GEARED TO GROW

Shanthi Gears

SHANTHI GEARS LIMITED

ANNUAL REPORT 2015-16

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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.

GEARED TO GROW

Products that drive the wheels of industry. The engineering expertise honed from serving a wide and varied customer spectrum. A people resource driven with a passion to go beyond possibilities. At Shanthi Gears, raising the bar is part of the Company's DNA.

2015-16 was marked with a consolidation of competencies, of innovation, precision engineering, customer-centricity and global quality systems.

The year determined the direction. With a roadmap large in scope and scale, Shanthi Gears is ready and all geared to grow.

CHAIRMAN'S MESSAGE

I am confident that by leveraging its technical expertise, product design capabilities, quality and focused customer-centred service, Shanthi Gears is well positioned to mine the burgeoning opportunities in both existing and emerging markets.

Dear Shareholders,

At Shanthi Gears, 2015-16 was a year marked with a determined drive for growth. Despite a sluggish market environment, your Company recorded a turnover of ₹ 162.42 Crores, combating challenges with innovative, value-added products, prudent fiscal management and focused customer service.

In line with the strategy for greater growth, the Company expanded its scope of operations into niche segments, such as defence, railways and aerospace with innovative, customised products for design critical applications. During the year, a new, import-substitute product was developed for large turnkey projects, demonstrating the Company's R&D capabilities and consolidating its industry ranking as a gear manufacturer of repute.

The future holds great promise. I am confident that by leveraging its technical expertise, product design capabilities, quality and focused customer-centred service, Shanthi Gears is well positioned to mine the burgeoning opportunities in both existing and emerging markets. Towards this end, the Company is building on its people resource, consolidating its manufacturing capabilities, optimising efficiencies and setting global standards in products and service. Plans have been mapped out to expand to new geographies and explore new market segments.

Across Shanthi Geras, there is a concerted drive to accelerate the momentum of growth and to transform. I strongly believe, that the team is all geared to capitalise on the opportunities and enter into an exciting phase of growth and development.

In our journey, the members of the Board have been a great source of strength and encouragement to the Company's management and to me, personally. I thank them for their active involvement, guidance and support.

The growth and success of a Company depends primarily on its people. I thank the respective teams across the Company for their diligence and dedication and look forward to a continued commitment and greater levels of achievement.

I thank you dear shareholders, for your continued support and confidence in the Company.

Sincerely,
M M Murugappan

BOARD OF DIRECTORS

(L-R) Mr. J Balamurugan - Non Executive Director, Mr. C R Swaminathan - Non Executive Director, Mr. M M Murugappan - Chairman, Mr. V Venkiteswaran - Non Executive Director, Mr. L Ramkumar - Non Executive Director, Ms. Soundara Kumar - Non Executive Director.

MANAGEMENT TEAM

(Sitting: L - R) Saurabh Jain - CFO, Debashis Chattopadhyay - Head Marketing, Ramkumar L - Director, Rajiv Narayanamoorthy - CEO, Karunakaran M - Head Operations (Standing L - R) Subramaniam C - Company Secretary, Mahendran M - Head Engineering, Satishkumar P - Head Costing, Jebanesan Croos SM - Head IT, Hariprakash R - Head R&D.

10 YEAR FINANCIAL HIGHLIGHTS

₹ Crores

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
OPERATING RESULTS										
Sales (Including excise duty)	179.31	165.03	166.69	159.01	186.67	173.46	129.07	276.90	274.73	227.97
Profit before Depreciation, Interest & Tax (PBDIT)	40.17	29.89	51.56	50.93	69.32	71.48	53.14	103.20	94.61	74.16
Profit before Interest & Tax (PBIT)	23.46	13.14	25.95	22.36	42.10	44.64	26.21	77.43	72.15	55.93
Profit before Tax (PBT)	23.46	13.11	25.93	22.07	41.60	43.76	24.33	68.81	67.49	51.15
Profit after Tax (PAT)	18.24	9.32	18.38	15.47	28.13	27.86	16.18	44.06	44.16	33.59
Earnings Per Share (₹)	2.23	1.14	2.25	1.89	3.44	3.41	1.98	5.39	5.40	4.44
Dividend Per Share (₹)	0.50	0.50	1.00	0.60	1.00	1.00	0.80	1.20	1.20	1.00
Book Value Per Share (₹)	34.77	33.14	32.61	31.53	30.33	28.05	25.80	24.75	20.77	16.28
Interest	-	0.03	0.02	0.29	0.62	8.76	3.81	11.56	6.37	6.23
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	8.08
Reserves & Surplus	275.89	262.57	258.23	249.41	239.67	221.04	202.68	194.12	161.53	123.45
Net Worth	284.06	270.74	266.40	257.58	247.84	229.21	210.85	202.29	169.70	131.53
Debt	-	-	-	-	3.96	9.75	25.63	89.27	92.79	118.68
Deferred Tax Liability (Net)	-	0.86	2.51	6.88	10.73	14.26	17.49	20.09	19.06	16.58
Total	284.06	271.60	268.91	264.46	262.53	253.22	253.97	311.64	281.55	266.78
APPLICATION OF FUNDS										
Gross Fixed Assets	374.92	367.52	364.27	361.09	360.21	353.46	344.13	338.60	299.19	265.20
Accumulated Depreciation	301.70	285.87	269.25	245.34	222.00	195.54	169.20	142.45	118.04	95.81
Net Fixed Assets	73.22	81.65	95.02	115.75	138.21	157.91	174.92	196.15	181.15	169.38
Capital Work-in-Progress	0.36	3.61	3.60	3.62	5.59	7.54	5.17	7.07	16.16	13.19
Deferred Tax Asset (Net)	1.83	-	-	-	-	-	-	-	-	-
Long Term Investments	6.00	-	-	-	-	-	-	-	-	-
Short Term Investments & Deposits	105.30	101.09	107.76	90.60	55.02	46.00	27.50	47.50	15.84	18.13
Net Working Capital	97.35	85.25	62.53	54.49	63.71	41.77	46.38	60.92	68.40	66.07
Total	284.06	271.60	268.91	264.46	262.53	253.22	253.97	311.64	281.55	266.78
RATIOS										
PBDIT To Sales (%)	22.40	18.11	30.93	32.03	37.14	41.21	41.17	37.27	34.44	32.53
PBIT To Sales (%)	13.08	7.96	15.57	14.06	22.55	25.73	20.31	27.96	26.26	24.53
PBT To Sales (%)	13.08	7.94	15.56	13.88	22.28	25.23	18.85	24.85	24.57	22.44
PAT To Sales (%)	10.17	5.65	11.03	9.73	15.07	16.06	12.54	15.91	16.07	14.73
Interest Cover (times)	-	996.33	2,578.00	175.62	111.81	8.16	13.95	8.93	14.85	11.90
ROCE (%) #	13.12	7.71	16.10	12.86	20.29	21.54	11.57	29.31	27.15	22.49
Return on Networth (%)	6.42	3.44	6.90	6.01	11.35	12.16	7.67	21.78	26.02	25.54
Total Debt Equity Ratio	-	-	-	-	0.02	0.04	0.12	0.43	0.48	0.60
Long Term Debt Equity Ratio (+)	-	-	-	-	-	0.02	0.05	0.08	0.13	0.18
Sales/Net Fixed Assets (times)	2.45	2.02	1.75	1.37	1.35	1.10	0.74	1.41	1.52	1.35
Net Working Capital Turnover (times)	1.84	1.94	2.67	2.92	2.93	4.15	2.78	4.55	4.02	3.45

Return on Capital Employed (ROCE) is Profit Before Interest and Tax divided by the Capital employed excluding Short Term Investments, as at the end of the year.

CORPORATE INFORMATION

BOARD OF DIRECTORS

M M Murugappan - Chairman

L Ramkumar

C R Swaminathan

J Balamurugan

V Venkiteswaran

Soundara Kumar

CHIEF EXECUTIVE OFFICER

Rajiv Narayanamoorthy

COMPANY SECRETARY

C Subramaniam

CHIEF FINANCIAL OFFICER

Saurabh Jain

REGISTERED OFFICE

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

PLANTS

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

CORPORATE IDENTIFICATION NUMBER

L29130TZ1972PLC000649

AUDITORS

Deloitte Haskins & Sells, Chartered Accountants

BANKERS

IDBI Bank Ltd
Kotak Mahindra Bank
HDFC Bank

DIRECTORS' PROFILE

Mr. M M MURUGAPPAN
Chairman

Mr. M M Murugappan (60 years; DIN-00170478) holds a Masters degree in Chemical Engineering from the University of Michigan, USA. He is currently the Chairman of Carborundum Universal Ltd, Tube Investments of India Ltd and Wendt (India) Ltd. He is also on the Board of various companies including Mahindra & Mahindra Limited and Cholamandalam Investment and Finance Company Ltd.

Mr. C R SWAMINATHAN
Non Executive Director

Mr. C R Swaminathan (68 years; DIN- 00002169) holds a graduate degree in Agriculture and a Masters degree in Business Administration. He had been associated with the PSG group of institutions as its Chief Executive Officer. Mr. C R Swaminathan is well experienced in the Foundry Industry and is the Past President of the Institute of Indian Foundrymen. He is also the Past President of the Confederation of Indian Industry (Southern Region).

Mr. L RAMKUMAR
Non Executive Director

Mr. L Ramkumar (60 years; DIN-00090089) is a Cost Accountant and has a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad. He is currently the Managing Director of Tube Investments of India Ltd. He has over 36 years of rich and varied experience in management including 24 years in Tube Investments of India Ltd.

Mr. V VENKITESWARAN
Non Executive Director

Mr. V Venkiteswaran (69 years; DIN-00062246) is a Mechanical Engineer from the University of Madras and worked over 36 years with Tata Tea Limited and retired as Executive Director of Tata Tea Limited. He has business experience of over 40 years in diverse areas of operations.

Mr. J BALAMURUGAN
Non Executive Director

Mr. J Balamurugan (55 years; DIN-00023309) is an Electronics Engineer from Regional Engineering College, Trichy. He has also done the Management Programme for Entrepreneurial Firms in Indian Institute of Management, Bangalore. He has managing experience in the businesses of IT infrastructure, On-line services and aftermarket automotive enhancements and others. He is the past Chairman of Confederation of Indian Industry, Coimbatore Zone.

Ms. SOUNDARA KUMAR
Non Executive Director

Ms. Soundara Kumar (62 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, Orchid Chemicals & Pharmaceuticals Ltd and Asset Reconstruction Company (India) Ltd.

BOARDS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholder,

Your Directors have pleasure in presenting to you the performance of the Company, for the year ended 31 March 2016.

COMPANY PERFORMANCE

₹ Crores

Particulars	Year Ended 31.03.2016	Year Ended 31.03.2015
Revenue from Operations (Gross)	179.31	165.03
Less: Excise Duty	16.89	13.03
Revenue from Operations (Net)	162.42	152.00
Earnings Before Interest, Tax, Depreciation & Amortisation	40.17	29.89
Finance Cost	-	0.03
Depreciation & Amortisation Expense	16.71	16.75
Profit Before Tax	23.46	13.11
Less: Tax Expense	5.22	3.79
Profit After Tax	18.24	9.32
Add: Surplus brought forward	13.26	13.92
Appropriations:		
Transfer to General Reserve	10.00	5.00
Depreciation on transition to Schedule II of the Companies Act 2013	-	-0.07
Interim Dividend paid	4.09	4.09
Tax on Interim Dividend	0.83	0.82
Balance Carried to Balance Sheet	16.58	13.26

Review of Operations

The year 2015-16 was a year of moderate growth for the company whereas most of the industrial sectors have shown moderate to low growth for the year. Company could reap benefits of its initiatives pursued during the previous year. Active lead measures are taken up to ensure a sustainable profitable future.

Your company continues to build references and credentials by supplying custom built large sized gearboxes to several key customers. The previous year saw your Company make a breakthrough in the defence sector and continue to consolidate the strong position in railway and metro segment.

Focus on order execution ensured increase in production by 14% and decrease in cost of Operations. This in turn helped in providing better service to our customers.

The revenue during the year was at ₹ 162.42 Crores against ₹ 152.00 Crores in the previous year with 7% growth. The Company grew its order booking also by 11% in difficult market situation. This growth in orders booked came largely from the initiatives mentioned above as well as the measures taken last year to expand our presence in the market. The Profit before Tax for the current year amounts to ₹ 23.46 Crores as compared to ₹ 13.11 Crores last year. The profit for the year improved due to better execution, pricing and control on costs.

Management Discussion and Analysis

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

Dividend

The Company declared an interim dividend of ₹ 0.50/- per equity share of Face Value ₹ 1/- in January, 2016. (PY ₹ 0.50/- per share). The same has been treated as final dividend.

