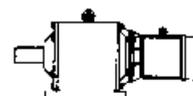
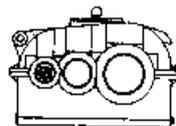
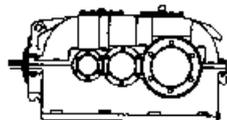
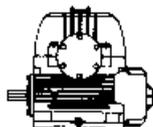
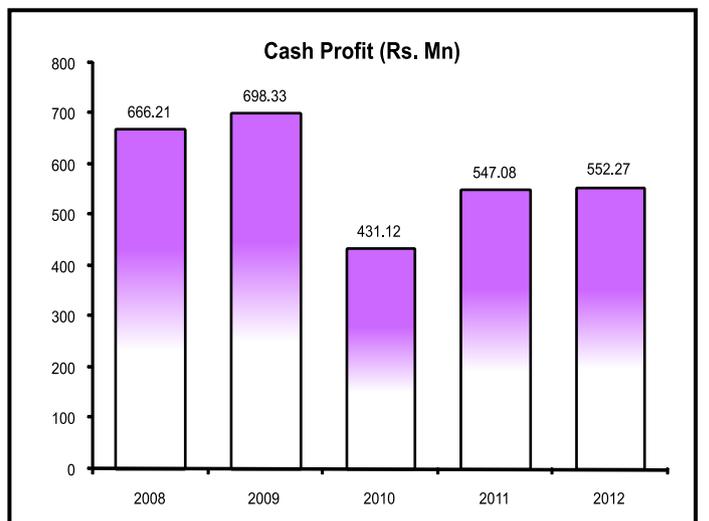
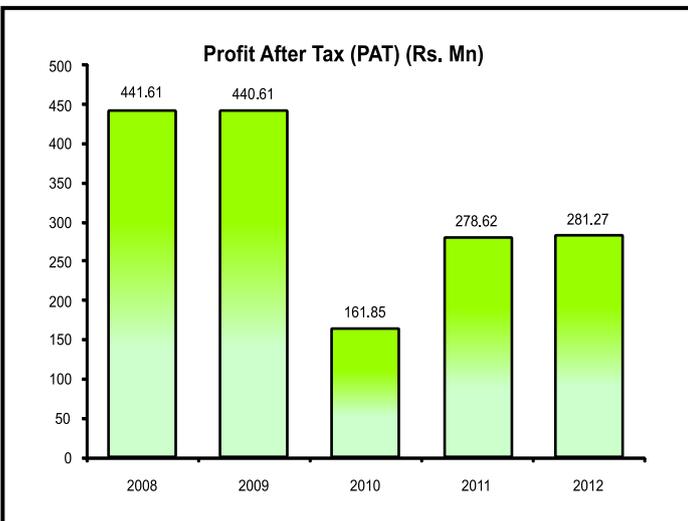
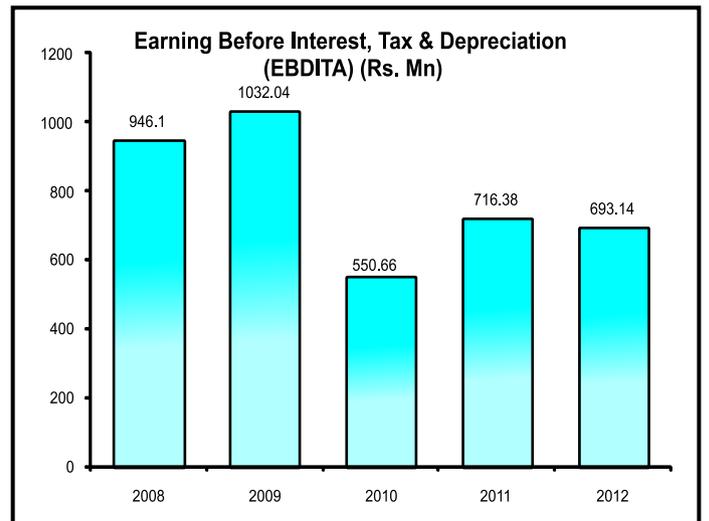
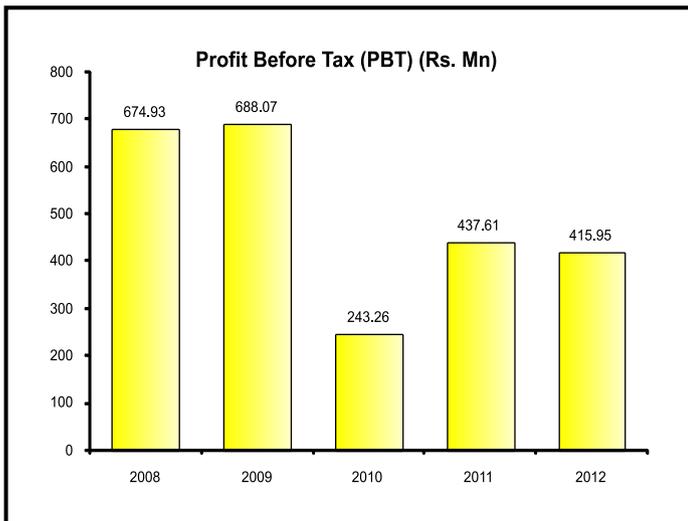
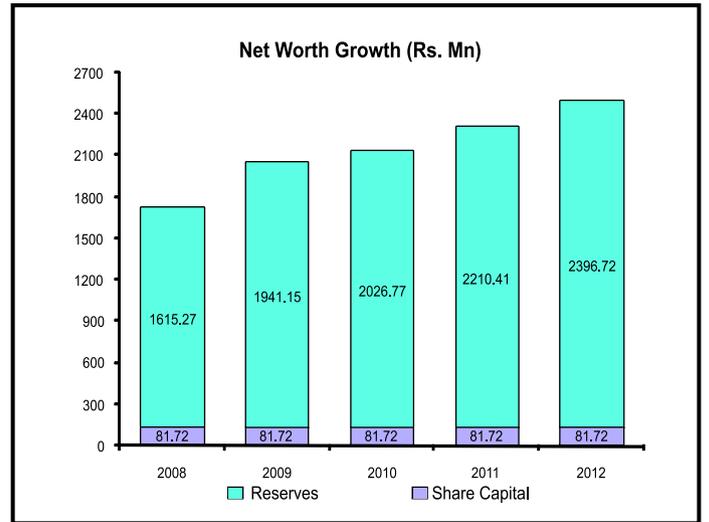
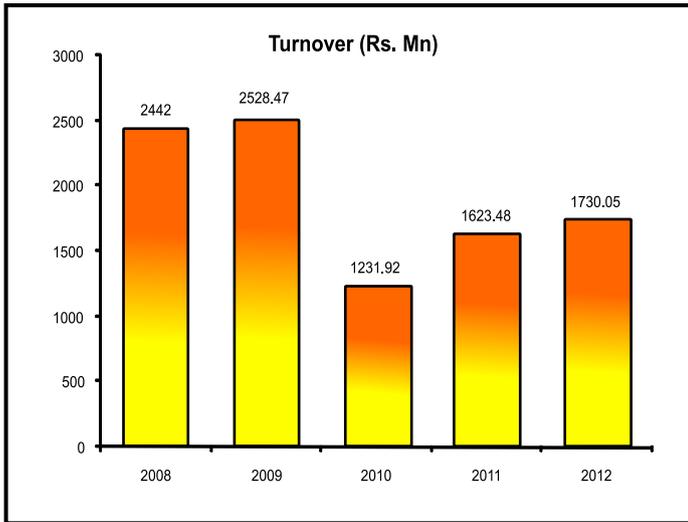


Shanthi Gears

Thirty Ninth Annual Report 2012



Financial Performance Indicators



SHANTHI GEARS LIMITED

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR

Sri P SUBRAMANIAN

NON-EXECUTIVE DIRECTORS

Sri M J VIJAYARAAGHAVAN

Dr. D PADMANABAN

Sri. C G KUMAR

Sri M ALAGIRISWAMY

CHIEF EXECUTIVE OFFICER

Sri. V C S VELUMANI

CHIEF FINANCIAL OFFICER

Sri. S SRINIVAS

COMPANY SECRETARY

Sri. C SUBRAMANIAM

AUDITORS

M/s. S LAKSHMINARAYANAN ASSOCIATES

BANKERS

State Bank of India

ICICI Bank Ltd

IDBI Bank Ltd

REGISTRARS & SHARE TRANSFER AGENTS

S.K.D.C. Consultants Limited,

Kanapathy Towers, 3rd Floor,

1391/A-1, Sathy Road,

Ganapathy,

Coimbatore - 641 006

Tel : (0422) 6549995, 2539835-836

Fax : (0422) 2539837

Email : info@skdc-consultants.com

REGISTERED OFFICE

304-A, Trichy Road, Singanallur,

Coimbatore - 641 005

MANUFACTURING PLANTS

A UNIT

304-A, Trichy Road, Singanallur,

Coimbatore - 641 005

B UNIT

304-F, Trichy Road, Singanallur,

Coimbatore - 641 005

C UNIT

Avanashi Road,

Muthugoundenpudur (PO),

Coimbatore - 641 406

D UNIT

Kamanaickenpalayam (PO),

K.Krishnapuram,

Coimbatore - 641658

E UNIT

2249 A-1, Trichy Road, Singanallur,

Coimbatore - 641 005

FOUNDRY DIVISION

Kannampalayam, Suler Via,

Coimbatore - 641 402

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NOTICE

Notice is hereby given that the **39th Annual General Meeting** of the Company will be held on **Monday, the 23rd day of July, 2012 at 9.30 a.m.** at the Registered Office of the Company at 304-A, Trichy Road, Singanallur, Coimbatore-641005 to transact the following business.

