No.	Year ended 31.03.2020	Year ended 31.03.2019
Revenue from operations			
Sale of products & Services	19	242.29	241.68
Other income	20	6.53	11.80
Total Income		248.82	253.48
Expenses			
(a) Cost of materials consumed	21	111.98	115.76
(b) Changes in inventories of finished goods and work in progress	22	3.81	(7.88)
(c) Employee benefits expense	23	48.23	45.40
(d) Depreciation and amortisation expense	24	8.39	10.62
(e) Other expenses	25	43.72	47.12
Total Expenses		216.13	211.02
Profit Before Tax		32.69	42.46
Tax Expense			
Income Tax	26		
Current Tax (net)		6.21	8.20
Deferred Tax		1.29	0.91
		7.50	9.11
Profit for the year		25.19	33.35
Other Comprehensive Income			
Item that will not be reclassified into profit or loss			
Re-measurement gains and (losses) on defined benefit obligation (net)		(1.35)	0.25
Income tax relating to Item that will not be reclassified into profit or loss	26	0.46	(0.07)
Total Comprehensive Income		24.30	33.53
Earnings Per Equity Share of ₹ 1/- each	33		
Basic (in ₹)		3.28	4.08
Diluted (in ₹)		3.28	4.08
Significant Accounting Policies	3		

See accompanying notes forming part of the Financial Statements

In terms of our report attached.

For Deloitte Haskins & Sells

Chartered Accountants

C R Rajagopal

Partner

Place: Coimbatore

Date: 26 May 2020

B Balamurugan
Chief Financial Officer**M Karunakaran**
Chief Executive Officer**For and on behalf of the Board of Directors****L Ramkumar**
Chairman
(DIN: 00090089)
Place: Chennai**C Subramaniam**
Company Secretary

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
A. Cash Flow from Operating Activities		
Profit for the year	25.19	33.35
Adjustments for:		
Depreciation of property, plant and equipment	8.32	10.51
Depreciation of investment properties	0.07	0.11
(Profit)/Loss on Property plant & equipment Sold / Discarded (Net)	(0.32)	(0.79)
Income tax expense	7.50	9.11
Interest income	(0.56)	(1.76)
Dividend income	(2.79)	(6.69)
Net gain arising of financial assets measured at fair value through profit or loss	(0.39)	(1.52)
Provision for doubtful trade receivables	(0.02)	(0.24)
Bad debts written off	0.06	0.12
Operating Profit before Working Capital / Other Changes	37.06	42.20
Changes in working capital:		
Adjustments for (increase) / decrease in operating assets:		
Inventories	9.29	(11.25)
Trade receivables	18.32	(1.03)
Other financial assets	0.71	1.33
Other current assets	(1.39)	(2.02)
Other non-current assets	(4.06)	0.07
Adjustments for increase / (decrease) in operating liabilities:		
Trade payables	(0.81)	7.26
Other current liabilities	3.28	0.52
Other long-term liabilities	1.38	0.19
Short-term provisions	(0.22)	0.11
Cash generated from operations	63.56	37.38
Net income tax paid	(7.74)	(10.22)
Net cash generated by Operating Activities (A)	55.82	27.16
B. Cash flow from Investing Activities		
Capital expenditure on fixed assets, including capital advances	(17.51)	(11.63)
Proceeds from sale of property plant and equipments	0.33	0.86
Sale / (Purchase) of long term investments (Net)	(13.51)	(1.99)
Purchase of current investments and deposits	(69.20)	(191.13)
Proceeds from current investments and deposits	120.60	231.02
Interest received		
- Others	0.67	6.54
Dividend received		
- Others	2.79	6.69
Net cash flow from / (used) in Investing Activities (B)	24.17	40.36
C. Cash flow from Financing Activities		
Buy-back of equity shares	(70.00)	-
Dividends paid on equity shares	(23.01)	(40.86)
Tax on dividend	(4.73)	(8.40)
Net cash flow used in Financing Activities (C)	(97.74)	(49.26)
Net increase/(decrease) in Cash and Cash equivalents (A+B+C)	(17.75)	18.26
Cash and cash equivalents at the beginning of the year	19.74	1.48
Cash and cash equivalents at the end of the year (Refer Note 10c)	1.99	19.74

In terms of our report attached.

For Deloitte Haskins & Sells

Chartered Accountants

C R Rajagopal

Partner

Place: Coimbatore

Date: 26 May 2020

B Balamurugan
Chief Financial OfficerM Karunakaran
Chief Executive Officer

For and on behalf of the Board of Directors

L Ramkumar

Chairman

(DIN: 00090089)

Place: Chennai

C Subramaniam
Company Secretary

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020**a) Equity Share Capital**

Particulars	₹ Crores
Balance as at 01 April 2019	8.17
Shares issued / (bought back) during the year	(0.50)
Balance as at 31 March 2020	7.67

b) Other Equity

Particulars	General reserve	Securities premium	Retained Earnings	Other Comprehensive Income	Capital redemption reserve	Total Other Equity
Balance as at 01 April 2019	250.00	24.29	18.80	0.80	0.02	293.91
Profit for the year 2019 - 20	-	-	25.19	-	-	25.19
Payment of dividends						
Final Dividend for the previous year	-	-	(9.25)	-	-	(9.25)
Interim Dividend for the current year	-	-	(18.51)	-	-	(18.51)
Buy-back of equity shares	(45.71)	(24.29)	-	-	0.50	(69.50)
Other Comprehensive Income	-	-	-	(0.89)	-	(0.89)
Balance as at 31 March 2020	204.29	-	16.23	(0.09)	0.52	220.95

See accompanying notes forming part of the Financial Statements

For and on behalf of the Board of Directors

In terms of our report attached.

For Deloitte Haskins & Sells

Chartered Accountants

C R Rajagopal

Partner

Place: Coimbatore

Date: 26 May 2020

B Balamurugan
Chief Financial Officer**M Karunakaran**
Chief Executive Officer**L Ramkumar**
Chairman
(DIN: 00090089)
Place: Chennai**C Subramaniam**
Company Secretary

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Shanthi Gears Limited (the Company) is a Public Limited Company domiciled in India and listed on BSE Limited and National Stock Exchange of India Limited. The Company is in the business of design, manufacture, supply and servicing of gears and gear boxes. The registered office of the Company is located at 304-A, Trichy Road, Singanallur, Coimbatore, Tamil Nadu.

The financial statements were authorised for issue in accordance with a resolution of the directors on 26 May 2020.

2. Basis of Preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

The financial statements have been prepared on a historical cost basis, except for certain financial assets measured at fair value at the end of the reporting period (refer note 3.2: accounting policy regarding fair value measurement).

