

SHANTHI GEARS LIMITED

(CIN: L29130TZ1972PLC000649)
Registered Office: "304-A, Trichy Road, Singanallur, Coimbatore 641005
Website: www.shanthigears.com - E-mail id: cs@shanthigears.murugappa.com
Phone: 044-42177770-5 - Fax: 044-42110404

TRANSCRIPT OF THE PROCEEDINGS OF THE 47th ANNUAL GENERAL MEETING OF THE COMPANY HELD ON TUESDAY, 21st JULY 2020 FROM 04.00 PM TO 04.36 PM IST THROUGH VIDEO CONFERENCING

Participants

- | | |
|------------------------|-----------------------------|
| - Mr. L. Ramkumar | .. Chairman |
| - Mr. Vellayan Subbiah | .. Non-Independent Director |
| - Mr. J Balamurugan | .. Independent Director |
| - Ms. Soundara Kumar | .. Independent Director |
| - Mr. Krishna Samaraj | .. Independent Director |
| - Mr. S K Sundararaman | .. Independent Director |
| - Mr. M Karunakaran | .. Chief Executive Officer |
| - Mr. B Balamurugan | .. Chief Financial Officer |
| - Mr. C Subramaniam | .. Company Secretary |

Mr. L Ramkumar, Chairman: Dear Shareholders, I have great pleasure in welcoming you to the 47th Annual General Meeting of Shanthi Gears Ltd.

The time is 04:00 pm and it is now time to commence the meeting.

I NOW REQUEST THE COMPANY SECRETARY TO BRIEF THE MEMBERS

Mr. C Subramaniam, Company Secretary: Due to covid-19 pandemic the Ministry of Corporate affairs (MCA) and the Securities and Exchange Board of India (SEBI) vide their respective circulars, have allowed companies to hold the AGM through video conferencing / other audio-visual means during calendar year 2020.

Further as per the said circulars, the companies are also dispensed with the requirement of sending the physical copies of annual report for the financial year 2019-20 to the shareholders.

Accordingly, the Annual Reports of the Company for FY 2019-20 have been sent by electronic means to all those shareholders whose email id's were registered with the Company/Depositories.

Now few instructions about the e-meeting:

All members have been kept on mute.

Speakers will be unmuted once their name is called.

Speed and working of audio video mode for joining the meeting by members depends on internet capacity.

For any queries relating to attendance or e-voting at the meeting member can call on helpline toll free no. 1800-222-990

Mr. L Ramkumar, Chairman: Thank you Subramaniam

Now I am starting with the formal proceedings of the meeting

I have been informed based on registrations received from shareholders for e-meeting that the requisite quorum for the meeting is present.

Chairman to introduce the following Directors and Senior Executives. Chairman to mention the name then Directors and Officials will introduce themselves

Mr. J Balamurugan, Director & N & R Committee Chairman
Ms. Soundara Kumar, Director & Audit Committee Chairman
Mr. Krishna Samaraj
Mr. S K Sundararaman
Mr. Vellayan Subbiah
Mr. M Karunakaran, Chief Executive Officer
Mr. B Balamurugan, Chief Financial Officer; and
Mr. C Subramaniam, Company Secretary

I wish to inform that all the Directors are attending this AGM.

I now commence to transact the business contained in the notice dated 26th May, 2020.

Since the meeting is through electronic means, no proxies are allowed to attend the meeting.

The documents and other statutory registers as required by law are made available for electronic inspection to the members.

The Annual Report and the notice convening the 47th Annual General Meeting has already dispatched through electronic means. with your permission, I suggest that the notice to be taken as read.

The independent auditor's reports on the company's financial statements for the financial year 2019-20 are unqualified with your permission I take the reports as read.

The company had provided the facility of remote e-voting to members for casting their votes on the resolutions set-out in the Notice convening this AGM. The facility to cast e-voting was made available from 18th July, 2020 (10.00AM) till 20th July, 2020 (5.00PM).

Electronic voting facility at the AGM is being made available to enable members, who have not cast their votes through remote e-voting to exercise their voting rights. The e-voting window is available throughout the AGM.

Mr. R Sridharan of M/s R Sridharan & Associates, Company Secretaries, has been appointed as the scrutinizer for conducting the e- voting process in fair and transparent manner.

The members who have already voted through remote e-voting shall not be eligible to participate in the voting today. However, they can participate in the AGM.