AGENDA

Ordinary Business

1. To receive, consider and adopt the Directors' Report, Profit & Loss Account for the year ended 31st March, 2012 the Balance Sheet as on that date and the Auditor's Report thereon.
2. To declare a Dividend.
3. To appoint a Director in the place of Sri.M.J.Vijayaraaghavan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri.C.G.Kumar who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to authorise Board of Directors to fix their remuneration.

Coimbatore
25th May,2012

By Order of the Board
C. Subramaniam
Company Secretary

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/ herself. Such proxy need not be a member of the Company. Proxy in order to be effective must be received by the Company not less than 48 hours before the Meeting. Corporate members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 23rd June, 2012 to 30th June, 2012 (Both days inclusive)
3. Dividend on approval will be paid on 27th July, 2012 to the members whose name appear in Register of Members as on 30th June, 2012. In respect of shares held in Demat Form, the Dividend will be paid to the beneficial owners as on the closing hours of 22nd June, 2012 as per the details forwarded by the RTA for this purpose.
4. In compliance with Section 205A and 205C of the Companies Act, 1956 unclaimed dividend upto the year ended 31st March, 2004 has been transferred to the "Investors Education and Protection Fund" established by the Central Government. Remaining unpaid dividends that are due for transfer are given below:

Dividend	For the Financial Year ended	Date of Payment	Due for Transfer on
Final	31.03.2005	14.07.2005	18.08.2012
Final	31.03.2006	17.07.2006	21.08.2013
Final	31.03.2007	20.07.2007	23.08.2014
Final	31.03.2008	18.07.2008	21.08.2015
Final	31.03.2009	14.07.2009	17.08.2016
Final	31.03.2010	19.08.2010	20.09.2017
Final	31.03.2011	15.07.2011	18.08.2018

Members who have not encashed their Dividend Warrants in respect of the year ended 31st March, 2005 and succeeding years, are requested to make their claim to the Company by surrendering the unencashed warrants immediately.

5. Members are requested to notify immediately of any change in their address to the Registrars. Members holding shares in the electronic form are advised to notify any change in their address to the concerned Depository Participant.
6. Members are requested to bring their copies of Report and Accounts to the Meeting.
7. Company's Equity Shares are listed at

National Stock Exchange of India Limited, Exchange plaza, Plot No. C/1, G Block, Bandra kurla Complex, Bandra (E), Mumbai - 400 051.	Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI- 400 001.
--	--

The Company has paid the Annual Listing fees for the financial year 2012-2013 in respect of the above Stock Exchanges.
8. Members requiring information on the Accounts are requested to write to the Company atleast seven (7) days in advance, so as to enable the Company to furnish such information.
9. To avoid loss of dividend warrants in transit and undue delay in respect of dividend warrants, the Company has provided a facility to the Members for remittance of dividend through the National Electronic Clearing System (NECS). Members holding shares in physical form and desirous of availing this facility are requested to contact the Company's Registrar and Transfer Agent.
10. The Ministry of Corporate Affairs(MCA) has taken a "Green Initiative in Corporate Governance" (Circular No.17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices /documents to its shareholders through electronic mode to the registered e-mail addresses of shareholders. We henceforth propose to send all documents like General Meeting Notices (including AGM), Audited Financial Statements, Directors' Report, Auditors' Report, etc., in electronic form to shareholders, to their e-mail address provided by them and made available to us by the Depositories. In case they desire to receive the above mentioned documents in physical form or in case any change in their e-mail id, they are requested to contact the Company or the Company's Registrar and Transfer Agent mentioning their client ID and latest e-mail address.
11. Information of Directors who are proposed to be reappointed in this meeting is given below:

Name	Sri. M.J.Vijayaraaghavan	Sri. C.G.Kumar
Age	79 Years	40 Years
Date of Joining the Board	31.10.2001	25.01.2010
Qualification	FCA, Chartered Accountant	B.A., B.L.,
Experience in Specific Functional Area	An Eminent Chartered Accountant	He has vast experience in Law as an Advocate
Director in Other Companies	1. K G Denim Limited 2. KPR Mills Limited	Nil
Membership in Committees of other Companies	KPR Mills Ltd Audit Committee Chairman & Remuneration Committee Member	
Shareholding in Shanthi Gears Limited	520	Nil
Relationship with other Directors	Nil	Nil

Coimbatore
25th May, 2012

By Order of the Board
C. Subramaniam
Company Secretary

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting to you the Thirty Ninth Annual Report, together with the audited accounts of your Company, for the year ended 31st March, 2012.

FINANCIAL RESULTS

	Year Ended 31-03-2012	Year Ended 31-03-2011
	Rs. in Million	
Gross Profit before Interest & Depreciation	693.481	716.672
Less : Finance Cost	6.197	10.309
Depreciation	270.994	268.461
Donations	0.336	0.292
Provision for Taxation / Withholding Tax Paid	170.160	180.162
Deferred Tax	(35.266)	(32.363)
Income Tax / FBT paid for earlier years	(0.214)	11.196
	<u>281.274</u>	<u>278.615</u>
Add : Surplus brought forward	92.290	83.646
	<u>373.564</u>	<u>362.261</u>
Appropriations:		
Proposed Dividend	81.716	81.716
Tax on Dividend	13.256	13.256
General Reserve	175.000	175.000
Surplus in Profit & Loss Account	103.592	92.289
	<u>373.564</u>	<u>362.261</u>

DIVIDEND

Your Directors recommend a Dividend of **Re.1** per Equity Share of Re.1 each fully paid up (**100%** on the paid up share capital of the Company)

OPERATING RESULTS

The Company has achieved a Turnover of **Rs. 1730.053** Million for the year under review as against the turnover of **Rs. 1623.481** Million of the previous year showing a growth of **6.56%**. The other financial parameters have also improved in line with the sales growth. Barring unforeseen circumstances your Directors hope to achieve satisfactory results for the current year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company is making continuous efforts to conserve and optimise energy wherever practicable by economising on fuel and power. For the Company's existing product line, there is no technical collaboration/arrangement. Your Company has made export sales of **Rs. 200.759** Million during the year. The outflow of foreign exchange on Import of Machinery, Raw Materials, Consumable Stores & Tools, Machinery and Electrical Spares, Interest on ECBs, Advertisement, Subscription, Taxes & Licenses, Training and Technical Consultancy Charges amounted **Rs. 34.826** Million.

FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year.

DIRECTORS

The following Directors are due to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-election

Sri M.J.Vijayaraaghavan

Sri C.G.Kumar

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance to the Provisions of Section 217 (2AA) of the Companies Act, 1956 your Directors wish to place on record-

- (i) that in preparing the Annual Accounts, all applicable Accounting Standards have been followed;
- (ii) that the accounting policies adopted are consistently followed and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit and Loss Account of the Company for the Financial year;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities;
- (iv) that the Directors have prepared the Annual Accounts on going concern basis.

CORPORATE GOVERNANCE

Pursuant to the requirements of Listing Agreements with the Stock Exchanges, your Directors are pleased to annex the following:

1. Management Discussion and Analysis Report
2. A Report on Corporate Governance
3. Auditors' Certificate regarding Compliance of conditions of Corporate Governance.

AUDITOR

Your Company's auditors M/s. S. Lakshminarayanan Associates are due to retire at the ensuing Annual General Meeting and are eligible for re-appointment.

PERSONNEL

In accordance with the requirements of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, particulars of employees are given in the annexure to this report.

APPRECIATION

The relationship between Management and Staff & Workers is very cordial and your Directors wish to place on record their sincere appreciation for the devoted and efficient services rendered by all employees of the Company. Your Directors thankfully acknowledge the continued co-operation and support rendered by Banks and Financial Institutions. The Board conveys its thanks to the Central and State Governments. It also thanks its customers and suppliers for their support and investors for reposing faith in the Company.

Coimbatore
25th May, 2012

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

Statement Under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2012.

Sl. No.	Name	Age (Years)	Designation/ Nature of duties	Remuneration Rs.	Qualification	Experience	Date of Commencement of Employment	Previous Employment
1	Mr.P.Subramanian*	69	Chairman & Managing Director Overall Management of the affairs of the Company	21,917,112	L.M.E P.D.Prod.E.	47 Years	01/07/1972	Managing Partner Shanthi Engg & Trading Company

* Note : The nature of employment is contractual

Coimbatore
25th May, 2012

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

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy of Corporate Governance
The Company firmly believes in good Corporate Governance and envisage the attainment of transparency in all matters of Management of the Company and in reporting to the Share Holders and all other concerned.
2. Board of Directors
 - a) The Board of Directors consists of 5 Directors, of whom 4 are Independent Non- executive Directors. An Executive Chairman heads the Board.
 - b) Attendance of each Director at the Board Meetings and the Last Annual General Meeting (AGM).

Name of the Directors	Category of Directorship	No. of Board Meetings Attended	Attendance at the Last AGM
Sri. P. Subramanian	Chairman & Managing Director Executive Director	4	Present
Dr. D. Padmanaban	Independent Director Non Executive	2	Absent
Sri. M.J. Vijayaraaghavan	Independent Director Non Executive	4	Present
Sri. C.G.Kumar	Independent Director Non Executive	4	Present
Sri. M. Alagiriswamy	Independent Director Non Executive	4	Present

- c) Number of other Companies or Committees, the Directors of the Company are a Director/ Member/Chairman

Name of the Directors	Other Directorship	Other Committee Positions	
		Member	Chairman
Sri. P. Subramanian	1	- NIL -	- NIL -
Dr. D. Padmanaban	1	- NIL -	- NIL -
Sri. M.J. Vijayaraaghavan	2	1	1
Sri. C.G. Kumar	- NIL-	- NIL-	- NIL-
Sri. M.Alagiriswamy	2	- NIL-	- NIL-

d) Details of Board Meetings held during the Period 01.04.2011 to 31.03.2012

Sl. No.	Date of the Meeting
1	13/05/2011
2	11/07/2011
3	31/10/2011
4	27/01/2012

e) There is no inter-se relationship between Directors.