The financial statements are presented in INR and all values are rounded to the nearest crores, except when otherwise indicated.

3. Significant Accounting Policies

3.1. Presentation and disclosure of financial statements

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.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Based on the nature of products/activities, the Company has determined its operating cycle as twelve months for the above purpose of classification as current and non-current.

3.2. Fair Value Measurement

The Company measures financial instruments, such as, investments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

NOTES TO FINANCIAL STATEMENTS

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- a) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- b) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- c) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.3. Use of Estimates

The preparation of the financial statements in conformity with Ind AS requires the Management to make judgements, 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 Property, Plant and Equipment, provision for taxation, etc., during the reporting year. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

3.4. Cash and Cash Equivalents (for the purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of change in value.

3.5. Cash Flow Statement

Cash flows are reported using the indirect method, whereby Profit / (Loss) after tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

3.6. Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Freehold land is measured at cost and not depreciated. Cost includes related taxes, duties, freight, insurance, etc. attributable to the acquisition, installation of the fixed assets but excludes duties and taxes that are recoverable from tax authorities.

Machinery Spares including spare parts, stand-by and servicing equipment are capitalised as property, plant and equipment if they meet the definition of property, plant and equipment i.e. if the company intends to use these for more than a period of 12 months. These spare parts capitalized are depreciated as per IndAS 16.

NOTES TO FINANCIAL STATEMENTS

Subsequent expenditure relating to Property, Plant and Equipment is capitalised only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Material replacement cost is capitalized provided it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. When replacement cost is eligible for capitalization, the carrying amount of those parts that are replaced in derecognized. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful life.

The Company identifies and determines cost of each component/part of the asset separately, if the component/part has a cost which is significant to the total cost of the asset and has useful life that is materially different from that of the remaining asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss.

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. Once it becomes available for use, their cost is re-classified to appropriate caption and are subjected to depreciation.

3.7. Investment Properties

Investment property represents property held to earn rentals or for capital appreciation or both.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

Though the Company measures investment property using cost-based measurement, the fair value of investment property is disclosed in the notes. The fair value of the investment properties is determined based on the capitalisation of net income method, where the market rentals of all the lettable units was considered.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit and loss in the period of derecognition.

3.8. Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.9. 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.

3.10. Inventories

Raw materials are valued at lower of weighted average cost (net of allowances) and estimated net realisable value. Cost

NOTES TO FINANCIAL STATEMENTS

includes freight, taxes and duties and is net of credit under GST scheme, where applicable. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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.

Due allowance is made for slow/non-moving items, based on Management estimates.

3.11. Revenue and Other Income

Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Company is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

However, Goods and Services tax (GST) are not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

Sale of Goods and Services:

Revenue from sale of goods is recognised when control of the goods is transferred to the Customers. The normal credit term is 30 to 120 days from the invoice date. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Rendering of Services:

Service revenues are recognised when services are rendered, and when the outcome of the transaction can be estimated reliably.

Dividend:

Dividend income is accounted for when the right to receive it is established as on the date of Balance Sheet.

Interest Income:

For all debt instruments measured at amortised cost, interest income is recognised on time proportion basis, taking into account the amount outstanding and effective interest rate.

Rental Income:

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

3.12. Government Grants and Export benefits

Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. When the grant from the Government relates to an expense item, it is recognised as income on a systematic basis in the statement of profit and loss over the period necessary to match them with the related costs, which they are intended to compensate. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Export benefits are accounted for in the year of exports based on eligibility and when there is reasonable certainty in receiving the same.

3.13. Employee Benefits

I. **Defined Contribution Plan**

a. **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.

b. **Employee State Insurance**

Contributions to Employees State Insurance Scheme are

NOTES TO FINANCIAL STATEMENTS

recognised as expense in the year in which the services are rendered.

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 every year using the Projected Unit Credit method. Actuarial gains/losses are immediately recognised in retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not re-classified to profit or loss in subsequent periods. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The defined benefit obligation recognised in the balance sheet represents the present value of the Defined Benefit Obligation less the Fair Value of Plan Assets out of which the obligations are expected to be settled and adjusted for unrecognised past service cost, if any. Any asset arising out of this calculation is limited to the past service cost plus the present value of available refunds and reduction in future contributions.

III. Long-Term Employee Benefits

The Company makes an annual contribution to LIC in satisfaction of its liability towards compensated absence 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 include 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.

3.14. 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.

3.15. 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 as at Balance Sheet Date

Foreign currency monetary items of the Company outstanding at the Balance Sheet date are restated at year end exchange rates.

Non-monetary items carried at historical cost are translated using the exchange rates at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Treatment of exchange differences

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

3.16. Depreciation and Amortisation

Depreciation on assets (other than freehold land) has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and

NOTES TO FINANCIAL STATEMENTS

Description of assets	Useful life and Basis of depreciation/amortisation
Furniture and fixtures	5 years
Motor cars	4 years
Office Equipments (including Data Processing Equipment)	3 years
Plant & Machinery	15 years
Computer Software	3 years

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period. 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.

3.17. Research and Development

Revenue expenditure on research and development is expressed when incurred. Capital expenditure on research and development is capitalised under Property, Plant and Equipment and depreciated in accordance with Note 3.16 above.

3.18. Taxes on Income

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are

generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3.19. Provisions and Contingent Liabilities

A provision is recognized when an enterprise has a present obligation (legal or constructive) as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions for warranty-related costs are recognized when the product is sold or service provided. Provision is estimated based on historical experience and technical estimates. The estimate of such warranty-related costs is reviewed annually.

NOTES TO FINANCIAL STATEMENTS

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3.20. GST input credit

GST input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is reasonable certainty in availing / utilising the credits.

3.21. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one Company and a financial liability.

