Shanthi Gears

SHANTHI GEARS LIMITED

murugappa

BS EN 9001 : 2015
EN 9100 : 2016 Certified
(Equivalent to AS 9100 D)

Regd. Office :
304-A, Trichy Road,
Singanallur
Coimbatore - 641 005

Phone : +91-422-4545745
Fax : +91-422-4545700
E-mail : info@shanthigears.murugappa.com
Website : www.shanthigears.com
CIN : L29130TZ1972PLC000649
GST : 33AADCS0692L1Z7

August 21, 2018

National Stock Exchange of India Ltd,
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (E)
Mumbai-400 051.

Stock Code: SHANTIGEAR
Trough NEAPS

BSE Ltd,
1st Floor,
New Trading Ring, Rotunda Building,
P J Towers, Dalal Street,
Fort,
Mumbai- 400 001.

Stock Code: 522034
Through BSE Listing Centre

Dear Sirs,

Sub: Submission of Annual Report for FY 2017-18

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are sending herewith the Annual Report of the Company for the financial year 2017-18.

Kindly take the same on record.

Thanking You,

Yours faithfully,
For SHANTHI GEARS LIMITED

C SUBRAMANIAM
COMPANY SECRETARY

Works: "C" Unit, Avinashi Road, Muthugounden Pudur Post, Coimbatore - 641 406, India.
Tel: +91 422 4545745 / Fax: +91 422 4545700 / Mobile: +91 96262 60500 (8 Lines)

ALL AGREEMENTS CONTINGENT UPON STRIKES, ACCIDENTS AND OTHER CONDITIONS BEYOND OUR CONTROL. ALL CONTRACTS ARE SUBJECT TO APPROVAL BY AN OFFICER OF THE COMPANY. SUBJECT TO COIMBATORE JURISDICTION

Shanthi Gears

SHANTHI GEARS LIMITED
ANNUAL REPORT 2017-2018

CONTENT

- Driving Sustainable, Profitable Growth 1
- Directors' Profile 10
- Corporate Information 11
- Board's Report & Management Discussion and Analysis 12
- Report on Corporate Governance 38
- General Shareholder Information 46
- Auditors' Report 52
- Financial Statements 57

Cautionary Statment

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

Sustainable Profitable Growth

The world may have changed around us, from when we first began, but our commitment and vision have not. We have evolved from being a textiles gear manufacturers company to a manufacturer and solution provider of power transmission products across diversified sectors such as textile, fertilizer, cement, coal, power generation, mining, chemical, steel, minerals & metals processing sectors, etc. Yet, it feels like we have only just begun.

2017-18 was a transformative year with the introduction of the Goods and Services Tax (GST), an important development that has created a single national market and will benefit both customers as well as the industry. While trade conditions remained volatile during early implementation, they have since stabilised and there is a gradual improvement in overall demand.

In this challenging business environment, your Company delivered a strong performance. However volatile and uncertain the world becomes, we believe managing for the long-term is the best way for us to grow. The business is strongly positioned in the custom-made gears and gear boxes segment.

For over four decades, Shanthi Gears has established its reputation of trust and most modern innovations in manufacturing Power Transmission products. Though we have differentiated business strategies, we have one clear focus - driving Sustainable Profitable Growth.

Dear Shareholders,

2017-18 was a year of all round performance for Shanthi GearsLimited. The customer demand for Shanthi 's range of products across different sectors and the increasing need for value added services have contributed substantially to this performance. The year also witnessed many challenges relative to rising cost of input materials critical to Shanthi 's operations. Amidst this rather mixed environment Shanthi continued to maintain and enhance its growth in revenues and profits. Sales grew by 16% to ₹ 209.1 Crs and profits after tax grew by 27% to ₹ 28.6 Crs.

Shanthi Gears is well positioned to address opportunities in a variety of industrial sectors and its efforts are gaining momentum in emerging sectors catering to mobility. Product development initiatives with enhanced customer engagement will be the basis of Shanthi's growth in the years ahead. We will continue our efforts in building world class quality products with strong emphasis on manufacturing efficiency and application support. This will mean greater investment in people, their skills and leadership abilities.

Shanthi's teams worked well together addressing both opportunities and challenges with equal vigour. Our sincere appreciation goes out to our colleagues who made this happen.

Our Board is a great strength to the company. Our Directors interact with various teams encouraging and challenging them to set their sight on higher levels of achievements across all facets of the company's operations. I thank them for their interest, sharing their expertise and their wise counsel and look forward to their support. Mr. M M Murugappan stepped down from the Chairmanship and the Board due to other commitments. We thank him for his valuable guidance during the transition phase and putting the Company back on the growth path.

The support of all of you as Shareholders is indeed most valuable to us in our continuing quest to be admired as a reliable partner for gear transmission solutions.

Sincerely
L. Ramkumar

The commitment to quality through robust processes and systems was complimented through a slew of certifications / recognitions during the year.

AS 9100 D Certification

IMS Certifications I DGQA Approval

BUREAU VERITAS Certification

Certificate of Approval

This is to certify that the Quality Management System of:

SHANTHI GEARS LIMITED

C-UNIT, AVINASHI ROAD, MUTHUGOUNDEN PUDUR POST, COIMBATORE, TAMILNADU 641406, INDIA

has been audited in accordance with the requirements of EN 9104-001:2013 by Bureau Veritas Certification and conforms to the following Quality Management Systems Standards detailed below

Standards

BS EN ISO 9001:2015
EN 9100:2016
(Technically equivalent to AS9100D)

Scope of certification

DESIGN, DEVELOPMENT AND MANUFACTURING OF GEAR BOXES FOR SPACE APPLICATIONS. MANUFACTURING OF GEARS, PINIONS AND MACHINED TRANSMISSION PARTS FOR DEFENCE APPLICATIONS.

Certification Structure: **Single Site**

This certificate forms part of the approval identified by certificate number: **UK1182017-1**

Original ISO Approval: **04 January 2018**

Original ASCS Approval: **04 January 2018**

Certificate Issue Date: **04 January 2018**

Certification Expiry Date: **03 January 2021**

Andrew Kirkby
Authorised Signatory

ADS aerospace sector certification scheme

UKAS MANAGEMENT SYSTEMS 008

Further clarifications regarding the scope of this certificate and the applicability of the management system requirements may be obtained by consulting the organisation.

Certification Body: Bureau Veritas Certification Holding SAS-UK Branch 5th Floor, 66 Prescot Street, London, E1 8HG, United Kingdom.

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DIRECTOR GENERAL OF QUALITY ASSURANCE
DIRECTORATE OF QUALITY ASSURANCE (WARSHIP PROJECTS)

REGISTRATION CERTIFICATE

This is certified that M/s Shanthi Gears Ltd, "C" Unit, Avinashi Road MuthugoundenPudur Post, Coimbatore-641406 after verification of their capacity/ capability are registered vide registration No. LS-DDP-Gde 1 -0684(S) dated 15 Nov 17and is found capable of manufacturing following items for Defence.

Nomenclature & Details of the Stores

As per Annexure-I

No. of items for which registered : *08 Items only*
Grading of Vendor : *1*
This certificate is valid up to : *14 Nov 2020*
Monetary limit per annum : *Rs 180.00Crores/ Annum only (Rs One Hundred Eighty Crore only per annum)*

This certificate is issued subject to conditions indicated over leaf.

Date: 05 Dec 17

(K.E Mathew)
Cmde
A DGQA(WP) (OPFG)

Page 1 of 3

BUREAU VERITAS Certification

SHANTHI GEARS LTD.

Shanthi Gears

UNIT-C (HEAD OFFICE): MUTHUGOUNDEN PUDUR, COIMBATORE – 641 406, TAMIL NADU, INDIA.

This is a multi-site certificate, additional site details are listed in the appendix to this certificate

Bureau Veritas Certification Holding SAS – UK Branch certifies that the Management System of the above organization has been audited and found to be in accordance with the requirements of the Management System standards detailed below.

Standards

ISO 9001:2015, ISO 14001:2015 & BS OHSAS 18001:2007

Scope of certification

UNIT-C(HO): DESIGN, DEVELOPMENT, MANUFACTURE AND SERVICING OF DIFFERENT TYPES OF GEARS, GEAR BOXES, GEARED MOTORS, COUPLINGS, PINIONS AND PRECISION MACHINED PARTS FOR INDUSTRIAL, AEROSPACE, RAILWAYS, MINING, WIND MILL AND DEFENCE APPLICATIONS
UNIT-A: MANUFACTURE OF POWER TRANSMISSION GEARS, GEAR BOXES, COUPLINGS, PINIONS FOR INDUSTRIAL, RAILWAYS AND TEXTILE APPLICATIONS
UNIT-B: MANUFACTURE OF POWER TRANSMISSION GEARS, GEAR BOXES, COUPLINGS, PINIONS FOR INDUSTRIAL, RAILWAYS AND TEXTILE APPLICATIONS
UNIT-F: DESIGN, DEVELOPMENT AND MANUFACTURE OF FABRICATED CASING, MACHINED, UN-MACHINED FERROUS AND NON-FERROUS PARTS FOR INDUSTRIAL GEAR BOXES, DEFENCE, RAILWAYS, MINING, EARTH MOVERS & WIND MILL APPLICATIONS

Original cycle start date: **27 April 2018**
Expiry date of previous cycle: **NA**
Certification Audit date: **09 February 2018**
Certification cycle start date: **27 April 2018**
Subject to the continued satisfactory operation of the organization's Management System, this certificate expires on:
For QMS & EMS: **26 April 2021**
For OHSAS: **11 March 2021**
Certificate No. **IND18.8633/U** Version : **1** Revision date: **27 April 2018**

Signed on behalf of BVCH SAS – UK Branch
Ramesh KOREGAVE
Director, CERTIFICATION
South Asia Region

UKAS MANAGEMENT SYSTEMS 0008

Certification body address: *5th Floor, 66 Prescot Street, London, E1 8HG, United Kingdom*

Local office: *Bureau Veritas (India) Private Limited (Certification Business) 72 Business Park, Mersi Industrial Area, MIDC Cross Road "C", Andheri (East), Mumbai – 400 093, India*

Further clarifications regarding the scope of this certificate and the applicability of the management system requirements may be obtained by consulting the organization.
To check this certificate validity please call **+91 22 6274 2008.**

Pg 1 of 2

Customer Initiatives

We endeavour to maximise operational efficiencies and bring about product improvements through adoption of advanced technology, intensive research and proactive customer interaction. Adhering to total quality management in our manufacturing processes, we continue to evolve our processes and product offerings that best suit the changing preferences and choices of our customers. Our nimbleness in switching over from one program to another in terms of production planning and adequate availability of production lines to run many programs concurrently helps serve our customers better.

During the year, SGL renewed its focus on re-establishing itself in the market and gaining new customers. SGL continued to look at enlarging its market presence, create a robust channel, enhance its process capabilities and launch new products to meet the growing expectations of customers. To reach out to the varied needs of customers, your Company has taken a lot of customer initiatives such as conducting Customer meets, seminars, participating in product exhibitions, etc.

Welcome

People Initiatives

Human Resource (HR) continues to bolster human capital byattracting the right talent, nurturing and retaining them, withstrategic initiatives being undertaken in the areas of Leadership Development, Capability Building, Innovation, Productivity Improvement, Operational Excellence, Employee Relations & Engagement, Digitisation and Talent Acquisition.

Building Leadership Pipeline

Identifying and developing succession pipeline for criticalpositions in middle and senior management levels is crucial, forwhich regular action is taken through Individual DevelopmentPlans (IDPs).

Building Capabilities

Employees are provided regular inputs to help them upgradetheir competencies through training programs and other interventions, which focus on technical, sales and behavioural capability building among other aspects. Programssuch as FuelingThe Future, Metallurgy and Heat Treatment,PokaYoke etcwere conducted during the year. We havealso established technical labs for critical skills viz painting,dexterity etc and have tied up with various professional bodies/institutions for skills training. Sales training interventions were launched for all levels of employees in the sales function. The interventions were spread around training, coaching, field visits and post-training support for sales personnel. Training was conducted by an in- housesales trainer, with tailor-made sales capability building programs developed according to various business requirements suchas Customer - centricity, Sales / Business etiquettes,Sellingtechniques, Technical product knowledge, Building valuablerelationships, etc.

COMMITMENT TO SOCIETY

"No success in material terms is worthwhile unless it serves the needs or interests of the country and its people"

The Company, being part of the Murugappa Group, is known for its tradition of philanthropy and community service. The Company's philosophy is to reach out to the community by establishing service-oriented philanthropic institutions in the field of education, healthcare and environment as the core focus areas. As a corporate citizen, your Company is committed to the Society and has undertaken CSR projects in the area of Education, Scientific Research, etc,

GIRL CHILD EDUCATION

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

INFRASTRUCTURE TO SCHOOLS

The Company has identified 5 schools in rural areas of Coimbatore for construction of Sanitation facility as a part of Swachh Bharat Abhiyan and National Sanitary Drive.

10 YEAR FINANCIAL HIGHLIGHTS

₹ Crores

Particulars	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
OPERATING RESULTS										
Sales (Including excise duty)	219.55	203.82	182.11	165.03	166.69	159.01	186.67	173.46	129.07	276.90
Profit before Depreciation, Interest & Tax (PBDIT)	48.73	46.33	39.86	29.89	51.56	50.93	69.32	71.48	53.14	103.20
Profit before Interest & Tax (PBIT)	33.17	28.50	23.15	13.14	25.95	22.36	42.10	44.64	26.21	77.43
Profit before Tax (PBT)	33.17	28.50	23.15	13.11	25.93	22.07	41.60	43.76	24.33	68.81
Profit after Tax (PAT)	28.58	22.51	17.73	9.32	18.38	15.47	28.13	27.86	16.18	44.06
Earnings Per Share (₹)	3.50	2.75	2.23	1.14	2.25	1.89	3.44	3.41	1.98	5.39
Dividend Per Share (₹)	1.00	0.75	0.50	0.50	1.00	0.60	1.00	1.00	0.80	1.20
Book Value Per Share (₹)	38.90	37.49	34.75	33.14	32.61	31.53	30.33	28.05	25.80	24.75
Interest	-	-	-	0.03	0.02	0.29	0.62	8.76	3.81	11.56
SOURCES AND APPLICATION OF FUNDS										
SOURCES OF FUNDS										
Share Capital	8.17	8.17	8.17	8.17	8.17	8.17	8.17	8.17	8.17	8.17
Reserves & Surplus	309.62	298.15	275.72	262.57	258.23	249.41	239.67	221.04	202.68	194.12
Net Worth	317.79	306.32	283.89	270.74	266.40	257.58	247.84	229.21	210.85	202.29
Debt	-	-	-	-	-	-	3.96	9.75	25.63	89.26
Deferred Tax Liability (Net)	-	-	-	0.86	2.51	6.88	10.73	14.26	17.49	20.09
Total	**317.79**	**306.32**	**283.89**	**271.60**	**268.91**	**264.46**	**262.53**	**253.22**	**253.97**	**311.64**
APPLICATION OF FUNDS										
Gross Fixed Assets	101.28	98.14	89.93	367.52	364.27	361.09	360.21	353.46	344.13	338.60
Accumulated Depreciation	44.47	32.82	16.71	285.87	269.25	245.34	222.00	195.54	169.20	142.45
Net Fixed Assets	56.81	65.32	73.22	81.65	95.02	115.75	138.21	157.91	174.92	196.15
Capital Work-in-Progress	0.50	0.77	0.36	3.61	3.60	3.62	5.59	7.54	5.17	7.07
Deferred Tax Asset (Net)	5.95	3.60	1.45	-	-	-	-	-	-	-
Long Term Investments	12.17	12.17	6.00	-	-	-	-	-	-	-
Short Term Investments & Deposits	154.82	119.26	105.94	101.09	107.76	90.60	55.02	46.00	27.50	47.50
Net Working Capital	87.54	105.20	96.92	85.25	62.53	54.49	63.71	41.77	46.38	60.92
Total	**317.79**	**306.32**	**283.89**	**271.60**	**268.91**	**264.46**	**262.53**	**253.22**	**253.97**	**311.64**
RATIOS										
PBDIT to Sales (%)	22.20	22.73	21.89	18.11	30.93	32.03	37.14	41.21	41.17	37.27
PBIT to Sales (%)	15.11	13.98	12.71	7.96	15.57	14.06	22.55	25.73	20.31	27.96
PBT to Sales (%)	15.11	13.98	12.71	7.94	15.56	13.88	22.28	25.23	18.85	24.85
PAT to Sales (%)	13.02	11.04	9.74	5.65	11.03	9.73	15.07	16.06	12.54	15.91
Interest Cover (Times)	-	-	-	996.33	2,578.00	175.62	111.81	8.16	13.95	8.93
ROCE (%) #	10.44	9.30	8.15	4.84	9.65	8.45	16.04	17.63	10.32	24.85
Return on Networth (%)	8.99	7.35	6.25	3.44	6.90	6.01	11.35	12.16	7.67	21.78
Total Debt Equity Ratio	-	-	-	-	-	-	0.02	0.04	0.12	0.44
Long Term Debt Equity Ratio (+)	-	-	-	-	-	-	-	0.02	0.05	0.08
Sales/Net Fixed Assets (Times)	3.86	3.12	2.49	2.02	1.75	1.37	1.35	1.10	0.74	1.41
Net Working Capital Turnover (Times)	2.51	1.94	1.88	1.94	2.67	2.92	2.93	4.15	2.78	4.55

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

* Figures pertaining to 2015-16 to 2017-18 are as per Ind AS and 2008-09 to 2014-15 are as per IGAAP.