3. Audit Committee

The Audit Committee consists of 4 Independent Directors.

The Details of Audit Committee Meetings held

Sl. No.	Date of the Meeting
1	13/05/2011
2	09/07/2011
3	29/10/2011
4	25/01/2012

Composition of Audit Committee and Meeting Attendance

Sl. No.	Members of Audit Committee	No. of Meetings Attended
1	Sri. M.J. Vijayaraaghavan, Chairman	4
2	Dr. D. Padmanaban	2
3	Sri. C.G.Kumar	4
4	Sri. M. Alagiriswamy	4

The terms of reference to the Audit Committee are wide enough to cover all matters specified under the Listing Agreement and the Companies Act, 1956.

The Committee has met 4 times during the Financial Year ended 31st March, 2012.

4. Remuneration paid to Chairman & Managing Director

The Board of Directors at their Meeting held on 14.05.2008 have approved the re-appointment of Chairman & Managing Director and remuneration payable to him as recommended by the Remuneration Committee at their meeting held on 09.05.2008. The members in the General Meeting held on 14.07.2008 have approved the re-appointment of Mr.P.Subramanian as Chairman & Managing Director for a period of 5 years from 01.04.2009 and remuneration payable to him.

The aggregate value of salary, perquisites and commission for the period from 01.04.2011 to 31.03.2012 paid to the Chairman & Managing Director are given below:

Salary	Rs. 2,400,000
Commission	Rs. 19,517,112
	<u>Rs. 21,917,112</u>

5. Remuneration paid to Non Executive Directors

No Remuneration is paid to Non Executive Directors except Sitting Fees payable for attending Board Meetings/Committee Meetings which are as under:

Name of the Directors	Sitting Fees Paid
Dr. D. Padmanaban	Rs. 20,000
Sri. M. J. Vijayaraaghavan	Rs. 40,000
Sri. C.G. Kumar	Rs. 40,000
Sri. M. Alagiriswamy	Rs. 40,000

Non Executive Directors are not holding any Convertible Instruments. Details of shares held by them are as under. None of them are holding shares on beneficial basis by/for other persons.

Name of Director	Number of shares held
Sri. M. J. Vijayaraaghavan	520
Dr. D. Padmanaban	NIL
Sri.C.G. Kumar	NIL
Sri. M. Alagiriswamy	NIL

6. Shareholders/ Investors Grievance Committee

a) The Shareholders/ Investors Grievance Committee consists of 4 Independent Directors.

b) Composition of Shareholders/ Investors Grievance Committee.

Sl. No.	Members
1	Sri. C.G.Kumar, Chariman
2	Sri. M.J. Vijayaraaghavan
3	Dr. D. Padmanaban
4	Sri. M.Alagiriswamy

c) Compliance Officer

Sri. C. Subramaniam, Company Secretary

d) Complaints

During the year 11 letters / complaints were received from the Investors, which were replied/ resolved to the satisfaction of the investors and none of the complaint is pending. None of the complaints required the attention of Investors Grievance Committee since they were routine in nature and it was resolved by the Company officials / RTA.

There was no Share Transfer and Dematerialisation pending as on 31st March, 2012.

e) The Company has exclusively designated the following e-mail id for Investor Relations:
cs@shanthigears.com

7. Remuneration Committee

a) The Remuneration Committee consists of 4 Independent Directors.

b) Composition of Remuneration Committee

Sl. No.	Members of Remuneration Committee
1	Sri. M.J. Vijayaraaghavan, Chairman
2	Dr. D. Padmanaban
3	Sri. C.G. Kumar
4	Sri. M.Alagiriswamy

8. General Body Meeting

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

Financial Year Ending	Date	Time	Venue
31.03.2009	10.07.2009	10.00 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005
31.03.2010	13.08.2010	10.00 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005
31.03.2011	11.07.2011	9.30 A.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005

- ii. Special Resolutions were passed at previous 3 AGMs.
- iii. There was no Special Resolution put through Postal ballot during last year.
- iv. There is no voting proposal to be conducted through postal ballot during this year.

9. a) Code of Conduct

The Company is adopting Code of Conduct for all the Directors and Senior Management Personnel. The said Code of Conduct has been posted on the website of the Company www.shanthigears.com. The CEO Certificate on Compliance is furnished separately.

b) CEO / CFO Certification

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

10. a) Disclosure on Materially significant related party transaction

The Company had not entered into any transaction of a material nature which will have a conflict with its interest during the year.

Full disclosure of related party transactions as per Accounting Standard 18 issued by the Institute of Chartered Accountants of India is given under Note No. 38 of Notes on the Annual Accounts. All the transactions covered under related party transaction were fair, transparent and at arms length.

b) Details of Non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchanges, SEBI or any Statutory authorities on any matter related to capital markets during the last three years

- NIL -

c) The Company is not implementing formal Whistle Blower policy. However, no personnel has been denied access to the Audit Committee of the Company

d) The Company has implemented all mandatory requirements of clause 49 of the listing agreement. Details of compliance of Non-mandatory requirements are given below.

A. Chairman of the Board

The Company has Executive Chairman. Therefore clauses relating to Non-Executive Chairman are not applicable to the Company

B. Remuneration Committee

The Company has formed Remuneration Committee. Details of the Committee are given in point No. 7 of the report on Corporate Governance.

C. Audit Qualifications

Financial Statements of the Company does not have any Audit qualifications

11. Means of Communication

- i) Half Yearly Report sent to each household of Share holders : No
Quarterly, Half Yearly, Unaudited Financial Results and Audited Financial Results are published in leading National Newspapers and in Regional Newspapers.
- ii) Quarterly Results published in Newspapers : Details of Publication for the period 01.04.2011 to 31.03.2012 are as under.

Year Ended/ Quarter ended	Audited/ Unaudited	Approved on	Published in
31.03.2011	Audited	13.05.2011	Business Line & Dinathanthi
30.06.2011	Unaudited	11.07.2011	Business Line & Dinathanthi
30.09.2011	Unaudited	31.10.2011	Business Line & Dinathanthi
31.12.2011	Unaudited	27.01.2012	Business Line & Dinathanthi

- iii) The results are published at the Company's website www.shanthigears.com
- iv) Corporate presentation posted at the Company's website www.shanthigears.com
- v) The Management Discussion and Analysis (MD & A) is part of the Annual Report.

12. General Share Holders Information

a) Annual General Meeting

- i) Date & Time : 23rd July, 2012 (Monday) - 9.30 A.M.
- ii) Venue : Registered Office of the Company
304-A, Trichy Road, Singanallur, Coimbatore-641 005

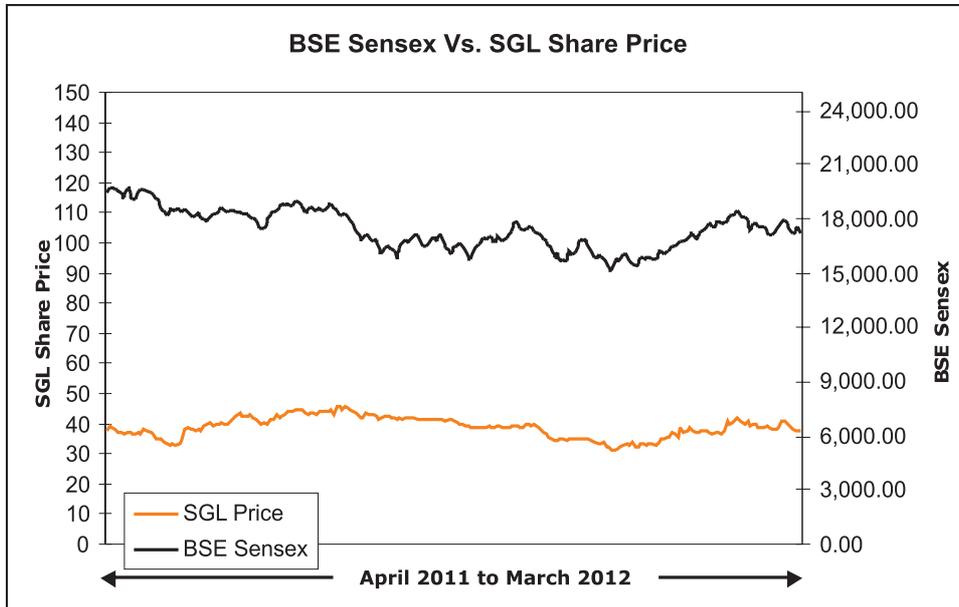
b) Financial Calendar

Annual General Meeting	:	23 rd July, 2012
Results for the Quarter Ending 30th June, 2012	:	Second week of August, 2012
Results for the Quarter Ending 30th September, 2012	:	Second week of November, 2012
Results for the Quarter Ending 31st December, 2012	:	Second week of February, 2013
Results for the Year Ending 31st March, 2013	:	Last week of May, 2013

- c) Book Closure Date : 23rd June, 2012 to 30th June, 2012 (Both days inclusive)
- d) Dividend Payment Date : **Dividend recommended by the Directors, after the same is approved by the members at the Annual General Meeting will be paid to the Share Holders whose name appear on the Company's Register of Members as on 30th June, 2012 and for the Beneficial owners whose name appears on the closing hours of 22.06.2012 as per the details forwarded by RTA for this purpose.**
- e) Listing on Stock Exchanges : National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE)
- f) Stock Code
 - i) Scrip Code in Bombay Stock Exchange Limited, Mumbai 522034
Trading symbol in National Stock Exchange of India Limited, Mumbai SHANTIGEAR
 - ii) ISIN Number in NSDL & CDSL for Equity Shares INE 631A01022
- g) Stock Market Data