A. Financial assets

i. Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

ii. Subsequent measurement

For purposes of subsequent measurement, Debt instruments are measured at amortised cost.

iii. De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised primarily when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred substantially all the risks and rewards of the asset

iv. Impairment of financial assets

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and

recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance

The Company follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Statement of Profit and Loss (P&L). This amount is reflected

NOTES TO FINANCIAL STATEMENTS

under the head 'other expenses' in the P&L. The Balance Sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

B. Financial liabilities

i. Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains / losses attributable to changes in own credit risks are recognized in OCI. These gains/ losses are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

NOTES TO FINANCIAL STATEMENTS

4.PROPERTY, PLANT & EQUIPMENT & INTANGIBLE ASSETS

₹ Crores

Particulars	Gross Block				Accumulated Depreciation				Net Block		
	As at 01.04.2019	Transfer to Investment Property	Additions	Disposals	As at 31.03.2020	As at 01.04.2019	Transfer to Investment Property	Additions	Disposals	As at 31.03.2020	As at 31.03.2019
4a. Property, Plant & Equipment											
Land	2.86 (2.86)	-	-	-	2.86 (2.86)	-	-	-	-	2.86 (2.86)	2.86 (2.86)
Buildings	24.63 (23.60)	0.24 (0.09)	0.01 (1.13)	-	24.40 (24.63)	4.13 (3.11)	-	1.10 (1.04)	-	5.23 (4.13)	20.50 (20.49)
Plant & Machinery	71.94 (61.91)	-	7.99 (10.10)	2.68 (0.07)	77.25 (71.94)	45.85 (37.76)	-	5.88 (8.16)	2.67 (0.07)	49.06 (45.85)	26.09 (24.15)
Furniture & Fittings	1.70 (1.58)	-	0.06 (0.12)	-	1.76 (1.70)	1.40 (1.15)	-	0.14 (0.25)	-	1.54 (1.40)	0.30 (0.43)
Office Equipment	2.74 (2.12)	-	1.06 (0.62)	-	3.80 (2.74)	1.90 (1.30)	-	0.70 (0.60)	-	2.60 (1.90)	0.84 (0.82)
Vehicles	0.76 (0.82)	-	0.30 (0.14)	0.17 (0.20)	0.89 (0.76)	0.26 (0.13)	-	0.26 (0.26)	0.17 (0.13)	0.35 (0.26)	0.50 (0.69)
Total	104.63 (92.89)	0.24 (0.09)	9.42 (12.11)	2.85 (0.28)	110.96 (104.63)	53.54 (43.45)	-	8.08 (10.31)	2.84 (0.21)	58.78 (53.54)	51.09 (49.44)
4b. Intangible assets - Acquired											
Computer Software	1.67 (1.28)	-	0.12 (0.39)	-	1.79 (1.67)	1.22 (1.02)	-	0.24 (0.20)	-	1.46 (1.22)	0.45 (0.26)
Total	1.67 (1.28)	-	0.12 (0.39)	-	1.79 (1.67)	1.22 (1.02)	-	0.24 (0.20)	-	1.46 (1.22)	0.45 (0.26)
Previous Year											

Previous year figures are given in brackets.

NOTES TO FINANCIAL STATEMENTS

5. Investment Property

Particulars	₹ Crores
Opening Balance as at 01 April 2019	7.46
Additions / Deletions during the year	0.24
Closing Balance as at 31 March 2020	7.70
Accumulated Depreciation	
Opening Balance as at 01 April 2019	0.37
Additions during the year	0.07
Closing Balance as at 31 March 2020	0.44
Net Block	
As at 31 March 2019	7.09
As at 31 March 2020	7.26

Information regarding income and expenditure of Investment property

Particulars	₹ Crores	
	Year ended 31.03.2020	Year ended 31.03.2019
Rental Income derived from investment properties	0.81	0.44
Direct operating expenses (including repairs and maintenance)	-	-
Profit arising from investment properties before depreciation and indirect expenses	0.81	0.44
Less: Depreciation	(0.07)	(0.11)
Profit arising from investment properties before indirect expenses	0.74	0.33

The Company's investment property consists of the property in Coimbatore and Mumbai which has been let out on rent.

As on 31 March 2020 the fair value of the property is ₹ 23.19 Crs (PY ₹ 9.87 Crs).

The fair value of the investment properties is determined based on the capitalisation of net income method, where the market rentals of all the lettable units were considered. The main inputs used are rental growth rates, expected vacancy rates, terminal yields and discount rates based on industry data. The resulting fair value estimates are classified under Level 3 of the Fair value hierarchy.

The Company has no restrictions on the disposal of its investment property and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancement.

NOTES TO FINANCIAL STATEMENTS

6. Financial assets

Non-Current Investments (At amortised cost)

₹ Crores

Particulars	Nominal	As at 31.03.2020		As at 31.03.2019	
	Value	No. of units	Value ₹ Crores	No. of units	Value ₹ Crores
Investment in Tax Free Bonds - Quoted					
PFC Tax Free Bonds	1000	12567	1.31	2567	0.26
IRFC Tax Free Bonds	1000	36783	3.96	26783	2.75
NHAI Tax Free Bonds	1000	71428	8.01	11428	1.14
IREDA Tax Free Bonds	1000	23624	2.41	23624	2.41
HUDCO Tax Free Bonds	1000	41442	4.28	21442	2.19
NABARD Tax Free Bonds	1000	4008	0.40	4008	0.40
RECL Tax Free Bonds	1000	28000	3.23	8000	0.94
NTPC Tax Free Bonds	1000	17735	1.99	17735	1.99
NHPC Tax Free Bonds	1000	800	0.09	800	0.09
SBI - Perpetual Bonds	1000000	20	1.99	20	1.99
Total			27.67		14.16
Aggregate amount of Quoted Investments			27.67		14.16
Aggregate amount of Unquoted Investments			-		-
Aggregate amount of impairment in value of Investments			-		-

7. Deferred Tax Assets (Net)

₹ Crores

Particulars	Balance Sheet		Statement of Profit and Loss	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Recognised in profit or loss				
Provision for Doubtful Debts	0.88	1.07	(0.18)	(0.07)
Defined benefit obligations	0.74	1.70	(0.96)	(0.32)
Provision for warranties	-	-	-	(0.04)
FVTPL financial assets	(0.04)	(0.18)	0.13	0.08
Property, plant and equipment	1.17	1.18	(0.01)	(0.58)
Provision for inventories	1.34	1.61	(0.27)	0.01
Recognised in other comprehensive income				
Defined benefit obligations	0.04	(0.42)	0.46	(0.07)
Deferred Tax Assets (Net)	4.13	4.96	(0.83)	(0.99)

NOTES TO FINANCIAL STATEMENTS

8. Other non-current assets
 (At amortised cost)

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Capital Advances		
Considered Good	1.90	0.12
Considered Doubtful	0.18	0.18
	2.08	0.30
Less: Provision for Doubtful Advance	(0.18)	(0.18)
	1.90	0.12
Security Deposits	3.24	2.92
Advance Income Tax	4.51	2.49
Rental Advances	0.15	0.13
Prepaid Expenses	-	0.08
Total	9.80	5.74

9. Inventories

(Lower of Cost (Net of Allowances) and estimated Net Realisable Value)

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Raw Materials	22.01	27.49
Work in Progress	36.15	40.12
Finished Goods	2.68	2.52
Total	60.84	70.13

The cost of inventories recognised as an expense during the year in respect of continuing operations was ₹ 111.98 Crs (for the year ended 31 March 2019: ₹ 115.76 Crs).