The results will be declared within 48 hours based on scrutinizer's report and the same would be published on the Company's website & uploaded on NSE & BSE websites.

Mr. L Ramkumar, Chairman: Ladies and Gentlemen, The year 2019-20, Your Company achieved flat revenue growth and Profit Before Tax de-grown by 23%. 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. The Company 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. Your Company invested in precision equipment wherever technological upgradation was required to address the emerging opportunities.

The year ended with COVID-19 pandemic, resulting in countrywide lockdown. Your company prioritized the safety and health of its employees, ensured customer satisfaction and pitched in to help the society to battle the pandemic. 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.

Ladies & gentlemen, to conclude, I thank you for sparing your precious time and for patiently listening to me. Now, I request Mr. M Karunakaran, CEO to present the performance highlights of the Company for the year 2019-20.

Mr. M Karunakaran, Chief Executive officer: Thank You sir, Good afternoon ladies & Gentleman, the year 2019-20 is a challenging year as the chairman said we had very initial we had very good degree and subsequently second top of year was pull down in difficulties and challenges. There are few highlights of 2019-20.

- **Service Business:** The major highlights of last year is service business being growth to 57% and also in service sector we grown our order booking by 32% and we also work on 3 service centers last year and we have a plan to do at norm initially 12 centers, opened 3 and we have remain. We have also participated few critical publish and exhibition which is known the product specific exhibition paperex and also Debex Po and also we wanted to participated in export business, so we participated in the AGMA Gear Expo -US and also in CII BIZ Bridge Exhibition in Kolkata. We have also last year this concerned we develop lot of work for fund development initiatives for the domestic as well as for the export customer and it cost everything of gestation is one of the key focus area we have implemented the IOT. In the key 110 equipment to improve the effectiveness and also monitoring the efficiency of the people and apart from this we also implemented the new equipment through challenging the allowances and critical dimension requirement. we upgraded equipment and also in horizontal machines centers so this will help us to reduce cost and improve the productivity.
- **Customer Connect:** Few of the customer connect programs during last year, in this one of the customer connect initiatives very effectively, they manage and also got good response and we got 3 crore after attending this expo and also team has constantly discussing with customer in the connect program.
- **Marketing Initiatives:** we have also encouraging the customer through the technicalities and also explaining the trouble shot at their site, our team visit to the customer premises and do the branch audit and then we suggest the recommendation for customers there all areas for improvement and also sales force meet because we have to motivate our team in the front end so we have periodic reward and remuneration program and through that program we motivate the best region and best sales team to keep them motivated and apart from that.
- **Launched "Shanthi Re-Build" Logo:** we have also introduced the Shanthi Re-build brand as logo for service business and about service centre location. mentioned about first time we enter into navy gear boxes and we got certificates from the navy official that our workmanship and quality is excellent.
- **Service Achievements:** Apart from gears and gear boxes, we also getting into the new products like crusher, cone crusher & some of the drag driver gear boxes also the renewable energy sector. We also develop spares for 2.1MW wind gear box and also VRM Gear Box. These are all well received from the customer and also establish the manufacturing capabilities and serve the customer faster now.
- **Shanthi Smart Approach Driving Digital Transformation:** shanthi gears is planning to take more more interest and more focused in Shanthi SMART Digital Initiative, whereas S Stands for Sensors, M Stands for Machine data Collection, A Stands for Analytics, R Stands for Robotic Process Automation
- **New Product Development (NPD):** Implemented last year screw jacks that the company needs a stable volume that's why we focused on OEM customer where we have stable business every month & month. In this process we have also as two years back we have get into the new design helical gear boxes, now last year we did extruder gear box and also the screw jack and some of the extruder single and twin screw and also the steel cement application stand requirement for pump drives. This will give stable volume current year.
- **Proto Development:** This is for the export requirement for the critical application for fire rescue pump and some oil and gas application. These are all new segment for the company with coming year we can get into this so with this we can also built a new capability of manufacturing in terms of missionary and also high productivity requirement. So this new requirement we can scale up this application in upcoming month.