Month	Bombay Stock Exchange Limited (BSE)		National Stock Exchange of India Limited (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2011	40.35	35.10	40.15	35.50
May 2011	40.70	32.65	40.70	32.40
June 2011	45.00	39.00	45.00	39.00
July 2011	47.40	42.30	52.40	42.25
August 2011	46.80	40.00	46.80	40.10
September 2011	42.95	39.15	42.70	39.25
October 2011	40.85	37.25	40.95	31.30
November 2011	40.50	32.15	40.80	34.00
December 2011	35.90	30.60	37.70	30.70
January 2012	40.90	32.10	40.70	32.25
February 2012	42.50	35.15	42.50	35.85
March 2012	43.95	36.40	43.90	36.50

h) Performance in Comparison to broad based indices
SGL Share Performance (April 2011 to March 2012)



i) Registrar and Transfer Agents
S.K.D.C. CONSULTANTS LIMITED,
Kanapathy Towers, 3rd Floor,
1391/A-1, Sathy Road,
Ganapathy, Coimbatore-641006.
Tel : (0422) 6549995, 2539835-836
Fax : (0422) 2539837
Email : info@skdc-consultants.com

j) Share Transfer System
The Company's Shares are being held in Compulsory Demat List and are transferable through Depository system. Both Demat and Physical Share Transfers are handled by S.K.D.C. Consultants Limited. The Share transfers which are received in physical form are processed and the Share Certificates are returned within 21 days from the date of receipt, subject to the Documents being valid and complete in all respects.
SEBI vide its circular dated 16th December, 2010 has amended clause 5A of the Listing Agreement by laying down a uniform procedure for dealing with unclaimed shares in physical mode and getting the same dematerialized after completing the said procedure. The Company's Registrar and Share Transfer Agent is in the process of complying with the said amendment.

k) Share holding pattern as on 31st March, 2012

Sl. No.	Category	No.of Shares	%(Percentage)
1	Promoters	36050291	44.12
2	Mutual funds, Banks, Financial Institutions, Insurance Companies	12864337	15.74
3	Foreign Institutional Investors	1149990	1.41
4	NRI's / OCB's	1418216	1.73
5	Private Corporate Bodies	3046954	3.73
6	Indian Public	27186065	33.27
	Total	81715853	100.00

l) Distribution of Share holding as on 31st March, 2012

No. of Shares held	No. of Shareholders	%	No. of Shares	%
1 to 500	18243	68.96	3150464	3.86
501 to 1000	3477	13.14	2925991	3.58
1001 to 5000	3635	13.74	8918400	10.91
5001 to 10000	687	2.60	4844696	5.93
10001 to 100000	391	1.48	9262165	11.33
100001 and above	20	0.08	52614137	64.39
Total	26453	100.00	81715853	100.00

m) Dematerialisation of Shares and Liquidity

As on 31st March, 2012, **78350707** shares were in dematerialized form representing 95.88% of total shares.

n) Plant Locations

Locations and addresses of plants are given in the beginning of the Annual Report.

o) Address for Correspondence

**S.K.D.C. CONSULTANTS LIMITED,
Kanapathy Towers, 3rd Floor,
1391/A -1, Sathy Road, Ganapathy,
Coimbatore - 641 006.**

Tel : (0422) 6549995, 2539835-836

Fax : (0422) 2539837

Email : info@skdc-consultants.com

p) Address of Communication to the Company

**SHANTHI GEARS LIMITED,
304-A, Trichy Road,
Singanallur, Coimbatore - 641 005.**

Tel : (0422) 2273722 to 34

Fax : (0422) 2273884 & 85

Email : cs@shanthigears.com

q) Website of the Company : www.shanthigears.com

On behalf of the Board of Directors

P. Subramanian

Chairman & Managing Director

Coimbatore

25th May, 2012

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

To the Members of Shanthi Gears Limited

I, P. Subramanian, Chairman & Managing Director of the Company, hereby certify that the Board of Directors and Senior Management Personnel have affirmed that they will comply with the Code of Conduct.

On behalf of the Board of Directors

P. Subramanian

Chairman & Managing Director

Coimbatore

25th May, 2012

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Developments:

Industry sector has been generally doing better, but the second half was relatively slow and many projects are put on hold. Demand for Gears, Gearboxes & its allied product have also seen a low growth rate and even then, the Company did grow with the market though it is just marginal to its real potential. The Company continue to follow the policy of manufacturing more niche products i.e., non-standards compared to the highly competitive standard products having more demand. The restructuring of organization and its operation continues and initiatives had been taken to introduce new product range and with that the Company looks for more sustained growth and will strive to succeed its mission.

2. Opportunities and Threats:

Opportunities:

The prevailing economic growth coupled with greater focus on Power & Infrastructure sector, the Company can capitalize the opportunity with its strong and the state of art manufacturing facility. The Company will explore the potentials of new products segments.

Threats:

- Slowdown in economic growth.
- Uncertainty and limited scope of niche and non-standard products and the need to move towards more standard products having high competition.

3. Outlook:

With the on-going R & D and development of new product range, the Company plans to shift its focus on standard products besides improving its strong presence in the non-standard products. To augment and complement its vast manufacturing facility, the Company plans for acquiring/ developing new technology, which will give the Company a competitive edge in the Gearbox Industry. With the above measures the Company hopes a better future in the coming years.

4. Risks and Concerns:

- Shortage of Power and high cost of diesel generators and also loss of Production
- Inflationary trend
- Increase of employee cost due to shortage of skilled manpower and also the raising of other input cost.
- Entry of more local and MNC new players.

5. Internal Control Systems and their adequacy:

The Company's Internal Control Systems are adequate and ensures that all assets of the Company are safely guarded against loss, damage or pilferage. The internal control systems are designed to provide adequate financial and accounting control and transparent Accounting Standards.

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

During the year, the Company has achieved a sales turnover of Rs.1730.052 Million as compared to Rs.1623.481 Million of the previous year. The Profit after Tax (PAT) of the current Financial Year is Rs.281.275 Million as against Rs.278.615 Million of the previous year.

7. Material developments in Human Resources/Industrial Relations front, including number of people employed:

The Company firmly believes that Man Power is the most important asset, above all. Hence the Company is taking care of their needs and aspirations of all ranks and files at all time. The Industrial relationship at all factories remained cordial. The Company had 659 employees as of 31st March, 2012.

8. Caution:

The views and statements expressed or implied in the Management Discussions and Analysis are based on available information, assessments and judgments. They are subject to alterations. The Company's Actual Performance may differ due to national or international ramifications, implications due to Governmental Regulations, Policies, Tax Laws and other unforeseen factors over which the Company does not or may not have any control.

Coimbatore
25th May, 2012

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

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE TO THE MEMBERS OF
M/s. SHANTHI GEARS LIMITED**

We have examined the compliance of the conditions of Corporate Governance by **SHANTHI GEARS LIMITED** for the year ended 31st March, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company, with the stock exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the Management, We certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investor Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **S. Lakshminarayanan Associates**
Chartered Accountants
Firm Reg.No.006609S
S. Lakshminarayanan
F - 012024
Partner

Place : Coimbatore
Date : 25th May, 2012

AUDITOR'S REPORT

Ladies and Gentlemen,

We report that We have audited the Balance Sheet of **M/s. SHANTHI GEARS LIMITED, COIMBATORE** as at 31st March, 2012 and the Profit & Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in India. Those standards require that We plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An Audit includes examining on a test basis, evidence supporting the amounts, disclosures in the financial statements, assessing the accounting principles used, significant estimates made by Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956. We enclose in Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in Paragraph 1 & 2 above, We state that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our Audit.
- b) In our opinion, proper books of account as required by law have been kept so far as appears from our examination of those books.
- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this Report are in agreement with the Books of Account.
- d) In our opinion the Profit & Loss Account and Balance Sheet read together with the notes thereon and Cash Flow Statement; comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representation received from all the Directors as of 31st March, 2012 and taken on record by the Board of Directors, We report that none of the Directors are disqualified as of 31st March, 2012 from being appointed as Directors in terms of section 274 (1)(g) of the Companies Act, 1956.
- f) In our opinion and according to the information and explanations given to us and on the basis of such checks as We considered appropriate, the said Balance Sheet and Profit & Loss Account read together with the Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India
 - (i) in the case of the Balance Sheet, of the STATE OF AFFAIRS as at 31stMarch, 2012
 - (ii) in the case of the Profit & Loss Account, of the PROFIT for the year ended on that dateand
 - (iii) in the case of Cash Flow Statement, of the CASH FLOWS for the year ended on that date

For **S. Lakshminarayanan Associates**

Chartered Accountants

Firm Reg.No.006609S

S. Lakshminarayanan

F - 012024

Partner

Place : Coimbatore
Date : 25th May, 2012

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE REPORT OF EVEN DATE OF THE AUDITORS TO THE MEMBERS OF M/s. SHANTHI GEARS LIMITED

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies were noticed on such verification.
- (c) The company has not disposed off substantial part of fixed assets.
- (ii) (a) The Stock in trade (including raw material) and stores, spare parts of the Company at all its locations have been physically verified by the Management during the year.
- (b) In our opinion, the procedures for physical verification of stock followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and book records were not material.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956
- (iv) In our opinion, the internal control procedures of the Company relating to purchases of stores, raw materials including components, plant & machinery, equipments and other similar assets and for sale of goods & services are commensurate with its size and nature of its business. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control systems.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevalent market prices at the relevant time.
- (vi) The company has not accepted any deposits from the Public during the year.
- (vii) In our opinion, the Company's internal audit system is commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules 2011, prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determining whether they are accurate or complete.
- (ix) (a) The Company is regular in depositing with the appropriate authorities the undisputed statutory dues relating to provident fund, employees state insurance, investor education protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us and the records of the Company examined by us there are no dues of income tax, wealth tax, cess and service tax, excise duty, customs duty which have not been deposited on account any dispute. Particulars of dues to sales tax and central excise as at 31st March 2012, which have not been deposited on account of any dispute, the amounts involved and the forum where the dispute is pending are given vide annexure below.