Directors

Mr V Venkiteswaran 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 Companies Act, 2013 for a term of one year viz., from the date of 43rd Annual General Meeting (2016) till the date of the 44th Annual General Meeting (2017).

Notice along with the deposit in terms of Section 160 of the Companies Act, 2013 has been received from a Member proposing the candidature of Mr. V Venkiteswaran for appointment as an Independent Director of the Company.

Mr. M M Murugappan 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.

The Board takes pleasure in recommending the appointment of Mr. M M Murugappan as Director and Mr. V Venkiteswaran as an Independent Director of the Company at the forthcoming Annual General Meeting.

Key Managerial Personnel

Mr. Krishna Ramnath, resigned as Chief Financial Officer with effect from 30 May 2015 as he wishes to pursue other interests. The Board wishes to place on record valuable contribution made by Mr. Krishna Ramnath during his tenure with the Company.

During the year, Mr. Rajiv Narayanamoorthy was appointed as Chief Executive Officer and Mr. Saurabh Jain was appointed as Chief Financial Officer of the Company.

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

Internal Control System and their Adequacy

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

Corporate Governance

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

Human Resources

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

The Company had 555 permanent employees on its rolls, as on 31 March 2016.

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.

Meetings

A Calendar of Meetings is prepared and circulated in advance to the Directors. During the Financial Year 2015-16 Six Board Meetings and Five Audit Committee Meetings were held. The details of which are given in the Corporate Governance Report.

Directors Responsibility Statement

Directors Responsibility Statement is annexed herewith as Annexure D.

Remuneration Policy

The Board has on recommendation of Nomination & Remuneration Committee formed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is annexed herewith as Annexure E.

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 (AS 18) have been made in the notes to the Financial Statements. The Policy on Related Party Transactions, as approved by the Board, is uploaded and is available on the company's website, http://www.shanthigears.com/wp-content/themes/shanthi/pdf/Policy-on-Related-Party-Transactions.pdf. None of the Directors had any pecuniary relationships or transactions vis-à-vis the Company.

Board Evaluation

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

Vigil Mechanism/ Whistle Blower Policy

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

Particulars of Employees

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 F.

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 compliant about sexual harassment during the year 2015-16.

Auditors

The Members appointed M/s Deloitte Haskins & Sells, the Statutory Auditors of the Company for a period of 4 years from the conclusion of 41st AGM (2014) till the conclusion of 45th AGM (2018). A resolution seeking ratification of the appointment of Statutory Auditors and remuneration payable to them for the financial year 2016-17 is included in the AGM Notice dated 27 April 2016.

Mr. B. Venkateswar, was appointed as Cost Auditor for audit of the Cost Accounting records of the Company for the year ended 31 March 2017. A resolution seeking Members' ratification of the Remuneration payable to Cost Auditor is included in the AGM Notice dated 27 April 2016. The Cost Audit report will be filed within the stipulated period.

Mr. M.R.L Narasimha, Practicing Company Secretary was appointed to undertake the Secretarial Audit of the Company. The Report of Secretarial Audit is annexed herewith as Annexure G.

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

On behalf of the Board

Coimbatore
27 April 2016

M M Murugappan
Chairman

ANNEXURE A TO THE BOARDS' 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 believe 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. The Company have been carrying out Corporate Social Responsibility (CSR) activities through AMM Foundation, an autonomous charitable trust, in the field of Education and Healthcare, while also pursuing CSR activities for the benefit of the local community around our various areas of operations.

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/themes/shanthi/pdf/CSR-Policy.pdf)

Overview of the CSR Projects and Programmes

SGL is committed to identifying and supporting programmes aimed at:

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

2. Composition of CSR Committee:

Mr. V Venkiteswaran, Chairman (Independent Director)
Mr. C R Swaminathan (Independent Director)
Ms. Soundara Kumar (Independent Director

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

The Average Net Profit: ₹ 19.77 Crores.

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

The Company is required to spend ₹ 0.40 Crores towards CSR

5. Details of CSR spend for the financial Year:

a. Total amount spent for the financial year:
₹ 0.39 Crores

b. Amount Unspent, if any:
₹ 0.01 Crores
Reason for unspent: Refer Note No. 6 in this report.

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

₹ Crores

Sl. No	Project / Activities	Sector	Location: District (States)	Amount Outlay (Budget) Project or programs wise	Amount Spent on the project of programs	Cumulative Expenditure upto reporting period	Amount Spent: Direct OR through implementing agency*
1	Studies on Bio-energy from agro and other wastes for Rural India	Education		0.20	0.20	0.50	0.20
2	Girls Education Centres	Education	Raigarh (Chhatisgarh)	0.09	0.09	0.09	0.09
3	Infrastructure for Government Schools	Education	Coimbatore (TamilNadu)	0.06	0.05	0.13	0.05
4	Infrastructure for Hospital	Health Care	Palakkad (Kerala)	0.05	0.05	0.05	0.05

* 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:

The Company had identified projects amounting to ₹ 0.40 Crores. A mechanism to spend allocated amount for CSR activities has been put in place and will be overseen by the CSR Committee. Estimated cost for the School cost was ₹ 0.06 Crores and was completed in ₹ 0.05 Crores in the month of March, 2016

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

M M Murugappan
Chairman

Coimbatore
27 April 2016

On behalf of the Corporate Social Responsibility Committee

V Venkiteswaran
Chairman of the Corporate Social Responsibility Committee

ANNEXURE B TO THE BOARDS' REPORT

Disclosure pursuant to Section 197 (12) of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

(i) Ratio of remuneration* to each Director to the median Employee Remuneration of the Company for the financial year 2015-16

Name	Designation	Ratio
Mr. M M Murugappan	Chairman	1.19
Mr. C R Swaminathan	Director	1.19
Mr. J Balamurugan	Director	1.20
Mr. V Venkiteswaran	Director	1.12
Ms. Soundara Kumar	Director	1.07
Mr. L Ramkumar@	Director	Not Applicable

*Note: * Remuneration includes sitting fees*
@ Mr. L Ramkumar had not received remuneration during the financial year 2015-16

(ii) Percentage increase in Remuneration of each Director and Key Managerial Personnel in the financial year 2015-16

Name	Designation	% Increase
Mr. M M Murugappan	Chairman	2.82%
Mr. C R Swaminathan	Director	-7.59%
Mr. J Balamurugan	Director	-1.33%
Mr. V Venkiteswaran	Director	-5.48%
Ms. Soundara Kumar	Director	Not Applicable
Mr. L Ramkumar	Director	Not Applicable
Mr Rajiv Narayanamoorthy *	Chief Executive Officer	Not Applicable
Mr. Saurabh Jain *	Chief Financial Officer	Not Applicable
Mr. C Subramaniam	Company Secretary	16.07%

** Joined during 2015-16*

(iii) Percentage increase in the Median Remuneration of Employees in the financial year 2015-16

₹ Lakhs

Median Remuneration	
2014-15	3.02
2015-16	3.08
Increase / (Decrease)	0.06
% Change	1.9%

(iv) Number of Permanent Employees on the Rolls of the company as on 31.03.2016: 555

(v) Explanation on the relationship between average increase in remuneration and Company's performance

The increase granted to employees is in line with the normal increase granted by the Company from time to time and is intended to compensate for inflation and motivate employees to perform at their best.

(vi) Comparison of the remuneration of Key Managerial Personnel against the performance of the Company

Name	Designation	% increase in Remuneration	% increase in PBT
Mr Rajiv Narayanamoorthy *	Chief Executive Officer	Not Applicable	
Mr. Saurabh Jain *	Chief Financial Officer		
Mr. C Subramaniam	Company Secretary	16.07%	78.95%

**Joined during 2015-16*

(vii) Variance of Market Capitalisation, PE Ratio and Comparison of market Quotation with last public offer price

Parameters	As on 31.03.2015	As on 31.03.2016	Variation Absolute	Variation - %
Market Capitalisation (₹ Crores)	895.61	670.89	-224.719	-25.09%
Price to Earning ratio (no. of times)	96.14	36.84	- 59.305	-61.69%
Market quotation(₹ Per Share)	109.60*	82.10*		
Public offer Price (₹ Per Share & % increase/ decrease in comparison with the market quotation	There was no Public Offer since 1992.			

*Note: * Closing Price on the BSE Ltd.*

(viii) 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 3.17 %.

(xi) Key parameters for any variable component of remuneration availed by the Directors

The Directors are not eligible for any variable compensation other than Commission as per the provisions of the Act.

(x) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director

Remuneration	Ratio
Remuneration of Highest Paid Director (1)	₹ 3.70 Lakhs
Average remuneration of employees drawing salary higher than the highest paid Director (2)	₹ 9.57 Lakhs
Ratio of 1 to 2 (Times)	0.39

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

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

On behalf of the Board

Coimbatore
27 April 2016

M M Murugappan
Chairman

ANNEXURE C TO THE BOARDS' REPORT

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31 MARCH 2016

[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	Manufacturing
5	Address of the Registered Office & Contact Details	304-A, Trichy Road, Singanallur, Coimbatore-641 005, Tamil Nadu, India.
6	Whether listed company Yes /No	Yes
7	Name, Address and Contact details of Registrar and Transfer Agents, if any	M/s. S.K.D.C. Consultants Limited, Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy Coimbatore-641 006 Tel: (0422) 6549995, 2539835-836 Fax: (0422) 2539837 E-Mail: info@skdc-consultants.com

II Principal Business Activities of the Company

All the business activities contributing 10 % or 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	29131	98.88%

III Particulars of Holding, Subsidiary and Associate Companies

SL. No.	Name and address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held Subsidiary/ Associate	Applicable Section
(1)	Tube Investments of India Ltd, 'Dare House', 234, NSC Bose Road, Chennai-600001	L35921TN1949PLC002905	Holding Company	70.12	2(46)

IV Shareholding pattern (equity share capital breakup percentage of Total Equity)

i) Category-wise Shareholding

Category of shareholders	No.of Shares held at the beginning of the year				No.of Shares held at the end of the year				% of change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(A) Promoters									
(1) Indian									
a) Individuals / Hindu Undivided Family	-	-	-	-	-	-	-	-	-
b) Central Government/ State Government(s)	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	57302913	-	57302913	70.13	57302913	-	57302913	70.13	-
d) Financial Institutions/ Banks	-	-	-	-	-	-	-	-	-
e) Any Others(Specify)	-	-	-	-	-	-	-	-	-
TRUSTS	-	-	-	-	-	-	-	-	-
Sub Total(A)(1)	57302913	-	57302913	70.13	57302913	-	57302913	70.13	-
						-			
(2) Foreign	-	-	-	-	-	-	-	-	-
a) Individuals (Non-Residents Individuals / Foreign Individuals	-	-	-	-	-	-	-	-	-
b) Bodies Corporate	-	-	-	-	-	-	-	-	-
c) Institutions	-	-	-	-	-	-	-	-	-
d) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
e) Any Others(Specify)	-	-	-	-	-	-	-	-	-
Sub Total(A)(2)	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	57302913	-	57302913	70.13	57302913	-	57302913	70.13	-
(B) Public shareholding									
(1) Institutions									
a) Mutual Funds/ UTI	5028288	4000	5032288	6.16	3882191	4000	3886191	4.76	-1.40
b) Financial Institutions / Banks	28383	2000	30383	0.04	182006	2000	184006	0.23	0.19
c) Central Government/ State Government(s)	-	-	-	-	-	-	-	-	-

i) Category-wise Shareholding

Category of shareholders	No.of Shares held at the beginning of the year				No.of Shares held at the end of the year				% of change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
d) Venture Capital Funds	-	-	-	-	-	-	-	-	-
e) Insurance Companies	554682	-	554682	0.68	554682	-	554682	0.68	-
f) Foreign Institutional Investors	69919	2000	71919	0.09	-	-	-	-	-0.09
g) Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
h) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
i) Any Other (specify)	-	-	-	-	-	-	-	-	-
Foreign Banks	3000	-	3000	-	3000	-	3000	-	-
Foreign Financial Institutions	-	-	-	-	-	2000	2000	-	-
Sub Total (B)(1)	5684272	8000	5692272	6.97	4621879	8000	4629879	5.67	-1.30
(2) Non-institutions									
a) Bodies Corporate									
i) Indian	1506712	15750	1522462	1.86	1419629	15750	1435379	1.76	-0.11
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹ 1 lakh for previous year and ₹ 2 lakhs for current year	9672582	1617557	11290139	13.82	10665068	1483388	12148456	14.87	1.05
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh for previous year and ₹ 2 lakhs for current year	4638510	-	4638510	5.68	4924710	-	4924710	6.03	0.35
c) Others (specify)									
DIRECTORS & THEIR RELATIVES	5000	5000	10000	0.01	5000	5000	10000	0.01	-
NON RESIDENT INDIANS	605093	16740	621833	0.76	609176	16740	625916	0.77	0.01

i) Category-wise Shareholding

Category of shareholders	No.of Shares held at the beginning of the year				No.of Shares held at the end of the year				% of change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
CLEARING MEMBERS	126546	-	126546	0.16	101005	-	101005	0.12	-0.03
HINDU UNDIVIDED FAMILIES	510385	-	510385	0.63	536802	-	536802	0.66	0.03
FOREIGN CORPORATE BODIES	793	-	793	-	793	-	793	-	-
Sub-Total (B)(2)	17065621	1655047	18720668	22.91	18262183	1520878	19783061	24.21	1.30
			57302913						
Total Public Shareholding (B)= (B)(1)+(B)(2)	22749893	1663047	24412940	29.88	22884062	1528878	24412940	29.88	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
GRAND TOTAL (A)+(B)+(C)	**80052806**	**1663047**	**81715853**	**100.00**	**80186975**	**1528878**	**81715853**	**100.00**	**-**

ii) Shareholding of Promoters

Shareholders Name	No.of Shares held at the beginning of the year				No.of Shares held at the end of the year				% of change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
TUBE INVESTMENTS OF INDIA LTD	57296413	-	57296413	70.12	57296413	-	57296413	70.12	-
PRESSMET PVT LTD.	6500	-	6500	0.01	6500	-	6500	0.01	-
Total	57302913	-	57302913	70.13	57302913	-	57302913	70.13	-

