Shanthi Gears

SHANTHI GEARS LIMITED

murugappa

ISO 9001 : 2015
ISO 14001 : 2015
OHSAS 18001 : 2007
EN 9100 : 2016 (AS 9100 D)
ISO/TS 22163 : 2017
BUREAU VERITAS

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

July 23, 2019

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 2018-19

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 2018-19.

Kindly take the same on record.

Thanking You,

Yours faithfully,
For SHANTHI GEARS LIMITED

C SUBRAMANIAM
COMPANY SECRETARY

Encl: As Above

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

46th Annual Report

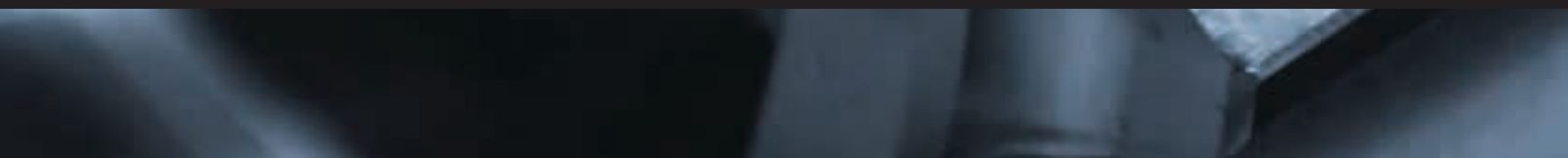
2018-19 Shanthi Gears

CONTENTS

	PAGE NO
• Our Vision	1
• From the Desk of the Chairman	2
• Financial Highlights	8
• Director's Profile	10
• Corporate Information	11
• Board's Report & Management Discussion and Analysis	12
• Report on Corporate Governance	35
• General Shareholder Information	46
• Auditor's Report	52
• Financial Statements	60

Cautionary Statement

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



Our Vision

To be admired as a Reliable Partner for Mechanical Power Transmission Solutions

From the Desk of The Chairman

Dear Shareholders,

In 2018-19 Shanthi Gears Ltd (SGL) continued its growth trajectory. Sales grew by 14% to ₹ 243 Crores and Profit Before Tax grew by 28% to ₹ 42 Crores. There was specific focus on a few sectors that helped us grow the orderload in the domestic market. Your company intensified its efforts in the overseas markets. The results of these marketing efforts would be seen in the coming years.

SGL deepened its relationships with the customers by a number of Customer Connect Programmes across sectors and geographies thereby enhancing its brand image.
Our participation in national and international Fairs and Exhibitions have given us and our capability much visibility. We are working on a number of programmes for import substitution with the customers. SGL continued to execute prestigious orders in the gear box servicing segment. Your company has established itself as the most reliable service provider in servicing critical Gear Boxes for various industries. Our R & D and Engineering functions have been adequately resourced to take care of the emerging product range and technologies.

During the year under review, your company sharpened its focus on productivity and efficiency parameters of all resources. Return on Capital Employed and Free cash flow were closely monitored and improved. The plants executed much higher levels of orders than the previous year by sweating the assets and making marginal investments in bottleneck equipments. We continue to procure state of the art precision equipments for critical applications. Dedicated teams with IT support are constantly striving to improve servicing of customer orders.

I thank all my fellow Board members for their timely inputs and support to the Company. I welcome Mr. Vellayan Subbiah and Mr. Krishna Samaraj to the Board. They bring with them rich experience that would help them provide guidance to the Company. We look forward to their valuable inputs in the coming years. I would like to thank Mr. Rajiv Narayanamoorthy for his contribution to the Company as CEO. He set the course for SGL to deliver sustainable profitable growth. On behalf of the Board of Directors I thank him for the leadership provided by him for over 3 years he has been with the Company and wish him well in his future endeavours. I welcome Mr. Karunakaran, the new CEO and wish him all the best to take this Company to new heights. I would like to thank our diligent and committed employees around the country for continuing to provide the highest level of service to our clients.

I thank each of our stakeholders be it customers, suppliers, vendors, bankers and shareholders for their continued support for which my colleagues and I are most grateful. I would like to express my gratitude to all our stakeholders for their strong confidence in SGL.

Sincerely,

L Ramkumar

IRIS Certification

The first Asian Company to get IRIS (International Railway Industry Standard) – ISO / TS 22163: 2017 certificate from BVI

BUREAU VERITAS
Certification

IRIS™
Certification

CERTIFICATE

awarded to

Shanthi Gears Limited
C Unit Avinashi Road, Muthugounden Pudur Post
641406, Coimbatore
India

BUREAU VERITAS CERTIFICATION

confirms, as an IRIS Certification™ approved certification body, that the Management System of the above organization has been assessed and found to be in accordance with the

IRIS Certification™ rules:2017
and based on
ISO/TS 22163:2017

for the activity of Manufacturing
for the scopes of certification: 04 (Power system, drive unit), 19 (Single railway components)
of transmission Gears, Pinions and machined components for Railway Industries.

Certificate valid from: 29/07/2018 Certificate valid until: 14/07/2021*

Current date: 12/08/2018
Certificate-Register-No: IND -IR - 000 1092

* Providing that the subsequent surveillance audits are successful before the validity date of the previou audit.
Certification body address: Le Triangle de l'Arche 8, cours du Triangle - CS 90096, 92937 Paris la Defense Cedex, France

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1/1

Member of American Gear Manufacturers Association

AS9100D CERTIFIED ISO 9001

Channel Partners Meet and Connect Program - Coimbatore, Nov-18

InnoTrans exhibition-Germany, Sep-18

Collaborative partnering with Customers & Channel partners

Accelerating change and transformation with advanced manufacturing and design capabilities, sustainable processes, empowered people force, Customer partnering, value creation and increasing global footprint - Shanthi Gears is gaining momentum.

We strive to achieve operational excellence by developing quality products. Customer responsiveness and improvement in service quality remained the key focus during the year. The Company focused on various production processes and ensured that product quality is maintained. Regular customers visit, channel partners meet, participation in exhibitions and seminars helped us to improve the customer relationship, trust and confidence.

Our reliable products are backed by service solutions, which minimise the downtime for our customers. We provide health monitoring services for all types of critical gearboxes. We also maintain inventory for critical spares of gear boxes.

Our highly trained field service specialists provide lifetime support and strive to help our customers in avoiding expensive downtime. Our repair and retrofitting solutions are offered across industrial applications. Our service offerings and solutions include emergency breakdown support for repairing, faster delivery of spare parts, diagnostics at site, troubleshooting, reverse engineering, dimensional measurements at site, etc.

DefExpo exhibition-Chennai, Apr-18

Participated in MMMM exhibition-New Delhi, Oct-18 and was awarded second position for best stall

Collaborative Work Culture

Shanthi Gears believe in Collaborative Work Culture as we found most effective answer to the biggest business challenges of the day lies in people. To collaborate with a sense of purpose and energy around an outcome makes a big difference. We believe that motivation and true empowerment can make bigger impact on companies and their sustainability.

At Shanthi, the team is driven by growth mindset which means the Organizational Structure is redesigned to suit for new solutions and new business models. Commitment to growth is imparted across the levels, fostered awareness on changing market needs and improved/upcoming technologies.

More work done in improving employee engagement space. Attention is given to improve the engagement scores in every possible way. Recognizing and rewarding their achievements is always found to be effective.

Individual Development Plans (IDPs) are in place for building leadership pipeline. At Shanthi,we consciously work on providing Hi-Pos, an environment to motivate them and take up bigger responsibilities, proving the required skill matrix and right attitude.

Commitment to Stakeholders and Society

Inclusive growth and Sustainable Community development are strong pillars of your Company's responsible corporate citizenship initiatives. Your Company being a part of the Murugappa Group has been upholding this tradition by allocating a part of its income for carrying out its social responsibilities.

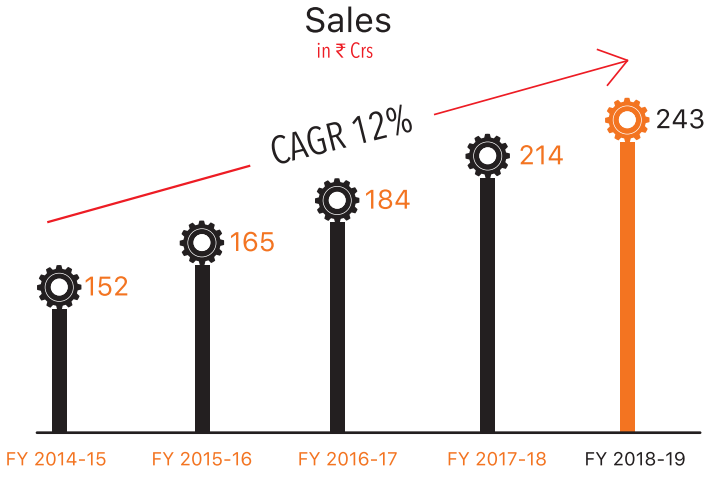
The Company has identified 3 schools in rural areas of Coimbatore and provided Infrastructure and Sanitation facility.

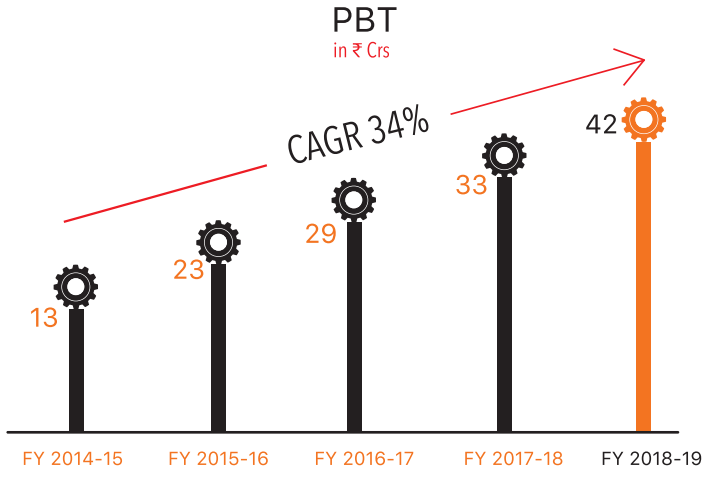
IIMPACT (IA) with the support of Shanthi Gears has mobilized and motivated non-school going and drop out girls, aged 6-14, from economically and socially backward families in the rural areas of Raigarh District, Chhattisgarh, providing them quality primary education.

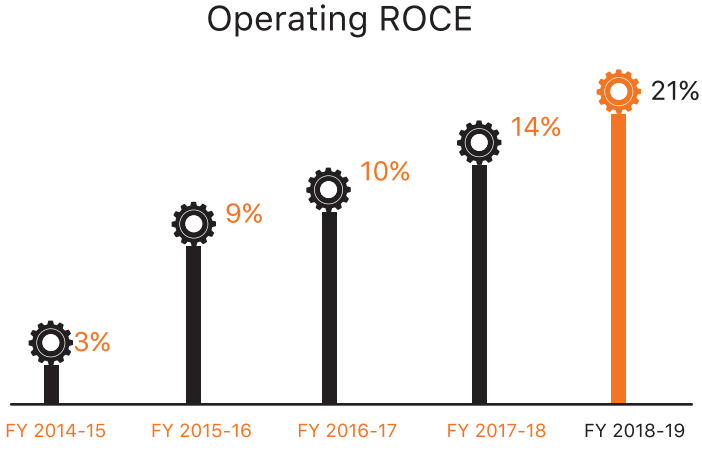
As a committed and environment friendly organisation, the Company adhere to the highest standards in Environment Management and have been accredited with ISO 14001 certificate. The Company is also accredited with ISO 45001:2018 for occupational health and safety management systems, reinforcing its commitment for providing and maintaining a safe and hygiene working environment.

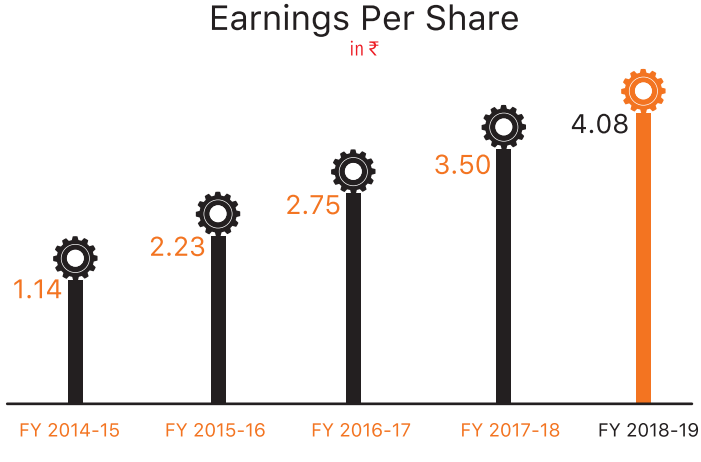
Our high standards of Governance in all its activities is driven by the Five Lights - Spirit of the Murugappa Group