Sl. No.	Name of Statute	Nature of the Due	Amount Rs.	Period to Which the Amt relates	Forum where the dispute is pending	Remarks
1	Tamil Nadu Sales Tax Act.	AST on CST	117,718	Y.E. 31.03.1999	Assistant Commissioner Fast Track Assessment Circle I, Coimbatore	Tax Paid under Protest and Writ Petition pending with High Court, Chennai
2	Tamil Nadu Sales Tax Act.	AST on CST	104,013	Y.E. 31.03.2000	Assistant Commissioner Fast Track Assessment Circle I, Coimbatore	Tax Paid under Protest and Writ Petition pending with High Court, Chennai
3	The Central Excise Act	ED on Inter-Unit transfer of Machinery	Duty 7,616,281 Penalty - 7,616,281	Y.E. 31.03.2006	The Appellate Tribunal, South Zonal Bench, Chennai.	Duty not paid

- (x) The Company has no accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
- (xii) The Company has not granted loans and advances on the basis of security of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to a chit fund/nidhi/mutual benefit fund/society are not applicable to the Company
- (xiv) The Company has maintained records on all transactions regarding purchase & redemption of mutual funds. Timely entries have been made in such records and the investment in mutual funds was made in Company's name.
- (xv) The Company has not given guarantees for loans taken by others from bank or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the cash flow statement and other records examined by us and the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act.
- (xix) According to the information and explanations given to us, during the year covered by our audit report, the Company has not issued any debentures.
- (xx) According to the information and explanations given to us, the Company has not raised funds by public issues during the year covered by our audit report.
- (xxi) According to the information and explanations given to us and on the basis of our examination of books & records of the Company in accordance with the generally accepted auditing practices, no fraud on or by the Company has been noticed or reported during the year.

For **S. Lakshminarayanan Associates**

Chartered Accountants

Firm Reg.No.006609S

S. Lakshminarayanan

F - 012024

Partner

Place : Coimbatore

Date : 25th May, 2012

BALANCE SHEET AS AT 31st MARCH, 2012

	Note No.	As At 31-03-2012 Rs.	As At 31-03-2011 Rs.
I. EQUITY AND LIABILITIES			
1. Shareholder's Funds			
a) Share Capital	2	81,715,853	81,715,853
b) Reserves & Surplus	3	2,396,717,421	2,210,414,994
2. Non Current Liabilities			
a) Long Term Borrowings	4	-	38,611,000
b) Deferred Tax Liabilities (Net)	5	107,306,121	142,572,150
c) Other Long term Liabilities	6	859,455	23,216,368
d) Long – term Provisions	7	3,000,000	3,000,000
3. Current Liabilities			
a) Trade Payables	8	15,622,952	39,720,569
b) Other Current Liabilities	9	182,977,044	230,209,427
c) Short – term Provisions	10	103,731,393	117,830,235
TOTAL		2,891,930,239	2,887,290,596
II. ASSETS			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	11	1,376,906,225	1,577,811,749
(ii) In-Tangible Assets	12	5,153,865	1,348,368
(iii) Capital Work-in-Progress		55,937,718	75,372,977
(b) Long-term Loans & Advances	13	18,769,671	23,946,132
2. Current Assets			
a) Inventories	14	570,009,404	435,429,756
b) Trade Receivables	15	256,244,764	258,687,828
c) Cash & Cash equivalents	16	559,311,532	475,567,871
d) Short-term Loans & Advances	17	41,728,143	36,528,348
e) Other Current Assets	18	7,868,917	2,597,567
TOTAL		2,891,930,239	2,887,290,596
See accompanying notes to the Financial Statements			
Significant Accounting Policies	1		

As per our report of even date

For S. Lakshminarayanan Associates
Chartered Accountants
Firm Reg.No.006609S
S. Lakshminarayanan
Partner
F - 012024
Coimbatore
25th May, 2012

M.J.Vijayaraaghavan
Director
S. Srinivas
Chief Financial Officer

P. Subramanian
Chairman & Managing Director
C. Subramaniam
Company Secretary

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

	Note No.	For the Year Ended 31-03-2012 Rs.	For the Year Ended 31-03-2011 Rs.
I Revenue from Operations (Gross)		1,873,569,389	1,754,457,598
Less: Excise Duty		143,516,538	130,976,997
Revenue from Operations (Net)	19	1,730,052,851	1,623,480,601
II Other Income	20	49,443,937	28,590,258
III Total Revenue (I + II)		1,779,496,788	1,652,070,859
IV EXPENSES			
Cost of Materials Consumed	21	567,704,087	513,156,039
Changes in Inventories of Finished goods and Work-in-Progress	22	(47,857,438)	11,421,523
Other Direct Manufacturing Expenses	23	124,698,175	82,889,465
Employee Benefits Expenses	24	234,724,651	162,459,334
Finance Cost	25	6,196,714	10,309,269
Depreciation and Amortisation Expenses		270,994,249	268,461,451
Other Expenses	26	207,082,642	165,764,001
Total Expenses		1,363,543,080	1,214,461,082
V Profit Before Tax (III - IV)		415,953,708	437,609,777
VI LESS: Tax Expenses			
1. Provision for Current Taxation / Withholding Tax paid		170,159,513	180,161,584
2. Income Tax / FBT paid for earlier years		(214,410)	11,195,884
3. Deferred Tax		(35,266,029)	(32,363,022)
VII Profit for the year (V - VI)		281,274,634	278,615,331
VIII Earnings Per Share (of Re. 1/- each)			
(a) Basic		3.44	3.41
(b) Diluted		3.44	3.41
See accompanying notes to the Financial Statements			
Significant Accounting Policies	1		

As per our report of even date

For S. Lakshminarayanan Associates
Chartered Accountants
Firm Reg.No.006609S

S. Lakshminarayanan

Partner

F - 012024

Coimbatore

25th May, 2012

M.J.Vijayaraaghavan

Director

S. Srinivas

Chief Financial Officer

P. Subramanian

Chairman & Managing Director

C. Subramaniam

Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

	Year Ended 31-03-2012	Year Ended 31-03-2011
		Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	415,953,708	437,609,777
Adjustments for:		
Depreciation	270,994,249	268,461,451
Finance Cost	6,196,714	10,309,269
Interest Income	(41,729,508)	(21,447,903)
Income from Mutual Fund	(3,108,039)	(3,528,827)
Profit on sale of Fixed Assets (Net)	(412,357)	(1,830,554)
Operating Profit Before Working Capital Changes	647,894,767	689,573,213
Adjustments for:		
(Increase) / Decrease in Trade and other Receivables	(2,851,620)	(102,580,616)
(Increase) / Decrease in Inventories	(134,579,648)	25,425,870
Increase / (Decrease) in Trade Payables and Other Payables	(88,431,255)	123,730,550
Changes in Working Capital	(225,862,523)	46,575,804
Cash Generated from Operations	422,032,244	736,149,017
Direct Taxes paid	(170,159,513)	(180,161,584)
Prior year Taxes paid	-	(11,195,884)
Income Tax Provision no longer required	214,410	-
Net Cash Generated From Operating Activities	(A) 252,087,141	544,791,549
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(54,880,938)	(122,327,956)
Proceeds from Sale of Fixed Assets	834,332	2,103,136
Income from Mutual Fund	3,108,039	3,528,827
Interest Received	41,729,508	21,447,903
Net Cash Used in Investing Activities	(B) (9,209,059)	(95,248,090)
C. CASH FLOW FROM FINANCE ACTIVITIES		
Finance Cost paid	(6,196,714)	(10,309,269)
Proceeds from Borrowings	(57,965,500)	(158,756,893)
Dividend paid	(81,715,853)	(81,715,853)
Tax on Dividend	(13,256,354)	(13,256,354)
Net Cash (Used in) / Generated from Financing Activities	(C) (159,134,421)	(264,038,369)

CASH FLOW STATEMENT (Contd.,)

	Year Ended 31-03-2012	Year Ended 31-03-2011 Rs.
D. Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)	83,743,661	185,505,090
E. Cash & Cash Equivalents (Opening)		
As on 1 st April 2011 / 1 st April 2010	475,567,871	290,062,781
F. Cash & Cash Equivalents (Closing)	559,311,532	475,567,871
Reconciliation of Cash & Cash Equivalents with the Balance Sheet:		
Cash & Cash Equivalents as per balance sheet (Refer Note.16)	559,311,532	475,567,871
Less: Bank Balances not considered as Cash and Cash Equivalents as defined in AS 3 Cash Flow Statements		
- Deposits for Margin Money	(15,000,000)	(15,000,000)
- Unpaid Dividend Accounts	(4,000,611)	(3,394,162)
Net Cash & Cash Equivalents (as defined in AS 3 Cash Flow Statements) included in Note 16	<u>540,310,921</u>	<u>457,173,709</u>
Cash & Cash Equivalents at the end of the year	<u>540,310,921</u>	<u>457,173,709</u>