OUR BOARD OF DIRECTORS

Mr. L RAMKUMAR, Chairman

Mr. L Ramkumar (62 years; DIN-00090089) is a Cost Accountant and has a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad. He is currently the Managing Director of Tube Investments of India Ltd. He has over 38 years of rich and varied experience in management including 26 years in Tube Investments of India Ltd.

Mr. J BALAMURUGAN, Non-Executive Director

Mr. J Balamurugan (57 years; DIN-00023309) is an Electronics Engineer from Regional Engineering College, Trichy. He has also done the Management Programme for Entrepreneurial Firms from the Indian Institute of Management, Bangalore. He has experience in managing the businesses of IT infrastructure, On-line services and Aftermarket automotive enhancements and others. He is the past Chairman of Confederation of Indian Industry, Coimbatore Zone.

Ms. SOUNDARA KUMAR, Non-Executive Director

Ms. Soundara Kumar (64 Years; DIN-01974515) holds a graduate degree in Mathematics. She worked in State Bank of India for over 39 years both in India and overseas and is well experienced in the financial services industry. She retired as Deputy Managing Director, Stressed Asset Management Group of State Bank of India. She is also on the Board of various companies including Ramco Systems Ltd, Rajapalayam Mills Ltd, Orchid Pharma Ltd, TNPL and Bank of Baroda.

Mr. C R SWAMINATHAN, Non-Executive Director

Mr. C R Swaminathan (70 years; DIN- 00002169) holds a graduate degree in Agriculture and a Masters degree in Business Administration. He had been associated with the PSG group of institutions as its Chief Executive Officer. Mr. C R Swaminathan is well experienced in the Foundry Industry and is the Past President of the Institute of Indian Foundrymen. He is also the Past President of the Confederation of Indian Industry (Southern Region).

Mr. S K SUNDARARAMAN, Non-Executive Director

Mr. S K Sundararaman (45 years; DIN- 00002691) holds a Masters Degree in Business Administration from Cambridge University, United Kingdom. He is currently the Managing Director of Shiva Texyarn Ltd. He has wide experience in the field of Textile Technology and well known for his innovative approach and Development of new technical textile products.

CORPORATE INFORMATION

BOARD OF DIRECTORS

L Ramkumar, Chairman

C R Swaminathan

J Balamurugan

Soundara Kumar

S K Sundararaman

CHIEF EXECUTIVE OFFICER

Rajiv Narayanamoorthy

CHIEF FINANCIAL OFFICER

B Balamurugan

COMPANY SECRETARY

C Subramaniam

REGISTERED OFFICE

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

PLANTS

A Unit, Trichy Road, Singanallur, Coimbatore
B Unit, Trichy Road, Singanallur, Coimbatore
C Unit, Avinashi Road,Muthugoundenpudur, Coimbatore
D Unit, K.Krishnapuram, Tirupur District
Foundry Division, Kannampalayam, Coimbatore

CORPORATE IDENTIFICATION NUMBER

L29130TZ1972PLC000649

AUDITORS

Deloitte Haskins & Sells, Chartered Accountants

BANKERS

IDBI Bank
HDFC Bank
Kotak Mahindra Bank

BOARD'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors have pleasure in presenting to you the performance of the Company, for the year ended 31 March 2018

COMPANY PERFORMANCE

₹ Crores

PARTICULARS	YEAR ENDED 31.03.2018	YEAR ENDED 31.03.2017
Revenue from Operations (Net)	219.55	203.82
Earnings Before Interest, Tax, Depreciation & Amortisation	48.73	46.33
Depreciation & Amortisation Expense	15.56	17.83
Profit Before Tax	33.17	28.50
Less: Tax Expense	4.59	5.99
Profit After Tax	28.58	22.51
Add: Surplus brought forward	32.33	15.82
Appropriations :		
Transfer to General Reserve	9.00	6.00
Final Dividend for 2016-17 paid	6.13	-
Tax on Final Dividend	1.25	-
Interim Dividend for 2017-18 paid	8.17	-
Tax on Interim Dividend	1.67	-
Balance carried to Balance Sheet	34.69	32.33

Review of Operations

In 2017-18, your Company registered a topline growth of 16% to ₹ 209.1 Crores aided by growth in revenues, the profit after tax grew by 27% to ₹ 28.6 Crores. The business continued to build relationships through high levels of customer engagement during the year through the Connect programs. New Product Development and Import Substitution helped in sustaining the competitive advantage.

Focus on lean principles helped the business to reduce the net working capital by 14%. In its endeavor to build sustainable business, your Company embarked on certifications such as IMS (QMS, EMS and OHSAS) coupled with approvals from Defence, Industrial Scientific Research and Aerospace.

Significant number of VAVE projects were taken up to meet cost reduction through improvement in material efficiencies and labour productivity. Focus continued to be on consolidation of operations and maximizing returns on the investments made in the earlier years. Capital investments were made in core value add areas to debottleneck capacities.

Management Discussion and Analysis

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

Dividend

The Company has declared an interim dividend of ₹ 1/- per equity share of Face Value ₹ 1/- in February, 2018 (PY ₹ 0.75/- per share). The same has been treated as final dividend.

Directors

Mr. M M Murugappan, Chairman resigned from the Board due to his other commitments with effect from 2 November 2017. The Board places on record its appreciation on the service rendered by Mr. M M Murugappan during his tenure as Chairman of the Board. We thank him for his valuable guidance during the transition phase and putting the Company back on the growth path.

Mr. C R Swaminathan, Non-Executive Independent Director will retire at the ensuing Annual General Meeting under Section 149 of the Companies Act, 2013 ("the Act"). The Board places on record its appreciation of the service rendered by Mr. C R Swaminathan during his tenure as Director of the Company.

During the year the Company appointed Mr. S K Sundararaman as an Additional Director of the Company under Section 149 of the Companies Act, 2013 with effect from 6 February 2018. He holds office up to the date of the ensuing AGM. He has wide experience in the field of Textile Technology and well known for his innovative approach and Development of new technical textile products. His knowledge and experience will be of benefit to the Company. The Board recommends his appointment as Independent Director under section 149 of the Companies Act, 2013 for a term of five years viz. from the date of the 45th AGM (2018) till the date of 50th AGM (2023).

Notice has been received from a Member proposing the candidature of Mr. S K Sundararaman for appointment as an Independent Director of the Company.

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

The Board takes pleasure in recommending the appointment of Mr L Ramkumar as Director and Mr. S K Sundararaman as an Independent Director of the Company at the forthcoming Annual General Meeting.

All the Independent Directors of the Company have furnished necessary declaration in terms of Section 149(6) of the Act affirming that they meet the criteria of independence as stipulated under the Act.

Key Managerial Personnel

During the year, Mr. B Balamurugan was appointed as Chief Financial Officer of the Company.

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

Internal Control System and their Adequacy

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

Corporate Governance

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

Corporate Social Responsibility (CSR)

As a corporate citizen, your Company is committed to the conduct of its business in a socially responsible manner. The Company contributed a portion of its profit for the promotion of worthy causes like education, healthcare, scientific research etc. As a part of Corporate Social Responsibility program the Company has undertaken projects in the area of Education, Scientific Research, etc., List of CSR Activities, Composition of CSR Committee and CSR Policy is annexed herewith as Annexure-A

Annual Return

The details forming part of the extract of the Annual Return in Form MGT 9 is annexed herewith as Annexure-C

Directors Responsibility Statement

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

i) in the preparation of the annual accounts, applicable Accounting Standards have been followed and that there were no material departures therefrom;

ii) they have, in the selection of the accounting policies, consulted the statutory auditors and have applied their recommendations consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2018 and of the profit of the Company for the year ended on that date;

iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) they have prepared the annual accounts on a going concern basis;

v) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively during the year ended 31 March 2018; and

vi) proper system has been devised to ensure compliances with the provisions of all applicable laws and that such systems were adequate and operating effectively during the financial year ended 31 March 2018.

Policy on Appointment and Remuneration of Directors

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

The Remuneration policy provides the framework for remunerating the members of the Board, Key Managerial Personnel and other employees of the Company. This policy is guided by the principles and objectives enumerated in Section 178 (4) of the Companies Act, 2013 and reflects the remuneration philosophy and principles of the Murugappa Group to ensure reasonableness and sufficiency of remuneration to attract, retain and motivate competent resources, a clear relationship of remuneration to performance and a balance between rewarding short and long-term performance of the Company. The policy lays down broad guidelines for payment of remuneration to Executive and Non-Executive Directors within the limits approved by the shareholders.

The Board Nomination criteria and the Remuneration policy are available on the website of the Company at http://www.shanthigears.com/wp-content/uploads/2014/07/sgl-remuneration-policy.pdf.

Related Party Transactions

All related party transactions that were entered during the year under review were on an arm's length basis and were in ordinary course of business. There are no materially significant related party transactions during the year which may have a potential conflict with the interest of the Company at large. Necessary disclosures as required under Accounting Standard (Ind AS 24) have been made in the notes to the Financial Statements. The Policy on Related Party Transactions, as approved by the Board, is uploaded and is available on the Company's website, http://www.shanthigears.com/wp-content/themes/shanthi/pdf/Policy-on-Related-Party-Transactions.pdf. None of the Directors had any pecuniary relationships or transactions vis-à-vis the Company.

Board Evaluation

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

Vigil Mechanism/ Whistle Blower Policy

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

Human Resources

The HR strategy and initiatives of your Company are designed to effectively partner the business in the achievement of its ambitious growth plans and to build a strong leadership pipeline for the present and several years into the future. Industrial Relations continued to be cordial.

The Company had 534 permanent employees on its rolls, as on 31 March 2018.

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

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

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed herewith as Annexure-D.

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

The Company has in place an anti-sexual harassment policy in line with the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Compliance Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (Permanent, contractual, temporary and trainees) are covered under this policy. The Company has not received any complaint about sexual harassment during the year 2017-18.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. M R L Narasimha, Practicing Company Secretary to undertake Secretarial Audit of the Company. The Secretarial Audit Report is annexed herewith and forms part of this Report as Annexure-E. No qualification or observation or other remarks have been made by the Secretarial Auditor in his Report.

Auditors

The Members appointed M/s Deloitte Haskins & Sells, Chartered Accountants (Firm Registration No. 008072S) the Statutory Auditors of the Company for a period of 4 years from the conclusion of 41st AGM (2014) till the conclusion of the ensuing Annual General Meeting.

It is proposed to re-appoint M/s Deloitte Haskins & Sells, Chartered Accountants, as the Statutory Auditors of the Company for a period of five years from the conclusion of the ensuing 45th Annual General Meeting (2018) till the conclusion of the 50th Annual General Meeting (2023).

M/s Deloitte Haskins & Sells, Chartered Accountants have confirmed that they are eligible under section 141 of the Companies Act, 2013 ('the Act") and the Rules thereunder for re-appointment as the Statutory Auditors and have further furnished their consent under the second proviso to Section 139 of the Act and also necessary confirmations. Further, they have also furnished a copy of the certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

The Board recommends the re-appointment of M/s Deloitte Haskins & Sells, Chartered Accountants as the Statutory Auditors for a five-year period and on terms of remuneration as set out in the resolution contained in the Notice of the ensuing Annual General Meeting.

Mr. B Venkateswar was appointed as Cost Auditor for audit of the Cost Accounting records of the Company for the year ended 31 March 2019. A resolution seeking Members' ratification of the Remuneration payable to Cost Auditor is included in the AGM notice dated 2 May 2018. The Cost Audit report will be filed within the stipulated period.

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

On behalf of the Board

Coimbatore
02 May 2018

L Ramkumar
Chairman
DIN-00090089

ANNEXURE A TO THE BOARD'S REPORT
ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

   Shanthi Gears Limited ("Company" or "SGL"), being part of Murugappa Group is known for its tradition of philanthropy and community service. The Company's philosophy is to reach out to the community by establishing service-oriented philanthropic institutions in the field of education and healthcare as the core focus areas.

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

   CSR Policy of the Company inter alia provides for identification of CSR projects and programmes, modalities of execution, monitoring process. The policy can be accessed on the Company's website (http://www.shanthigears.com/wp-content/themes/shanthi/pdf/CSR-Policy.pdf)

Overview of the CSR Projects and Programmes

SGL is committed to identifying and supporting programmes aimed at:

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

2. **Composition of CSR Committee:**

   Mr. C R Swaminathan, Chairman (Independent Director)
   Mr. L Ramkumar (Non-Independent Director)
   Ms. Soundara Kumar (Independent Director)

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

   The average net profit of the Company made during the three immediately proceeding financial years as calculated under Section 135 of the Companies Act, 2013 and Rules thereunder works out to ₹ 21.33 Crores

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

   The Company is required to spend ₹ 0.43 Crores towards CSR

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

   a. **Total amount spent for the financial year:**
      ₹ 0.44 Crores

   b. **Amount Unspent, if any:**
      NIL

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

Sl. No.	Project / Activities	Sector	Location	Amount Outlay (Budget) Project / programswise	Amount Spent on the project / programs	Cumulative Expenditure upto reporting period	Amount Spent: Direct (D) OR through implementing agentcy (IA)*
				District (State)	₹ Crores	₹ Crores	₹ Crores
1	Studies on Bio-energy from agro and other wastes for Rural India	Environment	Rural India	0.20	0.20	0.20	0.20 (IA)
2	Girls Education Centres	Education	Rajgarh (Chhatisgarh)	0.10	0.10	0.10	0.10 (IA)
3	Infrasturcture for Government Schools	Education	Coimbatore (Tamil Nadu)	0.14	0.13	0.13	0.13 (D)

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

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

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

7. Responsibility Statement:

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

On behalf of the Board

L Ramkumar
Chairman
DIN-00090089

C R Swaminathan
Chairman of the CSR Committee
DIN- 00002169

Coimbatore
02 May 2018

ANNEXURE B TO THE BOARD'S REPORT

Disclosure pursuant to Section 197 (12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

(i) Ratio of remuneration* to each Director to the median Employee Remuneration

Name	Designation	Ratio
Mr. M M Murugappan	Chairman	1.13
Mr. C R Swaminathan	Director	1.95
Mr. J Balamurugan	Director	1.89
Mr. V Venkiteswaran	Director	0.66
Ms. Soundara Kumar	Director	1.87
Mr. S K Sundararaman	Director	0.32
Mr. L Ramkumar@	Director	Not Applicable

*Note: * Remuneration includes sitting fees*
@ Mr. L Ramkumar had not received remuneration during the financial year 2017-18

(ii) Percentage Increase in Remuneration of each Director & Key Managerial Personnel in the financial year 2017-18

Name	Designation	% Increase
Mr. M M Murugappan[(a)]	Chairman	13.24%
Mr. C R Swaminathan	Director	87.84%
Mr. J Balamurugan	Director	87.50%
Mr. V Venkiteswaran[(b)]	Director	-32.29%
Ms. Soundara Kumar	Director	87.32%
Mr. S K Sundararaman[(c)]	Director	Not applicable
Mr. L Ramkumar	Director	Not applicable
Mr. Rajiv Narayanamoorthy	Chief Executive Officer	55.70%
Mr. B Balamurugan[(d)]	Chief Financial Officer	Not applicable
Mr. C Subramaniam	Company Secretary	7.00%

(a) Resigned on 2 November 2017
(b) Retired on 26 July 2017
(c) Joined on 6 February 2018
(d) Joined on 29 May 2017

(iii) Percentage Increase in the Median Remuneration of Employees

₹ Lakhs

Median Remuneration	
2016-17	3.24
2017-18	3.56
Increase / (Decrease)	0.33
% Change	10.0%

(iv) Number of Permanent Employees on Roll: 534

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

The average increase granted to employees other than managerial personnel is 9.6 %. The increase granted to managerial personnel is 7.21%

(vi) Affirmation that the remuneration is as per the remuneration policy of the Company

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

On behalf of the Board

Coimbatore
02 May 2018

L Ramkumar
Chairman
DIN-00090089

ANNEXURE C TO THE BOARD'S REPORT

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31 MARCH 2018
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I REGISTRATION AND OTHER DETAILS

1	CIN	L29130TZ1972PLC000649
2	Registration Date	01/07/1972
3	Name of the Company	SHANTHI GEARS LIMITED
4	Category / Sub-Category of the Company	Public Company/Limited by Shares
5	Address of the Registered office and contact details	304-A, Trichy Road, Singanallur, Coimbatore-641005, Tamil Nadu, India. Tel:0422-4545745, Fax: 0422-4545700 E-Mail:cs@shanthigears.murugappa.com
6	Whether listed Company Yes / No	Yes
7	Name, Address and Contact details of Registrar and Transfer Agent, if any	M/s. S.K.D.C. Consultants Limited, Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore-641006, Tamil Nadu, India. Tel: (0422) 4958995, 2539835-836 Fax: (0422) 2539837 E-Mail: info@skdc-consultants.com

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated

Sl. No.	Name and description of main products/service	NIC code of the product/service	% to total turnover of the Company
1	Gears, Gear Boxes and Geared Motors	2814	95.63

III PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl.No	Name and address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of shares held	Applicable Section
1	Tube Investments of India Ltd, 'Dare House', 234, NSC Bose Road, Chennai-600001	L35100TN2008PLC069496	Holding Company	70.12	2(46)