Financial Highlights









10 YEAR FINANCIAL HIGHLIGHTS

₹ Crores

Particulars	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
OPERATING RESULTS										
Sales (Excluding excise duty)	242.97	214.12	183.95	164.79	152.00	150.77	143.72	172.32	160.37	121.39
Earnings before Depreciation, Interest & Tax (EBITDA)	53.08	48.73	46.33	39.86	29.89	51.56	50.93	69.32	71.48	53.14
Profit before Interest & Tax (PBIT)	42.46	33.17	28.50	23.15	13.14	25.95	22.36	42.10	44.64	26.21
Profit before Tax (PBT)	42.46	33.17	28.50	23.15	13.11	25.93	22.07	41.60	43.76	24.33
Profit after Tax (PAT)	33.35	28.58	22.51	17.73	9.32	18.38	15.47	28.13	27.86	16.18
Earnings Per Share (₹)	4.08	3.50	2.75	2.23	1.14	2.25	1.89	3.44	3.41	1.98
Dividend Per Share (₹)	5.00	1.00	0.75	0.50	0.50	1.00	0.60	1.00	1.00	0.80
Book Value Per Share (₹)	36.97	38.90	37.49	34.75	33.14	32.61	31.53	30.33	28.05	25.80
Interest	-	-	-	-	0.03	0.02	0.29	0.62	8.76	3.81
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	293.91	309.62	298.15	275.72	262.57	258.23	249.41	239.67	221.04	202.68
Net Worth	302.08	317.79	306.32	283.89	270.74	266.40	257.58	247.84	229.21	210.85
Debt	-	-	-	-	-	-	-	3.96	9.75	25.63
Deferred Tax Liability (Net)	-	-	-	-	0.86	2.51	6.88	10.73	14.26	17.49
Total	**302.08**	**317.79**	**306.32**	**283.89**	**271.60**	**268.91**	**264.46**	**262.53**	**253.22**	**253.97**
APPLICATION OF FUNDS										
Gross Fixed Assets	113.76	101.28	98.14	89.93	367.52	364.27	361.09	360.21	353.46	344.13
Accumulated Depreciation	55.13	44.47	32.82	16.71	285.87	269.25	245.34	222.00	195.54	169.20
Net Fixed Assets	58.63	56.81	65.32	73.22	81.65	95.02	115.75	138.21	157.91	174.92
Capital Work-in-Progress	0.18	0.50	0.77	0.36	3.61	3.60	3.62	5.59	7.54	5.17
Deferred Tax Asset (Net)	4.96	5.95	3.60	1.45	-	-	-	-	-	-
Long Term Investments	14.16	12.17	12.17	6.00	-	-	-	-	-	-
Short Term Investments & Deposits	112.69	149.01	119.26	105.30	101.09	107.76	90.60	55.02	46.00	27.50
Net Working Capital	111.46	93.35	105.20	97.56	85.25	62.53	54.49	63.71	41.77	46.38
Total	**302.08**	**317.79**	**306.32**	**283.89**	**271.60**	**268.91**	**264.46**	**262.53**	**253.22**	**253.97**
RATIOS										
EBITDA to Sales (%)	21.85	22.76	25.19	24.19	19.66	34.20	35.44	40.23	44.57	43.77
PBIT to Sales (%)	17.47	15.49	15.49	14.05	8.64	17.21	15.56	24.43	27.83	21.59
PBT to Sales (%)	17.47	15.49	15.49	14.05	8.63	17.20	15.36	24.14	27.29	20.04
PAT to Sales (%)	13.73	13.35	12.24	10.76	6.13	12.19	10.76	16.32	17.37	13.33
Interest Cover (Times)	-	-	-	-	996.33	2,578.00	175.62	111.81	8.16	13.95
ROCE (%) #	14.06	10.44	9.30	8.15	4.84	9.65	8.45	16.04	17.63	10.32
Return on Networth (%)	11.04	8.99	7.35	6.25	3.44	6.90	6.01	11.35	12.16	7.67
Total Debt Equity Ratio	-	-	-	-	-	-	-	0.02	0.04	0.12
Long Term Debt Equity Ratio (+)	-	-	-	-	-	-	-	-	0.02	0.05
Sales/Net Fixed Assets (Times)	4.14	3.77	2.82	2.25	1.86	1.59	1.24	1.25	1.02	0.69
Net Working Capital Turnover (Times)	2.18	2.29	1.75	1.69	1.78	2.41	2.64	2.70	3.84	2.62

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

* Figures pertaining to 2015-2016 to 2018-19 are as per Ind AS and 2009-10 to 2014-15 are as per IGAAP.

OUR BOARD OF DIRECTORS

Mr. L Ramkumar, Chairman

Mr. L Ramkumar (63 years; DIN-00090089) is a Cost Accountant and has a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad. He has over 39 years of rich and varied experience in management including 27 years in Tube Investments of India Ltd.

Mr. J Balamurugan, Non-Executive Director

Mr. J Balamurugan (58 years; DIN-00023309) is an Electronics Engineer from Regional Engineering College, Trichy. He has also done the Management Programme for Entrepreneurial Firms from Indian Institute of Management, Bangalore. He has experience in managing the businesses of IT infrastructure, On-line services and After market automotive enhancements and others. He is the past Chairman of Confederation of Indian Industry (CII), Coimbatore Zone.

Ms. Soundara Kumar, Non-Executive Director

Ms. Soundara Kumar (65 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, TNPL and Bank of Baroda.

Mr. S K Sundararaman, Non-Executive Director

Mr. S K Sundararaman (46 years; DIN-00002691) holds a Masters Degree in Business Administration from Cambridge University, United Kingdom. He is currently the Managing Director of Shiva Texyarn Ltd. He has wide experience in the field of Textile Technology and well known for his innovative approach and Development of new technical textile products.

Mr. Vellayan Subbiah, Non-Executive Director

Mr. Vellayan Subbiah (49 years; DIN-01138759) is a Bachelor of Technology in Civil Engineering from IIT Madras and holds a Masters in Business Administration from the University of Michigan. He has over 23 years of work experience in consulting, technology and financial services. He is currently the Managing Director of Tube Investments of India Ltd. He was earlier the Managing Director of Cholamandalam Investment and Finance Company Ltd. He is on the Board of various companies including SRF Ltd. and Havells India Ltd.

Mr. Krishna Samaraj, Non-Executive Director

Mr. Krishna Samaraj (64 years; DIN-00048547) is an Engineering Graduate with a Masters in Business Administration from the University of Michigan, USA. He is currently the Managing Director of Magna Electro Castings Limited. He is also a national council member of the Institute of Indian Foundry Men (IIF) and served as the President of IIF for the year 2015-16. He is one of the Directors of Foundry Development Foundation. He is also holding directorship in various companies including Veejay Terry Products Limited and Chandra Textiles Private Limited.

CORPORATE INFORMATION

BOARD OF DIRECTORS	L Ramkumar, Chairman J Balamurugan Soundara Kumar S K Sundararaman Vellayan Subbiah Krishna Samaraj
CHIEF EXECUTIVE OFFICER	M Karunakaran
CHIEF FINANCIAL OFFICER	B Balamurugan
COMPANY SECRETARY	C Subramaniam
REGISTERED OFFICE	304-A, Trichy Road, Singanallur Coimbatore - 641 005, Tamilnadu
PLANTS	A Unit, Trichy Road, Singanallur, Coimbatore B Unit, Trichy Road, Singanallur, Coimbatore C Unit, Avinashi Road, Muthugoundenpudur, Coimbatore D Unit, K Krishnapuram, Tirupur District Foundry Division, Kannampalayam, Coimbatore
CORPORATE IDENTIFICATION NUMBER	L29130TZ1972PLC000649
AUDITORS	Deloitte Haskins & Sells, Chartered Accountants
BANKERS	HDFC Bank IDBI Bank Kotak Mahindra Bank

BOARD'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors have pleasure in presenting to you the performance of the Company, for the year ended 31 March 2019

COMPANY PERFORMANCE

₹ Crores

PARTICULARS	YEAR ENDED 31.03.2019	YEAR ENDED 31.03.2018
Revenue from operations (Net)	242.97	219.55
Earnings Before Interest Tax Depreciation & Amortisation	53.08	48.73
Depreciation and Amortisation expense	10.62	15.56
Profit Before Tax	**42.46**	**33.17**
Less : Tax expense	9.11	4.59
Profit After Tax	33.35	28.58
Add : Surplus brought forward	34.71	32.33
Appropriations :		
Transferred to General reserve	-	9.00
Final dividend paid during the year	-	6.13
Tax on Final dividend paid during the year	-	1.24
Interim dividend paid during the year	40.86	8.17
Tax on Interim dividend paid during the year	8.40	1.66
Balance carried to Balance Sheet	**18.80**	**34.71**

Review of Operations

During the year the business registered a top-line growth of 14% to ₹ 243 Crores aided by growth in revenues, the profit after tax grew by 17% to ₹ 33.4 Crores. The business continued to build relationships through high levels of customer engagement during the year. Focus on Servicing and Solution expertise in power transmission helped in sustaining the competitive advantage.

Conscious effort on cash generation helped us to sustain the reduced net working capital levels of previous year. In its endeavor to build sustainable business, the Company continued its journey on certifications and became the first Asian Company to get IRIS (International Railway Industry Standard) certification.

Specific attention is given to development of alternate materials and processes to drive value addition and cost reduction. Consolidation of operations is on-going, in a phased manner. Capital investments were made wherever technological upgradation was required.

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

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 Board of Directors has recommended a final Dividend of ₹1/- (Rupee one only) per share on equity share of face value of ₹1/- each for the financial year ended 31 March 2019. Together with the one-time special interim dividend of ₹5/- per share, paid on 14 January 2019, the total dividend for the

year works out to ₹6/-per share on the equity share of face value of ₹1/- each. The final dividend, if approved by the shareholders, will be paid after 23 July 2019.

Buyback

The Board, at its meeting on 26 December 2018, approved a proposal for the Company to buy back its fully paid-up equity shares of face value of ₹1/- each from the eligible equity shareholders of the Company for an amount not exceeding ₹70 Crores. The shareholders approved the said proposal of buyback of equity shares through the postal ballot that concluded on 29 January 2019. The buyback offer comprised the purchase of 50 Lakhs equity shares aggregating 6.12% of the paid-up equity share capital of the Company at a price of ₹140/- per equity share. The buyback was offered to all eligible equity shareholders of the Company as on the record date (i.e., 08 February, 2019) on a proportionate basis through the 'Tender offer' route. The Company concluded the buyback procedures on 09 April 2019 and 50 Lakhs equity shares were extinguished on the same day.

One-time Special Interim Dividend and the buyback have been done after taking into consideration the fund requirements for its growth plans in the coming years.

Directors

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

Mr. Vellayan Subbiah was appointed as Additional Director (Non-Executive Director) on 01 February 2019, liable to retire by rotation and he continues upto the ensuing Annual General Meeting (AGM). Necessary resolution proposing the appointment of Mr. Vellayan Subbiah as a Director liable to retire by rotation under Section 152 of the Companies Act, 2013 forms part of the Notice for the ensuing AGM.

Mr. Krishna Samaraj was appointed as Additional Director on 25 March 2019 under Section 149 of the Companies Act, 2013. He holds office up to the date of the ensuing AGM. 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 46th AGM (2019) till the date of 51st AGM (2024).

Mr. J Balamurugan was appointed as an Independent Director. He holds office up to the date of the ensuing Annual General Meeting. The Board recommends his re-appointment as an Independent Director under Section 149 of the Act for further term of five years viz., from the date of 46th AGM (2019) till the date of the 51st AGM (2024).

Notice has been received from a Member proposing the candidature of Mr. Vellayan Subbiah as Director and Mr. Krishna Samaraj and Mr. J Balamurugan as Independent Directors of the Company.

The Board takes pleasure in recommending the appointment of Mr. L Ramkumar, Mr. Vellayan Subbiah as Directors and Mr. Krishna Samaraj and Mr. J Balamurugan as Independent Directors of the Company at the forthcoming Annual General Meeting.

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

In the opinion of the Board, all the Independent Directors fulfill the conditions specified in the Companies Act, 2013 and Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 and are independent of the Management.

Key Managerial Personnel

Mr. Rajiv Narayanamoorthy, resigned as Chief Executive Officer with effect from 01 February 2019 as he wishes to pursue other interests. The Board wishes to place on record valuable contribution made by Mr. Rajiv Narayanamoorthy during his tenure with the Company.

Mr. M Karunakaran was appointed as Chief Executive Officer of the Company with effect from 01 February 2019.

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

Internal Control System and their Adequacy

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

Corporate Governance

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

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 2019 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 2019; 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 2019.

Policy on Appointment and Remuneration of Directors

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

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

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

Related Party Transactions

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

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

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.

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

The Company had 541 permanent employees on its rolls, as on 31 March 2019.

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 2018-19.

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. The Company has ensured compliance of the Secretarial Standards issued by the Institute of Company Secretaries of India during the period under review. Accordingly, no qualification or observation or other remarks have been made by the Secretarial Auditor in his Report.

Auditors

The Members have appointed M/s Deloitte Haskins & Sells, Chartered Accountants (Firm Registration No. 008072S) the Statutory Auditors of the Company for a period of 5 years from the conclusion of 45th AGM (2018) till the conclusion of 50th AGM (2023).

Mr. B. Venkateswar was appointed as Cost Auditor for audit of the Cost Accounting records of the Company for the year ended 31 March 2020. A resolution seeking Members' ratification of the Remuneration payable to Cost Auditor is included in the AGM notice dated 29 April 2019. The Cost Audit report will be filed within the stipulated period.

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

On behalf of the Board

L Ramkumar
Chairman
DIN-00090089

Coimbatore
29 April 2019

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 Weblink : http://www.shanthigears.com/wp-content/uploads/2018/07/CSR-Policy.pdf

Overview of the CSR Projects and Programmes

SGL is committed to identify and support 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; and
- Any other programme that falls under CSR purpose listed in Schedule VII of the Companies Act, 2013 amended from time to time and which are aimed at the empowerment of disadvantaged Sections of the society.