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

Shareholding at the beginning of the year			Cumulative shareholding during the year	
	No.of Shares	% of total shares of the Company	No.of Shares	% of total shares of the Company
At the beginning of the year	57302913	70.13%	57302913	70.13%
Datewise Increase/ Decrease in Promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.,)	No change during the year			
At the end of the year	57302913	70.13%	57302913	70.13%

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

Sl.No.	For each of top 10 shareholder- Name, Date & Reason for change		Shareholding at the beginning of the year (01-04-2015)		Cumulative Shareholding during the year	
			No. of Shares	%	No. of Shares	%
1	SBI INFRASTRUCTURE FUND		1925000	2.36	1925000	2.36
Add	11-Dec-2015	Market Purchase	225000	0.28	2150000	2.63
Add	18-Dec-2015	Market Purchase	15329	0.02	2165329	2.65
	At the end of the year (31-03-2016)		N.A.	N.A.	2165329	2.65
2	SBI SMALL AND MIDCAP FUND **		1590000	1.95	1590000	1.95
Less	25-Mar-2016	Market Sale	1590000	1.95	-	-
	At the end of the year (31-03-2016)		N.A.	N.A.	-	-
3	NIMESH SUMATILAL		750000	0.92	750000	0.92
Add	19-Feb-2016	Market Purchase	18631	0.02	768631	0.94
Add	26-Feb-2016	Market Purchase	54218	0.07	822849	1.01
Add	31-Mar-2016	Market Purchase	277151	0.34	1100000	1.35
	At the end of the year (31-03-2016)		N.A.	N.A.	1100000	1.35
4	DURGESH S SHAH		750000	0.92	750000	0.92
Add	31-Mar-2016	Market Purchase	350000	0.43	1100000	1.35
	At the end of the year (31-03-2016)		N.A.	N.A.	1100000	1.35
5	DHANESH S SHAH		750000	0.92	750000	0.92
Add	31-Mar-2016	Market Purchase	350000	0.43	1100000	1.35
	At the end of the year (31-03-2016)		N.A.	N.A.	1100000	1.35
6	SBI MAGNUM BALANCED FUND		695000	0.85	695000	0.85
Less	11-Dec-2015	Market Sale	225000	0.28	470000	0.58
	At the end of the year (31-03-2016)		N.A.	N.A.	470000	0.58
7	NATIONAL INSURANCE COMPANY LTD		554682	0.68	554682	0.68
	At the end of the year (31-03-2016)		N.A.	N.A.	554682	0.68
8	DIXIT GUNVANTRAI SHAH **		525000	0.64	525000	0.64
Less	8-May-2015	Market Sale	525000	0.45	-	-
	At the end of the year (31-03-2016)		N.A.	N.A.	-	-
9	MEENAXI N MEHTA **		300000	0.37	300000	0.37
Less	1-May-2015	Market Sale	300000	0.37	-	-
	At the end of the year (31-03-2016)		N.A.	N.A.	-	-
10	SUNDARAM MUTUAL FUND A/C SUNDARAM SELECT		283944	0.35	283944	0.35
Add	17-Jul-2015	Market Purchase	56000	0.07	339944	0.28
	At the end of the year (31-03-2016)		N.A.	N.A.	339944	0.28
11	DIXIT GUNVANTRAI SHAH *		-	-	-	-
Add	8-May-2015	Market Purchase	525000	0.64	525000	0.64
	At the end of the year (31-03-2016)		N.A.	N.A.	525000	0.64

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

Sl.No.	Category of shareholders		Shareholding at the beginning of the year (01-04-2015)		Cumulative Shareholding during the year	
			No. of Shares	%	No. of Shares	%
12	NARENDRA ANOPCHAND MEHTA *		-	-	-	-
Add	31-Mar-2016	Market Purchase	399710	0.49	399710	0.49
	At the end of the year (31-03-2016)		N.A.	N.A.	399710	0.49
13	JAGRUTI RAJIV DUTIA*		248810	0.30	248810	0.30
Add	12-Jun-2015	Market Purchase	1190	-	250000	0.31
	At the end of the year (31-03-2016)		N.A.	N.A.	250000	0.31

Note: 1. The Company's Equity Shares are traded in Stock Exchanges on daily basis and the dates given above refer to the benpos date.
2. * Not in the list of Top 10 shareholder as on 01-04-2015. The same has been reflected above since the shareholders were on the list of Top 10 shareholders as on 31-03-2016.
3.** Ceased to be in the list Top 10 shareholders as on 31-03-2016. The same has been reflected above since the shareholder was one of the Top 10 Shareholder as on 01-04-2015.

v) Shareholding of Directors and Key Managerial Personnel:

For each Director and KMP	Shareholding at the beginning of the year (01-04-2015)		Cumulative Shareholding during the year	
	No. of Shares	%	No. of Shares	%
Mr. C R Swaminathan, Director				
At the beginning of the year	5000	0.01%	5000	0.01%
Date-wise Increase/ Decrease in Promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity, etc.,)	NIL			
At the end of the year	5000	0.01%	5000	0.01%
Mr. V Venkiteswaran, Director				
At the beginning of the year	5000	0.01%	5000	0.01%
Date-wise Increase/ Decrease in Promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.,)	NIL			
At the end of the year	5000	0.01%	5000	0.01%

Note: Other than the above, none of the Directors and KMPs held shares at the beginning, during and end of the financial year 2015-16

V INDEBTEDNESS

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

	Secured Loans excluding deposits	Category of shareholders	Deposits	Total Indebtness
Indebtedness at the beginning of the Financial Year				
i) Principal amount ii) Interest due but not paid iii) Interest accrued but not due **Total (i+ii+iii)**		NIL		
Changes in indebtness during the Financial Year				
Addition Reduction **Net Change**		NIL		
Indebtness at the end of the Financial Year				
i) Principal amount ii) Interest due but not paid iii) Interest accrued but not due **Total (i+ii+iii)**		NIL		

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

During the financial year 2015-16, no remuneration was paid to President & Executive Director.

b. Remuneration to Other Directors

1. Independent Directors

₹ Lakhs

Particulars of remuneration	Mr. C R Swaminathan	Mr. J Balamurugan	Mr. V. Venkiteswaran	Ms. Soundara Kumar	Total
Fees for attending Board / Committee Meetings	0.65	0.70	0.45	0.30	2.10
Commission	3.00	3.00	3.00	3.00	12.00
Others	NIL	NIL	NIL	N.A.	NIL
TOTAL (B) (1)	**3.65**	**3.70**	**3.45**	**3.30**	**14.10**

b. Remuneration to Other Directors

2. Other Non Executive Directors

₹ Lakhs

Particulars of remuneration	Mr. M M Murugappan	Mr. L Ramkumar	Total
Fees for attending Board / Committee Meetings	0.65	NIL	0.65
Commission	3.00	NIL	3.00
Others	NIL	NIL	NIL
Total (B) (2)	**3.65**		**3.65**
Total (B) (1)+(B)(2)			**17.75**

Note: Overall Ceiling as per the Companies Act, 2013 ₹ 23.65 Lakhs

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

₹ Lakhs

Sl.No	Particulars of remuneration	Key Managerial Personnel				
		Mr. C Subramaniam Company Secretary	Mr.Krishna Ramnath Chief Financial Officer (a)	Mr. Saurabh Jain Chief Financial Officer (b)	Mr. Rajiv Narayanamoorthy Chief Executive Officer(c)	Total Amount
1	Gross Salary					
	a) Salary as per the provision contained in Section 17(1) of the Income Tax Act, 1961	13.00	7.62	27.43	12.83	86.38
	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 Option	-	-	-	-	-
3	Sweat Equity	-		-	-	-
4	Commission					
	as a percentage of profit	-	-	-	-	-
	Others, specify	-	-	-	-	-
5	Others, please specify	-	0.60	-	-	3.59
	Total	13.00	8.22	27.43	12.83	89.97
	(a) Resigned on 30 May 2015 (b) Appointed with effect from 1 June 2015 (c) Appointed with effect from 20 January 2016					

VII PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There were no Penalties, Punishment or Compounding of Offences during the year ended 31 March 2016

On behalf of the Board

Coimbatore
27 April 2016

M M Murugappan
Chairman

ANNEXURE D TO THE BOARDS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT
(PURSUANT TO SECTION 134 (3) (C) OF THE COMPANIES ACT, 2013)

Pursuant to Section 134 (3) (c) of the Companies Act, 2013, the Directors to the best of their knowledge and belief confirm that:

- in the preparation of the Statement of Profit for the financial year ended 31 March 2016 and the Balance Sheet as at that date ("financial statements"), applicable Accounting Standards have been followed;.

- appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period;

- proper and sufficient care has been taken 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. To ensure this, the Company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system of internal controls its inherent limitations should be recognised. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliances with these systems. The Audit Committee meets at regular intervals to review the internal audit function;

- the financial statements have been prepared on a going concern basis;

- that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;

- the systems to ensure compliances with the provisions of all applicable laws were in place and were adequate and operating effectively;

- the financial statements have been audited by Messrs. Deloitte Haskins & Sells, Statutory Auditors and their report is appended thereto.

On behalf of the Board

Coimbatore
27 April 2016

M M Murugappan
Chairman

ANNEXURE E TO THE BOARDS' REPORT

REMUNERATION POLICY

1. Preamble

This Remuneration Policy provides the framework for remuneration of members of the Board of Directors, Key Managerial Personnel and other employees of the Company.

This Policy is guided by the principles and objectives as enumerated in Section 178 of the Companies Act, 2013 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.

This Policy reflects the remuneration philosophy and principles of the Murugappa Group and considers the pay and employment conditions with peers/competitive market to ensure that pay structures are appropriately aligned

2. Remuneration of Non-Executive Directors

2.1 Non-Executive Directors ("NEDs") are paid remuneration by way of Sitting Fees and Commission.

2.2 As approved by the shareholders, Commission is paid at a rate not exceeding 1% per annum of the profits of the Company computed in accordance with Section 198 of the Companies Act 2013. The Commission paid is restricted to a fixed sum within the above limit annually on the basis of their tenor in office during the financial year.

2.3 The payment of the Commission to the NEDs is placed before the Board every year for its consideration and approval.

The sitting fee payable to the NEDs for attending the Board and Committee meetings is fixed subject to the statutory ceiling. The fee is reviewed periodically and aligned to comparable best in class companies.

2.4 Keeping with evolving trends in industries and considering the time and efforts spent by specific Non-executive Directors, the practice of paying differential commission is considered by the Board.

3. Remuneration of Executive Director

3.1 The compensation paid to the Executive Directors (including Managing Director) is within the scale approved by the Shareholders. The elements of the total compensation are approved by the N&R ("Nomination & Remuneration") Committee within the overall limits specified under the Companies Act, 2013.

3.2 The elements of compensation of the Executive Director include the elements as described in 4 below.

3.3 The N&R Committee determines the annual variable pay compensation in the form of annual incentive and annual increment for the Executive Director based on Company's and individual's performance as against the pre-agreed objectives for the year.

3.4 The Executive Director, except a promoter director is also eligible for ESOPs as per the scheme in force from time to time. Grants under the Scheme shall be approved by the Committee.

3.5 In case of inadequacy of profit in any financial year, the remuneration payable to the Executive Director shall be further subject to the relevant provisions of the Companies Act, 2013.

3.6 Executive Directors will not be paid sitting fees for any Board/ Committee meetings attended by them.

4. Remuneration to Key Managerial Personnel / Other Employees

4.1 The Company's total compensation for Key Managerial Personnel/ other employees consists of:

- fixed compensation
- variable compensation in the form of annual incentive
- benefits
- work related facilities and perquisites.