The cost of inventories recognised as an expense includes ₹ NIL Crs (during 2018-19: ₹ 0.02 Crs) in respect of write downs (net) of inventory to net realisable value.

The inventories of ₹ 0.51 Crs (as at 31 March 2019 ₹ 0.47 Crs) are expected to be recovered after more than twelve months.

NOTES TO FINANCIAL STATEMENTS

10. Financial Assets

a) Current Investments – Fair Value Through P&L (FVTPL)

Particulars	Nominal		As at 31.03.2020		As at 31.03.2019	
	Value	No. of units	Value ₹ Crores	No. of units	Value ₹ Crores	
Investment in mutual funds - Quoted						
Reliance Liquid Fund - Treasury Plan - Direct Daily						
Dividend Option Dividend Reinvestment	1500	0	-	59263	9.06	
ICICI Prudential Liquid – Direct Plan –						
Daily Dividend	100	0	-	148723	1.49	
Birla Sun Life Cash Plus – Daily Dividend -						
Direct Plan -Reinvestment	100	145296	4.64	352439	3.53	
SBI Premier Liquid Fund - Direct Plan -						
Daily Dividend	1000	0	-	14266	1.43	
Tata Liquid Fund Direct Plan Growth	1000	2588	0.81	2588	0.76	
UTI Treasury Advantage Fund - Direct Plan -						
Daily Dividend	1000	20283	6.59	149727	15.26	
UTI Fixed Term Income Fund Series XXVIII - III -						
Direct Growth Plan	10	5000000	5.63	5000000	5.42	
IDFC Arbitrage Fund	10	11499365	15.21	17208631	22.63	
UTI Arbitrage Fund - Direct Dividend Plan - Payout	10	0	-	1794419	3.04	
Kotak Equity Arbitrage Fund - Direct Plan - Growth	20	9400037	10.50	22178031	24.41	
DHFL Pramerica Arbitrage Fund Direct Plan	10	0	-	21121545	22.66	
UTI Overnight Fund-Direct Daily Dividend Plan		8895	2.43	0	-	
SBI - Overnight Fund-Direct Daily Dividend Plan		8960	2.92	0	-	
HDFC - Overnight Fund-Direct Daily Dividend Plan		9816	2.92	0	-	
Total			51.65		109.69	
Aggregate amount of Quoted Investments			51.65		109.69	
Aggregate amount of Unquoted Investments			-		-	
Aggregate amount of impairment in value of Investments			-		-	

NOTES TO FINANCIAL STATEMENTS

b) Trade Receivables
(Unsecured)

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Outstanding for a period exceeding six months from the day they were due for payment		
- Considered Good	1.80	2.54
- Receivables which have significant increase in credit risk	1.83	1.63
Less: Allowance for expected credit loss	(1.83)	(1.63)
Other Receivables		
- Considered Good	36.39	53.97
- Receivables which have significant increase in credit risk	0.51	0.74
Less: Allowance for expected credit loss	(0.51)	(0.74)
Total	38.19	56.51

Out of the above ₹ 0.14 Crs (PY ₹ 0.95 Crs) is receivable from Holding Company and ₹ Nil (PY ₹ 0.06 Crs) is receivable from TI Tsubamex Private Limited, a related party, disclosed in Note 31.

Trade receivables are non-interest bearing and are generally have credit period of 60 days. The Company has used a practical expedient by computing the expected credit loss allowances for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward looking information.

Movement in the expected credit loss allowance:

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Balances at the beginning of the year	0.74	0.68
Movement in expected credit loss allowance on trade receivables calculated at life time expected credit loss	(0.23)	0.06
Balances at the end of the year	0.51	0.74

c) Cash & Cash Equivalents

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Balances with banks in current accounts	1.05	1.54
Cash on hand*	0.01	0.01
Cash and Cash Equivalents as per Ind AS 7	1.06	1.55
Other bank balances:		
– Unpaid dividend accounts	0.93	0.69
– Deposit in Buyback Escrow Account	-	17.50
Cash and Cash Equivalents as per statement of Cash flow	1.99	19.74

* Represents ₹65,392 (PY ₹59,967)

NOTES TO FINANCIAL STATEMENTS

d) Other Financial Assets

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
a) Accruals		
i) Interest Accrued on Deposits	0.14	0.03
ii) Interest Accrued on Bonds	0.98	0.43
b) Other Loans and Advances		
i) Gratuity Fund with LIC (net) (Refer Note 29)	0.02	0.45
ii) Annual Leave Fund with LIC (net)	0.26	0.39
c) Balance in Fixed Deposit Accounts - Original maturity of more than 3 months	11.40	3.00
d) Others		
i) Receivable from Sale of Surplus Energy	0.86	1.04
ii) Others	0.20	0.17
Total	13.86	5.51

11. Other Current Assets

(Unsecured, Considered Good)

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
a) Prepaid Expenses	1.37	0.84
b) Balance with Statutory authorities	3.85	3.78
c) Advance to suppliers	1.96	0.67
c) Loans & Advances to employees	0.04	0.05
d) Others	0.01	0.01
Total	7.23	5.35

12. Equity Share Capital

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
AUTHORISED:		
10,00,00,000 Equity Shares of ₹ 1/- each with Voting rights	10.00	10.00
Issued Subscribed and Fully Paid-Up:		
7,67,15,853 Equity Shares of ₹ 1/- each (as at 31 Mar 2019 8,17,15,853 Shares)	7.67	8.17

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

Particulars	For the year ended 31.03.2020		For the year ended 31.03.2019	
	No. of shares	₹ in Crores	No. of shares	₹ in Crores
At the beginning of the year	81715853	8.17	81715853	8.17
Shares allotted /(boughtback) during the year	(5000000)	(0.50)	-	-
At the end of the year	76715853	7.67	81715853	8.17

NOTES TO FINANCIAL STATEMENTS

(ii) Details of shares held by the holding company:

Particulars	As at 31.03.2020	As at 31.03.2019
Out of the equity shares issued by the company:		
- Tube Investments of India Limited, the holding company	54057475	57296413

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

Particulars	As at 31.03.2020		As at 31.03.2019	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares of ₹ 1/- each fully paid up with voting rights:				
- Tube Investments of India Limited, the holding company	54057475	70.47%	57296413	70.12%

(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 equity share. Dividends are paid in Indian Rupees. Dividends proposed by Board of Directors, if any is subject to approval of the Shareholders in the Annual General Meeting, except in case of Interim Dividend.