2. **Composition of CSR Committee:**

   Ms. Soundara Kumar, Chairperson (Independent Director)

   Mr. L Ramkumar (Non-Independent Director)

   Mr. S K Sundararaman (Independent Director)

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

   The average net profit of the Company made during the three immediately preceding financial years as calculated under Section 135 of the Companies Act, 2013 and Rules thereunder works out to ₹28 Crores

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

   The Company is required to spend ₹0.56 Crores towards CSR

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

   a. **Total amount spent for the financial year :**
   ₹0.56 Crores

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

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

Sl. No.	Project / Activities	Sector	Location	Amount Outlay (Budget) Project / programs wise	Amount Spent on the project / programs	Cumulative Expenditure upto reporting period	Amount Spent : Direct (D) OR through implementing agency (IA)*
			District (State)	₹ Crores	₹ Crores	₹ Crores	₹ Crores
1	Studies on Bio-energy from agro and other wastes for Rural India	Environment	Rural India	0.28	0.28	0.28	0.28 (IA)
2	Girls Education Centres	Education	Raigarh (Chhattisgarh)	0.11	0.11	0.11	0.11 (IA)
3	Infrastructure for Government Schools	Education	Coimbatore (Tamil Nadu)	0.17	0.17	0.17	0.17 (D)
	Total			**0.56**	**0.56**	**0.56**	**0.56**

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

Coimbatore
29 April 2019

L Ramkumar
Chairman
DIN-00090089

Soundara Kumar
Chairperson of the CSR Committee
DIN- 01974515

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. L Ramkumar	Chairman	1.09
Mr. C R Swaminathan	Director	0.72
Mr. J Balamurugan	Director	1.98
Ms. Soundara Kumar	Director	1.73
Mr. S K Sundararaman	Director	1.78

Note : * Remuneration includes sitting fees

ii) Percentage increase in Remuneration of each Director and Key Managerial Personnel in the financial year 2018-19.

Name	Designation	% Increase
Mr. L Ramkumar	Chairman	Not Applicable
Mr. C R Swaminathan [(a)]	Director	Not Applicable
Mr. J Balamurugan	Director	5.19%
Ms. Soundara Kumar	Director	-6.77%
Mr. S K Sundararaman	Director	Not Applicable
Mr. Rajiv Narayanamoorthy [(b)]	Chief Executive Officer	Not Applicable
Mr. M Karunakaran [(c)]	Chief Executive Officer	Not Applicable
Mr. B Balamurugan	Chief Financial Officer	10.21%
Mr. C Subramaniam	Company Secretary	12.34%

a) Retired on 02 August 2018.
b) Resigned on 01 February 2019.
c) Appointed w.e.f. 01 February 2019.

iii) Percentage Increase in the Median Remuneration of Employees

Median Remuneration	in ₹ Lakhs
2017 - 18	3.56
2018 - 19	3.58
Increase / (Decrease)	0.02
% Change	0.50%

iv) Number of Permanent Employees on Roll : 541

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 11.2%. The increase granted to managerial personnel is 9.37%.

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

L Ramkumar
Chairman
DIN-00090089

Coimbatore
29 April 2019

ANNEXURE C TO THE BOARD'S REPORT

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31 MARCH 2019

[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 Tel : 0422 - 4958995, 2539835-836 Fax : 0422 - 2539837 E-mail : info@skdc-consultants.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sl. No.	Name and description of main products/service	NIC code of the product / service	% to total turnover of the Company
1	Gears, Gear Boxes and Geared Motors	2814	96.09

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 - 600 001	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				% 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	1068329	4000	1072329	1.31	1199426	4000	1203426	1.47	0.16
b) Venture Capital Funds	-	-	-	-	-	-	-	-	-
c) Alternate Investment Funds	2490294	-	2490294	3.05	2490294	-	2490294	3.05	-
d) Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
e) Foreign Portfolio Investors	763134	-	763134	0.93	1400793	-	1400793	1.71	0.78
f) Financial Institutions/Banks	28778	-	28778	0.04	4059	-	4059	0.01	(0.03)
g) Insurance Companies	554682	-	554682	0.68	554682	-	554682	0.68	-
h) Providend Funds / Pension funds	-	-	-	-	-	-	-	-	-

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

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
i) Any Other (specify)									
Foreign Financial Institutions	777577	2000	779577	0.95	1003324	2000	1005324	1.23	0.28
Foreign Banks	3000	-	3000	0.00	3000	-	3000	0.00	-
Sub Total (B) (1)	**5685794**	**6000**	**5691794**	**6.97**	**6655578**	**6000**	**6661578**	**8.15**	**1.19**
2) Non-institutions									
a) Bodies Corporate									
i) Indian	1207307	15750	1223057	1.50	499213	15750	514963	0.63	(0.87)
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹ 2 Lakhs	10066708	1261841	11328549	13.86	9571646	929359	10501005	12.85	(1.01)
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	0.01	-	-	-	-	(0.01)
Non Resident Indians	525057	10740	535797	0.66	549974	6740	556714	0.68	0.03
Clearing Members	132613	-	132613	0.16	756746	-	756746	0.93	0.76
Hindu Undivided Families	669060	-	669060	0.82	581173	-	581173	0.71	(0.11)
Foreign Corporate Bodies	793	-	793	0.00	793	-	793	0.00	-
Investor Education and Protection Fund Authority	246637	-	246637	0.30	296678	-	296678	0.36	0.06
Unclaimed Share Suspense Account	304640	-	304640	0.37	268290	-	268290	0.33	(0.05)
Sub - Total (B) (2)	**17427815**	**1293331**	**18721146**	**22.91**	**16799513**	**951849**	**17751362**	**21.72**	**(1.19)**
Total Public Shareholding (B) = (B) (1) + (B) (2)	**23113609**	**1299331**	**24412940**	**29.88**	**23455091**	**957849**	**24412940**	**29.88**	**-**
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
GRAND TOTAL (A)+(B)+(C)	**80416522**	**1299331**	**81715853**	**100.00**	**80758004**	**957849**	**81715853**	**100.00**	**-**

ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (01 April 2018)			Shareholding at the end of the year (31 March 2019)			% change in share-holding during the year
		No. of shares	% of total shares of the company	% of shares pledged / encumbered to total shares	No. of shares	% of total shares of the company	% of the shares pledged / encumbered to total shares	
1	TUBE INVESTMENTS OF INDIA LIMITED (Formerly Known as 'TI Financial Holdings Limited') (CIN: L35100TN2008PLC069496)	57296413	70.12	-	57296413	70.12	-	-
2	AMBADI INVESTMENTS LIMITED	6500	0.01	-	6500	0.01	-	-
	Total	**57302913**	**70.13**	**-**	**57302913**	**70.13**	**-**	**-**

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

Sl. No.	Particulars	Shareholding					Cumulative Shareholding during the year (01.04.2018 to 31.03.2019)	
		No. of Shares at the beginning of the year (01.04.2018) / at the end of the year (31.03.2019)	% of total shares of the Company	Date	Increase / Decrease in Share-holding	Reason	No. of Shares	% of shares of the Company
1	Promoters Shareholding	57302913	70.13		NO CHANGE		57302913	70.13
		57302913	70.13	31-Mar-19				

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 (01.04.2018 to 31.03.2019)	
		No. of Shares at the beginning of the year (01.04.2018) / at the end of the year (31.03.2019)	% of total shares of the Company	Date	Increase / Decrease in Share-holding	Reason	No. of Shares	% total shares of the Company
1	SUNDARAM ALTERNATIVE OPPORTUNITIES FUND - NANO CAP SERIES I	1873294	2.29		NO MOVEMENT		1873294	2.29
		1873294	2.29	31-Mar-19				
2	NIMESH SUMATILAL	1100000	1.35		NO MOVEMENT		1100000	1.35
		1100000	1.35	31-Mar-19				
3	DURGESH S SHAH	1100000	1.35		NO MOVEMENT		1100000	1.35
		1100000	1.35	31-Mar-19				
4	DHANESH S SHAH	1100000	1.35		NO MOVEMENT		1100000	1.35
		1100000	1.35	31-Mar-19				
5	SBI INFRASTRUCTURE FUND	1065329	1.30	30-Jun-18	160503	Transfer	1225832	1.50
		1225832	1.50	20-Jul-18	26317	Transfer	1252149	1.53
		1252149	1.53	27-Jul-18	242369	Transfer	1494518	1.83
		1494518	1.83	07-Dec-18	-105231	Transfer	1389287	1.70

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

Sl. No.	Name	Shareholding					Cumulative Shareholding during the year (01.04.2018 to 31.03.2019)	
		No. of Shares at the beginning of the year (01.04.2018) / at the end of the year (31.03.2019)	% of total shares of the Company	Date	Increase / Decrease in Share-holding	Reason	No. of Shares	% total shares of the Company
		1389287	1.70	14-Dec-18	-405920	Transfer	983367	1.20
		983367	1.20	21-Dec-18	-27085	Transfer	956282	1.1
		956282	1.17	28-Dec-18	-104289	Transfer	851993	1.04
		851993	1.04	31-Dec-18	-12482	Transfer	839511	1.03
		839511	1.03	04-Jan-19	-347840	Transfer	491671	0.60
		491671	0.60	11-Jan-19	-891	Transfer	490780	0.60
		490780	0.60	01-Feb-19	-490780	Transfer	-	-
		-	-	31-Mar-19				
6	PACIFIC ASSETS TRUST PLC	777577	0.95	06-Apr-18	1218	Transfer	778795	0.95
		778795	0.95	18-May-18	5497	Transfer	784292	0.96
		784292	0.96	25-May-18	12052	Transfer	796344	0.97
		796344	0.97	01-Jun-18	3373	Transfer	799717	0.98
		799717	0.98	08-Jun-18	2498	Transfer	802215	0.98
		802215	0.98	22-Jun-18	116100	Transfer	918315	1.12
		918315	1.12	30-Jun-18	85009	Transfer	1003324	1.23
		1003324	1.23	31-Mar-19		Transfer	1003324	1.23
7	FIRST STATE INVESTMENTS ICVC- STEWART INVESTORS INDIAN SUBCONTINENT FUND	731821	0.90	06-Apr-18	1147	Transfer	732968	0.90
		732968	0.90	18-May-18	5173	Transfer	738141	0.90
		738141	0.90	25-May-18	11342	Transfer	749483	0.92
		749483	0.92	01-Jun-18	3174	Transfer	752657	0.92
		752657	0.92	08-Jun-18	2352	Transfer	755009	0.92
		755009	0.92	22-Jun-18	109273	Transfer	864282	1.06
		864282	1.06	30-Jun-18	80008	Transfer	944290	1.16
		944290	1.16	02-Nov-18	3186	Transfer	947476	1.16
		947476	1.16	09-Nov-18	6612	Transfer	954088	1.17
		954088	1.17	16-Nov-18	11202	Transfer	965290	1.18
		965290	1.18	30-Nov-18	4449	Transfer	969739	1.19
		969739	1.19	14-Dec-18	401118	Transfer	1370857	1.68
		1370857	1.68	31-Mar-19			1370857	1.68
8	SUNDARAM ALTERNATIVE OPPORTUNITIES FUND - NANO CAP SERIES II	617000	0.76	NO MOVEMENT			617000	0.76
		617000	0.76	31-Mar-19				
9	NATIONAL INSURANCE COMPANY LTD	554682	0.68	NO MOVEMENT			554682	0.68
		554682	0.68	31-Mar-19				
10	DIXIT GUNVANTRAI SHAH	525000	0.64	NO MOVEMENT			525000	0.64
		525000	0.64	31-Mar-19				

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

Sl. No.	Name	Shareholding					Cumulative Shareholding during the year (01.04.2018 to 31.03.2019)	
		No. of Shares at the beginning of the year (01.04.2018) / at the end of the year (31.03.2019)	% of total shares of the Company	Date	Increase / Decrease in Share-holding	Reason	No. of Shares	% total shares of the Company
11	INVESTOR EDUCATION AND	246637	0.30	05-Oct-18	17140	Transfer	263777	0.32
	PROTECTION FUND	263777	0.32	12-Oct-18	791	Transfer	264568	0.32
	AUTHORITY (MINISTRY OF	264568	0.32	19-Oct-18	32110	Transfer	296678	0.36
	CORPORATE AFFAIRS)	296678	0.36	31-Mar-19			296678	0.36

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 of top 10 shareholders as on 01 April 2018 and as on 31 March 2019.

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	-	-	-	-
At the end of the year	5000	0.01%	5000	0.01%

* Retired from the Board on 02 August 2018.

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 2018-19.

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 2018-19, 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 Directors					Total Amount
	Mr. C R Swaminathan[a]	Mr. J Balamurugan	Ms. Soundara Kumar	Mr. S K Sundararaman	Mr. Krishna Samaraj[b]	
Fee for attending Board / Committee Meetings	0.90	2.10	1.20	1.35	NIL	5.55
Commission	1.67	5.00	5.00	5.00	NIL	16.67
Others, Please specify	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL (B) (1)	**2.57**	**7.10**	**6.20**	**6.35**	NIL	**22.22**

a) Retired on 02 August 2018
b) Appointed on 25 March 2019

2. Other Non-Executive Directors

₹ Lakhs

Particulars of Remuneration	Name of Director		Total Amount
	Mr. L Ramkumar	Mr.Vellayan Subbiah*	
Fee for attending Board/Committee Meetings	1.00	NIL	1.00
Commission	2.92	NIL	2.92
Others, Please specify	NIL	NIL	NIL
TOTAL (B) (2)	**3.92**	**NIL**	**3.92**
Total (B) (1) + (B) (2) Total Remuneration			**26.14**

* Appointed on 01 February 2019.
Note : Overall Ceiling as per the Companies Act, 2013 ₹41.93 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. M Karunakaran Chief Executive Officer #	Mr. B Balamurugan Chief Financial Officer	Mr. C Subramaniam Company Secretary	Total Amount
1	Gross Salary					
	a) Salary as per the provision contained in Section 17(1) of the Income Tax Act, 1961	78.74	11.84	33.06	16.83	140.47
	b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	-	-	-	-	-
	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	**78.74**	**11.84**	**33.06**	**16.83**	**140.47**

* Resigned on 01 February 2019; #Appointed with effect from 01 February 2019.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES :

There were no penalties, punishment or compounding of offences during the year ended 31 March 2019.

On behalf of the Board

L Ramkumar
Chairman
DIN-00090089

Coimbatore
29 April 2019

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 2018-19 are highlighted hereunder:

The Company has invested in LED light installation at Shop floor and conversion of Thyristor control drive in heat treatment Furnaces. The Company installed Variable Frequency Dive for Boring, Turning, Drilling & Grinding machines, conventional panels replaced with programmable logic controls, installed new energy efficient compressor and replaced the Compressed Air usage in STP with Blower. During the year under review, electricity consumption has reduced when compared with previous year due to the above initiatives.