- **EHS Update – Safety Statistics:** Coming to the plant, safety is concern and important thing, so we have primary focus is on improving the safety of each and everyone in both plants and foundry also in gear box division , We measure the safety with respect to severity rate we can see the las time improvement in severity rate from 26.96(2019) to 1.11 (2020), No of incidence rate if you look at no of injuries reduced from 103.77 per employee 2019 to 39.17. No of reportable incidents reduced from 4 (2019) to 1 (2020). Overall the training compliance rate including staff trainee, contract staff and permanent employee. There is 70.20 of workmen have been covered in safety training.
- **Safety- Significant Action Implement:** people created the safety steward out of 37NMS. Wherever the safety we give the top most priority.
- **COVID Safety Protocol:** we have started the plant in May, 6th 2020 at the time of starting the plant itself. We have taken all the measures suggested by the government and local authority, so we have social distancing and washing everything been prescribed we are following, and caution show for No Employee or family have been affected so far. So we maintain a zero COVID so far.
- **In house B2B Load Test Setup:** Other important milestone in Shanthi history is that we don't have product testing facility, last year our team build a test French capacity of 75 KW power we can do it in our house. We commissioned this test set up and then we can do any product if your developing we can test it here. The property whatever material selection we use or oils whatever different period of oils we can validate the performance in low test. Normally we do in the no low test with this facility we can do gear box with low test. These we can find out early failure and detect the report give it to the customer. This would be very good addition for product development.
- **People Initiatives:** People are most important asset for Shanthi Gears Ltd because skill and knowledge is important for our business. So we keep communicating to people very often at different level and also we recognize the people and we also involve them in many other improvement programs like Kaizen Awards and also in quality. This is one of the culture we are building in this company, so the people involve for the improvement of business, so they contribute the next level of activity.
- **CSR- Commitment to Society:** Again CSR is important one we year on year focusing on developing on education and also the school infrastructure. We continue to focus on this area sanitization and school quality improvement. This excise is continued for last three years.
- **Financial highlights:** last year the top line is almost flat and PBT There is drop change and also ROCE is 19% we are good in FCF (Free cash Flow) we are almost 245% we did some internal control and inventory that's a result.
- **Q1 2020-2021 highlights:**
 - 1) Signed MOU with one global Customer for supply of coolong tower gear boxes
 - 2) Entered into Contract Manufacturing of marine Gears
 - 3) Ordered for Rs 11 Crore for Mumbai Metro Projects
 - 4) Plant Operation commenced on 06th may 2020 with safety (COVID-19) Protocols.
 - 5) Virtual Dealer meet during lockdown on business under new norm market condition.
 - 6) Webinar to Customer is on going (12 completed) with Cement and paper segments.

With this we are looking many positive outlooks for up coming quarter. Thank you Very much for your active time and Participant.

AFTER THE PRESENTATION

Mr. L Ramkumar, Chairman:

With the permission of the members, may I now move the resolutions, by calling the brief description of the resolution.

Since the meeting is through electronic mode, no proposing and seconding of resolutions will be there. combined results of remote e-voting and e-voting during the meeting resolutions will be considered for approval of the resolutions.

Item Nos. 1 to 3 set out as an ordinary business in the notice of the meeting are as under:

Resolution No.	Resolutions
1	Adoption of Audited Financial Statements for the year ended 31st March 2020 and the Director's Report and the Auditors' Report thereon.
2	Confirmation of Dividend for the financial year 2019-20
3	Re-appointment of Mr. Vellayan Subbiah as Director who retires by rotation

Item Nos. 4 to 6 set out as a special business in the notice of the meeting are as under:

4	Re-appointment of Ms. Soundara Kumar as an Independent Director of the company
5	Payment Commission to Non-Executive Directors
6	Ratification of Cost Auditor's remuneration

The e-voting window is available for allowing the members to vote during the AGM. Members are requested to vote at the same NSDL Portal.

Now I shall be glad to answer questions concerning the Directors' Report and the audited financial statements. Only shareholders who have registered as speakers, as stated in notice of AGM, shall after pronouncement of their names, will be unmuted by the moderator to speak.

I request the speakers not to repeat the questions already asked. please confine your speech to matters relating to the Annual Report and restrict your speech to a maximum of 2 minutes. Answers to all the questions will be provided once all speakers complete asking their questions.

Mr. C Subramaniam, Company Secretary: Mr. K S Balasubramanian (Speaking shareholder) kindly unmute your Audio & Video and speak now.