4.2 In addition, select senior executives are eligible for long-term incentive plan in the form of ESOPs, as per the scheme in force from time to time. Grants under the Scheme are approved by the N&R Committee.

4.3 Fixed compensation is determined on the basis of size and scope of the job typically as reflected by the level or grade of the job, trends in the market value of the job and the skills, experience and performance of the employee. Fixed compensation includes Basic Salary, Housing Allowance, Leave Travel Allowance and a cash allowance.

4.4 The Annual Incentive (variable pay) of executives is linked directly to the performance of the Business Unit and the Company in accordance with the Employees Incentive Scheme of the Company.

4.5 Based on the grade and seniority of employees, benefits for employees include:

4.5.1 Health-related:
(a) Health (hospitalization) insurance
(b) Accident and Life insurance

4.5.2 Retirement-related:
(a) Contribution to a Superannuation Fund (in addition to statutory benefits such as Provident Fund account, Gratuity etc).

4.6 Employees are also eligible for work related facilities and perquisites as may be determined through HR policies issued from time to time based on the Grade of the employee.

4.7 A formal annual performance management process is applicable to all employees, including senior executives. Annual increases in fixed and variable compensation of individual executives are directly linked to the performance ratings of individual employee.

4.8 Overall compensation shall be subject to periodic reviews which takes into account data from compensation surveys conducted by specialist firms, as well as factors such as affordability based on the Company's performance and the economic environment

4.9 Employees may be eligible for ESOPs as per the ESOP program approved by the Shareholders and in force from time to time. The objective of the ESOP scheme will be to reward employees for their contribution to the long term growth and profitability of the Company by providing a platform to share the value they create for the Company.

4.10 Employees may be eligible for severance payments in accordance with the termination clause in their employment agreement subject to applicable regulatory requirements.

5. Adoption, Changes and Disclosure of Information

5.1 This Remuneration Policy and any changes thereof are approved by the Board of Directors based on the recommendation(s) of the N&R Committee.

5.2 The Policy may be reviewed at such intervals as the Board or N&R Committee may deem necessary.

5.3 Such disclosures of this Remuneration Policy as may be required under the Companies Act, 2013 and the Listing Agreement may be made.

On behalf of the Board

M M Murugappan
Chairman

Coimbatore
27 April 2016

ANNEXURE F TO THE BOARDS' REPORT

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

The Company is making continuous efforts to conserve and optimise energy wherever practicable by economising on fuel and power.

During the year under review electricity consumption has reduced when compared with previous year. The Company installed efficient A.C. in server room, Cycle time reduced in various machines, Transformer load optimized, Electric items repaired, Liner scales installed. The Company also installed LED lights in various places. Based on the internal assessment, conservation measures have been taken to reduce power used in various operations.

Green Power

The Company has 9 windmills with a total rated capacity of 6.7 MW. The total number of units of electricity generated form these windmills was around 74.72 lakhs units. This generation helped the Company not only in tiding over the shortage in power but also in reducing its cost.

The Company has also installed solar panels for a rated capacity of 100 kW. The number of units generated through this source was around 1.31 lakhs units.

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

Foreign Exchange Earnings and Outgo

	₹ Crores
Foreign Exchange Earned	11.27
Foreign Exchange Outgo	5.94

On behalf of the Board

Coimbatore
27 April 2016

M M Murugappan
Chairman

ANNEXURE G TO THE BOARDS' REPORT

FORM NO. MR-3

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31 March 2016

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration 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 2016 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 2016 according to the provisions of:

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

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

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

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

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

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

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (Upto 14 May 2015) and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (Effective 15 May 2015);

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

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

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

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

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

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

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

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

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

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

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

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

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 the majority of the Board of 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 U/s.197 of the Companies Act, 2013 for payment of Commission to Non-Executive Directors at Annual General Meeting held on 30th day of July, 2015.

Name of Company Secretary in practice
M.R.L.Narasimha
ACS/FCS No. 2851
C P No. 799

Coimbatore
27 April 2016

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

SAR M/s. SHANTHI GEARS LIMITED 31.03.2016

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 .2851
Certificate of Practice No.799

Coimbatore
27 April 2016

MANAGEMENT DISCUSSION AND ANALYSIS

While the overall Industrial sector was flat during 2015-16, it is expected that Railway will be a constant driver for generation for more business with an expected growth rate above 8%. Rapid industrialization, more Metro rail projects, High speed trains and ongoing MRVC project / Madhepura project is expected to support the Business in the next 3 to 5 years. These projects come with a steady demand for Axle mounted Gears and Engine spares.

Existing ongoing Thermal Power plant projects along with constant demand for Captive Power Plants are expected to drive a sustained growth of 8 to 10% in coming years.

Infrastructure related industries viz., Cement, Concrete Mixer, Off-highway equipment, Crushers, Hot-mix equipment, Cranes, Loaders, Stone mining, etc. are expected to maintain a constant demand for various gears and gearboxes in the Business.

Review of business

Industry scenario

Your Company is in the business of design, manufacture, supply and servicing of gears and gear boxes. The bulk of this market is serviced by five major national players while a fair portion of the market is met through imports. Import of gearboxes happens predominantly in the safety critical applications and high technology areas such as gearboxes for wind turbine generators, power plants and marine applications. While most of these are imported from Europe, China caters to the demand in other segments.

There are two major segments in the gear box industry, namely the standard segment and the customized segment. It is estimated that the standard gearboxes constitute about 35% of the market and the customized segment about a third of the market. Loose gears make up the balance. The market this year has been largely static. The market for gearboxes is trending towards higher sizes due to larger capacities being planned by the various users. Accompanying these trends is the scale-up in capital equipment sizes. Newer technologies, energy efficiency and space reduction are emerging as key drivers in the gear box industry. India, in recent years, is witnessing a growth in the planetary gearbox segment signaling a maturing of the market.

Review of performance

While your Company services the needs of standard gearboxes, it differentiates itself through focus on supply of customised non-standard gearboxes. In addition, the Company also sells internals and spares (loose gears), and services any make of gearbox.

During the year, the Company reported a revenue of ₹ 162.42 Crores, 7% higher than the previous year, also grew its orders booked during the year by 8%, Continues to put efforts to enhance presence in the market especially in key user locations. The approach involves enhancing its reach by strengthening its Sales and Service teams, building references in high potential segments, entry into the defence segment and building its capability in certain high end applications.

The Profit before Tax for the year was at ₹ 23.46 Crores, against ₹ 13.11 Crores in the previous year with a growth of 79%. Company's focus on enhancing service levels, growing in profitable segments, improving operating efficiencies and specific cost reduction initiatives has resulted in higher profitability than previous year.

The Company continued to invest in human resources, its key strength, with a view to building a pool of talented people to lead the Company into the future. Skill development and employee engagement initiatives continued to receive high attention.

The Company undertook capital expenditure facilitating improvements in efficiency and productivity and building capability. While the Company took several steps to maintain control over its working capital, higher inventory levels were necessary to service requirements of customers. The Company remains debt free and invests its surplus funds judiciously ensuring safety and appropriate returns.

The Product development initiatives of the Company are in line with market and customer requirements. Company developed new gear boxes which are import substitutes and expects to get more orders from this segment in the near future, also continued to invest in building strong capabilities in Planetary gearboxes.

The Company remains confident that the future is positive given the confidence of its customers on the Company's products, service and its ability to provide lasting value. Expectations of a more conducive economic environment especially with the initiatives of the government to revive manufacturing growth in India augur well for the Company.

Internal Control

The Company has an Internal Audit system commensurate with its size and operations. The internal audit is carried out by external experts covering key aspects of the business. The internal team periodically evaluates the adequacy and effectiveness of internal controls. The Audit committee reviews the plan for Internal Audit, significant internal audit observations and its satisfactory closure and functioning of the internal audit department on a periodical basis.

On behalf of the Board

Coimbatore
27 April 2016

M M Murugappan
Chairman

ENTERPRISE RISK ANALYSIS AND MANAGEMENT

Risk	Why considered as risk	Mitigation Plan / Counter Measure
People Exit Risk	Exit of Key Management personnel to disrupt business proceedings.	Identify high potential, provide opportunities and nurture growth.
Economic Scenario	Downturn in economy for last 4 years resulted in very less Project spending by Government and Private players	Continue to differentiate and provide innovative solutions to new markets and customers.
Pricing Pressure	Pricing pressure from competition due to lack of demand in the market	The business is working on cost optimization to improve strike rate and enhance market share.

On behalf of the Board

Coimbatore
27 April 2016

M M Murugappan
Chairman

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

Mr. C R Swaminathan, Mr. J Balamurugan, Mr. V Venkiteswaran and Ms. Soundara Kumar are Independent Directors in terms of the Listing Agreement and 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. C R Swaminathan, Mr. J Balamurugan, Mr. V Venkiteswaran and Ms. Soundara Kumar as Independent Directors for such terms as mentioned under the respective resolutions relating to their appointment in Notice of the Annual General Meetings. 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:(www.shanthigears.com)(link:http://www.shanthigears.com/wp-content/themes/shanthi/pdf/Appointment-of-Independent-Directors-Terms-and-Conditions.pdf.

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

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

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

None of the Directors of the Company was a member of more than 10 Board-level Committees or a chairman of more than 5 such committees across all companies, in which he/she was a Director.

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

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

There were six meetings of the Board during the financial year 2015-16. The dates of the Board meetings, attendance and the number of Directorships/ Committee memberships held by the Directors as on 31 March 2016 are given in **Table 1** of the annexure to this Report.

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

Audit Committee

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

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

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

The Committee met five times during the year ended 31 March 2016. The Composition of the Audit Committee and the attendance of each member at these meetings are given in **Table 2** of the annexure to this Report.

Nomination and Remuneration Committee

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

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

Remuneration to Directors

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

The details of remuneration paid/payable to the non-executive Directors, for the financial year ended 31 March 2016 is given in **Table 4** of the annexure to this Report.

Corporate Social Responsibility Committee

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

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

Risk Management Committee

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

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

Performance Evaluation

The annual performance evaluation was carried out pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. As part of the performance evaluation process, an evaluation questionnaire based on the criteria as finalized in consultation with the Directors together with supporting documents was circulated to all the Board members, in advance. The Directors evaluated themselves, the Chairman, 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 24 March 2016, 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 and the Individual Directors.

Related Party Transactions

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

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

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

Investors' Service

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

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

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

Mr. L Ramkumar, a non-executive Director, is the Chairman of the Stakeholders Relationship Committee. The Committee met once during the year ended 31 March 2016. The composition of the Committee and attendance of its members at the meetings are given in **Table 6** of the annexure to this Report.

Two investor complaints were received and the same were resolved during the year ended 31 March 2016. No complaints were pending as at 31 March 2016.

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

Statutory Compliance

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

Internal Control

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

Whistle Blower Policy

Pursuant to the requirements of Section 177 of the Companies Act, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has established a vigil mechanism (Whistle Blower Policy) for the employees and Directors as an avenue to voice concerns relating to unethical behavior, actual or suspected fraud or violation of the Company's code of conduct. The Ombudsperson appointed by the Board deals with the complaints received and ensures appropriate action. The mechanism also provides adequate safeguards against victimisation of persons using the mechanism and provides direct access to the chairperson of the Audit Committee in appropriate or exceptional cases. No employee was denied access to the Audit Committee.

Compliance of Corporate Governance Norms

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

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

Other Disclosures

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

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

Related party transactions during the year have been disclosed as a part of the financial statements as required under the Accounting Standard 18 issued by the institute of Chartered Accountants of India. There have been no instances of non-compliance by the Company or have any penalty or strictures been imposed on the Company by the Stock Exchanges or the Securities and Exchange Board of India or by any statutory authority on any matter related to the capital markets during the last three years.

General Shareholder Information

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

On behalf of the Board

Coimbatore
27 April 2016

M M Murugappan
Chairman

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 2016, as envisaged in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Coimbatore
27 April 2016

Rajiv Narayanamoorthy
Chief Executive Officer

ANNEXURE TO THE CORPORATE GOVERNANCE REPORT

(A) Board Meeting Dates and Attendance

The Board of Directors met six times during the financial year 2015-16. The dates of the Board meetings were 29 April 2015, 30 July 2015, 28 October 2015, 11 November 2015, 27 January 2016 and 24 March 2016.