(v) During the year 50,00,000 equity shares were extinguished on 09 April 2019 on account of buyback of equity shares.

13. Other Equity

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
General reserve	204.29	250.00
Securities premium	-	24.29
Retained earnings	16.23	18.80
Other Comprehensive Income	(0.09)	0.80
Capital redemption reserve	0.52	0.02
Total	220.95	293.91

General Reserve : It represents appropriation of profit by the company.

Securities Premium : Amounts received on issue of shares in excess of the par value has been classified as securities premium.

Retained earnings : Retained earnings comprise of the Company's prior years' undistributed earnings after taxes.

Note on share buyback : The Board of Directors in a meeting held on 26 December 2018 approved a proposal for buyback of equity shares of the Company, not exceeding 50 lakh equity shares of ₹ 1/- each fully paid-up, at a price of ₹140 per share, through the tender route on a proportionate basis, from the shareholders, which got approved by the shareholders through postal ballot on 29 January 2019 and approved by SEBI on 26 February 2019. Consequently 50,00,000 shares have been extinguished on 09 April 2019.

NOTES TO FINANCIAL STATEMENTS

14. Financial Liability (Non Current)
Other Long Term Liability

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Government Grant	1.38	-
Total	1.38	-

15. Provisions

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Provision for Warranty-(Refer note below)	0.16	0.16
Total	0.16	0.16

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

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Provision for Warranty		
At the Beginning of the Year	0.16	0.10
Add: Provision created during the year	0.16	0.16
	0.32	0.26
Less: Utilised during the year	(0.16)	(0.10)
At the end of the year	0.16	0.16

16. Financial Liability (Current)
a. Trade Payables

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Trade Payables		
Due to micro enterprises and small enterprises (See Note below)	3.21	0.28
Dues of creditors other than micro enterprises and small enterprises	26.91	30.65
Total	30.12	30.93

MSME Disclosure

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Principal amount due to suppliers under MSMED Act	3.21	0.28
Interest accrued and due to suppliers under MSMED Act, on the above amount	0.02	0.04
Payment made to suppliers (other than interest) beyond the appointed day, during the year	-	-
Interest paid to suppliers under MSMED Act (Section 16)	-	-
Interest due and payable to suppliers under MSMED Act, for payments already made	-	-
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.02	0.04

Trade payables are non-interest bearing and are normally settled within a period of 90 days.

NOTES TO FINANCIAL STATEMENTS

b. Other Financial Liabilities
(at amortised cost)

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Unclaimed Dividends *	0.93	0.69
Total	0.93	0.69

*Amounts to be credited to Investor Education and Protection Fund towards Unpaid Dividends ₹ 0.07 Crs (as at 31 March 2019: ₹ 0.06 Crs).

17. Provisions

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Provision for Compensated Absences	0.44	0.66
Total	0.44	0.66

18. Other Current Liabilities

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Advances from Customers	17.56	12.00
Statutory Remittances	1.70	4.34
Security Deposits from Dealers	1.43	1.07
Others	0.69	0.69
Total	21.38	18.10

19. Revenue From Operations

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Sale of Products	234.33	232.18
Sale of Services	3.15	4.21
Other Operating Revenue		
Sale of Scrap	4.16	4.86
Duty Draw Back and Export Incentives	0.65	0.43
Total	242.29	241.68

The Company disaggregates revenue geography as below.

₹ Crores

Geography	Year ended 31.03.2020	Year ended 31.03.2019
India	230.07	228.40
America	4.25	3.58
Europe	2.60	2.30
Others	5.37	7.40
Total	242.29	241.68

20. Other Income

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
a) Interest Income on		
Bank Deposits	0.39	1.62
Bonds	1.41	1.03
Others	0.17	0.14
b) Dividend Income from Current Investments	2.79	5.66
c) Net gain arising on financial assets designated as at FVTPL	0.39	1.52
d) Other Non-Operating Income		
Rental Income	0.81	0.44
Gain on disposal of property plant and equipments	0.32	0.79
Net gain on foreign currency transactions and translations	0.12	0.19
Miscellaneous Income	0.13	0.41
Total	6.53	11.80

21. Cost of Materials Consumed

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Opening Stock	27.49	24.12
Add: Purchases	106.50	119.13
	133.99	143.25
Less: Closing Stock	22.01	27.49
Cost of Material Consumed	111.98	115.76

NOTES TO FINANCIAL STATEMENTS

22. Changes in Inventory of Finished Goods & Work in Progress

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Inventories at the beginning of the year		
Work-in-Progress	40.12	32.83
Finished Goods	2.52	1.93
	42.64	34.76
Inventories at the end of the year		
Work-in-Progress	36.15	40.12
Finished Goods	2.68	2.52
	38.83	42.64
Net Decrease/(Increase)	3.81	(7.88)

23. Employee Benefits Expense

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Salaries, Wages & Bonus	41.63	39.16
Contribution to Provident & Other Funds (Refer note 29)	2.42	1.83
Staff Welfare Expenses	4.18	4.41
Total	48.23	45.40

24. Depreciation and amortization expense

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Depreciation of property plant and equipment	8.08	10.31
Amortization of intangible assets	0.24	0.20
Depreciation of Investment Property	0.07	0.11
Total	8.39	10.62

NOTES TO FINANCIAL STATEMENTS

25. Other Expenses

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Consumption of stores and spare parts	2.79	3.45
Power and Fuel	6.65	7.06
Subcontracting Charges	10.44	12.43
Rent including lease rentals (Refer Note 32)	0.26	0.34
Repairs and maintenance - Buildings	1.12	0.75
Repairs and maintenance - Machinery	6.10	7.21
Repairs and maintenance - Others	2.43	2.90
Insurance	0.40	0.45
Rates and taxes	0.42	0.54
Software Expenses	1.42	1.31
Communication	0.30	0.30
Travelling and conveyance	2.45	2.30
Printing and stationery	0.27	0.34
Freight and forwarding	2.31	1.05
Sales commission	0.68	0.49
Business promotion	0.90	0.88
Donations and contributions	0.01	0.02
Payments to auditors (Refer (i) below)	0.14	0.15
Expenditure on Corporate Social Responsibility (Refer (ii) below)	0.69	0.56
Professional and Consultancy charges	0.85	1.75
Service Fees	2.25	2.25
Trade receivables written off	0.06	0.12
Provision for doubtful trade receivables	(0.02)	(0.24)
Commission to Non Executive Directors	0.25	0.20
Directors' sitting fees	0.09	0.07
Bank Charges	0.19	0.14
Other Expenses	0.27	0.30
Total	43.72	47.12