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

i) Category-wise Share Holding

Category of shareholders	No.of Shares held at the beginning of the year				No.of Shares held at the end of the year				% of change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(A) Promoters									
(1) Indian									
a) Individuals/ Hindu Undivided Family	-	-	-	-	-	-	-	-	-
b) Central Government/ State Government(s)	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	57302913	-	57302913	70.13	57302913	-	57302913	70.13	-
d) Financial Institutions/ Banks	-	-	-	-	-	-	-	-	-
e) Any Others(Specify)	-	-	-	-	-	-	-	-	-
TRUSTS	-	-	-	-	-	-	-	-	-
Sub Total(A)(1)	**57302913**	**-**	**57302913**	**70.13**	**57302913**	**-**	**57302913**	**70.13**	**-**
(2) Foreign									
a) Individuals (Non-Residents Individuals/ Foreign Individuals)	-	-	-	-	-	-	-	-	-
b) Bodies Corporate	-	-	-	-	-	-	-	-	-
c) Institutions	-	-	-	-	-	-	-	-	-
d) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
e) Any Others(Specify)	-	-	-	-	-	-	-	-	-
Sub Total(A)(2)	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	**57302913**	**-**	**57302913**	**70.13**	**57302913**	**-**	**57302913**	**70.13**	**-**
(B) Public shareholding									
(1) Institutions									
a) Mutual Funds/ UTI	3399324	4000	3403324	4.17	1068329	4000	1072329	1.31	-2.85
b) Financial Institutions / Banks	183363	2000	185363	0.23	28778	-	28778	0.04	-0.19
c) Central Government/ State Government(s)	-	-	-	-	-	-	-	-	-
d) Venture Capital Funds	-	-	-	-	-	-	-	-	-
e) Insurance Companies	554682	-	554682	0.68	554682	-	554682	0.68	-
f) Foreign Institutional Investors	-	-	-	-	-	-	-	-	-

Category of shareholders	No.of Shares held at the beginning of the year				No.of Shares held at the end of the year				% of change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
g) Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
h) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
i) Any Other (specify)	-	-	-	-	-	-	-	-	-
Alternate Investment Funds	-	-	-	-	2490294	-	2490294	3.05	3.05
Foreign Financial Institutions	-	2000	2000	-	777577	2000	779577	0.95	0.95
Foreign Banks	3000	-	3000	-	3000	-	3000	-	-
Foreign Portfolio Investors	733	-	733	-	763134	-	763134	0.93	0.93
Sub-Total (B)(1)	**4141102**	**8000**	**4149102**	**5.08**	**5685794**	**6000**	**5691794**	**6.97**	**1.89**
(2) Non-institutions									
a) Bodies Corporate									
i) Indian	1862531	15750	1878281	2.30	1511947	15750	1527697	1.87	-0.43
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹ 2 lakhs	11262551	1391346	12653897	15.49	10066708	1261841	11328549	13.86	-1.63
ii) Individual shareholders holding nominal share capital in excess of ₹ 2 lakhs	4275000	-	4275000	5.23	4275000	-	4275000	5.23	-
c) Others (specify)									
DIRECTORS & THEIR RELATIVES	5000	5000	10000	0.01	-	5000	5000	0.01	-0.01
NON RESIDENT INDIANS	595070	20740	615810	0.75	525057	10740	535797	0.66	-0.10
CLEARING MEMBERS	166921	-	166921	0.20	132613	-	132613	0.16	-0.04
HINDU UNDIVIDED FAMILIES	663136	-	663136	0.81	669060	-	669060	0.82	0.01
FOREIGN CORPORATE BODIES	793	-	793	0.00	793	-	793	-	-
Investors Education and Protection Fund Authority	-	-	-	-	246637	-	246637	0.30	0.30
Sub-Total (B)(2)	**18831002**	**1432836**	**20263838**	**24.80**	**17427815**	**1293331**	**18721146**	**22.91**	**-1.89**
Total Public Shareholding (B)= (B)(1)+(B)(2)	**22972104**	**1440836**	**24412940**	**29.88**	**23113609**	**1299331**	**24412940**	**29.88**	**-**
C.Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
GRAND TOTAL (A)+(B)+(C)	**80275017**	**1440836**	**81715853**	**100.00**	**80416522**	**1299331**	**81715853**	**100.00**	**-**

ii) Shareholding of Promoters

Sl. No.	Shareholders Name	Shareholding at the beginning of the year (1 April 2017)			Shareholding at the end of the year (31 March 2018)			% of change in share-holding during the year
		No. of Shares	% of the Shares of the Company	% of the Shares pledged / encumbered to total Shares	No. of Shares	% of the Shares of the Company	% of the Shares pledged / encumbered to total Shares	
1	TUBE INVESTMENTS OF INDIA LIMITED (Presently, renamed as 'TI FINANCIAL HOLDINGS LIMITED') (CIN: L65100TN1949 PLC002905)*	57296413	70.12	-	-	-	-	(70.12)
2	TI FINANCIAL HOLDINGS LIMITED (Presently renamed as 'TUBE INVESTMENTS OF INDIA LIMITED') (CIN: L35100TN2008 PLC069496)*	-	-	-	57296413	70.12	-	70.12
3	AMBADI INVESTMENTS LIMITED#	6500	0.01	-	6500	0.01	-	-
	Total	**57302913**	**70.13**	**-**	**57302913**	**70.13**	**-**	**-**

* Pursuant to a Scheme of Arrangement (Demerger) ("Scheme") between Tube Investmensts of India Ltd ("Demerged Company") and TI Financial Holdings Ltd ("the Resulting Company"), sanctioned by the National Company Law Tribunal, Chennai vide its order 17 July 2017, 5,72,96,413 Equity Shares of ₹ 1/- each held by the Demerged Company in Shanthi Gears Limited vested with Resulting Company. The Scheme become effective on 1 August 2017.

M/s Pressmet Pvt Ltd. Merged with M/s. Ambadi Investments Private Limited with effect from 1 April 2016 as per scheme of Amalgamation approved by National Company Law Tribunal (NCLT) and order of the NCLT dated 7 August 2017

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

S I. No.	Particulars	Shareholding					Cumulative Shareholding during the year (01.04.2017 to 31.03.2018)	
		No.of Shares at the beginning of the year (01.04.2017)/at the end of the year (31.03.2018)	% of total shares of the Company	Date	Increase/ Decrease in Shareholding	Reason	No. of shares	% of total shares of the Company
1	Promoters Shareholding	57302913	70.13		NO CHANGE		57302913	70.13
		57302913	70.13	31-Mar-18				70.13

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

Sl. No.	Name	Shareholding				Cumulative Shareholding during the year (01.04.2017 to 31.03.2018)		
		No.of Shares at the beginning of the year (01.04.2017)/at the end of the year (31.03.2018)	% of total shares of the company	Date	Increase/ Decrease in Shareholding	Reason	No. of shares	% of total shares of the Company
1	SBI INFRASTRUCTURE FUND	2165329	2.65	7-Apr-17	-200000	Transfer	1965329	2.41
		1965329	2.41	28-Apr-17	-400000	Transfer	1565329	1.92
		1565329	1.92	9-Jun-17	-500000	Transfer	1065329	1.30
		1065329	1.30	31-Mar-18			1065329	1.30
2	NIMESH SUMATILAL	1100000	1.35		NO MOVEMENT		1100000	1.35
		1100000	1.35	31-Mar-18				
3	DURGESH S SHAH	1100000	1.35		NO MOVEMENT		1100000	1.35
		1100000	1.35	31-Mar-18				
4	DHANESH S SHAH	1100000	1.35		NO MOVEMENT		1100000	1.35
		1100000	1.35	31-Mar-18				
5	NATIONAL INSURANCE COMPANY LTD	554682	0.68		NO MOVEMENT		554682	0.68
		554682	0.68	31-Mar-18				
6	DIXIT GUNVANTRAI SHAH	525000	0.64		NO MOVEMENT		525000	0.64
		525000	0.64	31-Mar-18				
7	MINDSET SECURITIES PRIVATE LIMITED	405692	0.50	23-Jun-17	3500	Transfer	409192	0.50
		409192	0.50	12-Jan-18	-5660	Transfer	403532	0.49
		403532	0.49	31-Mar-18			403532	0.49
8	SUNDARAM MUTUAL FUND A/C SUNDARAM SELECT MICROCAP SERIES VI	339944	0.42	5-Jan-18	-20973	Transfer	318971	0.39
		318971	0.39	12-Jan-18	-295834	Transfer	23137	0.03
		23137	0.03	26-Jan-18	-23137	Transfer	-	-
		-	-	31-Mar-18				
9	SUNDARAM MUTUAL FUND A/C SUNDARAM SELECT MICROCAP SERIES V	231109	0.28	5-Jan-18	-14258	Transfer	216851	0.27
		216851	0.27	12-Jan-18	-201122	Transfer	15729	0.02
		15729	0.02	26-Jan-18	-15729	Transfer	-	-
		-	-	31-Mar-18				
10	SUNDARAM ALTERNATIVE OPPORTUNITIES FUND - NANO CAP SERIES I	-	-	28-Apr-17	398313	Transfer	398313	0.49
		398313	0.49	30-Jun-17	41989	Transfer	440302	0.54
		440302	0.54	07-Jul-17	9553	Transfer	449855	0.55
		449855	0.55	14-Jul-17	35640	Transfer	485495	0.59
		485495	0.59	18-Aug-17	19588	Transfer	505083	0.62
		505083	0.62	25-Aug-17	17025	Transfer	522108	0.64
		522108	0.64	01-Sep-17	11686	Transfer	533794	0.65
		533794	0.65	08-Sep-17	4439	Transfer	538233	0.66
		538233	0.66	22-Sep-17	21874	Transfer	560107	0.69
		560107	0.69	17-Nov-17	290	Transfer	560397	0.69
		560397	0.69	24-Nov-17	514	Transfer	560911	0.69
		560911	0.69	08-Dec-17	10659	Transfer	571570	0.70
		571570	0.70	15-Dec-17	26551	Transfer	598121	0.73

Sl. No.	Name	Shareholding				Cumulative Shareholding during the year (01.04.2017 to 31.03.2018)		
		No.of Shares at the beginning of the year (01.04.2017)/at the end of the year (31.03.2018)	% of total shares of the company	Date	Increase/ Decrease in Shareholding	Reason	No. of shares	% of total shares of the Company
		598121	0.73	22-Dec-17	250192	Transfer	848313	1.04
		848313	1.04	05-Jan-18	65000	Transfer	913313	1.12
		913313	1.12	12-Jan-18	370000	Transfer	1283313	1.57
		1283313	1.57	19-Jan-18	495000	Transfer	1778313	2.18
		1778313	2.18	26-Jan-18	50000	Transfer	1828313	2.24
		1828313	2.24	02-Feb-18	44981	Transfer	1873294	2.29
		1873294	2.29	31-Mar-18			1873294	2.29
11	PACIFIC ASSETS TRUST PLC	-	-	28-Apr-17	16227	Transfer	16227	0.02
		16227	0.02	5-May-17	49359	Transfer	65586	0.08
		65586	0.08	12-May-17	77621	Transfer	143207	0.18
		143207	0.18	19-May-17	30081	Transfer	173288	0.21
		173288	0.21	26-May-17	175424	Transfer	348712	0.43
		348712	0.43	2-Jun-17	40572	Transfer	389284	0.48
		389284	0.48	9-Jun-17	278588	Transfer	667872	0.82
		667872	0.82	16-Jun-17	826	Transfer	668698	0.82
		668698	0.82	11-Aug-17	3237	Transfer	671935	0.82
		671935	0.82	18-Aug-17	16021	Transfer	687956	0.84
		687956	0.84	25-Aug-17	2068	Transfer	690024	0.84
		690024	0.84	30-Sep-17	13070	Transfer	703094	0.86
		703094	0.86	6-Oct-17	17083	Transfer	720177	0.88
		720177	0.88	13-Oct-17	1207	Transfer	721384	0.88
		721384	0.88	20-Oct-17	27542	Transfer	748926	0.92
		748926	0.92	27-Oct-17	9081	Transfer	758007	0.93
		758007	0.93	31-Oct-17	500	Transfer	758507	0.93
		758507	0.93	16-Mar-18	2194	Transfer	760701	0.93
		760701	0.93	31-Mar-18	16876	Transfer	777577	0.95
		760701	0.93	31-Mar-18			777577	0.95

Sl. No.	Name	Shareholding					Cumulative Shareholding during the year (01.04.2017 to 31.03.2018)	
		No.of Shares at the beginning of the year (01.04.2017)/at the end of the year (31.03.2018)	% of total shares of the company	Date	Increase/ Decrease in Shareholding	Reason	No. of shares	% of total shares of the Company
12	FIRST STATE INVESTMENTS ICVC- STEWART INVESTORS INDIAN SUBCONTINENT FUND	-	-	28-Apr-17	15273	Transfer	15273	0.02
		15273	0.02	05-May-17	46455	Transfer	61728	0.08
		61728	0.08	12-May-17	73051	Transfer	134779	0.16
		134779	0.16	19-May-17	28311	Transfer	163090	0.20
		163090	0.20	26-May-17	165103	Transfer	328193	0.40
		328193	0.40	02-Jun-17	38187	Transfer	366380	0.45
		366380	0.45	09-Jun-17	262195	Transfer	628575	0.77
		628575	0.77	16-Jun-17	778	Transfer	629353	0.77
		629353	0.77	11-Aug-17	3046	Transfer	632399	0.77
		632399	0.77	18-Aug-17	15078	Transfer	647477	0.79
		647477	0.79	25-Aug-17	1946	Transfer	649423	0.79
		649423	0.79	30-Sep-17	12302	Transfer	661725	0.81
		661725	0.81	06-Oct-17	16076	Transfer	677801	0.83
		677801	0.83	13-Oct-17	1136	Transfer	678937	0.83
		678937	0.83	20-Oct-17	25922	Transfer	704859	0.86
		704859	0.86	27-Oct-17	8545	Transfer	713404	0.87
		713404	0.87	31-Oct-17	470	Transfer	713874	0.87
		713874	0.87	16-Mar-18	2064	Transfer	715938	0.88
		715938	0.88	31-Mar-18	15883	Transfer	731821	0.90
		715938	0.88	31-Mar-18			731821	0.90

Sl. No.	Name	Shareholding					Cumulative Shareholding during the year (01.04.2017 to 31.03.2018)	
		No.of Shares at the beginning of the year (01.04.2017)/at the end of the year (31.03.2018)	% of total shares of the company	Date	Increase/ Decrease in Shareholding	Reason	No. of shares	% of total shares of the Company
13	SUNDARAM ALTERNATIVE OPPORTUNITIES FUND - NANO CAP SERIES II	-	-	2-Jun-17	310	Transfer	310	0.00
		310	0.00	9-Jun-17	9845	Transfer	10155	0.01
		10155	0.01	16-Jun-17	98757	Transfer	108912	0.13
		108912	0.13	30-Jun-17	45088	Transfer	154000	0.19
		154000	0.19	18-Aug-17	4773	Transfer	158773	0.19
		158773	0.19	25-Aug-17	15227	Transfer	174000	0.21
		174000	0.21	17-Nov-17	330	Transfer	174330	0.21
		174330	0.21	24-Nov-17	495	Transfer	174825	0.21
		174825	0.21	8-Dec-17	9357	Transfer	184182	0.23
		184182	0.23	15-Dec-17	18885	Transfer	203067	0.25
		203067	0.25	22-Dec-17	75763	Transfer	278830	0.34
		278830	0.34	29-Dec-17	170	Transfer	279000	0.34
		279000	0.34	5-Jan-18	35000	Transfer	314000	0.38
		314000	0.38	12-Jan-18	130000	Transfer	444000	0.54
		444000	0.54	19-Jan-18	160000	Transfer	604000	0.74
		604000	0.74	2-Feb-18	13000	Transfer	617000	0.76
		617000	0.76	31-Mar-18			617000	0.76

Note : 1. As the Company is listed, its shares are traded on a daily basis and hence the above dates refer to the respective beneficiary dates.
2. The above list comprises top 10 shareholders as on 1 April 2017 and as on 31 March 2018

v) Shareholding of Directors and Key Managerial Personnel

For each of the Directors and Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No of Shares	% of total share of the Company	No of Shares	% of total share of the Company
Directors				
Mr. C R Swaminathan				
At the beginning of the year	5000	0.01%	5000	0.01%
Date-wise increase in shareholding during the year	NIL			
At the end of the year	5000	0.01%	5000	0.01%
Mr. V Venkiteswaran*				
At the beginning of the year	5000	0.01%	5000	0.01%
Date-wise increase in shareholding during the year(22-12-2017)	-4000	0.00%	1000	0.01%
At the end of the year	1000	0.00%	1000	0.00%

* Retired from the Board on 26 July 2017
Note: Other than the above, none of the Directors and key managerial personnel held shares at the beginning, during and end of the financial year 2017-18

V INDEBTEDNESS

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

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

VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

During the financial year 2017-18, no Managing Director, Whole-time Director or Manager was in employment of the Company.

b. Remuneration to other Directors

1. Independent Directors

₹ Lakhs

Particulars of Remuneration	Name of Director					Total Amount
	Mr. C R Swaminathan	Mr. J Balamurugan	Mr. V Venkiteswaran [a]	Ms. Soundara Kumar	Mr. Sundararaman [b]	
Fee for attending Board/Committee Meetings	1.95	1.75	0.70	1.65	0.30	6.35
Commission	5.00	5.00	1.67	5.00	0.83	17.50
Others, Please specify	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL (B)(1)	**6.95**	**6.75**	**2.37**	**6.65**	**1.13**	**23.85**

(a) Retired on 26 July 2017
(b) Appointed on 6 February 2018

2. Other Non- Executive Directors

₹ Lakhs

Particulars of Remuneration	Name of Director		Total Amount
	Mr. M M Murugappan*	Mr.L Ramkumar	
Fee for attending Board/Committee Meetings	1.10	NIL	1.10
Commission	2.91	NIL	2.91
Others, Please specify	NIL	NIL	NIL
TOTAL (B)(2)	**4.01**	**NIL**	**4.01**
TOTAL (B)(1) + (B)(2) Total managerial remuneration			**27.86**

* Resigned on 2 November 2017

Note: Overall Ceiling as per the Companies Act, 2013 ₹ 32.79 Lakhs

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

₹ Lakhs

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		Mr. Rajiv Narayanamoorthy Chief Executive Officer	Mr. B Balamurugan Chief Financial Officer*	Mr.C Subramaniam Company Secretary	Total Amount
1	Gross Salary				
	(a) Salary as per the provision contained in Section 17(1) of the Income Tax Act, 1961	79.49	25.15	14.98	119.62
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	17.02	-	-	17.02
	(c) Profit in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-	-
2	Stock options	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	-as % of profit	-	-	-	-
	-others, specify	-	-	-	-
5	Others, please specify	-	-	-	-
	TOTAL	**96.51**	**25.15**	**14.98**	**136.64**

*Note : Appointed with effect from 29 May 2017.