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 2016 are as follows:

TABLE 1

Sl. No.	Name of Director	Board meetings attended (No. of meetings 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 2016
1	Mr. M M Murugappan	6(6)	13(5)	8(4)	Present	-
2.	Mr. L Ramkumar	5(6)	5(1)	2(1)	Present	-
3.	Mr. C R Swaminathan	5(6)	6	4(2)	Present	5000
4.	Mr. J Balamurugan	6(6)	9	1	Present	-
5.	Mr. V Venkiteswaran	3(6)	1	1	Present	5000
6.	Ms. Soundara Kumar	3(6)	10 (1)	5	Present	-
7.	Dr. Sreeram Srinivasan(c)	0(1)	Not Applicable	Not Applicable	Not Applicable	-

(a) Excludes foreign Companies
(b) Includes only membership in Audit and Stakeholders Relationship Committee.
(c) Dr. Sreeram Srinivasan resigned on 15 June 2015.

(B) Composition of Audit Committee and Attendance

The Committee met five times during the financial year 2015-16. 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 meetings held)
1	Mr. C R Swaminathan, Chairman	4(5)
2	Mr. J Balamurugan	5(5)
3	Mr. M M Murugappan	5(5)
4	Mr. V Venkiteswaran	3(5)
5	Ms. Soundara Kumar	3(5)

(C) Composition of Nomination and Remuneration Committee and Attendance

The Committee met two times during the financial year ended 31 March 2016. 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	1(2)
2	Mr. J Balamurugan	2(2)
3	Mr. M M Murugappan	2(2)

(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 2016 are as follows:

TABLE 4

Amount ₹

Name of the Directors	Commission*	Sitting fees	Total
Mr. M M Murugappan	3,00,000	65,000	3,65,000
Mr. C R Swaminathan	3,00,000	65,000	3,65,000
Mr. J Balamurugan	3,00,000	70,000	3,70,000
Mr. V Venkiteswaran	3,00,000	45,000	3,45,000
Ms. Soundara Kumar	3,00,000	30,000	3,30,000

* 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 2016. 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 meetings held)
1	Mr. V Venkiteswaran, Chairman	2(2)
2	Mr. C R Swaminathan	2(2)
3	Ms. Soundara Kumar*	0(1)

*Ms. Soundara Kumar was inducted as CSR Committee member with effect from 30 July 2015.

(F) Composition of Stakeholders Relationship Committee and Attendance

The Committee met once during the financial year ended 31 March 2016. The composition of the Stakeholders Relationship Committee and the attendances at the meetings are as follows:

TABLE 6

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

(G) Composition of Risk Management Committee and Attendance

The Committee met once during the financial year ended 31 March 2016. The composition of the Risk Management Committee and the attendance of each member at the meeting are as follows:

TABLE 7

Sl. No.	Name of Members	No. of Meetings Attended (No. of meeting held)
1	Mr. J Balamurugan, Chairman	1(1)
2	Mr. V Venkiteswaran	1(1)
3	Mr. Rajiv Narayanamoorthy*	1(1)

*Mr. Rajiv Narayanamoorthy was inducted as Risk Management Committee member with effect from 27 January 2016

On behalf of the Board

Coimbatore
27 April 2016

M M Murugappan
Chairman

INDEPENDENT AUDITOR'S CERTIFICATE

THE MEMBERS OF SHANTHI GEARS LIMITED

1. We have examined the compliance of conditions of Corporate Governance by SHANTHI GEARS LIMITED ("the Company"), for the year ended on 31 March 2016 as stipulated in:

   - Clause 49 (excluding clause 49(VII)(E)) of the Listing Agreements of the Company with stock exchange(s) for the period from 01 April 2015 to 30 November 2015.

   - Clause 49(VII)(E) of the Listing Agreements of the Company with the stock exchange(s) for the period from 01 April 2015 to 01 September 2015.

   - Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) for the period from 02 September 2015 to 31 March 2016 and

   - Regulations 17 to 27 (excluding regulation 23(4)) and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the Listing Regulations for the period from 01 December 2015 to 31 March 2016.

2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to 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.

3. We have examined the relevant records of the Company in accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India.

4. In our opinion and to the best of our information and according to our examination of the relevant records and the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and regulation 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the Listing Regulations for the respective periods of applicability as specified under paragraph 1 above, during the year ended 31 March 2016.

5. 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.23418)

Coimbatore
27 April 2016

GENERAL SHAREHOLDER INFORMATION

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

Registered Office
304-A, Trichy Road, Singanallur, Coimbatore-641 005

Annual General Meeting
Day : Monday
Date : 25 July 2016
Time : 2.00 P.M.
Venue : Registered Office of the Company
304-A, Trichy Road, Singanallur, Coimbatore-641 005

Tentative Calendar for 2016-17

Annual General Meeting	25 July 2016
Results for the Quarter Ending 30 June 2016	25 July 2016
Results for the Quarter Ending 30 September 2016	26 October 2016
Results for the Quarter Ending 31 December 2016	January/February 2017
Results for the Year Ending 31 March 2017	April/May 2017

Book Closure Date : 16 July 2016 to 25 July 2016 (Both days inclusive)

Dividend

During the year, in January, 2016, the Company paid an interim dividend of ₹ 0.50/- per equity share. The same has been treated as final dividend.

Unclaimed Dividend

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

Financial Year to which dividend relates	Date of declaration	Due for Transfer to IE&P Fund
2008-09 (Final)	10.07.2009	15.08.2016
2009-10 (Final)	13.08.2010	18.09.2017
2010-11 (Final)	11.07.2011	16.08.2018
2011-12 (Final)	23.07.2012	28.08.2019
2012-13 (Final)	24.07.2013	29.08.2020
2013-14 (Interim)	27.01.2014	04.03.2021
2014-15 (Interim)	02.02.2015	10.03.2022
2015-16 (Interim)	27.01.2016	03.03.2023

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 2007-08 have been transferred to the IE&P Fund.

Instructions to Shareholders

(a) Shareholders holding shares in physical form

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

(b) Shareholders holding shares in demat form

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

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

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

Listing on Stock Exchanges and Stock Code

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

The Company has paid annual listing fees for the financial year 2016-2017 in respect of the above stock exchanges.

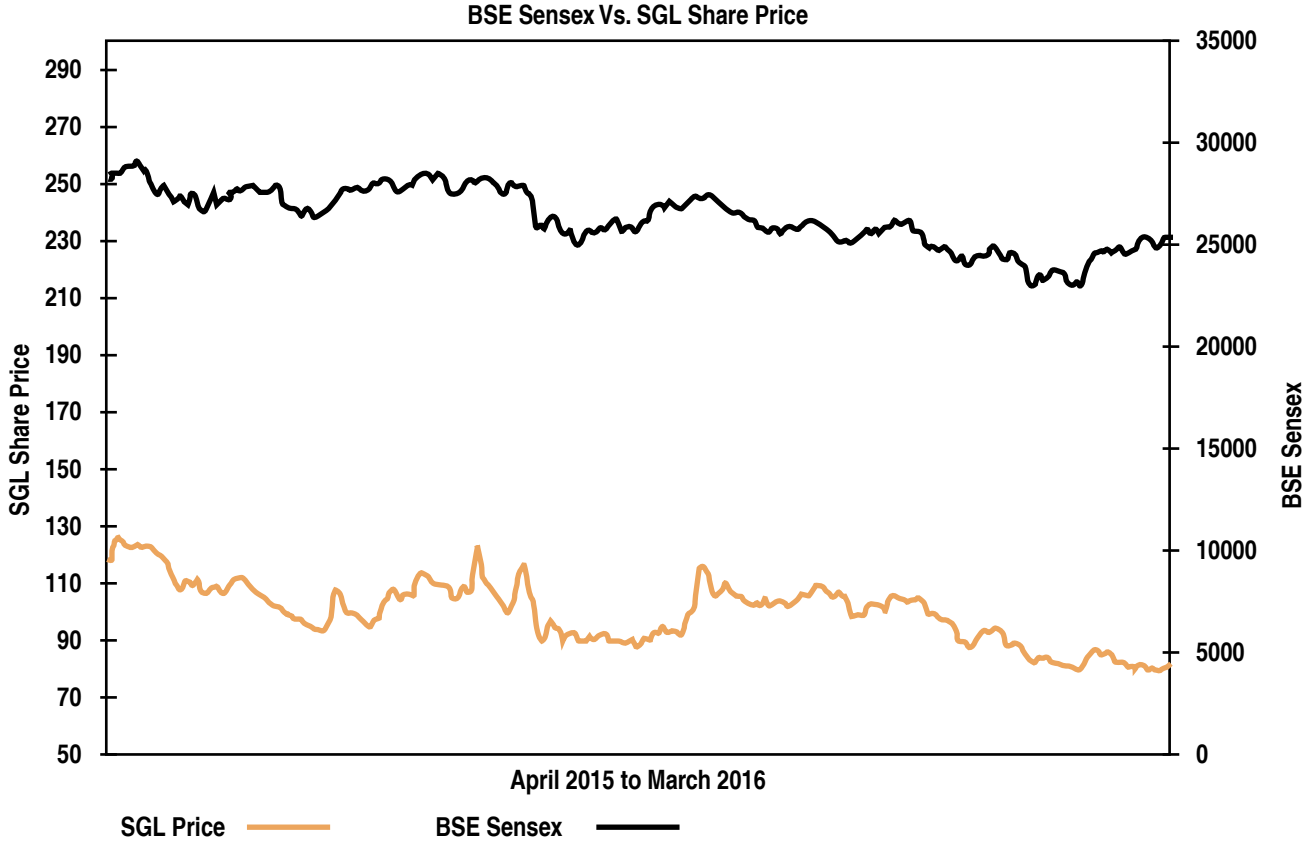
Market Price Data and Comparison

Monthly high and low price of the Equity Shares of the Company during 2015-16 are as follows:

Month	BSE Ltd		National Stock Exchange of India Ltd	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2015	129.40	106.10	129.75	105.65
May 2015	113.90	100.00	113.95	102.00
June 2015	110.00	91.90	110.20	92.10
July 2015	117.00	94.90	117.40	93.05
August 2015	125.50	86.70	125.00	87.10
September 2015	94.90	87.50	94.95	86.80
October 2015	122.00	89.45	120.05	90.00
November 2015	110.20	98.70	110.40	98.15
December 2015	114.00	98.00	114.70	96.00
January 2016	107.40	87.30	106.85	87.00
February 2016	95.00	78.00	95.90	77.35
March 2016	90.50	79.00	89.00	79.05

Performance in comparison to broad based indices

SGL Share Performance (April 2015 to March 2016)



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) 6549995, 2539835-836
Fax : (0422) 2539837
Email : info@skdc-consultants.com

Shareholding pattern as on 31 March 2016

Sl. No.	Category	No. of Shares	% (Percentage)
1	Promoters	57302913	70.12
2	Mutual Funds, Banks, Financial Institution, Insurance Companies	4624879	5.66
3	Foreign Institutional Investors	-	-
4	NRI's / OCB's	626709	0.77
5	Private Corporate Bodies	1435379	1.76
6	Indian Public	17725973	21.69
	Total	**81715853**	**100.00**

Distribution of Shareholding as on 31 March 2016

No. of Shares held	No. of Shareholders	%	No. of Shares	%
1 to 500	12272	77.18	1773732	2.17
501 to 1,000	1402	8.82	1183724	1.45
1,001 to 5,000	1712	10.76	4303209	5.27
5,001 to 10,000	335	2.11	2315601	2.83
10,001 to 1,00,000	154	0.97	3926262	4.80
1,00,001 and above	25	0.16	68213325	83.48
Total	**15900**	**100.00**	**81715853**	**100.00**

Dematerialisation of Shares and Liquidity

As on 31 March 2016, 8,01,86,975 shares were in dematerialised form representing 98.13% of total shares.

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

Financial Year Ending	Date	Time	Venue
31.03.2013	24.07.2013	2.00 P.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005
31.03.2014	26.07.2014	4.00 P.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore-641 005
31.03.2015	30.07.2015	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
24.07.2013	Yes	Provision of commission to Non-Executive Directors
26.07.2014	Yes	1) Fixing Board's borrowing powers 2) Authorizing the Board to execute, mortgage, charge and/or hypothecate the properties of the company for borrowings
30.07.2015	Yes	Payment of Commission to Non-Executive Dircetors

Resolution passed by Postal Ballot

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

Means of Communication

The quarterly/annual results are published in the leading national English newspaper ("Business Line/ 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 Clause F of Schedule V 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 number of outstanding shares transferred to the Unclaimed Suspense Account lying as on 01.04.2015	312	5,10,800
2	Number of Shareholder who approached the Company for transfer of their shares from Unclaimed Suspense Account during 01.04.2015 to 31.03.2016	3	3,240
3	Number of Shareholder to whom shares were transferred from the Unclaimed Suspense Account during 01.04.2015 to 31.03.2016	3	3,240
4	Aggregate number of Shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on 31.03.2016	309	5.07,560

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. On receipt of the Claim, the Company will, after verification, arrange to credit the equity shares to the demat account of the shareholder concerned or deliver the Share Certificate to the shareholder in physical mode after re-materialisation.