25 (i) Auditor's Remuneration

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Payment to Auditors comprise (Net of levies)		
For Statutory Audit & Tax Audit	0.12	0.13
For Other Services	0.02	0.02
Total	0.14	0.15

NOTES TO FINANCIAL STATEMENTS

25 (ii) Details of CSR expenditure

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
a) Gross Amount required to be spent by the company during the year	0.69	0.56
b) Amount spent during the year		
i) Education	0.32	0.28
ii) Others	0.37	0.28
Total	0.69	0.56

25 (iii) Research and Development Expenses

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Revenue Expenditure		
Employee Benefit Expense	2.02	1.99
Repairs & Maintenance-Machinery	0.01	0.16
Other Expense	0.10	0.07
Total	2.13	2.22
Capital Expenditure		
Plant & Machinery	0.20	0.17
Total	0.20	0.17

26. Income Tax Expense recognised in Profit and loss

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Current Tax:		
Current income tax charge	6.21	8.20
Adjustments in respect of current income tax of previous year	-	-
Deferred Tax:		
Relating to the origination and reversal of temporary differences	1.29	0.91
Income Tax expense reported in the Statement of Profit and Loss	7.50	9.11

Other Comprehensive Income section

Deferred tax related to items recognised in OCI during in the year:

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Remeasurement of defined benefit obligation	0.46	(0.07)
Total	0.46	(0.07)

NOTES TO FINANCIAL STATEMENTS

The income tax expense for the year can be reconciled to the accounting profit as follows:

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in India (29.12%).

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Accounting Profit before income tax	32.69	42.46
Profit before income tax multiplied by standard rate of corporate tax in India of 29.12%	9.52	12.36
Effects of:		
Benefits u/s 80IA of Income Tax Act, 1961	(1.35)	(1.45)
Income that is exempt from taxation	(1.22)	(1.95)
Benefit u/s 35(2AB) of Income Tax Act, 1961	(0.38)	(0.40)
Differential Tax rate on Capital Gains	0.04	0.23
Other disallowances	0.89	0.32
Income Tax expense reported in the Statement of Profit and Loss net of Deferred Tax	7.50	9.11

27. Commitments and Contingent Liabilities

₹ Crores

Particulars	As at 31.03.2020	As at 31.03.2019
Commitments		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances)	5.86	4.40
Contingent Liabilities		
Claims against the Company not acknowledged debts	0.55	0.55
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 amount has been paid under protest and writ petition is pending with Madras High Court.	0.01	0.01
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 amount has been paid under protest and writ petition is pending with Madras High Court.	0.01	0.01
Disputed Excise Duty on Inter Unit transfer of Machinery-Duty ₹ 0.76 Crores and penalty ₹ 0.76 Crores. The Appellate Tribunal has passed the order and the matter is pending before Jurisdiction Officer	1.52	1.52

Note:

1. Show cause Notices received from various Government Agencies pending formal demand notices have not been considered as contingent liabilities.
2. The uncertainties and possible reimbursement in respect of the abovementioned contingent liabilities are dependent on the outcome of various legal proceedings and therefore, cannot be predicted accurately.

NOTES TO FINANCIAL STATEMENTS

28. Significant accounting judgements, estimates and assumptions

The preparation of the Company's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Financial Statements:

Operating lease commitments – Company as lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Property, Plant and Equipment and Investment Property

The Company has estimated the useful life of Property, Plant and equipment and Investment Property as per the useful life prescribed in Schedule II of the Companies Act 2013 except in respect of certain categories of assets as described in Note No. 3.16.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Defined benefit plans

The cost of the defined benefit gratuity plan and other post-employment leave encashment benefit and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may

NOTES TO FINANCIAL STATEMENTS

differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about defined benefit obligations are given in Note 29.

The Company has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of property, plant and equipment, investments, inventories, receivables and other current assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Company, as at the date of approval of these financial results has used internal and external sources on the expected future performance of the Company. The Company has evaluated its liquidity position, recoverability and based on current estimates expects the carrying amount of these assets will be recovered. The impact of COVID-19 on the Company's financial results may differ from that estimated as at the date of approval of these financial results.

29. Employee Benefits under Defined Benefit Plans

a) Defined Contribution Plan

The Company makes Provident Fund and Employee 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 benefit. The Company recognised ₹ 2.08 Crs (PY ₹ 1.58 Crs) for Provident Fund contribution, ₹ 0.21 Crs (PY ₹ 0.26 Crs) for Employee State Insurance Scheme in the Statement of Profit & Loss. The contribution payable to these plans by the Company are at the rates specified in the rules of the scheme.

b) Gratuity

Under the Gratuity plan operated by the Company, every employee who has completed atleast five years of service gets a Gratuity on departure at 15 days on last drawn salary for each completed year of service as per Gratuity Act, 1972. The scheme is funded with an Insurance Company in the form of qualifying insurance policy. The following table summarizes the components of net benefit expense recognised in the Statement of profit and loss and the funded status and amounts recognised in the Balance Sheet.

NOTES TO FINANCIAL STATEMENTS

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Change in Benefit Obligation		
Projected benefit Obligation as at Year beginning	4.32	4.15
Service Cost	0.36	0.28
Interest Cost	0.25	0.31
Cash flows		
a. Benefit payments from plan	(0.39)	(0.13)
Remeasurements		
a. Effect of changes in financial assumptions	0.19	(0.09)
b. Effect of experience adjustments	1.19	(0.20)
Projected benefit Obligation as at Year end	5.92	4.32
Change in fair value of Plan Assets	31.03.2020	31.03.2019
Fair Value of Planned assets as at year beginning	4.77	4.59
Interest income	0.27	0.34
Cash flows		
a. Total employer contributions		
(i) Employer contributions	1.25	-
b. Benefit payments from plan assets	(0.39)	(0.13)
Remeasurements		
a. Return on plan assets (excluding interest income)	0.04	(0.03)
Fair Value of Planned assets as at year end	5.94	4.77
Amount Recognised in the Balance Sheet	31.03.2020	31.03.2019
Defined benefit obligation	5.92	4.32
Fair value of plan assets	5.94	4.77
Net defined benefit (liability) / asset	0.02	0.45
Components of defined Benefit cost	31.03.2020	31.03.2019
Service Cost		
a) Current Service Cost	0.36	0.28
Net Interest Cost		
a) Interest Expense on DBO	0.25	0.31
b) Less: Interest (Income) on plan assets	0.27	0.34
c) Total net Interest Cost	(0.02)	(0.03)
Remeasurements (Recognised in OCI)		
a) Effect of changes in financial assumptions	0.19	(0.09)
b) Effect of experience adjustments	1.19	(0.20)
c) Less: (return) on Plan assets (Excluding Interest Income)	(0.04)	0.03
d) Total Remeasurements included in OCI	1.34	(0.26)
Total defined benefit cost recognised in P&L and OCI	1.68	(0.01)