As per our report of even date

For S. Lakshminarayanan Associates
Chartered Accountants
Firm Reg.No.006609S

S. Lakshminarayanan

Partner

F - 012024

Coimbatore

25th May, 2012

M.J.Vijayaraaghavan

Director

S. Srinivas

Chief Financial Officer

P. Subramanian

Chairman & Managing Director

C. Subramaniam

Company Secretary

NOTES FORMING PART OF FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES:

The Financial statements are prepared under the historical cost convention, on the accrual basis of accounting. The statements comply with the Accounting Standard prescribed by the ICAI and also comply with the Section 211(3)(c) of the Companies Act, 1956. The accounts are prepared as a going concern.

a. FIXED ASSETS:

- i) Tangible Assets are shown at historical cost less depreciation. The Value of Cenvat benefit eligible in respect of capital items are reduced from the value of purchase.
- ii) The Company has an internal system to assess the impairment of assets. An asset is treated as impaired when the Carrying Cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired. The impairment loss recognised in the prior accounting periods is reversed if there has been a change in the estimate of recoverable amount. Appropriate disclosure on material impairment of losses and their treatment in profit & loss account, classes of Assets and nature of impairment will be made in the year in which the impairment is recognised.
- iii) Intangible Assets such as Computer Software acquired for Internal use are Capitalised and amortised over their useful life.

b. INVENTORIES:

- a) Raw Materials, Components, Stock of Stores, Spares and Goods-in-transit are valued at weighted average cost. The cost for this purpose comprise of direct cost of material and any expenses incurred for bringing them to their present condition less of Cenvat availed.
- b) Work-in-progress and finished goods are valued at the lower of the cost or net realisable value whichever is less. Cost for this purpose comprises of raw material cost and appropriate overheads incurred for bringing them to their present condition.
- c) For slow/Non moving stocks necessary obsolescence has been provided for.

c. EMPLOYEE BENEFITS:

- i) Contribution to Provident Fund and Pension Funds, which are administrated by Central Government, are charged to revenue.
- ii) Gratuity
The Company has taken a group gratuity Policy for future payment of gratuity with the Life Insurance Corporation of India (LIC). Payment of contribution as per the Demand made by LIC is charged to revenue.
- iii) Leave Salary
Liability for leave encashment is provided at current salary levels for the remaining leave balance standing to the credit of the employee as at the date of the balance sheet in accordance with the leave rules of the Company.

d. CONTINGENT LIABILITIES:

- a) Provisions are recognized when the Company has a legal constructive obligation as a result of a past event, for which it is probable that a cash flow will be required and reliable estimate can be made of the amount of obligation. However, where such obligation are not likely to entail outflows in future periods and are contingent on the future outcome of events, they are disclosed as a matter of information as contingent liabilities.
- b) Provision for Warranty is made in the accounts as per estimates made by the Management based on its past experiences and trends about warranty claim on sales.

NOTES FORMING PART OF FINANCIAL STATEMENTS (contd..)

e. LEASE RENTALS:

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

f. SALES:

Net Sales include sale of products manufactured exclusive of Excise Duty and Sales Tax charged to customers.

g. DEPRECIATION:

Depreciation has been provided on Straight Line Method in the case of Building, Plant & Machinery and for other Assets on written down value basis in accordance with the provisions of the Companies Act, 1956.

Details of Depreciation charged are hereunder:

- a) Depreciation has been provided on Straight Line Method as laid down in Section 205(2)(b) of the Companies Act, 1956 on Plant & Machinery purchased and commissioned for the year ended 30/06/1978 to 30/11/1987 and on Buildings for the period ended 30/11/1986 and for the year ended 30/11/1987 on equated number of years.
- b) Depreciation has been provided on the Plant & Machinery and Buildings added during the accounting period ended 31/03/1989 and onwards on the Straight line method as per the rates prescribed under schedule XIV of the Companies Act, 1956.
- c) For other Assets Depreciation has been charged under Written Down Value method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.
- d) Pro-rata Depreciation has been charged to Assets purchased and sold during the accounting year ended 31/03/2012
- e) Computer Software is amortised over its estimated useful life ranging from One Year to Three Years.

h. FOREIGN CURRENCY TRANSACTIONS:

- a) Foreign Currency Transactions are converted into Indian Rupees at the rate of exchange prevailing on the date of transactions.
- b) The exchange difference in respect of Forward Contracts are recognized over the life of the contract.
- c) The foreign Currency monetary items consisting of loan, trade payable, trade receivable and balances in fixed deposits and current account with bank at the end of the year have been restated at the rate prevailing at the balance sheet Date. The difference arising as a result has been accounted as income / expense as per Accounting standard 11 (Revised 2003) on "Accounting for effects of Change in Foreign Exchange Rates" issued by ICAI.

i. TAXATION:

- i. Provision for current tax is made with reference to taxable income computed for the Accounting Year by applying the tax rates as applicable.
- ii. Deferred Tax is calculated for in respect of all timing differences on a liability method as per Accounting Standard 22 (AS22).

j. INVESTMENTS:

During the Year, Temporary Surplus Funds of the Company has been invested in Units of Mutual Funds until they were deployed for Working Capital needs.

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd....)

PARTICULARS	31-03-2012 Rs.	31-03-2011 Rs.
2. SHARE CAPITAL		
Authorised		
100,000,000 Equity Shares of Re. 1 each	100,000,000	100,000,000
Issued, Subscribed & Fully Paid up		
81,715,853 Equity Shares of Re. 1 each	81,715,853	81,715,853
(a) Reconciliation of Number of Shares		
Shares Outstanding as at 1 st April 2011/1 st April 2010	81,715,853	81,715,853
Shares Outstanding as at 31 st March 2012/31 st March 2011	81,715,853	81,715,853
(b) List of Shareholders holding more than 5% of the Total number of Shares issued by the Company:		
Name of the Shareholder		
P. Subramanian	28,250,291	28,250,291
Shanthi Social Services	7,100,000	7,100,000
HDFC Standard Life Insurance Company	4,109,754	4,109,754
The Company has issued only one class of equity shares having a par value of Re.1 per share. Each holder of Equity Share is entitled to one vote per share. The Company declares Dividends in Indian Rupees. The Dividend proposed by the Board of Directors is subject to the approval of the shareholders at the Annual General Meeting.		
3. RESERVES & SURPLUS		
(a) Capital Reserves	16,700	16,700
(b) Capital Redemption Reserve	180,000	180,000
(c) Securities Premium account	240,644,710	240,644,710
(d) Premium on FCCB issue	2,284,500	2,284,500
(e) General Reserve		
Opening Balance	1,875,000,000	1,700,000,000
Add: Transfer from Surplus in the Statement of Profit & Loss	175,000,000	175,000,000
Closing Balance	2,050,000,000	1,875,000,000
(f) Surplus in Statement of Profit & Loss		
Opening Balance	92,289,084	83,645,960
Add: Profit for the year	281,274,634	278,615,331
	373,563,718	362,261,291
Less: Appropriations		
- Transfer to General Reserve	175,000,000	175,000,000
- Proposed Dividend-Re.1 /Share (PY Re.1 / share)	81,715,853	81,715,853
- Tax on Proposed Dividend	13,256,354	13,256,354
Closing Balance	103,591,511	92,289,084
TOTAL	2,396,717,421	2,210,414,994

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd....)

PARTICULARS	31-03-2012 Rs.	31-03-2011 Rs.
4. Long term Borrowings		
Term Loan from Banks Secured (Refer Note No.29)	-	38,611,000
TOTAL	<u>-</u>	<u>38,611,000</u>
5. Deferred Tax Liabilities (Net)		
(a) Deferred Tax Liabilities		
- Depreciation on Fixed Assets	131,598,245	164,395,989
(b) Deferred Tax Assets		
- Employee Benefits / Disallowance	24,292,124	21,823,839
Net Deferred Tax Liabilities	<u>107,306,121</u>	<u>142,572,150</u>
6. Other Long term Liabilities		
(a) Payable on Purchase of Fixed Assets	319,455	22,676,368
(b) Rental Deposits	540,000	540,000
TOTAL	<u>859,455</u>	<u>23,216,368</u>
7. Long term Provisions		
Provision for Warranty	3,000,000	3,000,000
TOTAL	<u>3,000,000</u>	<u>3,000,000</u>
<p>The Provision is recognized for expected warranty claims on products sold based on past experience of the level of repairs and returns. The table below gives information about movement in warranty provision</p>		
Opening Balance	3,000,000	2,157,875
Less: Claims Settled	473,220	545,493
	<u>2,526,780</u>	<u>1,612,382</u>
Add: Provision for the year	473,220	1,387,618
Closing Balance	<u>3,000,000</u>	<u>3,000,000</u>
8. Trade Payables		
Trade Payables (Refer Note No. 42)	15,622,952	39,720,569
TOTAL	<u>15,622,952</u>	<u>39,720,569</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd....)

PARTICULARS	31-03-2012 Rs.	31-03-2011 Rs.
9. Other Current Liabilities		
Current maturities of Long-term debt-Secured (Refer Note No.29)	39,569,500	58,924,000
Advances from Customers	70,221,704	92,010,860
Investor Protection and Educational Fund shall be Credited by the following accounts when due		
(i) Unpaid Dividend *	4,000,611	3,394,162
(ii) Unencashed Fixed Deposits including Interest	1,338	5,186
Other Payables	69,183,891	75,875,219
TOTAL	182,977,044	230,209,427

* These amounts represent warrants issued to shareholders which remained unrepresented as on 31st March, 2012

Other payables pertains to

(i) Statutory Liabilities	1,303,573	670,091
(ii) Creditors for Capital goods	25,467,049	29,162,732
(iii) Others	42,413,269	46,042,396
	69,183,891	75,875,219

10. Short-Term Provisions

Provision for Employee Benefits		
- Provision for Leave Wages	8,759,186	6,044,773
Provision for Taxation (Net of Advance payment of Taxes)	-	16,813,255
Proposed Dividend	81,715,853	81,715,853
Tax on Proposed Dividend	13,256,354	13,256,354
TOTAL	103,731,393	117,830,235

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd....)