Plant Locations

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

Contact Address

Compliance Officer	For all matters relating to investors Services
Mr. C Subramaniam Company Secretary Shanthi Gears Limited 304-A, Trichy Road Singanallur Coimbatore-641 005 Tel : (0422) 4545745 Fax : (0422) 4545700 Email : cs@shanthigears.murugappa.com	S.K.D.C. CONSULTANTS LIMITED Kanapathy Towers, 3rd Floor 1391/A-1, Sathy Road Ganapathy Coimbatore-641 006 Tel : (0422) 6549995, 2539835-836 Fax : (0422) 2539837 Email : info@skdc-consultants.com

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHANTHI GEARS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of SHANTHI GEARS LIMITED ("the Company"), which comprise the Balance Sheet as at 31.03.2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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 Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, as applicable.

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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31.03.2016, and its profit and its cash flows for the year ended on that date.

Report On Other Legal And Regulatory Requirements

1. As required by Section 143 (3) of the Act, 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.

   (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.

   (e) On the basis of the written representations received from the directors as on 31.03.2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31.03.2016 from being appointed as a director in terms of Section 164 (2) of the Act.

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

   (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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. 23418

Coimbatore
27 April 2016

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' 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 31.03.2016 in conjunction with our audit of the 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 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 31.03.2016, 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.

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

C.R. Rajagopal
Partner
(Membership No. 23418)

Coimbatore
27 April 2016

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in Paragraph 2 under "Report on Other Legal Regulatory Requirements" Section of our report of even date)

(i) In respect of its fixed assets:

(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 explanations 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) In respect of its inventories:

(a) 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 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, provided guarantees or security and hence reporting under clause (iv) of the CARO 2016 Order is not applicable.

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

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

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

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

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrears as at March 31, 2016 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax and Excise Duty which have not been deposited as on March 31 2016 on account of disputes are given below:

Name of the Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (₹ Crores)	Amount Unpaid (₹ Crores)
Central Excise Act	Excise duty on Inter Unit transfer of Machinery	Jurisdictional Officer	2005-06	Duty ₹ 0.76 Crores Penalty ₹ 0.76 Crores	₹ 1.52 Crores
Income tax Act	Demand on Dividend Distribution tax	Joint Commissioner of Income Tax, Range III	2010-11	₹ 0.03 Crores	₹ 0.03 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 Order 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 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 Sections 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 etc. 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 him 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. 23418

Coimbatore
27 April 2016

FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 MARCH 2016

₹ Crores

Particulars	Note No.	As at 31.03.2016	As at 31.03.2015
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share Capital	2	8.17	8.17
(b) Reserves and Surplus	3	275.89	262.57
		284.06	**270.74**
Non-Current Liabilities			
(a) Deferred Tax Liabilities (Net)	4	-	0.86
(b) Other Long Term Liabilities	5	0.05	0.09
(c) Long term Provisions	6	0.10	0.10
		0.15	**1.05**
Current Liabilities			
(a) Trade Payables	7	21.41	23.55
(b) Other Current Liabilities	8	11.90	10.81
(c) Short Term Provisions	9	0.44	0.14
		33.75	**34.50**
TOTAL		**317.96**	**306.29**
ASSETS			
Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	10A	72.86	80.80
(ii) Intangible Assets	10B	0.36	0.85
(iii) Capital Work - in - Progress		0.36	3.61
(b) Non Current Investments	11	6.00	-
(c) Deferred Tax Assets (Net)	4	1.83	-
(d) Long Term Loans and Advances	12	13.31	5.83
		94.72	**91.09**
Current Assets			
(a) Current Investments	13	49.00	15.54
(b) Inventories	14	66.71	65.45
(c) Trade Receivables	15	39.02	37.03
(d) Cash and Cash Equivalents	16	58.01	89.09
(e) Short Term Loans and Advances	17	6.16	3.12
(f) Other current assets	18	4.34	4.97
		223.24	**215.20**
TOTAL		**317.96**	**306.29**
Significant Accounting Policies	1		
See accompanying notes forming part of the financial statements			

In terms of our report attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

M M Murugappan
Chairman

C R Rajagopal
Partner

L Ramkumar
Director

Rajiv Narayanamoorthy
Chief Executive Officer

Coimbatore
27 April 2016

Saurabh Jain
Chief Financial Officer

C Subramaniam
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2016

₹ Crores

Particulars	Note No.	Year ended 31.03.2016	Year ended 31.03.2015
Income			
Revenues from Operations (Gross)	19	179.31	165.03
Less : Excise Duty		16.89	13.03
Revenues from Operations (Net)		**162.42**	**152.00**
Other Operating Income	20	2.56	3.19
		164.98	**155.19**
Other Income	21	8.64	11.65
Total Revenue		**173.62**	**166.84**
Expenses:			
(a) Cost of Materials Consumed	22	62.53	69.24
(b) Changes in Inventories of Finished Goods, Work-in-Process	23	(2.08)	(4.86)
(c) Employee Benefits Expense	24	35.50	36.52
(d) Finance Costs	25	-	0.03
(e) Depreciation and Amortisation Expense	10	16.71	16.75
(f) Other Expenses	26	37.50	36.05
		150.16	**153.73**
Profit Before Tax		**23.46**	**13.11**
Tax Expense:			
Income Tax			
Current Year		9.16	5.66
Prior Years		(1.25)	(0.22)
Deferred Tax		(2.69)	(1.65)
Profit for the year		**18.24**	**9.32**
Earnings Per Equity Share of ₹1/- each	36		
Basic		2.23	1.14
Diluted		2.23	1.14
Significant Accounting Policies	1		
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
27 April 2016

For and on behalf of the Board of Directors

M M Murugappan
Chairman

L Ramkumar
Director

Rajiv Narayanamoorthy
Chief Executive Officer

Saurabh Jain
Chief Financial Officer

C Subramaniam
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
A. Cash Flow from Operating Activities		
Net Profit Before Tax	23.46	13.11
Adjustments for:		
Depreciation and Amortisation Expenses	16.71	16.75
(Profit) / Loss on Sale / Write off of Assets	0.01	(0.67)
Advances written back	-	(1.52)
Finance Costs	-	0.03
Interest Income	(5.67)	(6.06)
Dividend Income	(2.54)	(2.89)
Provision for Doubtful Trade Receivables	0.77	0.76
Bad Debts Written Off	0.97	3.31
Operating Profit before Working Capital / Other Changes	**33.71**	**22.82**
Changes in Working Capital:		
Adjustments for(Increase)/Decrease in Operating Assets		
Inventories	(1.26)	(17.21)
Trade Receivables	(2.93)	(14.03)
Short Term Loans and Advances	(2.87)	1.89
Long Term Loans and Advances	(1.13)	(0.52)
Other Current Assets	0.17	0.78
Adjustments for Increase/(Decrease) in Operating Liabilities		
Trade Payables	(2.15)	4.55
Other Current Liabilities	1.30	3.02
Other Long Term Liabilities	(0.04)	-
Short Term Provisions	0.31	(0.02)
Cash Generated from Operations	**25.11**	**1.28**
Net Income Tax paid	(9.02)	(7.39)
Net Cash Flow from / (used in) Operating Activities (A)	**16.09**	**(6.11)**
B. Cash Flow from Investing Activities		
Capital Expenditure on Fixed Assets including Capital Advances	(10.69)	(3.62)
Proceeds from Sale of Fixed Assets	0.03	0.72
Bank Balances not Considered as Cash and Cash equivalents	29.26	(30.40)
Investments on Long Term Investments (Net)	(6.00)	-
Proceeds from Current Investments (Net)	(33.46)	34.63
Interest Received		
- Others	5.33	5.77
Dividend Received		
- Others	2.54	2.89
Net Cash Flow (used in)/from Investing Activities (B)	**(12.99)**	**9.99**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
C. Cash Flow from Financing Activities		
Finance Costs	-	(0.03)
Dividend Paid	(4.09)	(4.14)
Tax on Dividend	(0.83)	(0.82)
Net Cash Flow used in Financing Activities (C)	**(4.92)**	**(4.99)**
Net Decrease in Cash and Cash Equivalents (A+B+C)	(1.82)	(1.11)
Cash and Cash equivalents at the Beginning of the Year	3.02	4.13
Cash and Cash equivalents at the End of the Year	**1.20**	**3.02**
Cash and Cash Equivalents as at the End of the Year comprises:		
(a) Cash on Hand	0.03	0.04
(b) Balances with Banks		
(i) In Current Accounts	1.17	2.98
Cash and Cash Equivalents as at the End of the Year	**1.20**	**3.02**

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
27 April 2016

For and on behalf of the Board of Directors

M M Murugappan
Chairman

L Ramkumar
Director

Rajiv Narayanamoorthy
Chief Executive Officer

Saurabh Jain
Chief Financial Officer

C Subramaniam
Company Secretary

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

1.1. Accounting Convention

The financial statements of the Company are prepared under the historical cost convention, on an accrual basis, in accordance with the Generally Accepted Accounting Principles in India to comply in all material respects with the Accounting Standards specified under Section 133 of the Companies Act 2013 read with Rule 7 of Companies (Accounts) Rules, 2014. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

1.2. Presentation and disclosure of financial statements

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

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

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

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

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

1.3. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make 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.

1.4. Fixed Assets

The Fixed Assets are stated at historical cost less accumulated depreciation and impairment losses, if any. Cost includes related taxes, duties, freight, insurance, etc. attributable to the acquisition and installation of the fixed assets but excludes duties and taxes that are recoverable from tax authorities.

Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Fixed assets retired from active use and held for sale are stated at the lower of their net book value and net realisable value and are disclosed separately in the Balance Sheet.

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.

1.5. 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.

1.6. Investments

a) Current investments are carried at lower of cost and fair value.

b) Non-Current investments are carried at cost. Diminution in the value of such investments, other than temporary, is provided for.

NOTES TO FINANCIAL STATEMENTS

c) Cost of investments includes acquisition charges such as brokerage, fees and duties.

1.7. Inventories

a) Raw materials, stores & spare parts and traded goods are valued at lower of weighted average cost (net of allowances) and estimated net realisable value. Cost includes freight, taxes and duties and is net of credit under VAT and CENVAT scheme, where applicable.

b) 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.

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

1.8. 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.

1.9. Cash Flow Statement

Cash flows are reported using the indirect method, where by Profit / (Loss) before extraordinary items and 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.

1.10. Revenue and Other Income

a) Sales are recognised on shipment or on unconditional appropriation of goods and comprise amounts invoiced for the goods, including excise duty, but excluding Sales Tax/Value Added Tax.

b) Service revenues are recognised when services are rendered.

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

d) Interest Income is recognised on time proportion basis.

1.11. Export incentives

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

1.12. Employee Benefits

I Defined Contribution Plan

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.

II Defined Benefit Plan

Gratuity

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by 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 the Statement of Profit and Loss.

III Long - Term Employee Benefits

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

IV Short - Term Employee Benefits

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

1.13. 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.

NOTES TO FINANCIAL STATEMENTS

1.14. 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

The Foreign currency monetary items (other than derivative contracts) of the Company outstanding at the Balance Sheet date are restated at year end exchange rates.

Non-monetary items are carried at historical cost.

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.

1.15. Depreciation and Amortisation

The Company provides for depreciation based on the estimated useful life of assets. The useful life estimated by the Company is different from the life prescribed under Schedule II of the Companies Act 2013, with respect to certain categories of assets taking into considerations factors such as product life cycle, durability based on use, etc. The Company has assessed the estimated useful life for the various categories as under:

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

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

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.