NOTES TO FINANCIAL STATEMENTS

Shanthi Gears Limited

₹ Crores

Re-measurement	31.03.2020	31.03.2019
a. Actuarial Loss/(Gain) on DBO	1.34	(0.26)
b. Less - Returns above Interest Income	(0.04)	0.03
Total Re-measurements (OCI)	1.30	(0.23)
Employer Expense (P&L)	31.03.2020	31.03.2019
a. Current Service Cost	0.36	0.28
b. Interest Cost on net DBO	(0.02)	(0.03)
Total P&L Expenses	0.34	0.25
Net defined benefit liability (asset) reconciliation	31.03.2020	31.03.2019
Net defined benefit liability (asset)	(2.64)	(0.22)
Defined benefit cost included in P&L	0.34	0.25
Total remeasurements included in OCI	1.30	(0.23)
Employer contributions	1.25	
Net benefit paid from plan assets	(0.39)	(0.13)
Net defined benefit liability (asset) as of end of period	(0.14)	(0.33)
Reconciliation of OCI (Re-measurement)	31.03.2020	31.03.2019
Recognised in OCI during the beginning of the period	1.20	0.95
Recognised in OCI during the period	(1.35)	0.25
Recognised in OCI at the end of the period	(0.15)	1.20
Sensitivity analysis - DBO end of Period	31.03.2020	31.03.2019
Discount rate +100 basis points	(0.39)	(0.33)
Discount rate -100 basis points	0.43	0.37
Salary Increase Rate +1%	0.44	0.38
Salary Increase Rate -1%	(0.40)	(0.34)
Attrition Rate +1%	0.03	0.04
Attrition Rate -1%	(0.04)	(0.04)
Significant actuarial assumptions	31.03.2020	31.03.2019
Discount rate Current Year	6.13%	7.16%
Salary increase rate	4%	5%
Attrition Rate	3%	3%
Retirement Age	58	58
Pre-retirement mortality	Indian Assured Mortality (2006-08)	Indian Assured Mortality (2006-08)
Disability	Nil	Nil

NOTES TO FINANCIAL STATEMENTS

Data	31.03.2020	31.03.2019
Number of employees	526	541
Average Age (yrs.)	44.96	44.07
Average Past Service (yrs.)	13.04	13.79
Average Monthly Salary (₹)	16664	13380

₹ Crores

Expected cash flows for following year	31.03.2020	31.03.2019
Expected employer contributions / Addl. Provision Next Year	0.56	0.28
Expected total benefit payments		
Year 1	0.41	0.17
Year 2	0.33	0.25
Year 3	0.33	0.20
Year 4	0.48	0.22
Year 5	0.48	0.40
Next 5 years	2.25	2.68

Defined benefit obligation at end of period	31.03.2020	31.03.2019
Current Obligation	0.42	0.16
Non-Current Obligation	5.50	4.16
Total	5.92	4.32

Notes:

- The entire Plan Assets are managed by LIC. In the absence of the relevant information from LIC/Actuary, the above details do not include the composition of plan assets.
- 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.
- The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

c) Long Term Compensated Absences

Actuarial Assumption	Year ended 31.03.2020	Year ended 31.03.2019
Discount Rate	6%	8%
Future Salary Increase	4%	5%
Attrition Rate	3%	3%
Expected Rate of Return on Plan Assets	6%	8%

NOTES TO FINANCIAL STATEMENTS

These plans typically expose the Company to actuarial risk such as interest rate risk, longevity risk and salary risk.

Interest Rate Risk : A decrease in the bond interest rate will increase the plan liability.

Longevity Risk : The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary Risk : The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

30. Segment Reporting

The Company's main business is manufacture of Gears & Gear Products. There are no separate reportable segments as per Ind AS 108. The Company has opted to disclose information based on geographical location of customers.

₹ Crores

Segment Disclosure	Year ended / As at 31.03.2020	Year ended/ As at 31.03.2019
1. Revenue by Geographic Market		
India	230.07	228.40
Rest of the World	12.22	13.28
Total	242.29	241.68
2. Segment Assets by Geographic Market		
India	282.91	351.63
Rest of the World	0.12	0.99
Total	283.03	352.62

31. Disclosure in respect of Related Parties pursuant to Ind AS 24

a) List of related parties

Name of the Related Party	Relationship
Tube Investments of India Limited*	Holding Company
TI Tsubamex Private Ltd	
Financiere C10 SAS	
Sedis SAS	
Societe De Commercialisation De Composants Industries SARL	Fellow Subsidiaries
Sedis Company Limited	
Creative Cycles	
Great Cycles	

* Represents related Parties with whom the Company had Transactions during the year.

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

NOTES TO FINANCIAL STATEMENTS

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

₹ Crores

Transactions	Related Party	Year ended / As at 31.03.2020	Year ended/ As at 31.03.2019
Sale of Goods & Services	Tube Investments of India Limited	0.95	1.28
Dividend Paid	Tube Investments of India Limited	16.22	28.65
Service Fee	Tube Investments of India Limited	2.25	2.25
Reimbursement of Expenses	Tube Investments of India Limited	0.58	0.86
Lease rent Paid	Tube Investments of India Limited	0.07	0.12
Buyback of Shares	Tube Investments of India Limited	45.35	-
Receivable	Tube Investments of India Limited	0.14	0.95
Payable	TI Tsubamex Private Ltd	-	0.06
	Tube Investments of India Limited	0.84	0.02

32. Operating Leases

The Company has cancellable operating lease agreements for office space. As per the lease terms an amount of ₹ 0.26 Crores (PY: ₹0.34 Crores) is charged to Statement of Profit and Loss. As lessor, the Company realized an income of ₹ 0.81 Crores (PY: ₹ 0.44 Crores) on properties under lease.