VII) PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

There were no penalties, punishment or compounding of offences during the year ended 31 March 2018.

On behalf of the Board

Coimbatore
02 May 2018

L Ramkumar
Chairman
DIN-00090089

ANNEXURE D TO THE BOARD'S REPORT

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

The Company is committed to the conservation of energy and various measures are pursued in this regard. Some of the measures taken during 2017-18 are highlighted hereunder:

Measures undertaken includes reduction of cycle time due to change of layout for some of the machines. The Company installed thyristor based control in the place of contactor type control in Heat Treatment Furnaces, Variable Frequency Drive for shot blasting machines, Slotting and Hobbing Machines. Air Leakage plugged and conventional control panels replaced with programmable logic controls. The company also installed LED lights & solar tube day lights in various places.

Green Power

The company has 9 Wind Mills with a Total rated capacity of 6.7 MW. The total number of units of electricity generated from these wind mills was around 112.64 Lakhs units. The generation helped the company not only in meeting out the shortage in power but also in reducing the cost.

The Company has also installed solar panels for a rated capacity of 200 kW. The number of units generated through this source was around 2.46 lakhs units.

Technology Absorption

Efforts made by the company towards technology absorption and its benefits

Research and Development (R&D) efforts during the year continued to focus on new product/applications development. High power density Planetary gearbox was designed for improved thermal capacity. The team developed light weight designs for niche applications and validated the concept through in-house static load tests. The business launched advanced technology gears to fit existing principal dimensions for conventional markets to enhance productivity.

R&D will continue to work on the future products to address the changing business environment – Condition monitoring, reliability-based designs, full load tests etc.,

Expenditure on R & D

	2017-18 ₹ Crores
Capital Expenditure	3.24
Revenue Expenditure	1.28
Total	**4.52**
Total R & D Expenditure as a % of turnover	2.06%

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

Foreign Exchange Earnings and Outgo

	2017-18 ₹ Crores
Foreign Exchange Earned	10.79
Foreign Exchange Outgo	3.79

On behalf of the Board

Coimbatore
02 May 2018

L Ramkumar
Chairman
DIN-00090089

ANNEXURE E TO THE BOARDS' REPORT

FORM NO. MR-3

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31 March 2018

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

To,
The Members,
Shanthi Gears Limited (CIN: L29130TZ1972PLC000649)
Coimbatore

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

Based on my verification of the Shanthi Gears Limited books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31 March 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Shanthi Gears Limited ("the Company") for the financial year ended on 31 March 2018 according to the provisions of:

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

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings does not arise;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :-

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(c) The Company has not issued any securities during the year under review and hence the question of compliance of provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 does not arise;

(d) The Company has not issued any securities during the year under review and hence the question of compliance of provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 does not arise;

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 does not arise;

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) The company has not delisted its securities from any of the Stock Exchanges in which it is listed during the period under review and hence the question of complying with the provisions of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 does not arise;

(h) The Company has not bought back any securities during the period under review and hence the question of complying with the provisions of the Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; and

(i) The Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

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

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There were changes in the composition of the Board of Directors during the period under review as below:

Mr. V Venkiteswaran and Mr. M M Murugappan has resigned with effect from 26 July 2017 and 2 November 2017 respectively. Mr. S K Sundararaman appointed as an additional Director on 6 February 2018.

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

There are certain businesses which can be transacted through Video Conferencing as provided under the Companies Act, 2013 and relevant rules made thereunder. One meeting of the Board was held through Video Conferencing during the year, which was properly convened, conducted and proceedings recorded in compliance with the provisions of Section 173(2) of the Companies Act, 2013 read with Rule 3 of The Companies (Meetings of Board and its Power) Rules, 2014 providing the procedure for convening and conducting Board Meetings Video Conferencing.

Based on the verification of the records and the Minutes, the decisions of the Meetings of the Board/Committees of the Company where carried out with the consent of all the Directors/ Committee Members and there were no dissenting members as per the Minutes. Further in the Minutes of the General Meeting, the particulars of the members who voted against the resolutions have been properly recorded.

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

M.R.L. Narasimha
Practicing Company Secretary
FCS No. 2851
C P No. 799

Coimbatore
02 May 2018

This report is to be read with my letter of even date which is Annexed as annexure A and forms an integral part of this report.

SAR M/s. SHANTHI GEARS LIMITED 31 March 2018

ANNEXURE A TO SECRETARIAL AUDIT REPORT OF EVEN DATE

To
The Members,
M/s. SHANTHI GEARS LIMITED (CIN: L29130TZ1972PLC000649)
Coimbatore

My Secretarial Audit Report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the company. My responsibility is to make a report based on the secretarial records produced for my audit.

2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices I followed provide a reasonable basis for my report.

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

4. I have obtained the management's representation about the compliances of laws, rules and regulations and happenings of events, wherever required.

5. Compliance with the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of the management.

6. This Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

M.R.L.NARASIMHA
Practicing Company Secretary
Membership No. F2851
C P No.799

Coimbatore
02 May 2018

MANAGEMENT DISCUSSION AND ANALYSIS

On Indian Economy

The Indian economy is expected to grow at an annual rate of 7.4% in 2018 and 7.8% in 2019, according to a recently released IMF Economic Outlook. Over the medium term, growth is expected to gradually rise with continued implementation of structural reforms that raise productivity and incentivise private investment.

On the Gear Industry

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

Industry Scenario
Focus Markets

Industry	Growth Drivers
Steel	Steel production in India is 111 MTPA approximately and is expected to double in next decade. Demand is expected to grow at a CAGR of 7.8% to reach steel consumption level of 121 MTPA by 2020
Cement	Domestic cement demand will grow at 6% to 9% but the capacity additions will be lesser due to under utilisation of existing capacities. Cement Production in India (ranked 2nd in the world) reached 420 MTPA and is expected to reach 550 MTPA by 2025
Paper	India's paper demand to rise by 53% by 2020. Investment worth ₹ 20,000 Crores in five years is expected to lower the cost of production and improve demand for manufacturers
Power	Indian conventional power infrastructure will grow at ~12% and renewables at ~21% to meet the increasing power demand. 72.3 GW thermal power, 10.8 GW hydro power & 5.3 GW nuclear power is planned to be added in next 5 years
Railways	The Industry is moving towards High-Speed Technology and is looking for Domestic players
Defence	Indian Defence Capex expected to increase at ~14% from ~INR 750 bn in FY14 to INR 2400 bn in FY23. The major opportunities are in land Defence followed by Aerospace and Naval.
Construction	India's Construction Equipment market has doubled in the last 5 years and expected to grow at ~20% to reach ~US$ 12 bn by 2020, growth mainly driven by infrastructure.

Review of Performance

During the year the business registered a topline growth of 16% to ₹ 209.1 Crores aided by growth in revenues, the profit after tax grew by 27% to ₹ 28.6 Crores. The business continued to build relationships through high levels of customer engagement during the year through the Connect programs. Focus on New Product Development and Import Substitution helped in sustaining the competitive advantage.

Focus on lean principles helped the business to reduce the net working capital by 14%. In its endeavor to build sustainable business, the company embarked on certifications such as IMS (QMS, EMS and OHSAS) coupled with approvals from Defence, Industrial Scientific Research and Aerospace.

Significant number of VAVE projects were taken up to meet cost reduction through improvement in material efficiencies and labour productivity. Focus continued to be on consolidation of operations and maximizing returns on the investments made in the earlier years. Capital investments were made in core value add areas to debottleneck capacities.

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

Internal Control

Internal control system in the organization are looked at as the key to its effective functioning. The Internal Audit team periodically evaluates the adequacy and effectiveness of these internal controls, recommends improvements and also reviews adherence to policies based on which corrective action is taken to address gaps, if any.

Internal Financial Control Systems with reference to financial statements

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

On behalf of the Board

Coimbatore
02 May 2018

L Ramkumar
Chairman
DIN-00090089

ENTERPRISE RISK ANALYSIS AND MANAGEMENT

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

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

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

Raw material cost increase is an area of concern. Any such increase adversely affects the profitability. The Company continues to explore opportunities to enhance vendor base through strategic sourcing route.

On behalf of the Board

Coimbatore
02 May 2018

L Ramkumar
Chairman
DIN-00090089

REPORT ON CORPORATE GOVERNANCE

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

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

Board of Directors

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

The Board consists of five members, as on the date of this Report, with knowledge and experience in different fields. Mr. L Ramkumar, Chairman (Non-Executive) is non-Independent Directors in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Mr. J Balamurugan, Ms. Soundara Kumar, Mr. C R Swaminathan and Mr. S K Sundararaman are Independent Directors in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. None of the said Directors are related to each other.

Members had approved the appointment of Mr. J Balamurugan, Ms. Soundara Kumar, and Mr. C R Swaminathan as Independent Directors for such terms as mentioned under the respective resolutions relating to their appointment in Notice of the Annual General Meetings. Board recommended the appointment of Mr. S K Sundararaman as an Independent Director to the members. The Company had issued letter of appointment to the said Independent Directors as required under Sehedule IV to the Companies Act, 2013 and the terms and conditions of their appointment have also been disclosed on the Company's website (www.shanthigears.com) *(*link:http://www.shanthigears.com/wp-content/themes/shanthi/pdf/Appointment-of Independent- Directors-Terms-and-Conditions.pdf*)*

All Independent Directors have given a declaration that they meet the criteria of independence as laid down under Section 149 (6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

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

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

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

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

There were five meetings of the Board during the financial year 2017-18. The dates of the Board meetings, attendance and the number of Directorships/ Committee memberships held by the Directors as on 31 March 2018 are given in **Table 1** of the annexure to this Report.

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

Audit Committee

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

The Company has an independent Audit Committee. Of the three members of the Committee, all are independent Directors, with Mr. C R Swaminathan, being the Chairman. All the members of the Committee have excellent financial and accounting knowledge.

The quarterly financial results are placed before the Audit Committee for its review, suggestions and recommendations, before taking the same to the Board. The Statutory audit plans and progress are shared with the Committee for its review. The internal audit plans are drawn up in consultation with Chief Executive Officer and Chief Financial Officer and the Audit Committee. The Committee reviews the observations of the internal auditor periodically. The Committee also provides guidance on compliance with the Accounting Standards and accounting policies. The statutory and internal auditors attend the audit committee meetings. The Committee also tracks the implementations of its guidelines/ suggestions through review of action taken reports. The terms of reference of Audit Committee are in line with the enhanced scope for the Committees as laid down under Section 177 of the Companies Act, 2013 and Corporate Governance norms under SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

The Committee met four times during the year ended 31 March 2018. The Composition of the Audit Committee and the attendance of each member at these meetings are given in **Table 2** of the annexure to this Report.

Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee in accordance with the requirement of Section 178 of the Companies Act, 2013 and the revised Corporate Governance norms. The scope of the Committee includes (a) identify/recommend to the Board persons qualified to become Directors and for appointment in senior management (b) formulate criteria for evaluation of Independent Directors and the Board (c) devise Board diversity policy and (d) formulate criteria relating to Directors and recommend remuneration policy relating to Directors, key managerial personnel and other employees.

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

Remuneration to Directors

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

The details of remuneration paid/payable to the Non-Executive Directors, for the financial year ended 31 March 2018 is given in **Table 4** of the annexure to this Report.

Corporate Social Responsibility Committee

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

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

Risk Management Committee

The Risk Management Committee's scope includes to specifically identify/monitor key risks of the Company and evaluate the management of suck risks for effective mitigation. The Committee provides periodical updates to the Board and provides support in the discharge of the Board's overall responsibility in overseeing the risk management process.

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

Performance Evaluation

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

To take the evaluation exercise forward, all the Independent Directors of the Company met on 20 March 2018, without the attendance of the Non-Independent Directors and members of the management to discuss inter alia the matters specified under Schedule IV of the Companies Act, 2013.

The Board reviewed the process of evaluation of the Board of Directors and its Committees including Chairman, Managing Director/ CEO and the Individual Directors.

Related Party Transactions

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

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

The policy for related party transactions approved by the Board had been uploaded on the Company's website *(*Web link: http://www.shanthigears.com/wp-content/themes/shanthi/pdf/Policy-on-Related-Party-Transactions.pdf*)*

Investors' Service

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

The Stakeholders Relationship Committee was constituted to specifically focus on investor service levels. This Committee has prescribed norms for attending to the investors' services and the Committee periodically reviews the service standard achieved by the Company and its Registrar and Transfer Agent as against the prescribed norms.

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

Mr. L Ramkumar, a Non-Executive Director, is the Chairman of the Stakeholders Relationship Committee. The Committee met once during the year ended 31 March 2018. The composition of the Committee and attendance of its members at the meetings are given in **Table 6** of the annexure to this Report.

None of investor complaint was received during the year. No complaints were pending as at 31 March, 2018.

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

Statutory Compliance

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

Internal Control

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

Whistle Blower Policy

Pursuant to the requirements of Section 177 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has established a vigil mechanism (Whistle Blower Policy) for the employees and Directors as an avenue to voice concerns relating to unethical behavior, actual or suspected fraud or violation of the Company's code of conduct. The Ombudsperson appointed by the Board deals with the complaints received and ensures appropriate action. The mechanism also provides adequate safeguards against victimisation of persons using the mechanism and provides direct access to the chairperson of the Audit Committee in appropriate or exceptional cases. No employee was denied access to the Audit Committee.

Compliance of Corporate Governance Norms

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

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

Other Disclosures

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

A write up on the risks associated with the business and mitigation plans therefor also forms part of the Board's Report.

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

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

General Shareholder Information

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

On behalf of the Board

Coimbatore
02 May 2018

L Ramkumar
Chairman
DIN-00090089

DECLARATION ON CODE OF CONDUCT

To
The Members of Shanthi Gears Limited

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

It is further confirmed that all Directors and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended 31 March 2018, as envisaged in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

On behalf of the Board

Coimbatore
02 May 2018

Rajiv Narayanamoorthy
Chief Executive Officer

ANNEXURE TO THE CORPORATE GOVERNANCE REPORT

(A) Board Meeting Dates and Attendance

The Board of Directors met five times during the financial year 2017-18. The dates of the Board meetings were 3 May, 2017, 26 July 2017, 2 November 2017, 6 February 2018 and 20 March 2018.

The attendance of each Director at the meetings, the last Annual General Meeting and number of other Directorships/Committee memberships held by them as on 31 March 2018 are as follows:

TABLE 1

Sl. No.	Name of Director	Board meetings attended (No. of meeting held)	Number of Directorships including SGL (out of which as Chairman) [(a)]	Number of committee memberships including SGL (out of which as Chairman) [(b)]	Attendance at last AGM	No. of Shares held as on 31 March 2018
1	Mr. M M Murugappan[(c)]	3(3)	10(7)	8(5)	Present	-
2	Mr. L Ramkumar	5(5)	4(1)	2(1)	Present	-
3	Mr. C R Swaminathan	5(5)	2	3(2)	Present	5000
4	Mr. J Balamurugan	5(5)	3	1	Present	-
5	Mr. V Venkiteswaran[(d)]	2(2)	1	1	Present	1000
6	Ms. Soundara Kumar	5 (5)	9	6(2)	Present	-
7	Mr. S K Sundararaman[(e)]	2(2)	5	3	Not Applicable	-

(a) Excludes foreign companies, private limited companies (which are not subsidiary or holding Company of public Company), alternative Directorship and companies registered under Section 8 of the Companies Act, 2013
(b) Includes only membership in Audit and Stakeholders Relationship Committees.
(c) Resigned from the Board on 2 November 2017
(d) Retired from the Board on 26 July 2017
(e) Appointed as Director on 6 February 2018

(B) Composition of Audit Committee and Attendance

The Committee met four times during the financial year 2017-18. The dates of meetings were 3 May, 2017, 26 July 2017, 2 November 2017 and 6 February 2018.The composition of the Audit Committee and attendance of each Member at these meetings are as follows:

TABLE 2

Sl. No.	Name of Member	No. of Meetings Attended (No. of meeting held)
1	Mr. C R Swaminathan, Chairman	4(4)
2	Mr. J Balamurugan	4(4)
3	Mr. M M Murugappan*	3(3)
4	Mr. V Venkiteswaran#	2(2)
5	Ms. Soundara Kumar	4(4)

* Resigned from the Committee on 2 November 2017
# Retired from the Committee on 26 July 2017

(C) Composition of Nomination and Remuneration Committee and Attendance

The Committee met three times during the financial year ended 31 March 2018. The dates of meetings were 3 May 2017, 26 July 2017 and 6 February, 2018. The composition of Nomination & Remuneration Committee and the attendance of each member at these meetings are as follows:

TABLE 3

Sl. No.	Name of Member	No. of Meetings Attended (No. of meeting held)
1	Mr. C R Swaminathan, Chairman	3(3)
2	Mr. J Balamurugan	3(3)
3	Mr. M M Murugappan*	2(2)
4	Mr. L Ramkumar#	1(1)

* Resigned from the Committee on 2 November 2017
# Appointed as member of the Committee on 25 January 2018