Green Power

The company has 9 Wind Mills with a total capacity of 6.7 MW. These wind mills generated 114.68 Lakh units of electricity and these units were used for captive production. In addition to this, the Company has also generated 2.43 Lakh units of electricity from the 200 kW Roof top Solar panels installed in the Company's premises.

Technology Absorption

Efforts made by the Company towards technology absorption and its benefits

Research and Development (R&D) is continued in Design, Testing and Manufacturing for 'Future-Ready' in gear applications. Impact of technology disruptors such as 3-D printing, Electric Vehicles, alternate materials, etc., in gear industry is closely monitored through research and prototype testing on latest technologies. As a Long-term strategy, the Industrial Internet of Things (IIoT) have been initiated to optimize resources and logistics in shop-floor. The team is developing validated simulation methodologies for structural, foundry and Fluid Lubrication System (FLS) designs for faster turnaround. The technology team is involved in research on Induction hardening processes to unlock the potential in new segments on competitive terms.

The focus for the year under review was Automation, IIoT and technologically advanced planetary gears boxes.

₹ Crores

Particulars	2018-19	2017-18
Expenditure on R & D		
Capital Expenditure	0.17	3.24
Revenue Expenditure	2.22	1.28
Total R & D Expenditure	**2.39**	**4.52**
Total R & D Expenditure as a % of turnover	1.01%	2.06%

Foreign Exchange Earnings and Outgo	2018 - 19
Foreign Exchange Earned	11.79
Foreign Exchange Outgo	6.17

On behalf of the Board

L Ramkumar
Chairman
DIN-00090089

Coimbatore
29 April 2019

ANNEXURE E TO THE BOARD'S REPORT

FORM NO. MR - 3

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

[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 2019 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 2019 according to the provisions of:

i) The Companies Act, 2013 (the Act) and the rules made thereunder and Companies Act,1956 (to the extent applicable);

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, 2018 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 (Share Based Employee Benefits) Regulations, 2014 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 Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; 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 which were carried out in compliance with the provisions of the Act:

Mr. C R Swaminathan has retired with effect from 02 August 2018 and Mr. Vellayan Subbiah and Mr. Krishna Samaraj were appointed as an Additional Directors on 01 February 2019 and 25 March 2019 respectively.

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.

I further report that during the audit period the Company has passed Special Resolution by way of postal ballot for buyback of 50,00,000 equity shares of ₹1/- each at ₹140/- per share on a proportionate basis through tender offer route.

M R L NARASIMHA
Practicing Company Secretary
Membership No. F2851
Certificate of Practice No.799

Coimbatore
29 April 2019

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.

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
Certificate of Practice No.799

Coimbatore
29 April 2019

MANAGEMENT DISCUSSION AND ANALYSIS

On Indian Economy

The Indian economy is projected to grow at an annual rate of 7.3% in 2019 and 7.5% in 2020, supported by the continued recovery of investment and robust consumption. India remains the fastest growing major economy of the world, according to IMF.

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	In 2018, Steel production stood at 106.5 MT and became the world's second largest producer. In India, steel production is expected to increase to 128.6 MT by 2021.
Cement	Cement Production in India (ranked 02nd in the world) reached 502 MTPA in 2018 and capacity addition of 20 MTPA is expected between FY19 to FY 21.
Railways	Railways infrastructure investment is expected to grow from US$ 58.9 billion to US$ 124.1 billion. The Industry is moving towards High-Speed Technology and is looking for Domestic Markets. Rising urbanization is driving passenger traffic growth - Urban Rural connectivity will induce Indian Railways growth.
Defence	Indian Defence Capex is 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.
Roads	India's highway Construction has shown a CAGR of 23.3% in the last 5 years. Between FY09 and FY19, the budget outlay for road transport and highways increased at a robust CAGR of 16.8 %.

Review of Performance

During the year the business registered a top-line growth of 14% to ₹243 Crores aided by growth in revenues, the profit after tax grew by 17% to ₹33.4 Crores. The business continued to build relationships through high levels of customer engagement during the year. Focus on Servicing and Solution expertise in power transmission helped in sustaining the competitive advantage.

Conscious effort on cash generation helped us to sustain the reduced net working capital levels of previous year. In its endeavor to build sustainable business, the Company continued its journey on certifications and became the first Asian Company to get IRIS (International Railway Industry Standard) certification.

Specific attention is given on alternate materials and processes to drive value addition and cost reduction. Consolidation of operations is on-going in a phased manner. Capital investments were made wherever technological upgradation was required.

The Company remains debt free and invests its surplus funds 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

L Ramkumar
Chairman
DIN-00090089

Coimbatore
29 April 2019

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.

On behalf of the Board

L Ramkumar
Chairman
DIN-00090089

Coimbatore
29 April 2019

REPORT ON CORPORATE GOVERNANCE

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

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

Board of Directors

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

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

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

Members had approved the appointment of Mr. J Balamurugan, Ms. Soundara Kumar and Mr. S K Sundararaman 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. Vellayan Subbiah as Director liable to retire by rotation and Mr. Krishna Samaraj as an Independent Director to the members. The Board also recommended the re-appointment of Mr. J Balamurugan as an Independent Director of the Company. The Company had issued letter of appointment to the said Independent Directors as required under Schedule IV to the Companies Act, 2013 and the terms and conditions of their appointment have also been disclosed on the Company's website http://www.shanthigears.com/wp-content/uploads/2018/07/ Appointment-of-Independent-Directors-Terms-and-Conditions.pdf

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

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

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

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

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

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

The Board has identified business strategy, leadership, technology, finance and board insight skills, expertise and competencies are required in the context of the business. All the above core sets are available with the present Board of Directors.

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

There were six meetings of the Board during the financial year 2018-19. The dates of the Board meetings, attendance and the number of Directorships/ Committee memberships held by the Directors as on 31 March 2019 are given in **Table 1** of the annexure A to this Report.

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

Audit Committee

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

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

The quarterly financial results are placed before the Audit Committee for its review, suggestions and recommendations, before taking the same to the Board. The Statutory audit plans and progress are shared with the Committee for its review. The internal audit plans are drawn up in consultation with Chief Executive Officer, 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 2019. The Composition of the Audit Committee and the attendance of each member at these meetings are given in **Table 2** of the annexure A to this Report.

Nomination and Remuneration Committee

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

Mr. J Balamurugan, a Non-Executive Director, is the Chairman of the Nomination and Remuneration Committee. The composition of the Committee and the attendance of each member at these meetings are given in **Table 3** of the annexure A to this Report.

Remuneration to Directors

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

The details of remuneration paid/payable to the Non-Executive Directors, for the financial year ended 31 March 2019 is given in **Table 4** of the annexure A to this Report.

Corporate Social Responsibility Committee

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

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

Risk Management Committee

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

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

Performance Evaluation

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

To take the evaluation exercise forward, all the Independent Directors of the Company met on 25 March 2019, 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 Weblink:http://www.shanthigears.com/wp-content/uploads/ 2019/05/SGL-RPT-Policy-Mar-2019.pdf

Investors' Service

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

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

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

Mr. L Ramkumar, a Non-Executive Director, is the Chairman of the Stakeholders Relationship Committee. The Committee met once during the year ended 31 March 2019. The composition of the Committee and attendance of its members at the meetings are given in **Table 6** of the annexure A to this Report.

One investor complaint was received and resolved during the year. No complaints were pending as at 31 March 2019.

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 commensurating with the nature of its business and size. These systems are regularly reviewed and improved upon. The Chief Executive Officer and Chief Financial Officer has certified to the Board on matters relating to financial reporting and related disclosures, compliance with relevant statutes, Accounting Standards and adequacy of internal control systems.

Whistle Blower Policy

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

Compliance of Corporate Governance Norms

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

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

Other Disclosures

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

A write up on the risks associated with the business and mitigation plans 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 Standard (Ind AS 24).

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

General Shareholder Information

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

On behalf of the Board

L Ramkumar
Chairman
DIN-00090089

Coimbatore
29 April 2019

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 2019, as envisaged in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Coimbatore
29 April 2019

M Karunakaran
Chief Executive Officer

ANNEXURE A TO THE CORPORATE GOVERNANCE REPORT

A) Board Meeting Dates and Attendance

The Board of Directors met six times during the financial year 2018-19. The dates of the Board meetings were 02 May 2018, 02 August 2018, 26 October 2018, 26 December 2018, 01 February 2019 and 25 March 2019.

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 2019 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 2019
1	Mr. L Ramkumar	6(6)	1(1)	1(1)	Present	-
2	Mr. C R Swaminathan[c]	2(2)	1	1(1)	Present	5000
3	Mr. J Balamurugan	6(6)	3	2	Present	-
4	Ms. Soundara Kumar	4 (6)	8	6(3)	Absent	-
5	Mr. S K Sundararaman	5(6)	6	6	Present	-
6	Mr. Vellayan Subbiah[d]	2(2)	5	2	Not Applicable	-
7	Mr. Krishna Samaraj[e]	0(1)	3	2	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) Retired from the Board on 02 August 2018
d) Appointed as Director on 01 February 2019
e) Appointed as Director on 25 March 2019

B) Composition of Audit Committee and Attendance

The Committee met four times during the financial year 2018-19. The dates of meetings were 02 May 2018, 02 August 2018, 26 October 2018 and 01 February 2019. 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 [(a)]	2 (2)
2	Ms. Soundara Kumar, Chairperson [(b)]	2 (4)
3	Mr. J Balamurugan	4 (4)
4	Mr. S K Sundararaman (c)	3 (3)

a) Retired from the Committee on 02 August 2018
b) Designated as Chairperson with effect from 03 August 2018
c) Appointed as member of the Committee with effect from 03 August 2018

C) Composition of Nomination and Remuneration Committee and Attendance

The Committee met four times during the financial year ended 31 March 2019. The dates of meetings were 02 May 2018, 02 August 2018, 01 February 2019 and 25 March 2019. 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 [(a)]	2 (2)
2	Mr. J Balamurugan, Chairman [(b)]	4 (4)
3	Mr L Ramkumar	4 (4)
4	Mr. S K Sundararaman[(c)]	2 (2)

a) Retired from the Committee on 02 August 2018
b) Designated as Chairperson with effect from 03 August 2018
c) Appointed as member of the Committee with effect from 03 August 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 2019 are as follows :

TABLE 4

Amount in ₹

Name of Director	Commission*	Sitting fees	Total
Mr. C R Swaminathan	1,66,667	90,000	2,56,667
Mr. J Balamurugan	5,00,000	2,10,000	7,10,000
Ms. Soundara Kumar	5,00,000	1,20,000	6,20,000
Mr. S K Sundararaman	5,00,000	1,35,000	6,35,000
Mr. L Ramkumar	2,91,667	1,00,000	3,91,667
Total	**19,58,334**	**6,55,000**	**26,13,334**

* 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 2019. The dates of meetings were 02 August 2018 and 01 February, 2019. 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. C R Swaminathan, Chairman[(a)]	1 (1)
2	Ms. Soundara Kumar, Chairperson [(b)]	1 (2)
3	Mr. L Ramkumar	2 (2)
4	Mr. S K Sundararaman [(c)]	1 (1)

a) Retired from the Committee on 02 August 2018.
b) Designed as Chairperson with effect from 03 August 2018.
c) Appointed as member of the Committee with effect from 03 August 2018.

F) Composition of Stakeholders Relationship Committee and Attendance

The Committee met once during the financial year ended 31 March 2019. The date of meeting was 25 March 2019.

The composition of the Stakeholders Relationship Committee and the attendances at the meetings are as follows :

TABLE 6

Sl. No.	Name of Member	No. of Meetings Attended (No. of meeting held)
1	Mr. L Ramkumar, Chairman	1 (1)
2	Mr. J Balamurugan*	1 (1)
3	Ms. Soundara Kumar*	1 (1)
4	Mr. C R Swaminathan#	Not Applicable

* Appointed as member of the Committee with effect from 03 August 2018.
# Retired from the Committee on 02 August 2018.

G) Composition of Risk Management Committee and Attendance.

The Committee met once during the financial year ended 31 March 2019. The date of meeting was 01 February 2019.The composition of the Risk Management Committee and the attendance of each member at the meeting are as follows :

TABLE 7

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

* Retired from the Committee on 01 February 2019
# Appointed as member of the Committee on 01 February 2019

On behalf of the Board

L Ramkumar
Chairman
DIN-00090089

Coimbatore
29 April 2019

ANNEXURE B TO THE CORPORATE GOVERNANCE REPORT

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

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

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of SHANTHI GEARS LIMITED having CIN:L29130TZ1972PLC000649 and having registered office at 304-A,Trichy Road, Singanallur, Coimbatore 641005 (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company and its officers, I hereby certify that none of the Directors on the Board of the Company for the Financial Year ended on 31 March 2019 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

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

M R L NARASIMHA
Practicing Company Secretary
Membership No. F2851
Certificate of Practice No.799

Coimbatore
29 April 2019

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 5, 2018.

2. We, Deloitte Haskins & Sells, Chennai, Chartered Accountants, the Statutory Auditors of Shanthi Gears Limited ("the Company"), have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on March 31, 2019, 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).

Managements' Responsibility

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

Auditor's Responsibility

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

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

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

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

Opinion

8. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Regulations 17 to 27 and Clauses (b) to (i) of Regulation 46 (2) and paras C and D of Schedule V of The Listing Regulations during the year ended 31 March 2019.