1.16. Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year and is determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognised on timing differences; being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Other deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

1.17. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

1.18. Service tax input credit

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

NOTES TO FINANCIAL STATEMENTS

2. Share Capital

₹ Crores

Particulars	As at 31.03.2016	As at 31.03.2015
Authorised		
10,00,00,000 (P.Y. 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**

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

Particulars	Opening Balance	Fresh issue	Other Changes	Closing Balance
Equity shares with voting rights:				
Year ended 31.03.2016				
Number of Shares (₹1/- each)	8,17,15,853	-	-	8,17,15,853
Amount ₹	**8,17,15,853**	**-**	**-**	**8,17,15,853**
Year ended 31.03.2015				
Number of Shares (₹ 1/- each)	8,17,15,853	-	-	8,17,15,853
Amount ₹	**8,17,15,853**	**-**	**-**	**8,17,15,853**

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

Particulars	As at 31.03.2016 (No. of shares)	As at 31.03.2015 (No. of shares)
Out of the equity shares issued by the company: -Tube Investments of India Limited, the holding company	5,72,96,413	5,72,96,413

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

Particulars	As at 31.03.2016		As at 31.03.2015	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares of ₹1/- each fully paid up with voting rights: -Tube Investments of India Limited, the holding company	5,72,96,413	70.12%	5,72,96,413	70.12%

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

NOTES TO FINANCIAL STATEMENTS

3. Reserves and Surplus

₹ Crores

Particulars	As at 31.03.2016	As at 31.03.2015
(a) Capital Reserve*	0.00	0.00
(b) Capital redemption reserve	0.02	0.02
(c) Securities premium account	24.29	24.29
(d) General Reserve		
Opening balance	225.00	220.00
Add: Transferred from surplus in Statement of Profit and Loss	10.00	5.00
Closing balance	**235.00**	**225.00**
(e) Surplus in Statement of Profit and Loss		
Opening Balance	13.26	13.92
Depreciation on transition to Schedule II of the Companies Act 2013	-	(0.07)
Add : Profit for the year	18.24	9.32
Less: Interim Dividend ₹ 0.50/- per share (PY ₹ 0.50/- per Share)	(4.09)	(4.09)
Tax on Interim dividend	(0.83)	(0.82)
Transferred to General reserve	(10.00)	(5.00)
Closing Balance	16.58	13.26
Total	**275.89**	**262.57**

* ₹16,700 (Previous Year ₹ 16,700)

4. Deferred Tax Assets (Net)

The net Deferred Tax Asset of ₹ 1.83 Crores. as at 31 March 2016 (PreviousYear net Deferred Tax Liability of ₹ 0.86 Crores) has arisen on account of the following:

₹ Crores

Particulars	As at 31.03.2016	As at 31.03.2015
a) Deferred Tax Assets		
Provision for Employee Benefits, Doubtful Debts & Warranty.	2.57	1.50
b) Deferred Tax Liabilities		
Depreciation on Fixed Assets	(0.74)	(2.36)
Net Deferred Tax Assets / (Liabilities)	**1.83**	**(0.86)**

5. Other Long -Term Liabilities

₹ Crores

Particulars	As at 31.03.2016	As at 31.03.2015
Rental Deposits	0.05	0.09
Total	**0.05**	**0.09**

NOTES TO FINANCIAL STATEMENTS

6. Long-Term Provisions

₹ Crores

Particulars	As at 31.03.2016	As at 31.03.2015
Provision for Warranty-(Refer note below)	0.10	0.10
Total	**0.10**	**0.10**

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

Provision for warranty

₹ Crores

Particulars	As at 31.3.2016	As at 31.3.2015
Provision for Warranty-		
At the Beginning of the Year	0.10	0.10
Add: Provision created during the year	0.07	0.05
	0.17	0.15
Less: Utilised during the year	(0.07)	(0.05)
At the end of the year	**0.10**	**0.10**

7. Trade Payables

₹ Crores

Particulars	As at 31.03.2016	As at 31.03.2015
Other than Acceptances (Refer note below)	21.41	23.55
Total	**21.41**	**23.55**

Based on, and to the extent of information received from the suppliers regarding their status under the Micro, Small & Medium Enterprises Development Act, 2006 (MSMED Act), and relied upon by the Auditors, there are no dues to such suppliers.

8. Other Current Liabilities

₹ Crores

Particulars	As at 31.03.2016	As at 31.03.2015
Advances from Customers	8.92	8.69
Unclaimed Dividends	0.51	0.51
Statutory Remittances	2.06	1.40
Payable on Purchase of Fixed Assets	-	0.21
Others	0.41	-
Total	**11.90**	**10.81**

Amounts to be credited to Investor Education and Protection Fund towards Unpaid Dividends

9. Short -Term Provisions

₹ Crores

Particulars	As at 31.03.2016	As at 31.03.2015
Provision for Compensated Absences	0.44	0.14
Total	**0.44**	**0.14**

NOTES TO FINANCIAL STATEMENTS

10. Tangible Assets

₹ Crores

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	As at 01.04.2015	Additions	Disposals	As at 31.03.2016	As at 01.04.2015	For the Year	On Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
A. Tangible Assets - Owned										
Land	5.48	-	-	5.48	-	-	-	-	5.48	5.48
	(5.50)	-	(0.02)	(5.48)	-	-	-	-	(5.48)	(5.50)
Buildings	35.66	3.63	-	39.29	11.69	1.09	-	12.78	26.51	23.97
	(35.16)	(0.55)	(0.05)	(35.66)	(10.68)	(1.04)	(0.03)	(11.69)	(23.97)	(24.48)
Plant & Machinery	306.20	3.17	0.18	309.19	257.19	14.02	0.14	271.07	38.12	49.01
	(304.81)	(1.39)	-	(306.20)	(243.29)	(13.90)	-	(257.19)	(49.01)	(61.52)
Furniture & Fittings	3.22	0.27	0.02	3.47	2.12	0.41	0.02	2.51	0.96	1.10
	(2.98)	(0.26)	(0.02)	(3.22)	(1.75)	(0.39)	(0.02)	(2.12)	(1.10)	(1.23)
Office Equipments	9.38	0.94	0.68	9.64	8.69	0.42	0.68	8.43	1.21	0.69
	(8.75)	(0.77)	(0.14)	(9.38)	(8.26)	(0.56)	(0.13)	(8.69)	(0.69)	(0.49)
Vehicles	2.20	0.18	0.04	2.34	1.65	0.15	0.04	1.76	0.58	0.55
	(2.27)	-	(0.07)	(2.20)	(1.53)	(0.19)	(0.07)	(1.65)	(0.55)	(0.74)
Total	**362.14**	**8.19**	**0.92**	**369.41**	**281.34**	**16.09**	**0.88**	**296.55**	**72.86**	**80.80**
Previous Year	(359.47)	(2.97)	(0.30)	(362.14)	(265.51)	(16.08)	(0.25)	(281.34)	(80.80)	(93.96)
B. Intangible Assets - Acquired										
Computer Software	5.38	0.13	-	5.51	4.53	0.62	-	5.15	0.36	0.85
	(4.80)	(0.58)	-	(5.38)	(3.74)	(0.79)	-	(4.53)	(0.85)	(1.06)
Total	**5.38**	**0.13**	**-**	**5.51**	**4.53**	**0.62**	**-**	**5.15**	**0.36**	**0.85**
Previous Year	(4.80)	(0.58)	-	(5.38)	(3.74)	(0.79)	-	(4.53)	(0.85)	(1.06)

Previous Year Figures are given in brackets.

The previous year depreciation of ₹ 16.87 Crores include ₹ 0.12 Crores transferred to Surplus in Statement of Profit and Loss due to transition to Schedule II of Companies Act 2013.

NOTES TO FINANCIAL STATEMENTS

11. Non - Current Investments

(At lower of cost and fair value, unless otherwise stated)

₹ Crores

Particulars	Nominal Value	As at 31.03.2016		As at 31.03.2015	
		No. of Units	Value	No. of Units	Value
Investment in Tax Free Bonds - Quoted					
PFC Tax Free Bonds	1000	2567	0.26	-	-
IRFC Tax Free Bonds	1000	16783	1.68	-	-
NHAI Tax Free Bonds	1000	11428	1.14	-	-
IREDA Tax Free Bonds	1000	13624	1.36	-	-
HUDCO Tax Free Bonds	1000	11629	1.16	-	-
NABARD Tax Free Bonds	1000	4008	0.40	-	-
Total			**6.00**	**-**	**-**

12. Long-Term Loans and Advances

(Unsecured, Considered Good unless otherwise stated)

₹ Crores

Particulars	As At 31.03.2016	As At 31.03.2015
Capital Advances		
Considered Good	5.42	0.18
Considered Doubtful	0.18	0.00
	5.60	0.18
Less: Provision for Doubtful Advance	(0.18)	-
	5.42	0.18
Security Deposits	2.15	1.12
Loans & Advances to Employees	0.23	0.14
Advance Income Tax (Net of Provision ₹ 36.36 Crores)(PY ₹ 28.45 Crores)	5.41	4.30
Rental Advances	0.10	0.09
Total	**13.31**	**5.83**

NOTES TO FINANCIAL STATEMENTS

13. Current Investments

₹ Crores

Particulars	Nominal Value	As at 31.03.2016		As at 31.03.2015	
		No. of Units	Value	No. of Units	Value
Investment in mutual funds - Quoted					
Reliance Liquid Fund - Treasury plan - direct Daily Dividend Reinvestment	1500	35453	5.42	-	-
ICICI Prudential Liquid – Direct Plan – Daily Dividend	100	878340	8.79	-	-
Birla Sun Life Cash Plus – Daily Dividend -Direct Plan -Reinvestment	100	972630	9.75	-	-
HDFC Liquid Fund - Daily Dividend -Direct Plan -Reinvestment	1000	98446	10.04	-	-
ICICI Prudential Income Opportunities - Growth	20	7491295	15.00		
DSP Blackrock Liquidity Fund Direct Plan - Daily Dividend	1000	-	-	11856	1.18
HSBC Cash Fund - Direct plan - Daily Dividend	1000	-	-	8854	0.89
HDFC Cash Management Fund - Direct plan - Daily Dividend	10	-	-	3602332	3.83
ICICI Prudential Flexible Income-Direct Plan-Daily Dividend	100	-	-	84886	0.90
PRINCIPAL Debt Opportunities Fund Conservative Plan-Direct Plan-Daily Dividend-Reinvestment	1000	-	-	24198	2.43
SBI Premier Liquid Fund - Regular plan - Daily Dividend	1000	-	-	34108	3.42
UTI Treasury Advantage Fund - Direct plan - Daily Dividend	1000	-	-	28821	2.89
Total			**49.00**	**-**	**15.54**

Note: During the year the Company had invested an aggregate of ₹ 121.44 Crores (Previous year ₹ 42.33 Crores) and redeemed an aggregate of ₹ 104.59 Crores (Previous year ₹ 76.95 Crores) of units in various Cash Management Schemes of Mutual Funds, invested for the purpose of deployment of temporary cash surpluses.

14. Inventories

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

₹ Crores

Particulars	As at 31.03.2016	As at 31.03.2015
Raw Material and Consumables	31.48	32.30
Semi Finished Goods	32.69	31.03
Finished Goods	2.54	2.12
Total	**66.71**	**65.45**

15. Trade Receivables

(Unsecured)

₹ Crores

Particulars	As at 31.03.2016	As at 31.03.2015
Outstanding for a period exceeding six months from the day they were due for payment		
- Considered Good	2.51	1.47
- Considered Doubtful	1.53	0.76
Less: Provision for Doubtful Receivables	(1.53)	(0.76)
Others *	36.51	35.56
Total	**39.02**	**37.03**

* Includes an amount of ₹ 0.05 Crores (PY NIL) receivable from Holding Company

NOTES TO FINANCIAL STATEMENTS

16. Cash and Cash Equivalents

₹ Crores

Particulars	As at 31.03.2016	As at 31.03.2015
A. Cash and Cash Equivalents (as per AS 3 Cash Flow Statements)		
a) Cash on Hand	0.03	0.04
b) Balance with Scheduled Banks		
i) in Current Accounts	1.17	2.98
Total - Cash and Cash Equivalents (as per AS 3 Cash Flow Statements) (A)	**1.20**	**3.02**
B. Other Bank Balances		
a) in Deposit Accounts-Original maturity of more than 3 months (Refer note 16 (a))	56.30	85.51
b) in Earmarked Accounts		
i) Unpaid Dividend Accounts	0.51	0.51
ii) Margin Money Deposit with Banks (towards Bank Guarantee)	-	0.05
Total - Other Bank Balances (B)	**56.81**	**86.07**
Total Cash and Cash Equivalents (A+B)	**58.01**	**89.09**

16 (a) Balances with banks include deposits with remaining maturity of more than 12 months from the balance sheet date.