(D) Remuneration of Non-Executive Directors

The details of commission provided for/ sitting fees paid to Non-Executive Directors for the year ended 31 March 2018 are as follows:

TABLE 4

Amount in ₹

Name of the Directors	Commission*	Sitting fees	Total
Mr. M M Murugappan	2,91,667	1,10,000	4,01,667
Mr. C R Swaminathan	5,00,000	1,95,000	6,95,000
Mr. J Balamurugan	5,00,000	1,75,000	6,75,000
Mr. V Venkiteswaran	1,66,667	70,000	2,36,667
Ms. Soundara Kumar	5,00,000	1,65,000	6,65,000
Mr. S K Sundararaman	83,333	30,000	1,13,333

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

(E) Composition of Corporate Social Responsibility Committee and Attendance

The Committee met two times during the financial year ended 31 March 2018. The dates of meetings were 26 July 2017 and 6 February, 2018.The composition of Corporate Social Responsibility Committee and the attendance of each member at these meetings are as follows:

TABLE 5

Sl. No.	Name of Member	No. of Meetings Attended (No. of meeting held)
1	Mr. V Venkiteswaran, Chairman[(a)]	1(1)
2	Mr. C R Swaminathan, Chairman[(b)]	2(2)
3	Ms. Soundara Kumar	2(2)
4	Mr. L Ramkumar[(c)]	1(1)

(a) Retired from the Committee on 26 July 2017
(b) Chairman of the Committee with effect from 2 November 2017
(c) Appointed as member of the Committee on 2 November 2017

(F) Composition of Stakeholders Relationship Committee and Attendance

The Committee met once during the financial year ended 31 March 2018. The date of meeting was 20 March 2018. The composition of the Stakeholders Relationship Committee and the attendances at the meetings are as follows:

TABLE 6

Sl. No.	Name of Members	No. of Meetings Attended (No. of meeting held)
1	Mr. L Ramkumar, Chairman	1(1)
2	Mr. C R Swaminathan	1(1)

(G) Composition of Risk Management Committee and Attendance

The Committee met once during the financial year ended 31 March 2018. The date of meeting was 6 February 2018.The composition of the Risk Management Committee and the attendance of each member at the meeting are as follows:

TABLE 7

Sl. No.	Name of Members	No. of Meetings Attended (No. of meeting held)
1	Mr. J Balamurugan, Chairman	1(1)
2	Mr. V Venkiteswaran*	Not Applicable
3	Ms. Soundara Kumar#	1(1)
4	Mr. Rajiv Narayanamoorthy	1(1)

* Retired from the Committee on 26 July 2017
# Appointed as member of the Committee on 2 November 2017

On behalf of the Board

Coimbatore
02 May 2018

L Ramkumar
Chairman
DIN-00090089

INDEPENDENT AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF SHANTHI GEARS LIMITED

1. This Certificate is issued in accordance with the terms of our engagement letter dated September 08, 2017.

2. We, Deloitte Haskins & Sells, Chennai, Charted Accountants, the Statutory Auditors of Shanthi Gears Limited (''the Company''), have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on March 31, 2018, as stipulated in Regulations 17 to 27 and Clauses (b) to (i) of Regulation 46 (2) and paras C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations).

Management's Responsibility

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

Auditor's Responsibility

4. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither and audit nor and expression of opinion on the financial statements of the Company.

5. We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.

6. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143 (10) of the Companied Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

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

Opinion

8. Based on our examination of the relevant records and according of the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Regulations 17 to 27 and Clauses (b) to (i) of Regulation 46 (2) and paras C and D of Schedule V of The Listing Regulations during the year ended March 31, 2018.

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

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

Coimbatore
02 May 2018

C R Rajagopal
Partner
Membership No. 023418

GENERAL SHAREHOLDER INFORMATION

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

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

Annual General Meeting
Day : Thursday
Date : 2 August 2018
Time : 4.00 P.M.
Venue : Registered Office of the Company
304-A, Trichy Road, Singanallur, Coimbatore-641 005

Tentative Calendar for 2018-19

Annual General Meeting	2 August 2018
Results for the Quarter Ending 30 June 2018	2 August 2018
Results for the Quarter Ending 30 September 2018	October / November, 2018
Results for the Quarter Ending 31 December 2018	January/February 2019
Results for the Year Ending 31 March 2019	April/May 2019

Book Closure Date : 27 July 2018 to 2 August 2018 (Both days inclusive)

Dividend

During the year, in February 2018, the Company paid an interim dividend of ₹ 1/- per equity share. The same has been treated as final dividend.

Unclaimed Dividend

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

Financial Year to which dividend relates	Date of declaration	Due for Transfer to IE&P Fund
2010-11(Final)	11.07.2011	16.08.2018
2011-12(Final)	23.07.2012	28.08.2019
2012-13(Final)	24.07.2013	29.08.2020
2013-14 (Interim)	27.01.2014	04.03.2021
2014-15 (Interim)	02.02.2015	10.03.2022
2015-16 (Interim)	27.01.2016	03.03.2023
2016-17 (Final)	26.07.2017	31.08.2024
2017-18 (Interim)	06.02.2018	14.03.2025

As provided under the Companies Act, 1956/2013, dividends remaining unclaimed for a period of seven years shall be transferred by the Company to the IE&P Fund. In the interest of the investors, the Company is in the practice of sending reminders to the investors concerned, before transfer of unclaimed dividend to the IE&P Fund. Unclaimed/un-encashed dividends up to the year 2009-10 have been transferred to the IE&P Fund.

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

Instructions to Shareholders

(a) Shareholders holding shares in physical form

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

(b) Shareholders holding shares in demat form

Shareholders can make use of the National Electronic Clearing Services ("NECS") of Reserve Bank of India, offered at several centres across the country, to receive dividend payment directly into their bank account, avoiding thereby the hassles relating to handling of physical warrants besides elimination of risk of loss in postal transit/ fraudulent encashment of warrants. The NECS operates on the account number allotted by the Bank post Core Banking Solution implementation. The new Bank account number may kindly be intimated by the shareholders to the Depository Participant.

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

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

Listing on Stock Exchanges and Stock Code

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

The Company has paid annual listing fees for the financial year 2018-2019 in respect of the above stock exchanges.

Market Price Data and Comparison

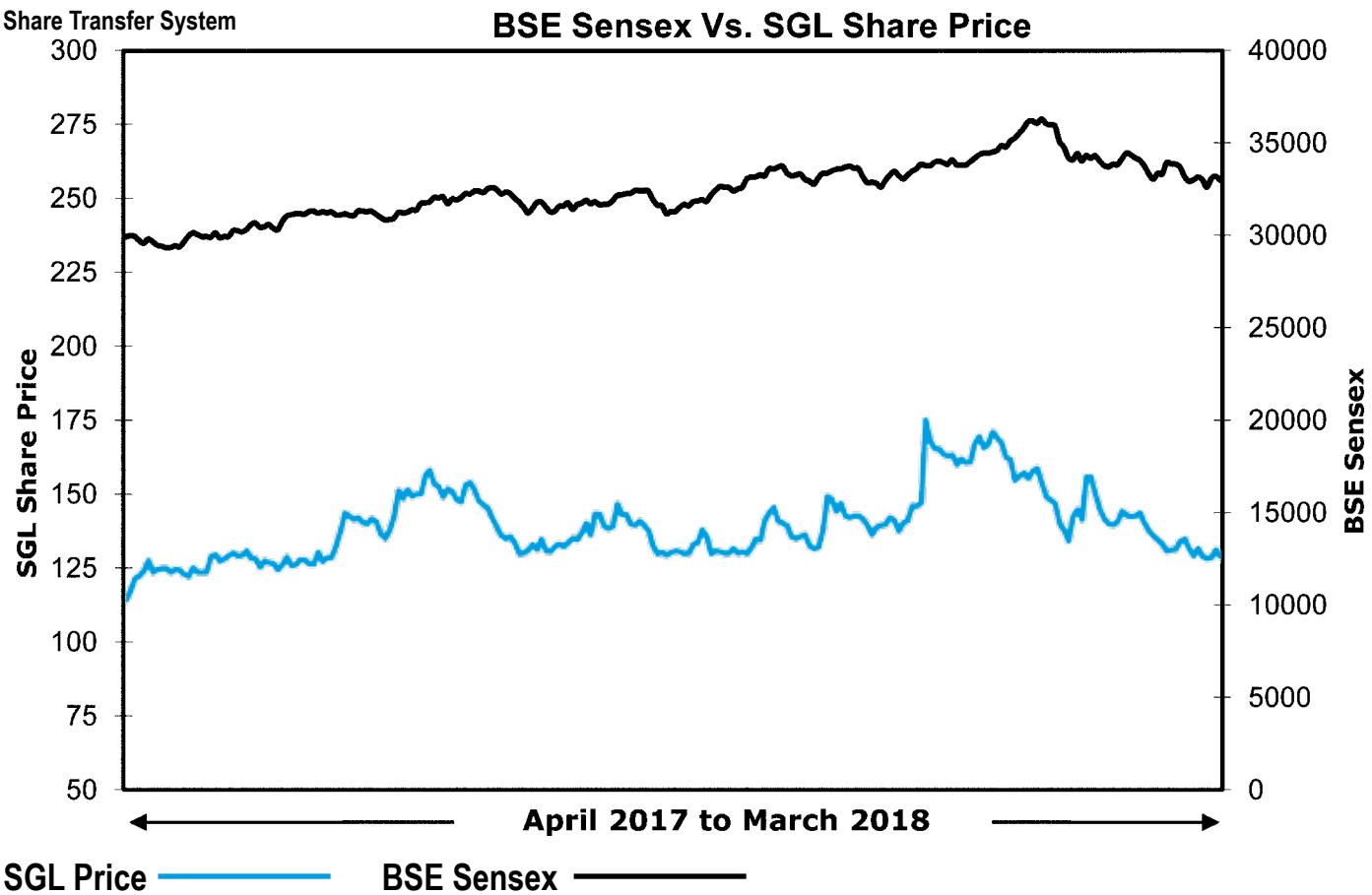
Monthly high and low price of the Equity Shares of the Company during 2017-18 are as follows:

Month	BSE Ltd		National Stock Exchange of India Ltd	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2017	129.60	110.20	129.80	109.95
May 2017	135.60	123.05	135.70	123.25
June 2017	148.15	124.95	147.80	125.25
July 2017	167.60	144.00	167.90	143.55
August 2017	144.60	128.05	146.70	127.20
September 2017	148.50	128.15	149.00	128.05
October 2017	144.00	129.30	143.95	129.00
November 2017	156.70	130.25	156.90	131.45
December 2017	178.90	135.25	179.10	135.30
January 2018	175.00	146.15	175.70	146.90
February 2018	163.90	130.05	164.00	130.50
March 2018	144.85	127.00	145.90	128.00

Performance in comparison to broad based indices

SGL Share Performance (April 2017 to March 2018)

Share Transfer System



The Company's Shares are in the Compulsory Demat List and are transferable through Depository system. Both dematerialisation requests and physical share transfers are handled by S.K.D.C. Consultants Limited.

The Share transfers which are received in physical form are processed and the Share Certificates are returned within 15 days from the date of receipt, subject to the Documents being valid and complete in all respects.

Registrar and Share Transfer Agents

S.K.D.C. CONSULTANTS LIMITED,
Kanapathy Towers, 3rd Floor,
1391/A-1, Sathy Road,
Ganapathy,
Coimbatore-641006, Tamil Nadu
Tel : (0422) 4958995, 2539835-836
Fax : (0422) 2539837
Email : info@skdc-consultants.com

Shareholding pattern as on 31 March 2018

Sl No.	Category	No.of Shares	%
1	Promoters	5,73,02,913	70.13
2	Mutual Funds, Banks, Financial Institutions, Insurance Companies	16,55,789	2.03
3	Alternate Investment Funds	24,90,294	3.05
4	NRI's/OCB's	5,35,797	0.66
5	Foreign Financial Institutions	7,79,577	0.95
6	Foreign Banks	3,000	0.00
7	Foreign Portfolio Investments - Corporate	7,63,927	0.93
8	Unclaimed or Suspense or Escrow Account	3,04,640	0.37
9	Private Corporate Bodies	13,55,670	1.66
10	Indian Public	1,62,77,609	19.92
11	IEPF Authority	2,46,637	0.30
	Total	**8,17,15,853**	**100.00**

Distribution of Shareholding as on 31 March 2018

No. of Equity Shares held	No. of Shareholders	% Shareholders	No.of Shares	% Shares
1 - 500	11267	77.19	1524223	1.87
501 - 1000	1266	8.67	1074087	1.31
1001 - 5000	1559	10.68	3904995	4.78
5001 - 10000	314	2.15	2209302	2.70
10001 - 100000	170	1.16	3998412	4.89
100001 AND ABOVE	22	0.15	69004834	84.45
Total	**14598**	**100.00**	**81715853**	**100.00**

Dematerialisation of Shares and Liquidity

As on 31 March 2018, 8,04,16,522 shares were in dematerialised form representing 98.41 % of total shares.

Commodity Price Risk/Foreign Exchange Risk and Hedging Activities

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

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

Financial Year Ending	Date	Time	Venue
31.03.2015	30.07.2015	4.00 P.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005
31.03.2016	25.07.2016	2.00 P.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005
31.03.2017	26.07.2017	4.00 P.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005

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

Date of AGM	Whether any Special Resolution was passed	Resolution
30.07.2015	Yes	Payment of Commission to Non-Executive Directors
25.07.2016	Yes	Re-appointment of Mr. V Venkiteswaran as an Independent Director
26.07.2017	Yes	Re-appointment of Mr. C R Swaminathan as an Independent Director

Resolution passed by Postal Ballot

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

Means of Communication

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

The quarterly/annual results are also available on the Company’s website, www.shanthigears.com

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

Unclaimed shares

In accordance with Regulation 34(3) and Schedule V part F of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the details in respect of the Equity Shares lying in the Unclaimed Suspense Account are given below:

Sl. No.	Particulars	No. of Shareholders	No. of shares
1	Aggregate number of Shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on 01.04.2017	303	4,97,620
2	Number of Shareholder who approached the Company for transfer of their shares from Unclaimed Suspense Account during 01.04.2017 to 31.03.2018	8	12,720
3	Number of Shareholder to whom shares were transferred from the Unclaimed Suspense Account during 01.04.2017 to 31.03.2018	8	12,720
4	Shares relating to unclaimed dividend for 7 years transferred to Investors Education & Protection Fund account during the year 01.04.2017 to 31.03.2018	95	1,80,260
5	Aggregate number of Shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on 31.03.2018	200	3,04,640

Shareholders who continue to hold the Share Certificates with face value of ₹ 10/- are entitled to claim the equity shares with the face value of ₹ 1/- from the Unclaimed Suspense Account. Further, the shareholders who have not claimed bonus shares are also entitled to claim the shares from Unclaimed Suspense Account. The voting rights on the shares outstanding in the suspense account as on 31 March 2018 shall remain frozen till the rightful owner of such share claims the share. On receipt of the claim, the Company will, after verification, arrange to credit the equity shares to the demat account of the shareholder concerned or deliver the Share Certificate to the shareholder in physical mode after re-materialisation.