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

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

C. R. Rajagopal
Partner
(Membership No. 023418)

Coimbatore
29 April 2019

GENERAL SHAREHOLDER INFORMATION

Company Registration

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

Registered Office

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

Annual General Meeting

Day	:	Tuesday
Date	:	23 July 2019
Time	:	4.00 P.M.
Venue	:	Jenneys Residency, 2/2 Avinashi Road, Opposite to CIT, Civil Aerodrome Post, Peelamedu, Coimbatore - 641 014

Tentative Calendar for 2019-20

Annual General Meeting	23 July 2019
Results for the Quarter Ending 30 June 2019	23 July 2019
Results for the Quarter Ending 30 September 2019	October / November, 2019
Results for the Quarter Ending 31 December 2019	January / February 2020
Results for the Year Ending 31 March 2020	April / May 2020

Book Closure Date : 13 July 2019 to 23 July 2019 (Both days inclusive)

Dividend

The Board of Directors has recommended the payment of a final dividend of ₹1/- per Equity share. The Dividend on Equity Shares will be paid to those Members, whose name appear in the Register of Members as on Tuesday, 23 July 2019 and the same will be paid on or after 28 July 2019. During the financial year, in January 2019, the Company paid one-time special interim dividend of ₹5/- per equity share.

In respect of shares held in electronic form, dividend will be paid on the basis of beneficial ownership as per details furnished by the depositories for the purpose.

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
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
2018-19 (Interim)	26.12.2018	31.01.2026

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 2010-11 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"). Not later than 13 July 2019 to enable them to forward the dividend warrants to the latest address of Members. Members are also advised to intimate the RTA the details of their bank account to enable incorporation of the same on dividend warrants. This would help prevent any fraudulent encashment of dividend warrants.

b) Shareholders holding shares in demat form

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

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

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

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 2019-2020 in respect of the above stock exchanges.

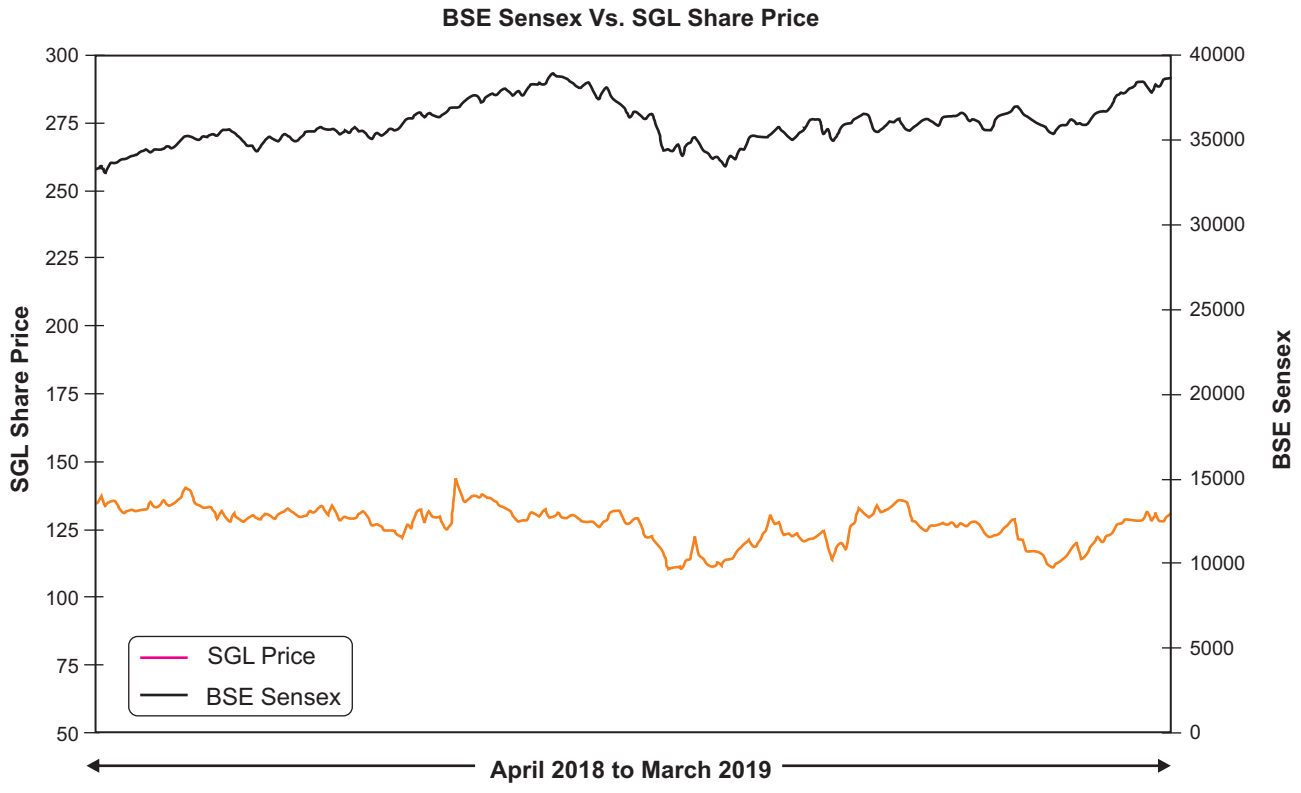
Market Price Data and Comparison

Monthly high and low price of the Equity Shares of the Company during 2018-19 are as follows :

Month	BSE Ltd		National Stock Exchange of India Ltd	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2018	143.95	130.30	141.95	129.05
May 2018	145.50	127.95	145.50	128.00
June 2018	138.50	125.50	139.00	125.20
July 2018	149.35	120.50	150.50	120.10
August 2018	140.00	127.15	141.00	127.00
September 2018	134.90	122.10	134.40	122.10
October 2018	124.40	106.20	125.55	107.10
November 2018	134.00	115.00	134.95	116.60
December 2018	139.50	112.85	139.85	113.00
January 2019	138.00	120.25	137.00	119.85
February 2019	130.00	109.00	128.95	110.40
March 2019	134.00	117.10	133.45	116.70

Performance in comparison to broad based indices

SGL Share Performance (April 2018 to March 2019)



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 - 641 006.
Tel : 0422 - 4958995, 2539835-836
Fax : 0422 - 2539837
E-mail : info@skdc-consultants.com

Shareholding pattern as on 31 March 2019

Sl. No.	Category	No. of Shares	%
1	Promoters	5,73,02,913	70.13
2	Mutual Funds, Banks, Financial Institutions, Insurance Companies	17,62,167	2.15
3	Alternate Investment Funds	24,90,294	3.05
4	NRI's / OCB's	5,56,714	0.68
5	Foreign Financial Institutions	10,05,324	1.23
6	Foreign Banks	3,000	0.00
7	Foreign Portfolio Investments - Corporate	14,01,586	1.72
8	Private Corporate Bodies	12,71,709	1.56
9	Indian Public	1,53,57,178	18.79
10	IEPF Authority	2,96,678	0.36
11	Unclaimed Share Suspense Account	2,68,290	0.33
	Total	**8,17,15,853**	**100.00**

Distribution of Shareholding as on 31 March 2019

No. of Equity Shares held	No. of Shareholders	% Shareholders	No. of Shares	% Shares
1 - 500	11,974	78.85	15,35,037	1.88
501 - 1000	1,177	7.75	9,89,087	1.21
1001 - 5000	1,543	10.16	37,22,733	4.56
5001 - 10000	306	2.02	21,25,823	2.60
10001 - 100000	162	1.07	34,75,695	4.25
100001 and above	23	0.15	6,98,67,478	85.50
Total	**15,185**	**100.00**	**8,17,15,853**	**100.00**

Dematerialisation of Shares and Liquidity

As on 31 March 2019, 8,07,58,004 shares were in dematerialised form representing 98.83 % of total shares.

Commodity Price Risk / Foreign Exchange Risk and Hedging Activities

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

Credit Rating

The Company has obtained the following credit rating from ICRA

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

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

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

Financial Year Ending	Date	Time	Venue
31.03.2016	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
31.03.2018	02.08.2018	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
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

In January, 2019, a Special Resolution under Section 68,69,70 and 110 of the Companies Act, 2013 for buyback of equity shares of ₹1/- each fully paid up, was passed by Postal Ballot. The Shareholders approved the said Special Resolution with requisite majority.

Voting details of the above Postal Ballot were as follows

Number of Valid votes	6,14,26,349 votes
Number of votes in favour	6,14,10,525 votes
Number if votes against	15,824 votes

The voting under the Postal Ballot was conducted by Mr. P Eswaramoorthy, Practicing Company Secretary, as scrutinizer, as per the procedure laid down in Section 110 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014.

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 01.04.2018	200	3,04,640
2	Number of Shareholder who approached the Company for transfer of their shares from Unclaimed Suspense Account during 01.04.2018 to 31.03.2019	3	4,240
3	Number of Shareholder to whom shares were transferred from the Unclaimed Suspense Account during 01.04.2018 to 31.03.2019	3	4,240
4	Shares relating to unclaimed dividend for 7 years transferred to Investors Education & Protection Fund account during the year 01.04.2018 to 31.03.2019	15	32,110
5	Aggregate number of Shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on 31.03.2019	182	2,68,290

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 2019 shall remain frozen till the rightful owner of such share claims the share. On receipt of the claim, the Company will, after verification, arrange to credit the equity shares to the demat account of the shareholder concerned or deliver the Share Certificate to the shareholder in physical mode after re-materialisation.

Plant Locations

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

B Unit : 304-F, Trichy Road, Singanallur, Coimbatore-641 005

C Unit : Avinashi Road, Muthugoundenpudur (PO), Coimbatore-641 406

D Unit : K. Krishnapuram, Kamanaickenpalayam (PO), Palladam Taluk, Tirupur District - 641 658.

Foundry Division : Kannampalayam, 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 - 641 006 Tel : 0422 - 4958995, 2539835 - 836 Fax : 0422 - 2539837 Email : info@skdc-consultants.com

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHANTHI GEARS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Shanthi Gears Limited ("the Company"), which comprise the Balance Sheet as at 31st March 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the [Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Sl. No.	Key Audit Matter	Auditor's Response
1	**Accuracy of valuation of inventory** The valuation of inventory is dependent on establishing appropriate valuation processes. This includes reliance on controls. Management judgement is applied to formulaic calculations for obsolete inventory provisions, and net realisable value testing. If these judgements are not appropriate, this increases the risk that inventory is overstated.	**Principal audit procedures** Our audit approach was a combination of test of internal controls and substantive procedures which included the following: ❖ Evaluated the design of internal controls relating to valuation of inventories. ❖ Verified on a sample basis, the evidences to support inventory is held at lower of cost and net realizable value by auditing the excess and obsolete provisions held against inventory. ❖ Tested the mathematical accuracy of the provisioning model and verified on a sample basis, the data inputs into the relating to scrap and net realisable value.

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

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

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

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

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

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

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

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

d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.

e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act.

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

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

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

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

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

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

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

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

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

C. R. Rajagopal
Partner
(Membership No. 023418)

Coimbatore
29 April 2019

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, 2019 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

C. R. Rajagopal
Partner
(Membership No. 023418)

Coimbatore
29 April 2019

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, Service Tax, Goods and Services 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, Goods and Services Tax, Cess and other material statutory dues in arrears as at March 31, 2019 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, 2019 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	Reversal of Service Tax Credit	CESTAT, Chennai	2011-12 to 2014-15	₹ 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)

C. R. Rajagopal
Partner
(Membership No. 023418)

Coimbatore
29 April 2019

BALANCE SHEET AS AT 31 MARCH 2019

₹ Crores

Particulars	Note No.	As at 31.03.2019	As at 31.03.2018
ASSETS			
Non-current Assets			
a) Property, plant and equipment	4a	51.09	49.44
b) Capital work-in-progress		0.18	0.50
c) Investment property	5	7.09	7.11
d) Intangible assets	4b	0.45	0.26
e) Financial assets			
i) Investments	6	14.16	12.17
f) Deferred tax assets (net)	7	4.96	5.95
g) Other non-current assets	8	5.74	5.81
Total non-current assets		**83.67**	**81.24**
Current Assets			
a) Inventories	9	70.13	58.88
b) Financial assets			
i) Investments	10a	109.69	101.40
ii) Trade receivables	10b	56.51	55.48
iii) Cash and cash equivalents	10c	1.55	0.98
iv) Other bank balances	10c	18.19	0.50
v) Other financial assets	10d	5.51	56.23
c) Current tax assets (Net)		2.02	-
d) Other current assets	11	5.35	5.35
Total current assets		**268.95**	**278.82**
TOTAL ASSETS		**352.62**	**360.06**
EQUITY AND LIABILITIES			
Equity			
a) Equity share capital	12	8.17	8.17
b) Other equity	13	293.91	309.62
Total Equity		**302.08**	**317.79**
Liabilities			
Non-current Liabilities			
a) Financial Liabilities			
i) Other long-term liabilities	14	1.07	0.88
b) Provisions	15	0.16	0.10
Total non-current liabilities		**1.23**	**0.98**
Current Liabilities			
a) Financial liabilities			
i) Trade payables	16a		
- total outstanding dues of micro enterprises and small enterprises		0.28	-
- total outstanding dues of creditors other than micro enterprises and small enterprises		30.65	23.67
ii) Other financial liabilities	16b	0.69	0.50
b) Provisions	17	0.66	0.61
c) Current tax liabilities (Net)		-	0.30
d) Other current liabilities	18	17.03	16.21
Total current liabilities		**49.31**	**41.29**
Total Liabilities		**50.54**	**42.27**
TOTAL EQUITY AND LIABILITIES		**352.62**	**360.06**
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

Coimbatore
29 April 2019

For and on behalf of the Board of Directors

L Ramkumar
Chairman
(DIN: 00090089)

B Balamurugan
Chief Financial Officer

M Karunakaran
Chief Executive Officer

C Subramaniam
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

₹ Crores

Particulars	Note No.	Year ended 31.03.2019	Year ended 31.03.2018
Revenue from operations			
Sale of Products & Services	19	242.97	219.55
Other Income	20	11.80	11.92
Total Income		**254.77**	**231.47**
Expenses			
a) Cost of materials consumed	21	115.76	81.42
b) Changes in inventories of finished goods and work in progress	22	(7.88)	8.87
c) Excise duty		-	5.43
d) Employee benefits expense	23	45.40	41.72
e) Depreciation and amortisation expense	24	10.62	15.56
f) Other expenses	25	48.41	45.30
Total Expenses		**212.31**	**198.30**
Profit Before Tax		**42.46**	**33.17**
Tax Expense			
Income Tax	26		
Current Tax (net)		8.20	7.00
Deferred Tax		0.91	(2.41)
		9.11	**4.59**
Profit for the year		**33.35**	**28.58**
Other Comprehensive Income			
Item that will not be reclassified into profit or loss			
Re-measurement gains and (losses) on defined benefit/obligation (net)		0.25	0.17
Income tax relating to Item that will not be reclassified into profit or loss	26	(0.07)	(0.06)
Total Comprehensive Income		**33.53**	**28.69**
Earnings Per Equity Share of ₹ 1/- each	33		
Basic (in ₹)		4.08	3.50
Diluted (in ₹)		4.08	3.50
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