Note No.11

TRANGIBLE ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Cost as on 01.04.2011 Rs.	Additions during the year Rs.	Sales/ Transfer/ Refund Rs.	Cost As on 31.03.2012 Rs.	Depreciation upto 01.04.2011 Rs.	For the year ended 31.03.2012 Rs.	Withdrawn During the year Rs.	Depreciation As on 31.03.2012 Rs.	Value As on 31.03.2011 Rs.	Value As on 31.03.2012 Rs.
Land	55,018,304	-	-	55,018,304	-	-	-	-	55,018,304	55,018,304
Buildings	305,776,925	9,470,220	-	315,247,145	74,602,984	9,267,292	-	83,870,276	231,173,941	231,376,869
Plant & Machinery	2,934,921,660	41,935,383	2,821,870	2,974,035,173	1,697,148,789	247,387,105	2,651,285	1,941,884,609	1,032,150,564	1,237,772,871
Tools & Equipments	44,374,103	543,595	183,881	44,733,817	39,450,887	1,421,510	173,307	40,699,090	4,034,727	4,923,216
Electrical Equipments	42,324,469	19,790	30,945	42,313,314	22,517,346	2,758,814	22,574	25,253,586	17,059,728	19,807,123
Furniture & Fittings	13,569,352	5,619,875	258,755	18,930,472	10,447,587	1,258,836	244,315	11,462,108	7,468,364	3,121,765
Office Equipments	28,394,753	1,105,821	303,122	29,197,452	14,067,122	2,105,181	258,552	15,913,751	13,283,701	14,327,630
Computers	49,610,666	5,958,484	821,297	54,747,853	44,321,220	3,161,541	805,311	46,677,450	8,070,403	5,289,446
Vehicles	34,266,245	4,686,492	2,336,153	36,616,584	27,888,793	2,462,930	2,178,704	28,173,019	8,443,565	6,377,453
TOTAL	3,508,256,477	69,339,660	6,756,023	3,570,840,114	1,930,444,728	269,823,209	6,334,048	2,193,933,889	1,376,906,225	1,577,811,749
Previous Year	3,415,473,593	98,125,644	5,342,760	3,508,256,477	1,668,467,586	267,047,319	5,070,177	1,930,444,728	1,577,811,749	1,747,006,006

Gross Block, Accumulated Depreciation and Net Block of Tangible Assets include assets given on Operating Lease.

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd....)

Note No.12

IN-TANGIBLE ASSETS

PARTICULARS	GROSS BLOCK		DEPRECIATION		NET BLOCK			
	Cost as on 01.04.2011 Rs.	Additions during the year Rs.	Depreciation upto 01.04.2011 Rs.	For the year ended 31.03.2012 Rs.	Withdrawn During the year Rs.	Depreciation As on 31.03.2012 Rs.	Value As on 31.03.2011 Rs.	Value As on 31.03.2012 Rs.
Computer Software	26,335,444	4,976,537	24,987,076	1,171,040	-	26,158,116	5,153,865	1,348,368
TOTAL	26,335,444	4,976,537	24,987,076	1,171,040	-	26,158,116	5,153,865	1,348,368
Previous Year	25,801,584	533,860	23,572,944	1,414,132	-	24,987,076	1,348,368	2,228,640

ASSETS GIVEN ON LEASE DETAILS

Particulars	GROSS VALUE OF ASSETS Rs.	DEPRECIATION FOR THE YEAR Rs.	ACCUMULATED DEPRECIATION AT THE END OF THE YEAR Rs.	WDV OF ASSETS AT THE END OF THE YEAR Rs.
a) Land (Previous year)	26,159,125 (1,934,621)	- (0)	- (0)	26,159,125 (1,934,621)
b) Buildings (Previous year)	35,489,611 (17,392,143)	535,168 (333,284)	5,724,507 (2,147,029)	29,765,104 (15,245,114)
c) Plant & Machinery (Previous year)	2,002,764 (0)	27,159 (0)	27,159 (0)	1,975,605 (0)
d) Furniture & Fittings (Previous year)	51,391 (0)	1,936 (0)	42,630 (0)	8,761 (0)
e) Office Equipments (Previous year)	189,060 (0)	13,928 (0)	102,856 (0)	86,204 (0)

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd....)

PARTICULARS	31-03-2012 Rs.	31-03-2011 Rs.
13. Long term Loans & Advances		
(Unsecured, Considered Good)		
(a) Capital Advances	3,923,810	2,451,675
(b) Security Deposits	7,665,738	12,198,223
(c) Loans & Advances to Employees	6,610,123	8,972,986
(d) Rental Advances	570,000	323,248
TOTAL	18,769,671	23,946,132
14. Inventories (at lower of cost or net realisable value)		
Raw Materials and Consumables	264,251,556	177,529,346
Semi Finished goods	270,401,117	237,693,147
Finished goods	35,356,731	20,207,263
TOTAL	570,009,404	435,429,756
15. Trade Receivables		
Unsecured, considered good *	256,244,764	258,687,828
TOTAL	256,244,764	258,687,828
* Includes an amount of Rs. 60,304,141 (P.Y. Rs.47,295,350) outstanding for a period exceeding six months from the date they are due for payment		
16. Cash and Cash Equivalents		
(a) Cash on Hand	610,493	494,080
(b) Stamps on Hand	16,221	2,301
(c) Balance with Banks		
- Current Accounts	4,484,207	11,677,328
- Unpaid Dividend Accounts	4,000,611	3,394,162
- Deposit accounts with maturity less than 3 months	320,000,000	395,000,000
(d) Other Bank Balances		
- Margin money accounts with maturity more than 12 months	15,000,000	15,000,000
- Deposit accounts with maturity more than 3 months but less than 12 months	205,200,000	50,000,000
(e) Deposit with financial institution with maturity less than 3 months	10,000,000	-
TOTAL	559,311,532	475,567,871
Of the above, the balances that meet the definition of Cash and Cash equivalents as per AS 3 Cash Flow Statements is	540,310,921	457,173,709

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd....)

PARTICULARS	31-03-2012 Rs.	31-03-2011 Rs.
17. Short-term Loans and Advances		
(Unsecured, Considered good)		
Others		
(a) Advances recoverable in cash or kind or for value to be received	613,404	3,442,230
(b) Prepaid expenses	3,080,558	4,262,973
(c) Advance Income Tax (Net of Provisions)	4,894,243	-
(d) Balance with Government Authorities	33,139,938	28,823,145
TOTAL	<u>41,728,143</u>	<u>36,528,348</u>
18. Other Current Assets		
Interest Accrued on Deposits	7,868,917	2,597,567
TOTAL	<u>7,868,917</u>	<u>2,597,567</u>
19. Gross Revenue from Operations		
Sale of Products	1,811,751,983	1,673,757,416
Sale of Services – Machining Charges	47,568,272	56,782,818
Other Operating Revenues	14,249,134	23,917,364
TOTAL	<u>1,873,569,389</u>	<u>1,754,457,598</u>
Net revenue from operations consists of		
(a) Sale of Product		
Gearwheels and accessories	592,016,110	581,798,259
Gearboxes and accessories	949,537,302	902,234,241
Drafting units, conversion brackets, spares and complete set of head stock hearing, end conversions, coilers, etc.,	7,743,192	10,656,929
Geared Motors	53,544,585	27,555,944
Carding machines	-	1,400,000
Others	65,394,256	19,135,046
(b) Sale of Services – Machining Charges	47,568,272	56,782,818
(c) Other Operating Revenues		
Sale of Scrap	6,744,450	4,038,549
Sale of Surplus energy	7,504,684	19,878,815
	<u>1,730,052,851</u>	<u>1,623,480,601</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd....)

PARTICULARS	31-03-2012 Rs.	31-03-2011 Rs.
20. Other Income		
Interest Income		
- Interest from Banks on Fixed Deposits	40,821,002	20,691,794
- Interest on overdue trade receivables	3,965	392
- Other Interest	904,541	755,717
- Rental income from Operating Lease	2,311,990	1,723,774
- Miscellaneous Income	1,882,042	59,200
Other Non Operating Income		
- Profit on Sale of Fixed Assets (Net of expenses directly attributable Rs. 13,733 (P.Y. Rs. 83,842))	412,358	1,830,554
- Income from Mutual Funds	3,108,039	3,528,827
TOTAL	49,443,937	28,590,258
21. Cost of Materials Consumed		
Opening Stock	177,529,346	191,533,693
Add: Purchases	654,426,297	499,151,692
	831,955,643	690,685,385
Less: Closing Stock	264,251,556	177,529,346
Cost of Material Consumed	567,704,087	513,156,039
Material Consumed Comprises of:		
Steel rods and Steel forgings	169,336,602	203,923,764
Bearings	58,064,321	57,622,092
Other items *	340,303,164	251,610,183
TOTAL	567,704,087	513,156,039
*Other items represents MS Plates, Raw Materials, Components and Consumables, none of which individually accounts for more than 10% of the total consumption		
22. Change in Inventories of Finished goods and Work-in-Progress		
Inventories at the end of the year:		
Finished goods	35,356,731	20,207,263
Semi Finished goods	270,401,117	237,693,147
	305,757,848	257,900,410
Inventories at the beginning of the year:		
Finished goods	20,207,263	15,780,052
Semi Finished goods	237,693,147	253,541,881
	257,900,410	269,321,933
Net (Increase) / Decrease	(47,857,438)	11,421,523
23. Other Direct Manufacturing Expenses		
Power and Fuel	82,826,103	52,731,273
Water	140,047	97,710
Labour and Machining Charges	41,732,025	30,060,482
TOTAL	124,698,175	82,889,465

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd....)