Plant Locations

A Unit : 304-A, Trichy Road, Singanallur, Coimbatore-641 005
B Unit : 304-F, Trichy Road, Singanalllur, Coimbatore-641 005
C Unit : Avinashi Road, Muthugoundenpudur (PO), Coimbatore-641 406
D Unit : K.Krishnapuram, Kamanaickenpalayam (PO), Palladam Taluk, Tirupur District- 641 658
Foundry Division : Kannampalayam, Sulur via, Coimbatore - 641 402

Contact Address

Compliance Officer	For all matters relating to investors Services
Mr. C Subramaniam Company Secretary Shanthi Gears Limited 304-A, Trichy Road Singanallur Coimbatore – 641 005. Tel : (0422) 4545745 Fax : (0422) 4545700 Email : cs@shanthigears.murugappa.com	S.K.D.C. CONSULTANTS LIMITED Kanapathy Towers, 3rd Floor 1391/A-1, Sathy Road Ganapathy Coimbatore-641006 Tel:(0422) 4958995,2539835-836 Fax : (0422) 2539837 Email: info@skdc-consultants.com

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHANTHI GEARS LIMITED

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Shanthi Gears Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018 and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Companyin accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Companyand for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143(11) of the Act.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us,the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit, we reportthat:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

   d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.

   e) On the basis of the written representations received from the directors of the Company as on March 31, 2018 taken on record by the Board of Directors, none of the directorsis disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

   g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements;

   ii. The Company did not have any long-term contracts including derivative contracts;

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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

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

Coimbatore
02 May 2018

C R Rajagopal
Partner
Membership No. 023418

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)
Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Shanthi Gears Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Coimbatore
02 May 2018

C R Rajagopal
Partner
Membership No. 023418

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

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

i. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.

ii. As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.

iii. The company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

iv. The Company has not granted any loans, made investments, or provided guarantees and hence reporting under clause (iv) of the CARO 2016 is not applicable.

v. According to the information and explanations given to us, the Company has not accepted any deposit during the year to which the provisions of Sections 73 to 76 or any other relevant provisions of Companies Act, 2013 were applicable.

vi. The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013 for Gears and Accessories. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

vii. According to the information and explanations given to us, in respect of statutory dues:

a. The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Goods and Services Tax, Value Added Tax, Cess and other material statutory dues applicable to it to the appropriate authorities.

b. There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Goods and Services Tax,Value Added Tax, Cess and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.

c. Details of dues of Income-tax, Excise Duty, Service Tax and which have not been deposited as on March 31, 2018 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹ Crores)	Amount unpaid (₹ Crores)
Central Excise Act, 1944	Excise Duty on Interunit transfer of Machinery	Jurisdictional Officer	2005-06	₹ 1.52 Crores*	₹ 1.52 Crores
Income Tax Act, 1961	Demand on Dividend distribution tax	Joint Commissioner of Income tax, Range III	2010-11	₹ 0.03 Crores	₹ 0.03 Crores
Finance Act	Classification of duty	CESTAT, Chennai	2011-12 to 2015-16	₹ 0.07 Crores	₹ 0.07 Crores

* Includes penalty of ₹ 0.76 Crores

viii. The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of CARO 2016 is not applicable to the Company.

ix. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable

x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

xi. In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

xii. The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.

xiii. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.

xiv. During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 Order is not applicable to the Company.

xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

Coimbatore
02 May 2018

C R Rajagopal
Partner
Membership No. 023418

FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 MARCH 2018

₹ Crores

Particulars	Note No.	As at 31.03.2018	As at 31.03.2017
ASSETS			
Non-current Assets			
(a) Property, plant and equipment	4	49.44	57.91
(b) Capital work-in-progress		0.50	0.77
(c) Investment property	5	7.11	7.20
(d) Intangible assets	4	0.26	0.21
(e) Financial assets			
(i) Investments	6	12.17	12.17
(f) Deferred tax assets (net)	7	5.95	3.60
(g) Other non-current assets	8	5.81	6.31
Total non-current assets		**81.24**	**88.17**
Current Assets			
(a) Inventories	9	58.88	75.17
(b) Financial assets			
(i) Investments	10a	101.40	57.60
(ii) Trade receivables	10b	55.48	45.93
(iii) Cash and cash equivalents	10c	0.98	2.09
(iv) Other bank balances	10c	0.50	0.39
(v) Other financial assets	10d	56.23	69.50
(c) Current tax assets (Net)		-	1.27
(d) Other current assets	11	5.35	7.43
Total current assets		**278.82**	**259.38**
TOTAL ASSETS		**360.06**	**347.55**
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	12	8.17	8.17
(b) Other equity	13	309.62	298.15
Total equity		**317.79**	**306.32**
Liabilities			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Other long-term liabilities	14	0.88	0.66
(b) Provisions	15	0.10	0.10
Total non-current liabilities		**0.98**	**0.76**
Current Liabilities			
(a) Financial liabilities			
(i) Trade payables	16a	23.67	25.04
(ii) Other financial liabilities	16b	0.50	0.39
(b) Provisions	17	0.61	0.52
(c) Current tax liabilities (Net)		0.30	-
(d) Other current liabilities	18	16.21	14.52
Total current liabilities		**41.29**	**40.47**
Total liabilities		**42.27**	**41.23**
TOTAL EQUITY AND LIABILITIES		**360.06**	**347.55**
Significant Accounting Policies	3		
See accompanying notes forming part of the Financial Statements			

In terms of our report attached.

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants
C R Rajagopal
Partner
Coimbatore
02 May 2018

L Ramkumar
Chairman
(DIN: 00090089)

B Balamurugan
Chief Financial Officer

Rajiv Narayanamoorthy
Chief Executive Officer

C Subramaniam
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2018

₹ Crores

Particulars	Note No.	Year ended 31.03.2018	Year ended 31.03.2017
Revenue from operations			
Sale of products & Services	19	219.55	203.82
Other income	20	11.92	10.73
Total Income		**231.47**	**214.55**
Expenses			
(a) Cost of materials consumed	21	81.42	77.46
(b) Changes in inventories of finished goods and work in progress	22	8.87	(8.40)
(c) Excise duty		5.43	19.87
(d) Employee benefits expense	23	41.72	38.86
(e) Depreciation and amortisation expense	24	15.56	17.83
(f) Other expenses	25	45.30	40.43
Total Expenses		**198.30**	**186.05**
Profit Before Tax		**33.17**	**28.50**
Tax Expense			
Income Tax	26		
Current Tax (net)		7.00	8.10
Deferred Tax		(2.41)	(2.11)
		4.59	**5.99**
Profit for the year		**28.58**	**22.51**
Other Comprehensive Income			
Item that will not be reclassified into profit or loss			
Re-measurement gains and (losses) on defined benefit/obligation (net)		0.17	(0.12)
Income tax relating to Item that will not be reclassified into profit or loss	26	(0.06)	0.04
Total Comprehensive Income		**28.69**	**22.43**
Earnings Per Equity Share of ₹ 1/- each	37		
Basic (in ₹)		3.50	2.75
Diluted (in ₹)		3.50	2.75
Significant Accounting Policies	3		
See accompanying notes forming part of the Financial Statements			

In terms of our report attached.

For Deloitte Haskins & Sells
Chartered Accountants
C R Rajagopal
Partner

For and on behalf of the Board of Directors

L Ramkumar
Chairman
(DIN: 00090089)

Coimbatore
02 May 2018

B Balamurugan
Chief Financial Officer

Rajiv Narayanamoorthy
Chief Executive Officer

C Subramaniam
Company Secretary

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
A. Cash Flow from Operating Activities		
Profit for the year	28.58	22.51
Adjustments for:		
Depreciation of property, plant and equipment	15.47	17.76
Depreciation of investment properties	0.09	0.07
(Profit)/Loss on Property plant & equipment Sold / Discarded (Net)	(0.70)	(0.11)
Income tax expense	4.59	5.99
Interest income	(6.19)	(6.20)
Dividend income	(3.82)	(3.03)
Net gain arrising of financial assets measured at fair value through profit or loss	(0.67)	(0.94)
Provision for doubtful trade receivables	0.16	0.49
Bad debts written off	0.88	-
Operating Profit before Working Capital / Other Changes	**38.39**	**36.54**
Changes in working capital:		
Adjustments for (increase) / decrease in operating assets:		
Inventories	16.29	(8.46)
Trade receivables	(9.55)	(7.34)
Other financial assets	14.12	(5.31)
Other current assets	2.08	(2.26)
Other non-current assets	0.50	(0.98)
Adjustments for increase / (decrease) in operating liabilities:		
Trade payables	(1.37)	3.63
Other current liabilities	1.69	3.73
Other long-term liabilities	0.22	0.01
Short-term provisions	0.09	0.08
Cash generated from operations	**62.46**	**19.64**
Net income tax paid	(6.16)	(5.83)
Net cash generated by operating activities	**56.30**	**13.81**
B. Cash flow from investing activities		
Capital expenditure on fixed assets, including capital advances	(6.32)	(6.11)
Proceeds from sale of property plant and equipments	0.76	0.11
Investment in long term investments (Net)	-	(6.17)
Purchase of current investments	(114.85)	(16.13)
Proceeds from current investments	71.05	8.50
Interest received		
- Others	5.34	3.85
Dividend received		
- Others	3.82	3.03
Net cash flow used in investing activities (B)	**(40.20)**	**(12.92)**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
C. Cash flow from financing activities		
Dividends paid on equity shares	(14.30)	-
Tax on dividend	(2.91)	-
Net cash flow used in financing activities (C)	**(17.21)**	**-**
Net increase/(decrease) in Cash and cash equivalents (A+B+C)	**(1.11)**	**0.89**
Cash and cash equivalents at the beginning of the year	2.09	1.20
Cash and cash equivalents at the end of the year	**0.98**	**2.09**
Cash and Cash Equivalents as at End of the Year comprises of		
(a) Cash on hand*	0.00	0.00
(b) Balances with banks		
i) In Current Accounts	0.98	2.09
Cash and Cash Equivalents as at End of the Year	**0.98**	**2.09**

* Cash on hand for the current year is ₹ 23,445

In terms of our report attached.

For Deloitte Haskins & Sells
Chartered Accountants
C R Rajagopal
Partner

For and on behalf of the Board of Directors

L Ramkumar
Chairman
(DIN: 00090089)

Coimbatore
02 May 2018

B Balamurugan
Chief Financial Officer

Rajiv Narayanamoorthy
Chief Executive Officer

C Subramaniam
Company Secretary

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

a) Equity Share Capital

₹ Crores

Particulars	Amount
Balance as at 01 Apr 2017	**8.17**
Shares issued during the year	**-**
Balance as at 31 Mar 2018	**8.17**

b) Other Equity

₹ Crores

Particulars	General reserve	Securities premium	Retained Earnings	Other Comprehensive Income	Capital redemption reserve	Total Other Equity
Balance at 31 March 2017	**241.00**	**24.29**	**32.33**	**0.51**	**0.02**	**298.15**
Profit for the year 2017-18			28.58			28.58
Payment of dividends						-
For the previous year			(7.38)			(7.38)
Interim Dividend for the current year			(9.84)			(9.84)
Transfer to General Reserve	9.00		(9.00)			-
Other Comprehensive Income				0.11		0.11
Balance at 31 March 2018	**250.00**	**24.29**	**34.69**	**0.62**	**0.02**	**309.62**

See accompanying notes forming part of the Financial Statements

In terms of our report attached.

For Deloitte Haskins & Sells
Chartered Accountants
C R Rajagopal
Partner

For and on behalf of the Board of Directors

L Ramkumar
Chairman
(DIN: 00090089)

Coimbatore
02 May 2018

B Balamurugan
Chief Financial Officer

Rajiv Narayanamoorthy
Chief Executive Officer

C Subramaniam
Company Secretary

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

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

The financial statements were authorised for issue in accordance with a resolution of the directors on 02 May 2018.

2. Basis of Preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Companies (Indian Accounting Standards) Amendment Rules, 2016.

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

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

3. Significant Accounting Policies

3.1. Presentation and disclosure of financial statements

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

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

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

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

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

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

3.2. Fair Value Measurement

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

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

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

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

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

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

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

a) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

NOTES TO FINANCIAL STATEMENTS

b) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

c) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

3.3. Use of Estimates

The preparation of the financial statements in conformity with Ind AS requires the Management to make judgements, estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses like provision for employee benefits, provision for doubtful trade receivables/ advances/contingencies, provision for warranties, allowance for slow/non-moving inventories, useful life of Property, Plant and Equipment, provision for taxation, etc.,during the reporting year. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

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

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

3.5. Cash Flow Statement

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

3.6. Property, Plant and Equipment

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

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

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

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

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

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

Capital Work-in-Progress: Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost and attributable interest. Once it becomes available for use, their cost is re-classified to appropriate caption and are subjected to depreciation.

3.7. Investment Properties

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

3.8. Intangible Assets

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

3.9. Impairment of Assets

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

3.10. Inventories

Raw materials, stores & spare parts and stock in trade are valued at lower of weighted average cost (net of allowances) and estimated net realisable value. Cost includes freight, taxes and duties and is net of credit under VAT, CENVAT and GST schemes, where applicable.Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Work-in-process and finished goods are valued at lower of weighted average cost (net of allowances) and estimated net realisable value. Cost includes all direct costs and appropriate proportion of overheads to bring the goods to the present location and condition.

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

3.11. Revenue and Other Income

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The Company has assumed that recovery of excise duty flows to the Company on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Company on its own account, revenue includes excise duty.

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

Sale of Goods:

Revenue from sale of goods are recognised on transfer of significant risk and rewards of ownership to the buyer which generally coincides with shipment. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Rendering of Services:

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

Dividends:

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

Interest Income:

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

NOTES TO FINANCIAL STATEMENTS

Rental Income:

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

3.12. Export benefits

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

3.13. Employee Benefits

I. Defined Contribution Plan

a. Provident Fund

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

b. Employee State Insurance

Contributions to Employees State Insurance Scheme are recognised as expense in the year in which the services are rendered.

II. Defined Benefit Plan

Gratuity

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by Life Insurance Corporation of India (LIC). The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year using the Projected Unit Credit method. Actuarial gains/losses are immediately recognised in retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not re-classified to profit or loss in subsequent periods. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The defined benefit obligation recognised in the balance sheet represents the present value of the Defined Benefit Obligation less the Fair Value of Plan Assets out of which the obligations are expected to be settled and adjusted for unrecognised past service cost, if any. Any asset arising out of this calculation is limited to the past service cost plus the present value of available refunds and reduction in future contributions.

III. Long-Term Employee Benefits

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

IV. Short-Term Employee Benefits

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

3.14. Operating Leases

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

3.15. Foreign Currency Transactions

Initial recognition

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

Measurement as at Balance Sheet Date

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

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

Treatment of exchange differences

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

3.16. Depreciation and Amortisation

Depreciation on assets (other than freehold land) has been provided on the straight-line method as per the useful life prescribed in

NOTES TO FINANCIAL STATEMENTS

Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc.:

Depreciation of Assets	Useful life and Basis of depreciation / amortisation
Furniture & Fixtures	5 years
Motorcars	4 years
Office Equiments (including Data Processing Eqipments)	3 years
Plant & Machinery	15 years
Computer Software	3 years

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period. The Company also has a system of providing additional depreciation, where, in the opinion of the Management, the recovery of the fixed asset is likely to be affected by the variation in demand and/or its condition/usability.

3.17. Research and Development

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

3.18. Taxes on Income

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

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

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

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

3.19. Provisions and Contingent Liabilities

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

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

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

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

3.20. Service tax / GST input credit

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

NOTES TO FINANCIAL STATEMENTS

3.21. Financial Instruments

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

A. Financial assets

i. Initial recognition and measurement

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

ii. Subsequent measurement

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

iii. De-recognition

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

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

iv. Impairment of financial assets

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

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

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

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

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

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

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

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Statement of Profit and Loss (P&L). This amount is reflected under the head 'other expenses' in the P&L. The Balance Sheet presentation for various financial instruments is described below:

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

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

B. Financial liabilities

i. Initial recognition and measurement

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

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

NOTES TO FINANCIAL STATEMENTS

ii. Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

De-recognition

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

New standards and interpretations not yet adopted

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified theCompanies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21,Foreign currency transactions and advance consideration whichclarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity hasreceived or paid advance consideration in a foreign currency. The amendment will come into force from April 1, 2018. The Company is evaluating the effect of this on the financial statements.

Ind AS 115- Revenue from Contract with Customers:

On March 28, 2018, the Ministry of Corporate Affairs notified Ind AS 115 Revenue from Contracts with Customers. The standard replaces Ind AS 11 Construction Contracts and Ind AS 18 Revenue.

The new standard applies to contracts with customers. The core principle of the new standard is that an entity should recognize revenue to depict transfer of promisedgoods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further, thenew standard requires enhanced disclosures about the nature, timing and uncertainty of revenues and cash flows arising from the entity's contracts with customers. Thenew standard offers a range of transition options. An entity can choose to apply the new standard to its historical transactions and retrospectively adjust each comparativeperiod. Alternatively, an entity can recognize the cumulative effect of applying the new standard at the date of initial application - and make no adjustments to itscomparative information. The chosen transition option can have a significant effect on revenue trends in the financial statements. A change in the timing of revenuerecognition may require a corresponding change in the timing of recognition of related costs.

The standard is effective for annual periods beginning on or after 1 April 2018. The Company is currently evaluating the requirements of Ind AS 115,and has not yet determined the impact on the financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE - 4 : PROPERTY PLANT & EQUIPMENTS

₹ Crores

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	As at 01.04.2017	Additions	Disposals	As at 31.03.2018	As at 01.04.2017	Additions	Disposals	As at 31.03.2018	As at 31.03.2018	As at 31.03.2017
A. Tangible assets - Owned										
Land	2.86	-	-	2.86	-	-	-	-	2.86	2.86
	(2.86)	-	-	(2.86)	-	-	-	-	(2.86)	(2.86)
Buildings	22.85	0.75	-	23.60	2.05	1.06	-	3.11	20.49	20.80
	(22.85)	-	-	(22.85)	(0.99)	(1.06)	-	(2.05)	(20.80)	(21.86)
Plant & Machinery	59.78	5.22	3.09	61.91	27.87	12.98	3.09	37.76	24.15	31.91
	(52.14)	(8.85)	(1.21)	(59.78)	(14.02)	(15.06)	(1.21)	(27.87)	(31.91)	(38.12)
Furniture & Fittings	1.51	0.07	-	1.58	0.78	0.37	-	1.15	0.43	0.73
	(1.37)	(0.19)	(0.05)	(1.51)	(0.41)	(0.42)	(0.05)	(0.78)	(0.73)	(0.96)
Office Equipments	1.73	0.48	0.09	2.12	0.73	0.66	0.09	1.30	0.82	1.00
	(1.63)	(0.53)	(0.43)	(1.73)	(0.42)	(0.74)	(0.43)	(0.73)	(1.00)	(1.21)
Vehicles	0.94	0.41	0.53	0.82	0.33	0.27	0.47	0.13	0.69	0.61
	(0.73)	(0.24)	(0.03)	(0.94)	(0.15)	(0.21)	(0.03)	(0.33)	(0.61)	(0.58)
Total	**89.67**	**6.93**	**3.71**	**92.89**	**31.76**	**15.34**	**3.65**	**43.45**	**49.44**	**57.91**
Previous Year	(81.58)	(9.81)	(1.72)	(89.67)	(15.99)	(17.49)	(1.72)	(31.76)	(57.91)	(65.59)
B.Intangible assets - Acquired										
Computer Software	1.10	0.18	-	1.28	0.89	0.13	-	1.02	0.26	0.21
	(0.98)	(0.12)	-	(1.10)	(0.62)	(0.27)	-	(0.89)	(0.21)	(0.36)
Total	**1.10**	**0.18**	**-**	**1.28**	**0.89**	**0.13**	**-**	**1.02**	**0.26**	**0.21**
Previous Year	(0.98)	(0.12)	-	(1.10)	(0.62)	(0.27)	-	(0.89)	(0.21)	(0.36)

Previous Year Figures are given in brackets.