Coimbatore
29 April 2019

For and on behalf of the Board of Directors

L Ramkumar
Chairman
(DIN: 00090089)

B Balamurugan
Chief Financial Officer

M Karunakaran
Chief Executive Officer

C Subramaniam
Company Secretary

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
A. Cash Flow from Operating Activities		
Profit for the year	**33.35**	**28.58**
Adjustments for :		
Depreciation of property, plant and equipment	10.51	15.47
Depreciation of investment properties	0.11	0.09
(Profit)/Loss on Property plant & equipment Sold / Discarded (Net)	(0.79)	(0.70)
Income tax expense	9.11	4.59
Interest income	(1.76)	(6.19)
Dividend income	(6.69)	(3.82)
Net gain arrising of financial assets measured at fair value through profit or loss	(1.52)	(0.67)
Provision for doubtful trade receivables	(0.24)	0.16
Bad debts written off	0.12	0.88
Operating Profit before Working Capital / Other Changes	**42.20**	**38.39**
Changes in working capital:		
Adjustments for (increase) / decrease in operating assets:		
Inventories	(11.25)	16.29
Trade receivables	(1.03)	(9.55)
Other financial assets	1.33	0.07
Other current assets	(2.02)	2.08
Other non-current assets	0.07	0.50
Adjustments for increase / (decrease) in operating liabilities:		
Trade payables	7.26	(1.37)
Other current liabilities	0.52	1.69
Other long-term liabilities	0.19	0.22
Short-term provisions	0.11	0.09
Cash generated from operations	**37.38**	**48.41**
Net income tax paid	(10.22)	(6.16)
Net cash generated by Operating activities (A)	**27.16**	**42.25**
B. Cash flow from Investing activities		
Capital expenditure on fixed assets, including capital advances	(11.63)	(6.32)
Proceeds from sale of property plant and equipments	0.86	0.76
Investment in long term investments (Net)	(1.99)	-
Purchase of current investments and deposits	(191.13)	(114.85)
Proceeds from current investments and deposits	231.02	85.10
Interest Income received	6.54	5.34
Dividend Income received	6.69	3.82
Net cash flow from / (used) in Investing activities (B)	**40.36**	**(26.15)**
C. Cash flow from Financing activities		
Dividends paid on equity shares	(40.86)	(13.80)
Tax on dividend	(8.40)	(2.91)
Net cash flow used in Financing activities (C)	**(49.26)**	**(16.71)**
Net increase/(decrease) in Cash and cash equivalents (A+B+C)	**18.26**	**(0.61)**
Cash and cash equivalents at the beginning of the year	1.48	2.09
Cash and cash equivalents at the end of the year (Refer Note 10c)	**19.74**	**1.48**

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

Coimbatore
29 April 2019

For and on behalf of the Board of Directors

L Ramkumar
Chairman
(DIN: 00090089)

B Balamurugan
Chief Financial Officer

M Karunakaran
Chief Executive Officer

C Subramaniam
Company Secretary

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

a) Equity Share Capital

₹ Crores

Particulars	Amount
Balance as at 01 April 2018	8.17
Shares issued during the year	-
Balance as at 31 March 2019	**8.17**

b) Other Equity

₹ Crores

Particulars	General reserve	Securities premium	Retained Earnings	Other Comprehensive Income	Capital redemption reserve	Total Other Equity
Balance at 01 April 2018	**250.00**	**24.29**	**34.71**	**0.62**	**0.02**	**309.62**
Profit for the year 2018-19			33.35			33.35
Payment of dividends						
Interim Dividend for the current year			(49.26)			(49.26)
Other Comprehensive Income				0.18		0.18
Balance at 31 March 2019	**250.00**	**24.29**	**18.80**	**0.80**	**0.02**	**293.91**

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

Coimbatore
29 April 2019

For and on behalf of the Board of Directors

L Ramkumar
Chairman
(DIN: 00090089)

B Balamurugan
Chief Financial Officer

M Karunakaran
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 29 April 2019.

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 atleast 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

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.

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

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

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

3.8. Intangible Assets

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

3.9. Impairment of Assets

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

3.10. Inventories

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

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

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

3.11. Revenue and Other Income

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

as it has pricing latitude and is also exposed to inventory and credit risks.

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

Sale of Goods and Services :

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

Rendering of Services :

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

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.

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 and 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 reasonable certainty in receiving the same.

3.13. Employee Benefits

I. Defined Contribution Plan

a. Provident Fund

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

b. Employee State Insurance

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

II. Defined Benefit Plan

Gratuity

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

III. Long-Term Employee Benefits

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

IV. Short-Term Employee Benefits

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

3.14. Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are

recognised as an expense in the revenue account as per the lease terms.

3.15. Foreign Currency Transactions

Initial recognition

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

Measurement as at Balance Sheet Date

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

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

Treatment of exchange differences

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

3.16. Depreciation and Amortisation

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

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

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

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

3.17. Research and Development

Revenue expenditure on research and development is 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 Statement of Profit and 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. GST input credit

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

3.21. Financial Instruments

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

A. Financial assets

i. Initial recognition and measurement

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

ii. Subsequent measurement

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

iii. De-recognition

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

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

iv. Impairment of financial assets

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

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

The Company follows 'simplified approach' for recognition

of impairment loss allowance on Trade receivables.

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

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

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

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

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

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

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

B. Financial liabilities

i. Initial recognition and measurement

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

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

ii. Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Gains or losses on liabilities held for trading are recognised in the P&L.

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 P&L.

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 P&L.

New standards and interpretations not yet adopted

Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments : On March 30, 2019, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2019 containing Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments which clarifies the application and measurement requirements in Ind AS 12 when there is uncertainty over income tax treatments. The current and deferred tax asset or liability shall be recognized and measured by applying the requirements in Ind AS 12 based on the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this appendix. The amendment is effective for annual periods beginning on or after April 1, 2019.

Ind AS 116 'Leases' : On March 30, 2019, the Ministry of Corporate Affairs notified the Companies (Indian Accounting Standards) Amendment Rules, 2019 containing Ind AS 116 - Leases and related amendments to other Ind ASs. Ind AS 116 replaces Ind AS 17 'Leases' and related interpretation and guidance. The standard sets out principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the Statement of Profit and Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements as per Ind AS 17. Ind AS 116 is effective for annual periods beginning on or after April 1, 2019.

Amendment to Ind AS 19 'Employee Benefits' : On March 30, 2019, the Ministry of Corporate Affairs has notified limited amendments to Ind AS 19 'Employee Benefits' in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendment will come into force for accounting periods beginning on or after April 1, 2019, though early application is permitted.

Amendment to Ind AS 12 'Income Taxes' : On March 30, 2019, the Ministry of Corporate Affairs has notified limited amendments to Ind AS 12 'Income Taxes'. The amendments require an entity to recognise the income tax consequences of dividends as defined in Ind AS 109 when it recognises a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The amendment will come into force for accounting periods beginning on or after April 1, 2019.

The Company is evaluating the effect of the above on its financial statements.

4. PROPERTY, PLANT & EQUIPMENT & INTANGIBLE ASSETS

₹ Crores

Particulars	Gross Block					Accumulated Depreciation					Net Block	
	As at 01.04.2018	Transfer to Investment Property	Additions	Disposals	As at 31.03.2019	As at 01.04.2018	Transfer to Investment Property	Additions	Disposals	As at 31.03.2019	As at 31.03.2019	As at 31.03.2018
4a. Property Plant & Equipments												
Land	2.86	-	-	-	2.86	-	-	-	-	-	2.86	2.86
	(2.86)	-	-	-	(2.86)	-	-	-	-	-	(2.86)	(2.86)
Buildings	23.60	0.09	1.13	0.01	24.63	3.11	0.01	1.04	0.01	4.13	20.50	20.49
	(22.85)	-	(0.75)	-	(23.60)	(2.05)	-	(1.06)	-	(3.11)	(20.49)	(20.80)
Plant & Machinery	61.91	-	10.10	0.07	71.94	37.76	-	8.16	0.07	45.85	26.09	24.15
	(59.78)	-	(5.22)	(3.09)	(61.91)	(27.87)	-	(12.98)	(3.09)	(37.76)	(24.15)	(31.91)
Furniture & Fittings	1.58	-	0.12	-	1.70	1.15	-	0.25	-	1.40	0.30	0.43
	(1.51)	-	(0.07)	-	(1.58)	(0.78)	-	(0.37)	-	(1.15)	(0.43)	(0.73)
Office Equipments	2.12	-	0.62	-	2.74	1.30	-	0.60	-	1.90	0.84	0.82
	(1.73)	-	(0.48)	(0.09)	(2.12)	(0.73)	-	(0.66)	(0.09)	(1.30)	(0.82)	(1.00)
Vehicles	0.82	-	0.14	0.20	0.76	0.13	-	0.26	0.13	0.26	0.50	0.69
	(0.94)	-	(0.41)	(0.53)	(0.82)	(0.33)	-	(0.27)	(0.47)	(0.13)	(0.69)	(0.61)
Total	**92.89**	**0.09**	**12.11**	**0.28**	**104.63**	**43.45**	**0.01**	**10.31**	**0.21**	**53.54**	**51.09**	**49.44**
Previous Year	(89.67)	-	(6.93)	(3.71)	(92.89)	(31.76)	-	(15.34)	(3.65)	(43.45)	(49.44)	(57.91)
4b. Intangible assets - Acquired												
Computer Software	1.28	-	0.39	-	1.67	1.02	-	0.20	-	1.22	0.45	0.26
	(1.10)	-	(0.18)	-	(1.28)	(0.89)	-	(0.13)	-	(1.02)	(0.26)	(0.21)
Total	**1.28**	**-**	**0.39**	**-**	**1.67**	**1.02**	**-**	**0.20**	**-**	**1.22**	**0.45**	**0.26**
Previous Year	(1.10)	-	(0.18)	-	(1.28)	(0.89)	-	(0.13)	-	(1.02)	(0.26)	(0.21)

Previous Year Figures are given in brackets.

5. Investment Property

₹ Crores

Particulars	Amount
Deemed Cost	
Opening Balance as at 01 April 2018	7.37
Additions / Deletions during the year	0.09
Closing Balance as at 31 March 2019	**7.46**
Accumulated Depreciation	
Opening Balance as at 01 April 2018	0.26
Additions during the year	0.11
Closing Balance as at 31 March 2019	**0.37**
Net Block	
As at 31 March 2018	7.11
As at 31 March 2019	**7.09**

Information regarding income and expenditure of Investment property

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Rental Income derived from investment properties	0.44	0.36
Direct operating expenses (including repairs and maintenance)	-	-
Profit arising from investment properties before depreciation and indirect expenses	0.44	0.36
Less : Depreciation	(0.11)	(0.09)
Profit arising from investment properties before indirect expenses	0.33	0.27

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

As on 31 March 2019 the fair value of the property is ₹9.87 Crores. (PY ₹8.17 Crores).

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

The 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 31.03.2019		As at 31.03.2018	
		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
SBI - Perpetual Bonds	1000000	20	1.99	-	-
Total			**14.16**		**12.17**
Aggregate amount of Quoted Investments			14.16		12.17
Aggregate amount of Unquoted Investments			-		-
Aggregate amount of impairment in vaule of Investments			-		-

7. Deferred Tax Assets (net)

₹ Crores

Particulars	Balance Sheet		Statement of Profit and Loss	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
Recognised in profit or loss				
Provision for Doubtful Debts	1.07	1.15	(0.07)	0.06
Defined benefit obligations	1.70	2.00	(0.32)	0.46
Provision for warranties	-	0.03	(0.04)	-
FVTPL financial assets	(0.18)	(0.26)	0.08	0.29
Property, plant and equipment	1.18	1.76	(0.58)	0.75
Provision for inventories	1.61	1.60	0.01	0.85
Recognised in other comprehensive income				
Defined benefit obligations	(0.42)	(0.33)	(0.07)	(0.06)
Deferred Tax Assets (Net)	**4.96**	**5.95**	**(0.99)**	**2.35**

8. Other non-current assets

(At amortised cost)

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
Capital Advances		
Considered Good	0.12	0.67
Considered Doubtful	0.18	0.18
	0.30	**0.85**
Less: Provision for Doubtful Advance	(0.18)	(0.18)
	0.12	**0.67**
Security Deposits	2.92	2.31
Advance Income Tax	2.49	2.61
Rental Advances	0.13	0.22
Prepaid Expenses	0.08	-
Total	**5.74**	**5.81**

9. Inventories

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

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
Raw Materials	27.49	24.12
Work in Progress	40.12	32.83
Finished Goods	2.52	1.93
Total	**70.13**	**58.88**

The cost of inventories recognised as an expense during the year in respect of continuing operations was ₹115.76 Crores (for the year ended 31 March 2018: ₹81.42 Crores).

The cost of inventories recognised as an expense includes ₹ (0.02) Crores (during 2017-18: ₹2.48 Crores) in respect of write downs (net) of inventory to net realisable value.

The inventories of ₹0.47 Crores (as at 31 March 2018 ₹0.47 Crores) are expected to be recovered after more than twelve months.