Mr. K.S Balasubramaniam (Shareholder): A very good evening to all of you sir, Dear Mr Chairman and Directors of shanthi Gears Limited, I am K.S Balasubramaniam retired executive and Shareholder from Coimbatore participating in the 47th Annual General meeting and first virtual general meeting of our esteemed company. During the year ended March 31st 2020 first half year a double digit growth and second half a single digit due to lower demand. The launching of Shanthi Re-Build servicing business enhances a new opportunity for the company to serve as a reliable partner for mechanical power transmission solutions. The Performance in the last year with respective PBT,PAT, EPS, ROCE , Return on Net worth etc. all been in a declined manner indicating the impact of all round the economic slowdown, the revenue from operations showed a flat growth stagnant at Rs.242 crores . now a new look at the servicing and replacement marketing may open up fresh avenue of income. CSR activities rounding total of Rs 0.69 Lakhs is laudable. 9 windmills generating of 110.47 lakhs unit of electricity, roof of solar panel generating 1.96 lakhs unit of electricity all through companies are highly commendable in initiative innovation & product development are indispensable for the growth. Whereas R&D plays a crucial role during the year ended. The capital spent on plant & machinery was just nearer to Rs 20 Lakhs. whereas the R&D revenue expenses were 2.13 crores. I feel you should have been the other way around, Other specific reason for downsizing the investor's portfolio of the company from 109 crores to 52 crores all in mutual funds other to meet the liquidity and working capital needs etc. I am fine that the depreciable life's of motor cars have been accessed to only 4 years which defines the prescribed norms of companies act it states the same to be between 6 & 8 years, Is there any specific reason for that sir ?

Our company being a debt free are they plans for further capital investment and expansion of the production capacity? Is the buyback of share is the only reason behind the rejection in the cash flow from 18.26 crores Plus to 17.75 Minus Presently what is the capacity utilization after a near normal restoring operation of the company? Scope for more export may be explode and economic slowdown in other countries may be utilized to our advantage. And I thankful to chief executive officer Mr. M

Karunakaran for initiating the latest development and other product improvement to be taken up during 2021 especially the cooling tower gear boxes and participation in the Mumbai metro projects etc which is really a shining star otherwise dark crowd among the corona period.

Sir I also note that many changes in the position of the contingent liability comparison in the last 3 years which including a disputed excise duty amount of 76 lakhs inter unit transfer of machinery and further 100% penalty of Rs 76 Lakhs together 1.52 crores. I hope the same will be settled early by the jurisdiction officer under the sufficient provisions made for the same will be settled early by jurisdiction officer under the sufficient provisions made for the same beside the value addition and cost cutting measure would be present bottoming of slowdown in the economy , I feel that the company should take more steps to fully develop the servicing and replacement market very effectively that's all the spirit of Murugappa Group 5 Lights will continue to guide and propel the future growth of the company . I would like to thank everyone present for this wonderful opportunity provided to be and extended the warm appreciation to secretarial department especially Mr C Subramaniam, Company Secretary and other office staffs for their constant follow up and guidance. Thank you, Sir.

Mr. C Subramaniam, Company Secretary: Thank you Mr. K S Balasubramaniam. Mr Lakshminaryanan is registered but not joined the meeting.

Mr. L Ramkumar, Chairman: So the questions are over, you are supposed to answer, Mr Balasubramaniam thankyou very much for your participation and your valid points will be increasing and also appreciate your interest in the company noting down all the important activity your carried on as regards R&D we are definitely looking at newer facility as much by Mr Karunakaran CEO by testing and other facility. going forward we are hiring in new area we can see most fund being done there and capacity utilization as you know right now is very low because we dint ramping up from virtually real zero ultimately we are , we will aim for something like 85 to 90% of capacity as the business picks up lot of leads have come in for exports various countries right now the actual revenue is less but we see a good growth it happen over next 2-3 years as regards the contingent liability can you explain Mr. Balamurugan.

Mr. B Balamurugan, Chief Financial Officer: Central exercise on inter plant transfer below the favorable order from tribunal and matter is pending with superintendent to close this particular case and we have been following with central excise superintendent to set aside the client based on the tribunal favorable order. we are waiting for his Order.

Mr. L Ramkumar, Chairman: Ok Thank You once again, Mr. Balasubramaniam for all questions and interest in the company. The members who have not yet voted may now cast their vote. the e-voting will end 15 minutes from the end of this meeting. I now declare the proceedings of this meeting as closed. Once again, I Thank all Shareholders and the director of our company who have taken time on attending this meeting.

Thank you very Much.

The 47th AGM Of Shanthi Gears Ltd has concluded.

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