NOTES TO FINANCIAL STATEMENTS

5. Investment Property

₹ Crores

Particulars	Amount
Deemed Cost	
Opening Balance as at 01 April 2017	7.37
Additions / Deletions during the year	-
Closing Balance as at 31 March 2018	7.37
Accumulated Depreciation	
Opening Balance as at 01 April 2017	0.17
Additions during the year	0.09
Closing Balance as at 31 March 2018	0.26
Net Block	
As at 31 March 2017	7.20
As at 31 March 2018	7.11

Information regarding income and expenditure of Investment property

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Rental Income derived from investment properties	0.36	0.35
Direct operating expenses (including repairs and maintenance)	-	-
Profit arising from investment properties before depreciation and indirect expenses	0.36	0.35
Less: Depreciation	(0.09)	(0.07)
Profit arising from investment properties before indirect expenses	0.27	0.28

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

As on 31 March 2018 and on 31 March 2017, the fair values of the property is ₹ 8.17 Crs and ₹ 8.13 Crs respectively.

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

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

NOTES TO FINANCIAL STATEMENTS

6. Financial assets
Non-Current Investments
(At amortised cost)

₹ Crores

Particulars	Nominal Value	As at 31.03.2018		As at 31.03.2017	
		No. of units	Value ₹ Crores	No. of units	Value ₹ Crores
Investment in Tax Free Bonds - Quoted					
PFC Tax Free Bonds	1000	2567	0.26	2567	0.26
IRFC Tax Free Bonds	1000	26783	2.75	26783	2.75
NHAI Tax Free Bonds	1000	11428	1.14	11428	1.14
IREDA Tax Free Bonds	1000	23624	2.41	23624	2.41
HUDCO Tax Free Bonds	1000	21442	2.19	21442	2.19
NABARD Tax Free Bonds	1000	4008	0.40	4008	0.40
RECL Tax Free Bonds	1000	8000	0.94	8000	0.94
NTPC Tax Free Bonds	1000	17735	1.99	17735	1.99
NHPC Tax Free Bonds	1000	800	0.09	800	0.09
Total			**12.17**		**12.17**

7. Deferred Tax Assets (net)

₹ Crores

Particulars	Balance Sheet		Statement of Profit and Loss	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Recognised in profit or loss				
Provision for Doubtful Debts	1.15	1.09	0.06	0.19
Defined benefit obligations	2.00	1.54	0.46	0.19
Provision for warranties	0.03	0.03	-	-
FVTPL financial assets	(0.26)	(0.55)	0.29	(0.31)
Property, plant and equipment	1.76	1.01	0.75	1.75
Provision for inventories	1.60	0.75	0.85	0.29
Recognised in other comprehensive income				
Defined benefit obligations	(0.33)	(0.27)	(0.06)	0.04
Deferred Tax Assets (Net)	**5.95**	**3.60**	**2.35**	**2.15**

NOTES TO FINANCIAL STATEMENTS

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

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
Capital Advances		
Considered Good	0.67	1.19
Considered Doubtful	0.18	0.18
	0.85	**1.37**
Less: Provision for Doubtful Advance	(0.18)	(0.18)
	0.67	**1.19**
Security Deposits	2.31	3.07
Advance Income Tax	2.61	1.87
Rental Advances	0.22	0.18
Total	**5.81**	**6.31**

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

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
Raw Material and Consumables	24.12	31.54
Semi Finished Goods	32.83	40.44
Finished Goods	1.93	3.19
Total	**58.88**	**75.17**

The cost of inventories recognised as an expense during the year in respect of continuing operations was ₹ 81.42 Crs (for the year ended 31 March 2017: ₹ 77.46 Crs).

The cost of inventories recognised as an expense includes ₹ 2.48 Crs (during 2016-17: ₹ 0.85 Crs) in respect of write downs (net) of inventory to net realisable value.

The inventories of ₹ 0.47Crs (as at 31 March 2017 ₹ 0.19 Crs) are expected to be recovered after more than twelve months.

NOTES TO FINANCIAL STATEMENTS

10. Financial Assets

a) Current Investments

₹ Crores

Particulars	Nominal Value	As at 31.03.2018		As at 31.03.2017	
		No. of units	Value ₹ Crores	No. of units	Value ₹ Crores
Investment in mutual funds - Quoted					
Reliance Liquid Fund - Treasury plan - direct Daily Dividend Reinvestment	1500	65967	10.08	76927	11.76
ICICI Prudential Liquid – Direct Plan – Daily Dividend	100	824493	8.25	1052783	10.54
Birla Sun Life Cash Plus – Daily Dividend -Direct Plan -Reinvestment	100	867805	8.69	1244280	12.47
SBI Liquid Fund - Daily Dividend -Direct Plan - Reinvestment	1000	71150	7.14	-	-
ICICI Prudential Income Opportunities - Growth	20	5313983	12.90	5315983	12.23
IDFC Arbitrage Fund	10	12041082	15.70	-	-
Kotak Equity Arbitrage Fund	20	2322296	5.90	-	-
DHFL Pramerica Arbitrage Fund	10	15790101	17.15	-	-
UTI Fixed Term Income Fund Series XXVIII - III	10	5000000	5.00	-	-
UTI Treasury Advantage Fund - Direct plan - Daily Dividend	1000	105676	10.59	105744	10.60
Total			**101.40**		**57.60**

b) Trade Receivables

(Unsecured)

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
Outstanding for a period exceeding six months from the day they were due for payment		
- Considered Good	2.59	1.95
- Considered Doubtful	1.93	1.96
Less: Provision for Doubtful Receivables	(1.93)	(1.96)
Other Receivables		
- Considered Good	52.89	43.98
- Considered Doubtful (Expected Credit Loss)	0.68	0.49
Less: Provision for Doubtful Receivables	(0.68)	(0.49)
Total	**55.48**	**45.93**

Out of the above ₹ 0.04 Crs. (PY Nil) is receivable from Holding Company and ₹ 0.06 Crs (PY ₹ 0.05 Crs) is receivable from TI Tsubamex Private Limited, a related party, disclosed in Note 35.

Trade receivables are non-interest bearing and are generally have credit period of 60 days.

The Company has used a practical expedient by computing the expected credit loss allowances for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward looking information.

NOTES TO FINANCIAL STATEMENTS

Movement in the expected credit loss allowance:

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
Balance at beginning of the year	**0.49**	**0.43**
Movement in expected credit loss allowance on trade receivables calculated at life time expected credit loss	0.18	0.06
Balance at end of the year	**0.67**	**0.49**

c) Cash and Cash Equivalents

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
Balances with banks in current accounts	0.98	2.09
Cash on hand*	0.00	0.00
Cash and Cash Equivalents as per Ind AS 7	**0.98**	**2.09**
Other bank balances:		
– Unpaid dividend accounts	0.50	0.39
Total	**1.48**	**2.48**

* Represents ₹ 23,445 (PY ₹ 47,982)

d) Other Financial Assets

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
Other financial assets - Amortised cost		
a) Accruals		
i) Interest Accrued on Deposits	4.92	4.06
ii) Interest Accrued on Bonds	0.32	0.33
b) Other Loans and Advances		
ii) Gratuity Fund with LIC (net) (Refer Note 33)	0.44	0.49
iii) Annual Leave Fund with LIC (net)	0.45	0.62
c) Balance in Fixed Deposit Accounts - Original maturity of more than 3 months	47.61	61.66
d) Others		
i) Receivable from Sale of Surplus Energy	2.33	2.25
ii) Others	0.16	0.09
Total	**56.23**	**69.50**

NOTES TO FINANCIAL STATEMENTS

11. Other Current Assets
(Unsecured, Considered Good)

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
a) Prepaid Expenses	0.96	0.45
b) Balance with Statutory authorities	3.69	6.29
c) Advance to suppliers	0.49	0.47
c) Loans & Advances to employees	0.19	0.21
d) Others	0.02	0.01
Total	**5.35**	**7.43**

12. Equity Share Capital

₹ Crores

Particulars	As at 31.03.2018	As At 31.03.2017
AUTHORISED:		
10,00,00,000 Equity Shares of ₹ 1/- each with Voting rights	10.00	10.00
Issued Subscribed and Fully Paid-Up:		
8,17,15,853 Equity Shares of ₹ 1/- each	8.17	8.17

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

Particulars	For the year ended 31.03.2018		For the year ended 31.03.2017	
	No. of shares	₹ in Crores	No. of shares	₹ in Crores
At the beginning of the year	8,17,15,853	8.17	8,17,15,853	8.17
Shares allotted during the year	-	-	-	-
At the end of the year	8,17,15,853	8.17	8,17,15,853	8.17

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

Particulars	As At 31.03.2018 (No. of shares)	As At 31.03.2017 (No. of shares)
Out of the equity shares issued by the company:		
-Tube Investments of India Limited, the holding company	5,72,96,413	5,72,96,413

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

Particulars	As at 31.03.2018		As at 31.03.2017	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares of ₹ 1/- each fully paid up with voting rights:				
-Tube Investments of India Limited, the holding company	5,72,96,413	70.12%	5,72,96,413	70.12%

(iv) The Company has only one class of equity shares having par value of ₹ 1/- each . Each holder of Equity shares is entitled to one vote per equity share. Dividends are paid in India Rupees. Dividends proposed by Board of Directors, if any is subject to approval of the Shareholders in the Annual General Meeting, except in case of Interim Dividend.

NOTES TO FINANCIAL STATEMENTS

13. Other Equity

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
General reserve	250.00	241.00
Securities premium	24.29	24.29
Retained earnings	34.69	32.33
Other Comprehensive Income	0.62	0.51
Capital redemption reserve	0.02	0.02
Total	**309.62**	**298.15**

General Reserve : It represents appropriation of profit by the company.
Securities Premium : Amounts received on issue of shares in excess of the par value has been classified as securities premium.
Retained earnings : Retained earnings comprise of the Company's prior years' undistributed earnings after taxes.

The Board of Directors at its meeting held on May 03, 2017 had recommended a final dividend of 75% (₹ 0.75 per equity share of par value ₹ 1 each). The proposal was approved by shareholders at the Annual General Meeting held on July 26, 2017. This has resulted in a cash outflow of ₹ 7.38 Crs inclusive of dividend distribution tax of ₹ 1.25 Crs.

The Board of Directors at its meeting held on February 06, 2018 had declared an interim dividend of 100% (₹ 1 per equity share of par value ₹ 1 each). The aforesaid interim dividend was paid during the year. This has resulted in a cash outflow of ₹ 9.84 Crs inclusive of dividend distribution tax of ₹ 1.66 Crs.

14. Financial Liabilities – Non-current
(a) Other Long-Term Liabilities

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
Security Deposits from Dealers	0.88	0.66
Total	**0.88**	**0.66**

15. Provisions

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
Provision for Warranty-(Refer note below)	0.10	0.10
Total	**0.10**	**0.10**

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

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
Provision for Warranty		
At the Beginning of the Year	0.10	0.10
Add: Provision created during the year	0.09	0.07
	0.19	**0.17**
Less: Utilised during the year	(0.09)	(0.07)
At the end of the year	**0.10**	**0.10**

NOTES TO FINANCIAL STATEMENTS

16. Financial Liabilities

a) Trade Payables

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
Other than Acceptances (Refer note below)	23.67	25.04
Total	**23.67**	**25.04**

Trade payables are non-interest bearing and are normally settled within a period of 90 days.
Based on, and to the extent of information received from the suppliers regarding their status under the Micro, Small & Medium Enterprises Development Act, 2006 (MSMED Act), and relied upon by the Auditors, there are no such dues to such suppliers.

b) Other Financial Liabilities
(at amortised cost)

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
Unclaimed Dividends *	0.50	0.39
Total	**0.50**	**0.39**

* Amounts to be credited to Investor Education and Protection Fund towards Unpaid Dividends ₹ 0.05 Crs (as at 31 March 2017: ₹ 0.06 Crs).

17. Provisions

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
Provision for Compensated Absences	0.61	0.52
Total	**0.61**	**0.52**

18. Other Current Liabilities

₹ Crores

Particulars	**As at 31.03.2018**	**As at 31.03.2017**
Advances from Customers	10.22	9.41
Statutory Remittances	5.29	4.41
Others	0.70	0.70
Total	**16.21**	**14.52**

19. Revenue from Operations (Gross)

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Sale of Products	209.96	195.83
Sale of Services	4.53	4.07
Other Operating Revenue		
Sale of Scrap	4.26	3.57
Duty Draw Back and Export Incentives	0.72	0.35
Sale of surplus wind energy	0.08	-
Total	**219.55**	**203.82**

NOTES TO FINANCIAL STATEMENTS

Sale of goods include excise duty collected from customers of ₹ 5.31 Crs (31 March 2017: ₹ 19.24 Crs). Sale of goods net of excise duty is ₹ 204.59 Crs (31 March 2017: ₹ 176.59 Crs.)

Sale of scrap includes excise duty collected from customers of ₹ 0.06 Crs (31 March 2017: ₹ 0.38 Crs.). Sale of scrap net of excise duty is ₹ 4.19 Crs (31 March 2017: ₹ 3.19 Crs.)

20. Other Income

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
a) Interest Income on		
Bank Deposits	5.19	5.26
Others	1.00	0.94
b) Dividend Income from Current Investments	3.82	3.03
c) Net gain arising on financial assets designated as at FVTPL	0.67	0.94
d) Other Non-Operating Income		
Rental Income	0.38	0.35
Gain on disposal of property plant and equipments	0.70	0.11
Net gain on foreign currency transactions and translations	0.16	0.10
Total	**11.92**	**10.73**

21. Cost of Materials Consumed

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Opening Stock	31.54	31.48
Add: Purchases	74.00	77.52
	105.54	**109.00**
Less: Closing Stock	24.12	31.54
Cost of Material Consumed (Refer Note 28A)	**81.42**	**77.46**
Cost of Material Consumed comprises of:		
Steel Rods & Forgings	49.28	43.84
Bearings	10.36	12.23
Other items (not exceeding 10% of total consumption)	21.78	21.39
Total	**81.42**	**77.46**

NOTES TO FINANCIAL STATEMENTS

22. Changes in Inventories of Finished Goods and Work in Progress

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Inventories at the beginning of the year		
Work-in-Progress	40.44	32.69
Finished Goods	3.19	2.54
	43.63	**35.23**
Inventories at the end of the year		
Work-in-Progress	32.83	40.44
Finished Goods	1.93	3.19
	34.76	43.63
Net Decrease/(Increase)	**8.87**	**(8.40)**

23. Employee Benefits Expense

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Salaries, Wages & Bonus *	35.85	33.72
Contribution to Provident & Other Funds (Refer note 33)	1.71	1.69
Staff Welfare Expenses	4.16	3.45
Total	**41.72**	**38.86**

* Includes cost of option of Tube Investment of India Limited (Holding Company) in favour of Mr. Rajiv Narayana Moorthy (CEO) of Rs. 0.14 Crs.

24. Depreciation and amortization expense

₹ Crores

Particulars	**Year ended 31.03.2018**	**Year ended 31.03.2017**
Depreciation of property plant and equipment	15.34	17.49
Amortization of intangible assets	0.13	0.27
Depreciation of Investment Property	0.09	0.07
Total	**15.56**	**17.83**

NOTES TO FINANCIAL STATEMENTS

25. Other Expenses

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Consumption of stores and spare parts (Refer Note 28 B)	1.11	0.89
Power and Fuel	6.25	5.61
Subcontracting Charges	9.73	9.13
Rent including lease rentals (Refer Note 36)	0.44	0.38
Repairs and maintenance - Buildings	0.42	0.70
Repairs and maintenance - Machinery	7.07	6.05
Repairs and maintenance - Others	1.24	1.24
Insurance	0.43	0.38
Rates and taxes	0.81	0.78
Software Expenses	0.93	0.98
Communication	0.33	0.31
Travelling and conveyance	2.17	2.30
Printing and stationery	0.30	0.33
Freight and forwarding	3.55	2.10
Sales commission	1.00	1.52
Sales discount and liquidated damages	0.57	0.88
Business promotion	0.64	0.56
Donations and contributions	0.02	0.01
Payments to auditors (Refer (i) below)	0.12	0.11
Expenditure on Corporate Social Responsibility (Refer (ii) below)	0.44	0.41
Professional and Consultancy charges	3.77	2.72
Service Fees	2.25	2.01
Trade receivables written off	0.88	-
Provision for doubtful trade receivables	0.16	0.49
Commission to Non Executive Directors	0.20	0.15
Directors' sitting fees	0.07	0.03
Bank Charges	0.15	0.13
Other Expenses	0.25	0.23
Total	**45.30**	**40.43**

25 (i) Auditors' Remuneration

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Payment to Auditors comprise (Net of levies)		
For Statutory Audit & Tax Audit	0.10	0.09
For Other Services	0.02	0.02
Total	**0.12**	**0.11**

NOTES TO FINANCIAL STATEMENTS

25 (ii) Details of CSR expenditure:

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
a) Gross Amount required to be spent by the company during the year	0.44	0.41
b) Amount spent during the year		
i) Education	0.24	0.21
ii) Others	0.20	0.20
Total	**0.44**	**0.41**

25 (iii)Research and Development expenditure:

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Revenue Expenditure		
Employee Benefit Expense	1.14	-
Repairs & Maintenance-Machinery	0.04	-
Other Expense	0.10	-
Total	**1.28**	**-**
Capital Expenditure		
Plant & Machinery	3.24	-
Total	**3.24**	**-**

26. Income tax recognised in profit and loss

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Current Tax:		
Current income tax charge	**9.88**	**9.67**
Adjustments in respect of current income tax of previous year	(2.88)	(1.57)
Deferred Tax:		
Relating to the origination and reversal of temporary differences	(2.41)	(2.11)
Income Tax expense reported in the Statement of Profit and Loss	**4.59**	**5.99**