10. Financial Assets

a) Current Investments

Particulars	Nominal Value	As at 31.03.2019		As at 31.03.2018	
		No. of Units	Value ₹ Crores	No. of Units	Value ₹ Crores
Investment in mutual funds - Quoted					
Reliance Liquid Fund - Treasury Plan - Direct Daily Dividend Option Dividend Reinvestment	1500	59263	9.06	65967	10.08
ICICI Prudential Liquid – Direct Plan – Daily Dividend	100	148723	1.49	824493	8.25
Birla Sun Life Cash Plus – Daily Dividend - Direct Plan - Reinvestment	100	352439	3.53	867805	8.69
SBI Premier Liquid Fund - Direct Plan - Daily Dividend	1000	14266	1.43	71150	7.14
Tata Liquid Fund Direct Plan Growth	1000	2588	0.76	-	-
UTI Treasury Advantage Fund - Direct Plan - Daily Dividend	1000	149727	15.26	105676	10.59
ICICI Prudential Income Opportunities - Growth	20	-	-	5313983	12.90
UTI Fixed Term Income Fund Series XXVIII - III - Direct Growth Plan	10	5000000	5.42	5000000	5.00
IDFC Arbitrage Fund	10	17208631	22.63	12041082	15.70
UTI Arbitrage Fund - Direct Dividend Plan - Payout	10	1794419	3.04	-	-
Kotak Equity Arbitrage Fund - Direct Plan - Growth	20	22178031	24.41	2322296	5.90
DHFL Pramerica Arbitrage Fund Direct Plan	10	21121545	22.66	15790101	17.15
Total			**109.69**		**101.40**
Aggregate amount of Quoted Investments			109.69		101.40
Aggregate amount of Unquoted Investments			-		-
Aggregate amount of impairment in vaule of Investments			-		-

b) Trade Receivables

(Unsecured)

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
Outstanding for a period exceeding six months from the day they were due for payment		
- Considered Good	2.54	2.59
- Receivables which have signficant increase in credit risk	1.63	1.93
Less : Allowance for expected credit loss	(1.63)	(1.93)
Other Receivables		
- Considered Good	53.97	52.89
- Receivables which have signficant increase in credit risk	0.74	0.68
Less : Allowance for expected credit loss	(0.74)	(0.68)
Total	**56.51**	**55.48**

Out of the above ₹0.85 Crores (PY ₹0.04 Crores) is receivable from Holding Company and ₹0.06 Crores (PY ₹0.06 Crores) is receivable from TI Tsubamex Private Limited, a related party, disclosed in Note 31.

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

Movement in the expected credit loss allowance:

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
Balances at the beginning of the year	0.68	0.49
Movement in expected credit loss allowance on trade receivables calculated at life time expected credit loss	0.06	0.19
Balances at the end of the year	**0.74**	**0.68**

c) Cash and Cash Equivalents

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
Balances with banks in current accounts	1.54	0.98
Cash on hand*	0.01	0.00
Cash and Cash Equivalents as per Ind AS 7	**1.55**	**0.98**
Other bank balances:		
– Unpaid dividend accounts	0.69	0.50
– Deposit in Buyback Escrow Account**	17.50	-
Cash and Cash Equivalents as per statement of Cashflow	**19.74**	**1.48**

* Represents ₹ 59,967 (PY ₹ 23,445)

** Pursuant to Rule 9(xi) of Securities and Exchange Board of India (Buyback of Securities) regulations, 2018, 25% of the consideration payable on Buyback of shares has been deposited in the Escrow Account.

d) Other Financial Assets

(At amortised cost)

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
a) Accruals		
i) Interest Accrued on Deposits	0.03	4.92
ii) Interest Accrued on Bonds	0.43	0.32
b) Other Loans and Advances		
ii) Gratuity Fund with LIC (net) (Refer Note 29)	0.45	0.44
iii) Annual Leave Fund with LIC (net)	0.39	0.45
c) Balance in Fixed Deposit Accounts - Original maturity of more than 3 months	3.00	47.61
d) Others		
i) Receivable from Sale of Surplus Energy	1.04	2.33
ii) Others	0.17	0.16
Total	**5.51**	**56.23**

NOTES TO FINANCIAL STATEMENTS

11. Other Current Assets

(Unsecured, Considered Good)

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
a) Prepaid Expenses	0.84	0.96
b) Balance with Statutory authorities	3.78	3.69
c) Advance to suppliers	0.67	0.49
c) Loans & Advances to employees	0.05	0.19
d) Others	0.01	0.02
Total	**5.35**	**5.35**

12. Equity Share Capital

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
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 31.03.2019		For the year ended 31.03.2018	
	No. of shares	₹ in Crores	No. of shares	₹ in Crores
At the beginning of the year	81715853	8.17	81715853	8.17
Shares allotted during the year	-	-	-	-
At the end of the year	81715853	8.17	81715853	8.17

ii) Details of shares held by the holding company:

Particulars	As at 31.03.2019 (No. of shares)	As at 31.03.2018 (No. of shares)
Out of the equity shares issued by the company :		
- Tube Investments of India Limited, the holding company	57296413	57296413

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

Particulars	For the year ended 31.03.2019		For the year ended 31.03.2018	
	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	57296413	70.12%	57296413	70.12%

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

* Refer Note 13 for Buyback of shares.

13. Other Equity

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
General reserve	250.00	250.00
Securities premium	24.29	24.29
Retained earnings	18.80	34.69
Other Comprehensive Income	0.80	0.62
Capital redemption reserve	0.02	0.02
Total	**293.91**	**309.62**

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 December 26, 2018 had declared one-time special interim dividend of 500% (₹5 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 ₹49.26 Crores inclusive of dividend distribution tax of ₹8.40 Crores.

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

Consequent to the extinguishment of 50,00,000 shares on account of buyback the following adjustments will be made to Other Equity in the subsequent financial year :

- Increase in Capital Redemption Reserve by ₹0.5 Crores
- Decrease in Securities Premium by ₹24.29 Crores
- Decrease in General Reserve by ₹45.71 Crores

14. Financial Liability - Non Current

Other Long Term Liability

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
Security Deposits from Dealers	1.07	0.88
Total	**1.07**	**0.88**

15. Provisions

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
Provision for Warranty-(Refer note below)	0.16	0.10
Total	**0.16**	**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 31.03.2019	As at 31.03.2018
Provision for Warranty		
At the Beginning of the Year	0.10	0.10
Add : Provision created during the year	0.16	0.09
	0.26	0.19
Less : Utilised during the year	(0.10)	(0.09)
At the end of the year	**0.16**	**0.10**

16. Financial Liabilities (Current)

a) Trade Payables

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
Trade Payables		
Due to micro enterprises and small enterprises (See Note below)	0.28	-
Dues of creditors other than micro enterprises and small enterprises	30.65	23.67
Total	**30.93**	**23.67**

NOTES TO FINANCIAL STATEMENTS

MSME Disclosure

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
Principal amount due to suppliers under MSMED Act	0.28	-
Interest accrued and due to suppliers under MSMED Act, on the above amount	0.04	-
Payment made to suppliers (other than interest) beyond the appointed day, during the year	-	-
Interest paid to suppliers under MSMED Act (Section 16)	-	-
Interest due and payable to suppliers under MSMED Act, for payments already made	-	-
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.04	-

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

b) Other Financial Liabilities

(at amortised cost)

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
Unclaimed Dividends *	0.69	0.50
Total	**0.69**	**0.50**

* Amounts to be credited to Investor Education and Protection Fund towards Unpaid Dividends ₹0.06 Crores (as at 31 March 2018: ₹0.05 Crores).

17. Provision

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
Provision for Compensated Absences	0.66	0.61
Total	**0.66**	**0.61**

18. Other Current Liabilities

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
Advances from Customers	12.00	10.22
Statutory Remittances	4.34	5.29
Others	0.69	0.70
Total	**17.03**	**16.21**

19. Revenue from Operations (Gross)

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Sale of Products	233.47	209.96
Sale of Services	4.21	4.53
Other Operating Revenue		
Sale of Scrap	4.86	4.26
Duty Draw Back and Export Incentives	0.43	0.72
Sale of surplus wind energy	-	0.08
Total	**242.97**	**219.55**

Consequent to the introduction of Goods and Services Tax (GST) with effect from 01 July 2017, Excise Duty has been subsumed into GST. In accordance with Ind AS, GST is not part of revenue unlike Excise Duty. Sale of goods for the period ending 31 March 2018 include excise duty collected from customers of ₹5.31 Crores.

20. Other Income

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
a) Interest Income on		
Bank Deposits	1.62	5.19
Others	0.14	1.00
b) Dividend Income from Current Investments	6.69	3.82
c) Net gain arising on financial assets designated as at FVTPL	1.52	0.67
d) Other Non-Operating Income		
Rental Income	0.44	0.38
Gain on disposal of property plant and equipments	0.79	0.70
Net gain on foreign currency transactions and translations	0.19	0.16
Miscellaneous Income	0.41	-
Total	**11.80**	**11.92**

21. Cost of Materials Consumed

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Opening Stock	**24.12**	**31.54**
Add : Purchases	119.13	74.00
	143.25	**105.54**
Less : Closing Stock	27.49	24.12
Cost of Materials Consumed	**115.76**	**81.42**

NOTES TO FINANCIAL STATEMENTS

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

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Inventories at the beginning of the year		
Work-in-Progress	32.83	40.44
Finished Goods	1.93	3.19
	34.76	**43.63**
Inventories at the end of the year		
Work-in-Progress	40.12	32.83
Finished Goods	2.52	1.93
	42.64	**34.76**
Net Decrease / (Increase)	**(7.88)**	**8.87**

22. Employee Benefits expense

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Salaries, Wages & Bonus	39.16	35.85
Contribution to Provident & Other Funds (Refer note 29)	1.83	1.71
Staff Welfare expenses	4.41	4.16
Total	**45.40**	**41.72**

24. Depreciation and amortization expense

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Depreciation of property plant and equipment	10.31	15.34
Amortization of intangible assets	0.20	0.13
Depreciation of Investment Property	0.11	0.09
Total	**10.62**	**15.56**

25. Other Expenses

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Consumption of stores and spare parts	3.45	3.98
Power and Fuel	7.06	6.25
Subcontracting Charges	12.43	9.73
Rent including lease rentals (Refer Note 32)	0.34	0.44
Repairs and maintenance - Buildings	0.75	0.42
Repairs and maintenance - Machinery	7.21	7.07
Repairs and maintenance - Others	2.90	1.24
Insurance	0.45	0.43
Rates and taxes	0.54	0.81
Software Expenses	1.31	0.93
Communication	0.30	0.33
Travelling and conveyance	2.30	2.17
Printing and stationery	0.34	0.30
Freight and forwarding	1.05	0.68
Sales commission	0.49	1.00
Sales discount and liquidated damages	1.29	0.57
Business promotion	0.88	0.64
Donations and contributions	0.02	0.02
Payments to auditors (Refer (i) below)	0.15	0.12
Expenditure on Corporate Social Responsibility (CSR) (Refer (ii) below)	0.56	0.44
Professional and Consultancy charges	1.75	3.77
Service Fees	2.25	2.25
Trade receivables written off	0.12	0.88
Provision for doubtful trade receivables	(0.24)	0.16
Commission to Non Executive Directors	0.20	0.20
Directors' sitting fees	0.07	0.07
Bank Charges	0.14	0.15
Other Expenses	0.30	0.25
Total	**48.41**	**45.30**

25. (i) Auditor's Remuneration

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Payment to Auditors comprise (Net of levies)		
For Statutory Audit & Tax Audit	0.13	0.10
For Other Services	0.02	0.02
Total	**0.15**	**0.12**

NOTES TO FINANCIAL STATEMENTS

25. (ii) Details of CSR expenditure

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
a) Gross Amount required to be spent by the company during the year	0.56	0.44
b) Amount spent during the year		
i) Education	0.28	0.24
ii) Others	0.28	0.20
Total	**0.56**	**0.44**

25. (iii) Research and Development expenses

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Revenue Expenditure		
Employee Benefit Expense	1.99	1.14
Repairs & Maintenance - Machinery	0.16	0.04
Other Expense	0.07	0.10
Total Revenue Expenditure	**2.22**	**1.28**
Capital Expenditure		
Plant & Machinery	0.17	3.24
Total Capital Expenditure	**0.17**	**3.24**

26. Income Tax Expense recognised in Profit and loss

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Current Tax :		
Current income tax charge	**8.20**	**9.88**
Adjustments in respect of current income tax of previous year	-	(2.88)
Deferred Tax :		
Relating to the origination and reversal of temporary differences	0.91	(2.41)
Income Tax expense reported in the Statement of Profit and Loss	**9.11**	**4.59**

Other Comprehensive Income section

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

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
Remeasurement of defined benefit obligation	(0.07)	(0.06)
Total	**(0.07)**	**(0.06)**

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

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Accounting Profit before income tax	**42.46**	**33.17**
Profit before income tax multiplied by standard rate of corporate tax in India of 29.12% (2018: 34.608%)	12.36	11.48
Effects of :		
Benefits u/s 80IA of Income Tax Act	(1.45)	(1.43)
Income that is exempt from taxation	(1.95)	(1.32)
Benefit u/s 35(2AB) of Income Tax Act, 1961	(0.40)	(0.78)
Differential Tax rate on Capital Gains	0.23	-
Other disallowances	0.32	(0.48)
Income Tax expense reported in the Statement of Profit and Loss net of Deferred Tax	**9.11**	**7.47**
Adjustments recognised in the current year in relation to the current tax of prior years	-	(2.88)
Income tax expense recognised in the profit or loss	**9.11**	**4.59**

27. Commitments and Contingent Liabilities

₹ Crores

Particulars	As at 31.03.2019	As at 31.03.2018
Commitments		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances)	4.40	5.94
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.
3. The Supreme court of India vide judgement dated 28 February 2019, has issued clarification on the definition of "basic wage" considered for the contribution for Provident Fund which provides for the inclusion of special allowances. The said judgement is retrospective in nature. However, since all employer bodies have pleaded with EPFO and Ministry and the actual liability to be provided is unascertainable, no liabilities in the books of accounts has been created.