33. Earnings Per Share

₹ Crores

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Profit After Tax	25.19	33.35
Weighted Average Number of Shares		
Basic	7,68,25,143	8,17,15,853
Diluted	7,68,25,143	8,17,15,853
Earnings per share of ₹ 1/-		
Basic (in ₹)	3.28	4.08
Diluted (in ₹)	3.28	4.08

34. Details of unhedged foreign currency exposures

Particulars	As at 31.03.2020			As at 31.03.2020	
	Currency	Foreign Currency	INR (₹ in Crores)	Foreign Currency	INR (₹ in Crores)
Trade Receivables	USD	10,517	0.08	68,754	0.47
Trade Receivables	GBP	4,458	0.04	57,012	0.52

NOTES TO FINANCIAL STATEMENTS

35. Fair Values

The following table presents the carrying amounts and fair value of each category of financial assets and liabilities:

₹ Crores

Particulars	Carrying Value		Fair Value	
	As at 31.03.2020	As at 31.03.2019	As at 31.03.2020	As at 31.03.2019
Financial Assets				
Non-current Investments	27.67	14.16	27.67	14.16
Current Investments	51.65	109.69	51.65	109.69
Trade Receivables	38.19	56.51	38.19	56.51
Cash and Cash Equivalents	1.06	1.55	1.06	1.55
Other Bank Balances	0.93	18.19	0.93	18.19
Other Financial Assets	13.86	5.51	13.86	5.51
Total	133.36	205.61	133.36	205.61
Financial Liabilities				
Other financial liabilities - Non-current-				
Other Long Term Liabilities	1.38	1.07	1.38	1.07
Trade Payables		-	-	-
Other financial liabilities - Current	0.93	0.69	0.93	0.69
Total	2.31	1.76	2.31	1.76

The management assessed that cash and cash equivalents, trade receivables, current investments, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

Particulars	Level 1		Level 2		Level 3	
	As at 31.03.20	As at 31.03.19	As at 31.03.20	As at 31.03.19	As at 31.03.20	As at 31.03.19
Financial Assets						
Current Investments	51.65	109.69	-	-	-	-
Total	51.65	109.69	-	-	-	-
Financial Liabilities	-	-	-	-	-	-
Total	-	-	-	-	-	-

NOTES TO FINANCIAL STATEMENTS

36. Capital management

The Company's capital management is intended to create value for shareholders by facilitating the meeting of long-term and short-term goals of the Company. The Company determines the amount of capital required on the basis of annual operating plans and long-term product and other strategic investment plans. The company is equity financed and has always been a net cash company with cash and bank balances along with investment which is predominantly invested in liquid and short-term mutual funds.

37. Financial risk management objectives and policies

The Company's principal financial liabilities comprise of trade payables. The Company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a Risk Management Committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The Risk Management Committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken.

A. MARKET RISK

Market risk is the risk of any loss in future earnings, in realizable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

Foreign currency exchange rate risk

The fluctuation in foreign currency exchange rates may have potential impact on the income statement and equity, where any transaction references more than one currency.

The Company evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks.

B. CREDIT RISK

Credit risk is the risk of financial loss arising from counterparty failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness as well as concentration risks.

Financial instruments that are subject to concentrations of credit risk, principally consist of trade receivables and loans and advances. None of the financial instruments of the Company result in material concentrations of credit risks.

Exposure to credit risk - The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹53.10 Crores as at 31 March 2020 and ₹63.57 Crores as at 31 March 2019, being the total of the carrying amount of balances with banks, short term deposits with banks, trade receivables and other financial assets.

NOTES TO FINANCIAL STATEMENTS

Customer credit risk is managed by the Company subject to the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. At 31 March 2020, the Company has 3 customers (31 March 2019: 1 customer), the receivables from whom exceeds 5% of total receivables which amounts to approximately 23% (31 March 2019: 6%) of all the total receivables outstanding.

The ageing of trade receivables as of balance sheet date is given below. The age analysis has been considered from the due date. The provision for the not due and less than six months receivables represents expected credit loss.

₹ Crores

Trade Receivables	31-03-2020			31-03-2019		
	Gross	Provision	Net	Gross	Provision	Net
Not Due	7.52	0.01	7.51	13.80	0.01	13.79
Less than 6 months	29.39	0.51	28.88	40.91	0.73	40.18
More than 6 months	3.63	1.83	1.80	4.17	1.63	2.54
Total	40.54	2.35	38.19	55.88	2.37	56.51

Credit risk from balances with banks and investment of surplus funds in mutual funds is managed by the Company's treasury department. The objective is to minimise the concentration of risks and therefore mitigate financial loss.

C. LIQUIDITY RISK

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements.

The Company invests its surplus funds in bank fixed deposit and liquid and liquid plus schemes of mutual funds, which carry no/low mark to market risks.

38. The figures of the previous year have been regrouped/recasted, wherever necessary to conform with the current year classification.

For and on behalf of the Board of Directors

L.Ramkumar
Chairman
(DIN: 00090089)
Place : Chennai

Place : Coimbatore
Date : 26 May 2020

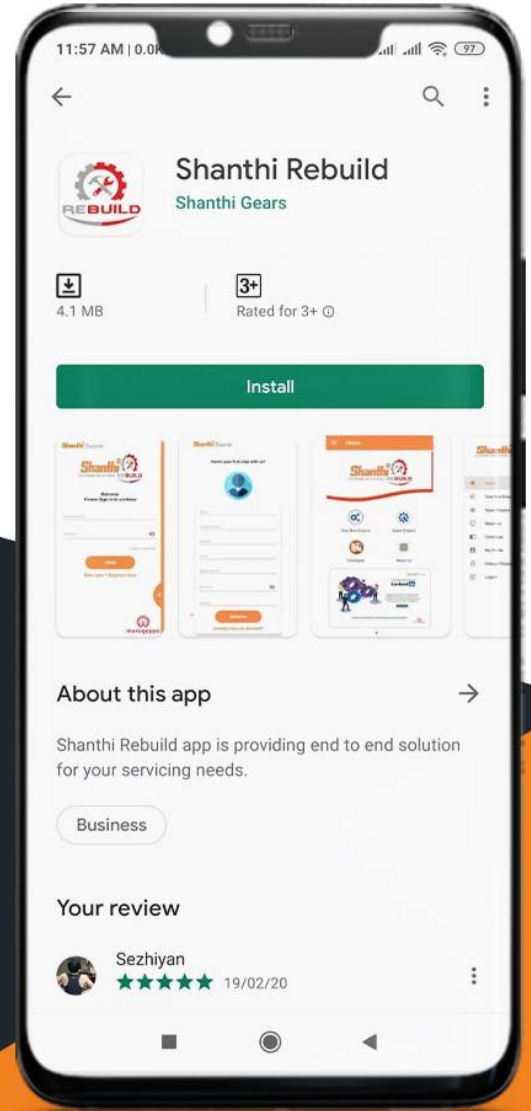
C.Subramaniam
Company Secretary

B.Balamurugan
Chief Financial Officer

M. Karunakaran
Chief Executive Officer



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