Other Comprehensive Income section

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

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
Remeasurement of defined benefit obligation	(0.06)	0.04
	(0.06)	**0.04**

NOTES TO FINANCIAL STATEMENTS

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

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Accounting Profit before income tax	**33.17**	**28.50**
Profit before income tax multiplied by standard rate of corporate tax in India of 34.608% (2017: 34.608%)	11.48	9.86
Effects of:		
Benefits u/s 80IA of Income Tax Act	(1.43)	(1.63)
Income that is exempt from taxation	(1.32)	(0.83)
Benefit u/s 35(2AB) of Income Tax Act, 1961	(0.78)	-
Other disallowances	(0.48)	0.16
Income Tax expense reported in the Statement of Profit and Loss net of Deferred Tax	**7.47**	**7.56**
Adjustments recognised in the current year in relation to the current tax of prior years	(2.88)	(1.57)
Income tax expense recognised in the profit or loss	**4.59**	**5.99**

27. Commitments and Contingent Liabilities

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Commitments		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances)	5.94	0.64
Contingent Liabilities		
Claims against the Company not acknowledged as debts	0.55	0.55
Disputed Demand for Additional Sales Tax on Central Sales Tax pertaining to the year 1998-99. The matter is pending before the Assistant Commissioner, Fast Track Assessment Circle-I, Coimbatore. The amount has been paid under protest and writ petition is pending with Madras High Court.	0.01	0.01
Disputed Demand for Additional Sales Tax on Central Sales Tax pertaining to the year 1999-2000. The matter is pending before the Assistant Commissioner, Fast Track Assessment Circle-I, Coimbatore. The amount has been paid under protest and writ petition is pending with Madras High Court.	0.01	0.01
Disputed Excise Duty on Inter Unit transfer of Machinery-Duty ₹ 0.76 Crores and penalty ₹ 0.76 Crores. The Appellate Tribunal has passed the order and the matter is pending before Jurisdiction Officer	1.52	1.52

Note:

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

NOTES TO FINANCIAL STATEMENTS

28. Imported and Indigenous Materials Consumed

A. Consumption of Raw Materials (Refer Note 21)

Particulars	As at 31.03.2018		As at 31.03.2017	
	%	₹ Crores	%	₹ Crores
Imported	0.43%	0.35	0.35%	0.27
Indigenous	99.57%	81.07	99.65%	77.19
Total	**100.00%**	**81.42**	**100.00%**	**77.46**

B. Consumption of Stores and Spares(Refer Note 25)

₹ Crores

Particulars	As at 31.03.2018		As at 31.03.2017	
	%	₹ Crores	%	₹ Crores
Imported	13.51%	0.15	19.10%	0.17
Indigenous	86.49%	0.96	80.90%	0.72
Total	**100.00%**	**1.11**	**100.00%**	**0.89**

29. Value of Imports on CIF Basis

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Fixed Assets	3.25	6.22
Raw Material	0.35	0.27
Consumable Stores & Tools	0.15	0.17
Others	0.43	0.67
Total	**4.18**	**7.33**

30. Earnings in Foreign Exchange

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
FOB value of Exports	10.93	11.72
Total	**10.93**	**11.72**

31. Expenditure in Foreign Currency

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Subscriptions	0.13	0.06
Technical Consultancy Charges	0.42	0.05
Others	0.25	0.18
Total	**0.80**	**0.29**

NOTES TO FINANCIAL STATEMENTS

32. Significant accounting judgements, estimates and assumptions

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

Judgements

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

Operating lease commitments – Company as lessor

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

Estimates and assumptions

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

Property, Plant and Equipment and Investment Property

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

Taxes

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

Defined benefit plans

The cost of the defined benefit gratuity plan and other post-employment leave encashment benefit and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Further details about defined benefit obligations are given in Note 33.

NOTES TO FINANCIAL STATEMENTS

33. Employee Benefits under Defined Benefit Plans

a) Defined Contribution Plan

The Company makes Provident Fund and Employee State Insurance Scheme contributions which are defined contribution plans for qualifying employees. Under the scheme the Company is required to contribute a specified percentage of the payroll cost to fund the benefit. The Company recognised ₹ 1.49 Crs (PY ₹ 1.36 Crs) for Provident Fund contribution, ₹ 0.19 Crs (PY ₹ 0.10 Crs) for Employee State Insurance Scheme in the Statement of Profit & Loss. The contribution payable to these plans by the Company are at the rates specified in the rules of the scheme.

b) Gratuity

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

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Change in Benefit Obligation		
Projected benefit Obligation as at Year beginning	**3.97**	**3.51**
Service Cost	0.28	0.27
Interest Cost	0.29	0.27
Cash flows		
a. Benefit payments from plan	(0.20)	(0.20)
Remeasurements		
a. Effect of changes in financial assumptions	(0.09)	0.24
b. Effect of experience adjustments	(0.10)	(0.12)
Projected benefit Obligation as at Year end	**4.15**	**3.97**

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Change in fair value of Plan Assets		
Fair Value of Planned assets as at year beginning	**4.46**	**4.36**
Interest income	0.33	0.30
Cash flows		
a. Total employer contributions		
(i) Employer contributions	0.02	-
b. Benefit payments from plan assets	(0.20)	(0.20)
Remeasurements		
a. Return on plan assets (excluding interest income)	(0.02)	-
Fair Value of Planned assets as at year end	**4.59**	**4.46**

NOTES TO FINANCIAL STATEMENTS

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Amount Recognised in the Balance Sheet		
Defined benefit obligation	4.15	3.97
Fair value of plan assets	4.59	4.46
Net defined benefit (liability) / asset	0.44	0.49

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Reconciliation of OCI (Re-measurment)		
Recognised in OCI during the beginning of the period	0.78	0.90
Recognised in OCI during the period	0.17	(0.12)
Recognised in OCI at the end of the period	0.95	0.78

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Sensitivity analysis - DBO end of Period		
Discount rate +100 basis points	(0.31)	(0.35)
Discount rate -100 basis points	0.34	0.31
Salary Increase Rate +1%	0.35	0.31
Salary Increase Rate -1%	(0.31)	(0.36)
Attrition Rate +1%	0.03	(0.01)
Attrition Rate -1%	(0.04)	(0.07)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Significant actuarial assumptions		
Discount rate Current Year	7.52%	7%
Salary increase rate	5%	5%
Attrition Rate	3%	3%
Retirement Age	58	58
Pre-retirement mortality	Indian Assured Mortality (2006-08)	Indian Assured Mortality (2006-08)
Disability	Nil	Nil

NOTES TO FINANCIAL STATEMENTS

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Data		
Number of employees	534	547
Average Age (yrs.)	43.78	43.06
Average Past Service (yrs.)	13.68	12.70
Average Salary Monthly (Rs.)	12845	12588

₹ Crores

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Expected cash flows for following year		
Expected employer contributions / Addl. Provision Next Year	0.24	0.23
Expected total benefit payments		
Year 1	0.25	0.21
Year 2	0.22	0.20
Year 3	0.32	0.16
Year 4	0.26	0.23
Year 5	0.27	0.17
Next 5 years	2.45	1.17

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Defined benefit obligation at end of period		
Current Obligation	0.24	0.22
Non-Current Obligation	3.91	3.75
Total	4.15	3.97

Notes:

i. The entire Plan Assets are managed by LIC. In the absence of the relevant information from LIC/Actuary, the above details do not include the composition of plan assets.
ii. The expected return on Plan Assets is as furnished by LIC.
iii. The estimate of future salary increase takes into account inflation, likely increments, promotions and other relevant factors.
iv. The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

c) Long Term Compensated Absences

₹ Crores

Actuarial Assumption	Year ended 31.03.2018	Year ended 31.03.2017
Discount Rate	7%	7%
Future Salary Increase	5%	5%
Attrition Rate	3%	3%
Expected Rate of Return on Plan Assets	8%	8%

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

34. Segment Reporting

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

₹ Crores

Segment Disclosure	Year ended / As at 31.03.2018	Year ended / As at 31.03.2017
1. Revenue by Geographic Market		
India	208.62	192.10
Rest of the World	10.93	11.72
Total	**219.55**	**203.82**
2. Segment Assets by Geographic Market		
India	359.56	346.94
Rest of the World	0.50	0.61
Total	**360.06**	**347.55**

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

a) List of Related Parties

Name of the Related Party	Relationship
Tube Investments of India Limited*	Holding Company
TI Subamex Private Ltd*	Fellow Subsidiaries
Financiere C10 SAS	
Sedis SAS	
Societe De Commercialisation De Composants Industries SARL	
Sedis Company Limited	
Creative Cycles	
Great Cycles	
Mr. L. Ramkumar (appointed as chairman with effect from 06 Feb 2018)	KMP of Holding Company

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

NOTES TO FINANCIAL STATEMENTS

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

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

₹ Crores

Transactions	Related Party	Year ended / As at 31.03.2018	Year ended / As at 31.03.2017
Sale of Goods & Services	Tube Investments of India Limited	4.84	0.87
	TI Subamex Private Ltd	0.01	0.05
Dividend Paid	Tube Investments of India Limited	10.03	-
Service Fee	Tube Investments of India Limited	2.25	2.02
Reimbursement of Expenses	Tube Investments of India Limited	1.07	1.15
Lease rent Paid	Tube Investments of India Limited	0.16	0.15
Rental Deposit Receivable	Tube Investments of India Limited	0.04	0.02
Receivable	Tube Investments of India Limited	0.04	-
	TI Subamex Private Ltd	0.06	0.05
Payable	Tube Investments of India Limited	0.03	0.22

36. Operating Leases

The Company has cancellable operating lease agreements for office space. As per the lease terms an amount of ₹ 0.44 Cr (PY- ₹ 0.38Cr) is charged to Statement of Profit and Loss. As lessor, the Company realized an income of ₹ 0.38 Cr (PY- ₹ 0.35 Cr) on properties under lease.

37. Earnings Per Share

₹ Crores

Particulars	As at 31.03.2018	As at 31.03.2017
Profit After Tax	28.58	22.51
Weighted Average Number of Shares		
Basic	8,17,15,853	8,17,15,853
Diluted	8,17,15,853	8,17,15,853
Earnings per share of ₹ 1/-		
Basic (in ₹)	3.50	2.75
Diluted (in ₹)	3.50	2.75

38. Details of Unhedged Foreign Currency Exposures

₹ Crores

Particulars	Currency	As at 31.03.2018		As at 31.03.2017	
		Foreign Currency	INR (₹ in Crores)	Foreign Currency	INR (₹ in Crores)
Trade Receivables	USD	34,515	0.22	51,076	0.33
Trade Receivables	GBP	13,855	0.13	34,016	0.28
Trade Receivables	EURO	18,995	0.15	-	-

NOTES TO FINANCIAL STATEMENTS

39. Fair Values

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

₹ Crores

Particulars	Carrying Value		Fair Value	
	As at 31.03.18	As at 31.03.17	As at 31.03.18	As at 31.03.17
Financial Assets				
Non-current Investments	12.17	12.17	12.17	12.17
Current Investments	101.40	57.60	101.40	57.60
Trade Receivables	55.48	45.93	55.48	45.93
Cash and Cash Equivalents	0.98	2.09	0.98	2.09
Other Bank Balances	0.50	0.39	0.50	0.39
Other Financial Assets	56.23	69.50	56.23	69.50
Total	**226.76**	**187.68**	**226.76**	**187.68**
Financial Liabilities				
Other financial liabilities - Non-current- Other Long Term Liabilities	0.88	0.66	0.88	0.66
Trade Payables	23.67	25.04	23.67	25.04
Other financial liabilities - Current	0.50	0.39	0.50	0.39
Total	**25.05**	**26.09**	**25.05**	**26.09**

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

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

₹ Crores

Particulars	Level 1		Level 2		Level 3	
	As at 31.03.18	As at 31.03.17	As at 31.03.18	As at 31.03.17	As at 31.03.18	As at 31.03.17
Financial Assets						
Non-current Investments	-	-	-	-	12.17	12.17
Current Investments	101.40	57.60	-	-		
Trade Receivables	-	-	55.48	45.93	-	-
Cash and Cash Equivalents	-	-	0.98	2.09	-	-
Other Bank Balances			0.50	0.39		
Other Financial Assets	-	-	56.23	69.50	-	-
Total	**101.40**	**57.60**	**113.19**	**117.91**	**12.17**	**12.17**
Financial Liabilities						
Other financial liabilities - Non-current- Other Long Term Liabilities	-	-	0.88	0.66	-	-
Trade Payables	-	-	23.67	25.04	-	-
Other financial liabilities - Current	-	-	0.50	0.39	-	-
Total	**-**	**-**	**25.05**	**26.09**	**-**	**-**

NOTES TO FINANCIAL STATEMENTS

40. Capital management

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

41. Financial risk management objectives and policies

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

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

A. MARKET RISK

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

Foreign currency exchange rate risk

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

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

B. CREDIT RISK

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

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

Exposure to credit risk - The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹ 112.69 Cr as at 31 March 2018 and ₹ 117.52 Cr as at 31 March 2017, being the total of the carrying amount of balances with banks, short term deposits with banks, trade receivables and other financial assets.

Customer credit risk is managed by the Company subject to the Company's established policy, procedures andcontrol relating to customer credit risk management. Outstanding customer receivables are regularly monitored. At 31 March 2018, the Company has 3 customers (31 March 2017: 4 customers), the receivables from whom exceeds 5% of total receivables which amounts to approximately 18% (31 March 2017: 31%) of all the total receivables outstanding.

NOTES TO FINANCIAL STATEMENTS

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

₹ Crores

Trade Receivables	31-Mar-18			31-Mar-17		
	Gross	Provision	Net	Gross	Provision	Net
Not Due	15.03	0.01	15.02	12.05	0.01	12.04
Less than 6 months	38.53	0.67	37.86	32.42	0.48	31.94
More than 6 months	4.53	1.93	2.60	3.91	1.96	1.95
Total	**58.09**	**2.61**	**55.48**	**48.38**	**2.45**	**45.93**

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

C. LIQUIDITY RISK

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

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

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

For and on behalf of the Board of Directors

L Ramkumar
Chairman
(DIN: 00090089)

Coimbatore
02 May 2018

B Balamurugan
Chief Financial Officer

Rajiv Narayanamoorthy
Chief Executive Officer

C Subramaniam
Company Secretary

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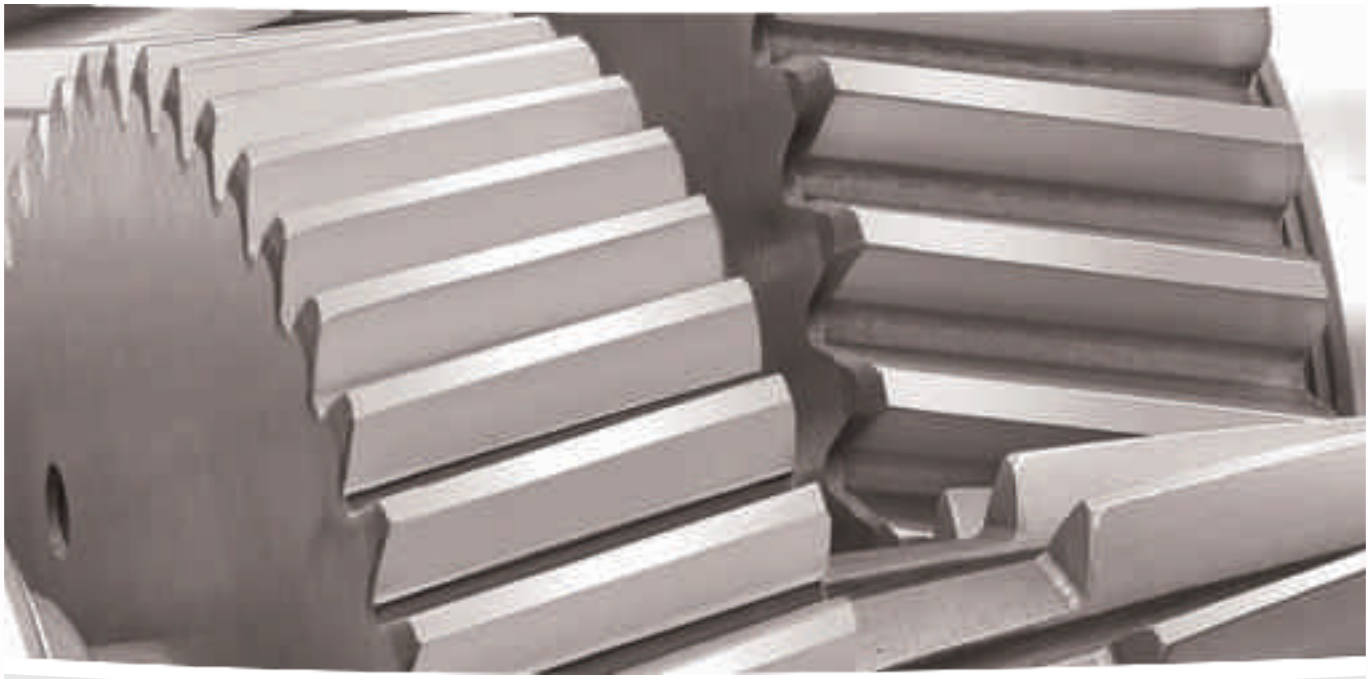

We manufacture our products to the highest quality standards and our customers rely on very low downtimes and outstanding efficiency. We perfectly tailor our solutions to suit each situation. Reliability is our differentiating value. To Shanthi, Reliability means worthy of trust; dependable and authentic.

SHANTHI GEARS LIMITED

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STEEL | CEMENT | SUGAR | POWER | PAPER | FERTILIZER | MINING | AGRICULTURE | DEFENCE | AEROSPACE

murugappa

Shanthi Gears

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