NOTES TO FINANCIAL STATEMENTS

28. Significant accounting judgements, estimates and assumptions

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

Judgements

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

Operating lease commitments - Company as lessor

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

Estimates and assumptions

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

Property, Plant and Equipment and Investment Property

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

Taxes

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

Defined benefit plans

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

Further details about defined benefit obligations are given in Note 29.

29. Employee Benefits under Defined Benefit Plans

a) Defined Contribution Plan

The Company makes Provident Fund and Employee State Insurance Scheme contributions which are defined contribution plans for qualifying employees. Under the scheme the Company is required to contribute a specified percentage of the payroll cost to fund the benefit. The Company recognised ₹1.58 Crores (PY ₹1.49 Crores) for Provident Fund contribution, ₹0.26 Crores (PY ₹0.19 Crores) 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 31.03.2019	Year ended 31.03.2018
Change in Benefit Obligation		
Projected benefit Obligation as at Year beginning	4.15	3.97
Service Cost	0.28	0.28
Interest Cost	0.31	0.29
Cash flows		
a. Benefit payments from plan	(0.13)	(0.20)
Remeasurements		
a. Effect of changes in financial assumptions	(0.09)	(0.09)
b. Effect of experience adjustments	(0.20)	(0.10)
Projected benefit Obligation as at Year end	**4.32**	**4.15**
Change in fair value of Plan Assets		
Fair Value of Planned assets as at year beginning	**4.59**	**4.46**
Interest income	0.34	0.33
Cash flows		
a. Total employer contributions		
i) Employer contributions	-	0.02
b. Benefit payments from plan assets	(0.13)	(0.20)
Remeasurements		
a. Return on plan assets (excluding interest income)	(0.03)	(0.02)
Fair Value of Planned assets as at year end	**4.77**	**4.59**

NOTES TO FINANCIAL STATEMENTS

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Amount Recognised in the Balance Sheet		
Defined benefit obligation	4.32	4.15
Fair value of plan assets	4.77	4.59
Net defined benefit (liability) / asset	0.45	0.44
Components of defined Benefit cost		
Service Cost		
a) Current Service Cost	0.28	0.28
Net Interest Cost		
a) Interest Expense on DBO	0.31	0.29
b) Less : Interest (Income) on plan assets	0.34	0.33
c) Total net Interest Cost	(0.03)	(0.04)
Remeasurements (Recognised in OCI)		
a) Effect of changes in financial assumptions	(0.09)	(0.09)
b) Effect of experience adjustments	(0.20)	(0.10)
c) Less : (return) on Plan assets (Excluding Interest Income)	(0.03)	(0.02)
d) Total Remeasurements included in OCI	(0.32)	(0.21)
Total defined benefit cost recognised in P&L and OCI	**(0.07)**	**0.03**
Re-measurment		
a. Actuarial Loss/(Gain) on DBO	(0.32)	(0.21)
b. Less - Returns above Interest Income	(0.03)	(0.02)
Total Re-measurements (OCI)	**(0.35)**	**(0.23)**
Employer Expense (P & L)		
a. Current Service Cost	0.28	0.28
b. Interest Cost on net DBO	(0.03)	(0.04)
Total P & L Expenses	**0.25**	**0.24**
Net defined benefit liability (asset) reconciliation		
Net defined benefit liability (asset)	(0.22)	(0.27)
Defined benefit cost included in P&L	0.25	0.24
Total remeasurements included in OCI	(0.35)	(0.23)
Employer contributions	-	0.02
Net benefit paid from plan assets	(0.13)	(0.20)
Net defined benefit liability (asset) as of end of period	(0.45)	(0.44)

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Reconciliation of OCI (Re-measurment)		
Recognised in OCI during the beginning of the period	0.95	0.78
Recognised in OCI during the period	0.25	0.17
Recognised in OCI at the end of the period	**1.20**	**0.95**
Sensitivity analysis - DBO end of Period		
Discount rate + 100 basis points	(0.33)	(0.31)
Discount rate - 100 basis points	0.37	0.34
Salary Increase Rate + 1%	0.38	0.35
Salary Increase Rate - 1%	(0.34)	(0.31)
Attrition Rate + 1%	0.04	0.03
Attrition Rate - 1%	(0.04)	(0.04)

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Significant actuarial assumptions		
Discount rate Current Year	7.61%	7.52%
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
Data		
Number of employees	541	534
Average Age (Yrs.)	44.07	43.78
Average Past Service (Yrs.)	13.79	13.68
Average Salary Monthly (Rs.)	13380	12845

NOTES TO FINANCIAL STATEMENTS

₹ Crores

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Expected cash flows for following year		
Expected employer contributions / Addl. Provision Next Year	0.28	0.24
Expected total benefit payments		
Year 1	0.17	0.25
Year 2	0.25	0.22
Year 3	0.20	0.32
Year 4	0.22	0.26
Year 5	0.40	0.27
Next 5 years	2.68	2.45
Defined benefit obligation at end of period		
Current Obligation	0.16	0.24
Non-Current Obligation	4.16	3.91
Total	**4.32**	**4.15**

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

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Actuarial Assumption		
Discount Rate	8%	7%
Future Salary Increase	5%	5%
Attrition Rate	3%	3%
Expected Rate of Return on Plan Assets	8%	8%

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

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

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

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

30. Segment Reporting

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

₹ Crores

Particulars	Year ended / As at 31.03.2019	Year ended / As at 31.03.2018
Segment Disclosure		
1. Revenue by Geographic Market		
India	229.69	208.62
Rest of the World	13.28	10.93
Total	**242.97**	**219.55**
2. Segment Assets by Geographic Market		
India	351.63	359.56
Rest of the World	0.99	0.50
Total	**352.62**	**360.06**

NOTES TO FINANCIAL STATEMENTS

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

a) List of Related Parties

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

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

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

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 31.03.2019	Year ended / As at 31.03.2018
Sale of Goods & Services	Tube Investments of India Limited TI Tsubamex Private Ltd	1.28 -	4.84 0.01
Dividend Paid	Tube Investments of India Limited	28.65	10.03
Service Fee	Tube Investments of India Limited	2.25	2.25
Reimbursement of Expenses	Tube Investments of India Limited	0.86	1.07
Lease rent Paid	Tube Investments of India Limited	0.12	0.16
Rental Deposit Receivable	Tube Investments of India Limited	-	0.04
Receivable	Tube Investments of India Limited TI Tsubamex Private Ltd	0.95 0.06	0.04 0.06
Payable	Tube Investments of India Limited	0.02	0.03

32. Operating Leases

The Company has cancellable operating lease agreements for office space. As per the lease terms an amount of ₹0.33 Crores (PY ₹0.44 Crores) is charged to Statement of Profit and Loss. As lessor, the Company realized an income of ₹0.44 Crores (PY ₹0.38 Crores) on properties under lease.

NOTES TO FINANCIAL STATEMENTS

33. Earnings Per Share

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Profit After Tax	**33.35**	**28.58**
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 ₹)	4.08	3.50
Diluted (in ₹)	4.08	3.50

34. Details of Unhedged Foreign Currency Exposures

Particulars	Currency	As at 31.03.2019		As at 31.03.2018	
		Foreign Currency	INR (₹ in Crores)	Foreign Currency	INR (₹ in Crores)
Trade Receivables	USD	68,754	0.47	34,515	0.22
Trade Receivables	GBP	57,012	0.52	13,855	0.13
Trade Receivables	EURO	-	-	18,995	0.15

35. Fair Values

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

₹ Crores

Particulars	Carrying Value		Fair Value	
	As at 31.03.2019	As at 31.03.2018	As at 31.03.2019	As at 31.03.2018
Financial Assets				
Non-current Investments	14.16	12.17	14.16	12.17
Current Investments	109.69	101.40	109.69	101.40
Trade Receivables	56.51	55.48	56.51	55.48
Cash and Cash Equivalents	1.55	0.98	1.55	0.98
Other Bank Balances	18.19	0.50	18.19	0.50
Other Financial Assets	5.51	56.23	5.51	56.23
Total	**205.61**	**226.76**	**205.61**	**226.76**
Financial Liabilities				
Other financial liabilities - Non-current-Other Long Term Liabilities	1.07	0.88	1.07	0.88
Trade Payables	-	23.67	-	23.67
Other financial liabilities - Current	0.69	0.50	0.69	0.50
Total	**1.76**	**25.05**	**1.76**	**25.05**

NOTES TO FINANCIAL STATEMENTS

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 31.03.2019	As at 31.03.2018	As at 31.03.2019	As at 31.03.2018	As at 31.03.2019	As at 31.03.2018
Financial Assets						
Current Investments	109.69	101.40	-	-	-	-
Total	**109.69**	**101.40**	-	-	-	-
Financial Liabilities	-	-	-	-	-	-
Total	-	-	-	-	-	-

36. Capital management

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

37. Financial risk management objectives and policies

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

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

A. Market Risk

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

Foreign currency exchange rate risk

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

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

B. Credit Risk

Credit risk is the risk of financial loss arising from counter party 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 credit worthiness 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 ₹63.57 Crores as at 31 March 2019 and ₹112.69 Crores as at 31 March 2018, 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 and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. At 31 March 2019, the Company has 1 customer (31 March 2018 : 3 customers), the receivables from whom exceeds 5% of total receivables which amounts to approximately 6% (31 March 2018 : 18%) of all the total receivables outstanding.

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 represents expected credit loss.

₹ Crores

Particulars	31-Mar-19			31-Mar-18		
	Gross	Provision	Net	Gross	Provision	Net
Not Due	13.80	0.01	13.79	15.03	0.01	15.02
Less than 6 months	40.91	0.73	40.18	38.53	0.67	37.86
More than 6 months	4.17	1.63	2.54	4.53	1.93	2.60
Total	**58.88**	**2.37**	**56.51**	**58.09**	**2.61**	**55.48**

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

C. Liquidity Risk

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

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

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

For and on behalf of the Board of Directors

L Ramkumar
Chairman
(DIN: 00090089)

Coimbatore
29 April 2019

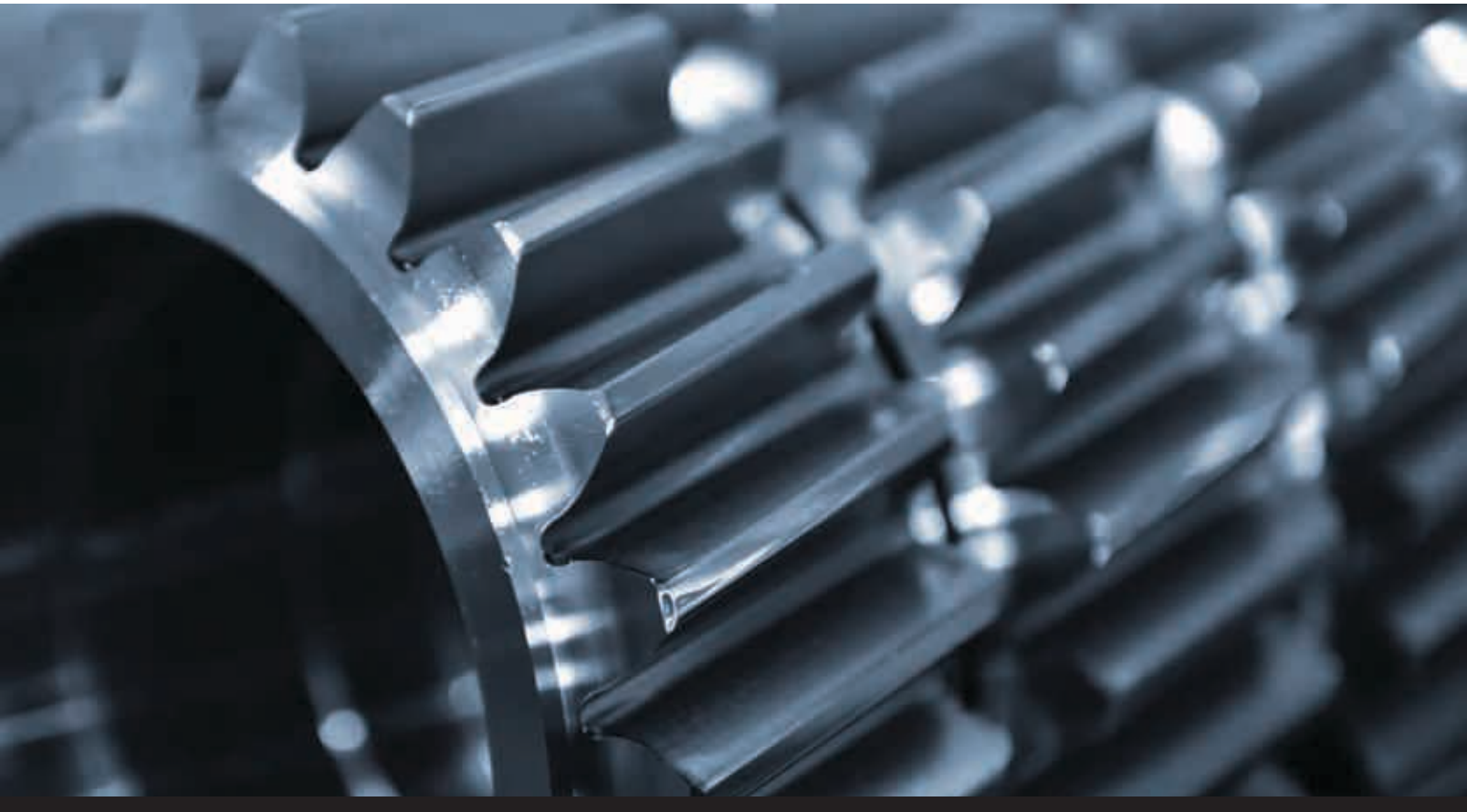
B Balamurugan
Chief Financial Officer

M Karunakaran
Chief Executive Officer

C Subramaniam
Company Secretary

Shanthi Gears

murugappa



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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