PARTICULARS	31-03-2012 Rs.	31-03-2011 Rs.
24. Employees benefits Expenses		
Salaries, Wages and Bonus (Including compensated absences payable on retirement)	200,665,309	133,904,412
Contribution to Provident and Other Funds	12,680,810	9,452,540
Staff Welfare Expenses	21,378,532	19,102,382
TOTAL	234,724,651	162,459,334
25. Finance Cost		
Interest Expenses	5,066,564	8,758,969
Other Borrowing Cost	1,130,150	1,550,300
TOTAL	6,196,714	10,309,269
26. Other Expenses		
Consumption of Stores	1,510,505	984,472
Rent	699,291	912,722
Repairs & Maintenance - Machinery	52,468,371	40,270,548
- Buildings	7,700,338	11,161,582
- General	22,317,616	23,885,241
Insurance	1,424,254	1,494,780
Taxes & Licenses	10,383,216	9,695,256
Managing Directors' Remuneration	21,917,112	23,096,352
Wholetime Directors' Remuneration	-	2,303,307
Traveling & Maintenance of Motor Vehicles	18,518,534	11,592,559
Postage & Telephones	2,977,604	3,442,452
Printing & Stationery	2,393,561	1,992,258
Commission on Sales	4,200,769	3,345,233
Discount on Sales	5,588,370	3,936,080
Business Promotion and Selling Expenses	5,137,887	3,511,938
Freight and Packaging	7,029,780	3,542,473
Bank Charges, Filing Fee & Subscription	5,186,461	3,515,146
Auditor's Remuneration		
- Statutory Audit	300,000	300,000
- Taxation matters	120,000	-
- For Other Services	33,550	25,250
Directors Sitting Fee	140,000	170,000
Accountancy & Legal Charges	5,976,871	4,929,754
Advertisement	18,715,243	7,397,133
Bad debts Written Off	865,990	102,657
Loss on Foreign Currency Fluctuation (Net of exchange gain of Rs.2,567,687 (P.Y. Rs.9,300,923))	9,910,828	2,816,115
Miscellaneous Expense	1,230,084	1,048,444
Donations	336,407	292,249
TOTAL	207,082,642	165,764,001

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd....)

PARTICULARS	31-03-2012 Rs.	31-03-2011 Rs.
27. Contingent Liabilities and Commitments		
(i) Contingent Liabilities		
(a) Guarantees given by the Company	70,690,553	41,933,395
(b) Letter of Credits	24,808,000	55,818,000
(c) Bills Discounted	19,075,863	16,511,340
(d) Claims against the Company not acknowledged as debts	72,462,947	72,382,697
(ii) Commitments		
Estimated amount of contracts remaining to be executed and not provided for on account of Capital Accounts	30,197,136	19,537,832
Show cause notices have not been considered as Contingent Liabilities		
28. (a) Working Capital facilities availed from State Bank of India are secured by Hypothecation of Raw Materials, Work-in-Progress, Finished goods, Stock in Trade and on Book Debts of the Company. In addition they are secured by Hypothecation of Land and Buildings of A and C unit and on specific items of Plant & Machinery. The debit balance at the end of the year 31 st March 2012 is Rs.96,483 (P.Y.Rs.776,497 Dr)		
(b) Against the facilities availed/to be availed from IDBI Bank Ltd., by way of Letter of Credit/ Bank Guarantee / Short term loan, the Company has created exclusive charge on the machines to be imported for Rs.10 Crores		
29. Term loans (Foreign Currency Loans) availed from ICICI Bank are secured by Specific items of Plant & Machinery		
30. The Company has never defaulted in payment of Loans & Interest		
31. The Company has given counter guarantee to the Bank for the guarantees issued for Rs.20,802,035 (P.Y.Rs.13,382,866)		
32. Income Tax Assessment is completed upto Assessment Year 2009-10		
33. Particulars of Consumption		
Raw Materials & Stores and Spares		
- Imported	17,456,624	8,210,715
- Indigenous	550,247,463	504,945,324
TOTAL	567,704,087	513,156,039
34. Value of Imports on CIF basis		
(a) Plant & Machinery	1,433,094	102,687,034
(b) Raw Materials	8,833,937	4,548,870
(c) Consumable Stores & Tools	10,591,043	3,510,408
(d) Machinery Spares	4,703,960	1,861,789
(e) Electrical Spares	66,379	81,683

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd....)

PARTICULARS	31-03-2012 Rs.	31-03-2011 Rs.
35. Payment made in Foreign Currency on account of		
Interest	5,043,685	8,740,470
Advertisement	2,707,261	244,621
Subscription, Books and periodicals	708,555	614,467
Germany Office – Liaison Office Expenses	-	2,825,462
Taxes & Licenses	112,940	-
Training	184,397	-
Technical Consultancy Charges	440,310	-
36. Amount remitted during the year in foreign currencies		
On account of Dividends	-	-
Number of Non Resident Shareholders	487	414
Number of Shares held by Non-Resident Shareholders on which Dividends are due	1,415,163	1,411,770
The year to which Dividend relate	FY 2010-11	FY 2009-10
37. Earnings in Foreign Currency		
FOB value of exports	200,759,748	105,165,321
38. Disclosure in respect of Related Parties pursuant to Accounting Standard 18		
Particulars	Key Management Personnel Rs.	
Remuneration / Salary (Previous year)	21,917,112 (25,399,659)	
Outstanding Balance as at 31.03.2012 – Payable (Previous year)	19,517,112 (22,663,658)	
List of Related Parties		
Key Managerial Personnel		
Mr. P.Subramanian, Chairman & Managing Director		
39. Basic and Diluted Earning Per Share (EPS) of Face Value of Re.1 each is calculated as under:		
Total Equity Shares outstanding at the End of the year (Nos.)	81,715,853	81,715,853
Net Profit after tax	281,274,634	278,615,331
Earning Per Share (Basic)	3.44	3.41
Diluted Earning Per Share	3.44	3.41
40. The Company's main business segment is manufacturing Gears and Gear Products. Hence there are no separate reportable segments as per Accounting Standard 17 (AS 17)		

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd....)

PARTICULARS	31-03-2012 Rs.	31-03-2011 Rs.
41. Disclosure under Accounting Standard 15 on Employee Benefits:		
Disclosures in respect of Defined benefit obligations in respect of gratuity pursuant to Accounting Standard 15		
The amount recognized in Balance Sheet are as follows:		
Present value of funded obligations	29,888,206	22,870,996
Fair value of plan assets	30,347,521	23,174,481
Net Surplus in the Balance Sheet (Grouped under Prepaid Expenses)	459,315	303,485
The amounts recognized in the statement of profit and loss are as follows:		
Current service cost	2,735,080	2,079,181
Interest on Obligation	1,824,245	1,408,688
Expected return on plan assets	2,567,470	1,975,933
Net actuarial losses (gains) recognized in the year	5,163,887	3,866,678
Total included in Labour cost	7,155,743	5,378,614
Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:		
Opening defined benefit Obligation	22,870,996	17,720,438
Prior period adjustment	-	-
Service cost	2,735,080	2,079,181
Interest cost	1,824,245	1,408,688
Actuarial gains (Losses)	2,596,418	1,890,745
Benefits paid	(138,533)	(228,056)
Closing defined benefit Obligation	29,888,206	22,870,996
Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:		
Opening fair value of plan assets (*)	24,986,054	19,402,538
Expected return	2,567,470	1,975,933
Actuarial gains and (losses)	(2,567,470)	(1,975,933)
Contributions by employer	5,500,000	4,000,000
Assets acquired in an Amalgamation in the nature of purchase	-	-
Exchange differences on foreign plans	-	-
Benefits paid	138,533	228,057
Closing fair value of plan assets	30,347,521	23,174,481

(*) Includes Interest on Fund with LIC – Rs.1,811,573 (1,415,395)

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd....)

PARTICULARS	31-03-2012 Rs.	31-03-2011 Rs.
Balance Sheet Reconciliation		
Opening Net (Liability) Asset	281,004	251,608
Expenses Recognised in Profit and Loss Account	7,189,766	5,401,096
Contribution made	5,500,000	4,000,000
Closing unfunded status (Surplus – Grouped under Prepaid Expenses)	425,292	281,004
Principal actuarial assumptions at the balance sheet date (expressed as weighted average)		
Discount rate Current	8.00%	8.00%
Expected return per annum on plan assets	9.30%	9.25%
Salary Escalation per annum	8.30%	8.25%
Retirement Age	58 Years	58 Years
Mortality	LIC 1994-96	LIC 1994-96
Attrition rate	3%	3%

The estimates of future salary increases, consideration in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

- 42.** As per the information available with the Company, there are no dues outstanding including interest as on 31st March, 2012 to Small and Micro Enterprises as defined under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006
- 43.** The Revised Schedule VI has become effective from 1st April 2011, for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year 's classification / disclosure.

As per our report of even date

For S. Lakshminarayanan Associates
Chartered Accountants
Firm Reg.No.006609S
S. Lakshminarayanan
Partner
F - 012024
Coimbatore
25th May, 2012

M.J.Vijayaraaghavan
Director
S. Srinivas
Chief Financial Officer

P. Subramanian
Chairman & Managing Director
C. Subramaniam
Company Secretary

Financial Performance Indicators