17. Short Term Loans and Advances

(Unsecured, Considered Good)

₹ Crores

Particulars	As at 31.03.2016	As at 31.03.2015
a) Prepaid Expenses	0.48	0.40
b) Balance with Customs and Excise, Sales Tax	3.45	2.09
c) Other Loans and Advances		
i) Advance to suppliers	1.02	0.37
ii) Gratuity Fund with LIC (net)(Refer Note 32)	0.85	0.24
iii) Annual Leave Fund with LIC (net)	0.35	-
iv) Others	0.01	0.02
Total	**6.16**	**3.12**

18. Other Current Assets

(Unsecured, Considered Good)

₹ Crores

Particulars	As at 31.03.2016	As at 31.03.2015
a) Accruals		
i) Interest Accrued on Deposits	1.96	1.70
ii) Interest Accrued on Bonds	0.08	-
b) Others		
i) Receivable from Sale of Surplus Energy	2.25	3.13
ii) Others	0.05	0.14
Total	**4.34**	**4.97**

NOTES TO FINANCIAL STATEMENTS

19. Revenue From Operations (Gross)

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Sale of Products	177.31	163.15
Sale of Services – Machining Charges	2.00	1.88
Total	**179.31**	**165.03**

20. Other Operating Income

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Sale of Scrap	2.02	2.81
Duty Draw Back and Export Incentives	0.54	0.25
Sale of Surplus Energy	-	0.13
Total	**2.56**	**3.19**

21. Other Income

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
a) Interest Income on		
Bank Deposits	5.51	5.97
Others	0.16	0.09
b) Dividend Income from Current Investments	2.54	2.89
c) Other Non-Operating Income		
Rental Income	0.40	0.46
Profit on Sale of Fixed Assets	-	0.67
Miscellaneous Income	0.03	0.05
Liabilities no longer required written back	-	1.52
Total	**8.64**	**11.65**

22. Cost of Materials Consumed

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Opening Stock	32.30	19.95
Purchases	61.71	81.59
	94.01	101.54
Closing Stock	(31.48)	(32.30)
Cost of Material Consumed	62.53	69.24
Cost of Material Consumed comprises of:		
Steel Rods & Forgings	33.08	31.76
Bearings	6.93	9.67
Other items (not exceeding 10% of total consumption)	22.52	27.81
Total	**62.53**	**69.24**

NOTES TO FINANCIAL STATEMENTS

23. Changes in Inventory of Finished Goods and Work in Progress

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Inventories at the beginning of the year		
Work-in-Progress	31.03	26.16
Finished Goods	2.12	2.13
	33.15	28.29
Inventories at the end of the year		
Work-in-Progress	32.69	31.03
Finished Goods	2.54	2.12
	35.23	33.15
Net Increase	**(2.08)**	**(4.86)**

24. Employee Benefits Expense

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Salaries, Wages & Bonus	31.48	32.36
Contribution to Provident & Other Funds (Refer note 32)	0.68	1.51
Staff Welfare Expenses	3.34	2.65
Total	**35.50**	**36.52**

25. Finance Costs

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Other Borrowing Costs	-	0.03
Total	**-**	**0.03**

NOTES TO FINANCIAL STATEMENTS

26. Other Expenses

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Consumption of stores and spare parts	0.37	0.21
Power and Fuel	8.17	4.62
Subcontracting Charges	5.43	3.67
Rent including lease rentals	0.25	0.28
Repairs and maintenance - Buildings	0.30	1.01
Repairs and maintenance - Machinery	5.31	6.30
Repairs and maintenance - Others	1.16	0.94
Insurance	0.38	0.36
Rates and taxes	1.10	2.13
Software Expenses	0.88	0.72
Communication	0.31	0.29
Travelling and conveyance	1.81	1.78
Printing and stationery	0.25	0.31
Freight and forwarding	3.34	2.06
Sales commission	1.10	0.97
Sales discount	0.36	0.58
Business promotion	0.68	0.49
Donations and contributions	0.02	0.01
Payments to auditors (Refer (i) below)	0.11	0.08
Expenditure on Corporate Social Responsibility	0.40	0.38
Professional and Consultancy charges	2.01	2.20
Service Fees	1.51	2.01
Loss on Tangible Assets Discarded (Net)	0.01	-
Trade receivables written off	0.97	3.31
Provision for doubtful trade receivables	0.77	0.76
Net loss on foreign currency transactions and translation	0.03	0.15
Commission to Non Executive Directors	0.15	0.12
Directors' sitting fees	0.03	0.03
Bank Charges	0.08	0.08
Other Expenses	0.21	0.20
Total	**37.50**	**36.05**

NOTES TO FINANCIAL STATEMENTS

26(i). Auditor's Remuneration

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Payment to Auditors comprise (Net of levies)		
For Statutory Audit & Tax Audit	0.08	0.08
For Taxation Matters	0.01	0.00
For Other Services	0.02	-
Total	**0.11**	**0.08**

27. Commitments and Contingent Liabilities

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Commitments		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances)	0.80	1.64
Contingent Liabilities		
Claims against the Company not acknowledged as debts	0.55	0.55
Disputed Demand for Additional Sales Tax on Central Sales Tax pertaining to the year 1998-99. The matter is pending before the Assistant Commissioner, Fast Track Assessment Circle-I, Coimbatore. The amount has been paid under protest and writ petition is pending with Madras High Court.	0.01	0.01
Disputed Demand for Additional Sales Tax on Central Sales Tax pertaining to the year 1999-2000. The matter is pending before the Assistant Commissioner, Fast Track Assessment Circle-I, Coimbatore. The amount has been paid under protest and writ petition is pending with Madras High Court.	0.01	0.01
Disputed Excise Duty on Inter Unit transfer of Machinery-Duty ₹ 0.76 Crores and penalty ₹ 0.76 Crores. The Appellate Tribunal has passed the order and the matter is pending before Jurisdiction Officer	1.52	1.52
Total	**2.89**	**3.73**

Note:

1. Show Cause Notices received from various Government Agencies pending formal demand notices have not been considered as contingent liabilities.

2. The uncertainties and possible reimbursement in respect of the above mentioned contingent liabilities are dependent on the outcome of various legal proceedings and therefore, cannot be predicted accurately.

NOTES TO FINANCIAL STATEMENTS

28. Imported and Indigenous Materials Consumed

A. Consumption of Raw Materials (Refer Note 22)

₹ Crores

Particulars	Year ended 31.03.2016		Year ended 31.03.2015	
	%	₹ Crores	%	₹ Crores
Imported	0.52	0.33	1.03	0.72
Indigenous	99.48	62.20	98.97	68.52
Total	100.00	62.53	100.00	69.24

B. Consumption of Stores and Spares (Refer Note 26)

₹ Crores

Particulars	Year ended 31.03.2016		Year ended 31.03.2015	
	%	₹ Crores	%	₹ Crores
Imported	-	-	-	-
Indigenous	100.00	0.37	100.00	0.21
Total	**100.00**	**0.37**	**100.00**	**0.21**

29. Value of imports on CIF basis

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Fixed Assets	0.04	0.07
Raw Material	0.29	0.45
Consumable Stores & Tools	0.09	0.24
Spares	0.11	0.44
Total	**0.53**	**1.20**

30. Earnings in Foreign Exchange

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
FOB value of Exports	11.69	14.02
Total	**11.69**	**14.02**

31. Expenditure in Foreign Currency

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Subscriptions	0.07	0.09
Advertisement	-	0.02
Technical Consultancy Charges	0.40	0.10
Others	0.14	0.15
Total	**0.61**	**0.36**

NOTES TO FINANCIAL STATEMENTS

32. 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 ₹ 1.22 Crores (PY ₹ 1.18 Crores) for Provident Fund contribution, ₹ 0.07 Crores (PY ₹ 0.09 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

Actuarial Data on Gratuity

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Change in Benefit Obligation		
Projected benefit Obligation as at Year beginning	**3.94**	**3.51**
Service Cost	0.32	0.33
Interest Cost	0.31	0.28
Actuarial (Gains) / Losses	(0.90)	-
Benefits Paid	(0.16)	(0.18)
Projected benefit Obligation as at Year end	**3.51**	**3.94**
Change in Plan Assets		
Fair Value of Planned assets as at year beginning	**4.17**	**4.01**
Expected Return on Plan Assets	0.33	0.36
Employer's Contribution	0.02	(0.02)
Benefits Paid	(0.16)	(0.18)
Fair Value of Planned assets as at year end	**4.36**	**4.17**
Amount Recognised in the Balance Sheet		
Projected Benefit Obligation at the year end	3.51	3.94
Fair Value of the Plan Asset at the year end	4.36	4.17
Net Asset /(Liability) Recognised in the Balance Sheet	**0.85**	**0.23**
Components of Employer's Expense		
Current Service Cost	0.32	0.33
Interest on Obligation	0.31	0.28
Expected Return on Plan Assets	(0.33)	(0.36)
Net Actuarial (Gains) / Losses recognised in the year	(0.90)	-
Net Cost recognised in the Profit and Loss Account	**(0.60)**	**0.25**
Actuarial Assumption		
Discount Rate	8%	8%
Future Salary Increase	5%	8%
Attrition Rate	1 to 3%	1 to 3%
Expected Rate of Return on Plan Assets	8%	8%

NOTES TO FINANCIAL STATEMENTS

Notes:

i. The entire Plan Assets are managed by Life Insurance Corporation of India (LIC). In the absence of the relevant information from LIC/Actuary, the above detail 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 details of Experience adjustments to the extent information available are given below.

Experience Adjustments	2015-16	2014-15
Experience adjustments on Plan Liabilities (Gain)/Loss	0.90	-
Experience adjustments on Plan Assets (Gain)/Loss	0.00	-

c) Long Term Compensated Absences

₹ Crores

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Actuarial Assumption		
Discount Rate	8%	8%
Future Salary Increase	5%	8%
Attrition Rate	1 to 3%	1 to 3%
Expected Rate of Return on Plan Assets	8%	8%

33. Segment Reporting

The Company's main business is manufacture of Gears & Gear Products. There are no separate reportable segments as per Accounting Standard 17 (AS17). Secondary segmental reporting is based on geographical location of customers.

SECONDARY SEGMENT DISCLOSURE

₹ Crores

Secondary Segment Disclosure	Year ended / As at 31.03.2016	Year ended / As at 31.03.2015
1. Revenue by Geographic Market		
India	153.29	141.04
Rest of the World	11.69	14.15
Total	**164.98**	**155.19**
2. Segment Assets by Geographic Market		
India	317.65	305.91
Rest of the World	0.31	0.38
Total	**317.96**	**306.29**
3. Capital Expenditure by Geographic Market		
India	8.32	3.55
Rest of the World	-	-
Total	**8.32**	**3.55**

NOTES TO FINANCIAL STATEMENTS

34 Disclosure in respect of Related Parties pursuant to Accounting Standard 18

a) List of Related Parties

Name of the Related Party	Relationship
Tube Investments of India Limited*	Holding Company
Cholamandalam MS General Insurance Company Ltd*	Fellow Subsidiaries
TI Financial Holdings Limited	
TI Subamex Private Ltd	
Financiere C10 SAS	
Sedis SAS	
Societe De Commercialisation De Composants Industries SARL	
Sedis Company Limited	
Dr. Sreeram Srinivasan (upto 15.06.2015)	Key Managerial Personnel

* 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	2015-16	2014-15
Sale of Goods & Services	Tube Investments of India Limited	0.48	0.29
Dividend Paid	Tube Investments of India Limited	2.86	2.86
Service Fee (excluding Service Tax)	Tube Investments of India Limited	1.50	2.01
Reimbursement of Expenses	Tube Investments of India Limited	0.91	0.72
Purchase of Scrap	Tube Investments of India Limited	0.08	0.18
Lease Rent Received	Cholamandalam MS General Insurance Company Limited	0.03	0.15
Premium Paid	Cholamandalam MS General Insurance Company Limited	0.55	0.41
Lease Rent Paid	Cholamandalam MS General Insurance Company Limited	0.07	0.07
	Tube Investments of India Limited	0.03	0.03
Rental Deposit Payable	Cholamandalam MS General Insurance Company Limited	0.01	0.04
Receivable	Tube Investments of India Limited	0.05	-
	Cholamandalam MS General Insurance Company Limited	-	0.02

NOTES TO FINANCIAL STATEMENTS

35. Operating Lease

The Company has cancellable operating lease agreements for office space. As per the lease terms an amount of ₹ 0.25 Crores (PY- ₹ 0.28 Crores) is charged to statement of Profit and Loss account. As lessor the Company realized an income of ₹ 0.40 Crores (PY- ₹ 0.46 Crores) on properties under lease.

36. Earnings Per Share

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Profit After Tax (₹ Crores)	18.24	9.32
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	2.23	1.14
Diluted	2.23	1.14

37. Details of Unhedged Foreign Currency Exposures

Particulars	Currency	As at 31.03.2016		As at 31.03.2015	
		Foreign Currency	INR (₹ crores)	Foreign Currency	INR (₹ crores)
Trade Receivables	USD	5,710	0.03	Nil	-
Trade Receivables	GBP	29,209	0.28	36,909	0.34
Trade Receivables	EURO	Nil	-	5,205	0.04
Trade Payables	EURO	10,224	0.08	Nil	-

38. Previous period figures have been re-grouped wherever necessary to correspond with the current years' classification / disclosure.

For and on behalf of the Board of Directors

M M Murugappan
Chairman

L Ramkumar
Director

Rajiv Narayanamoorthy
Chief Executive Officer

Coimbatore
27 April 2016

Saurabh Jain
Chief Financial Officer

C Subramaniam
Company Secretary

AS 9100C Certified Company
(Based on and including ISO 9001 : 2008)

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Time may have charted the course of mankind ...But it keeps ticking on gears!

Time is one factor that has impacted and will continue to impact humanity forever. Today time is measured in seconds and nano seconds when it comes to manufacturing such as an automated assembly line that build toys to huge aircrafts in a short time.

BUT...

Still a machine is only as good as its gear. That is why we at Shanthi Gears have always endeavoured to keep pace with the evolving technologies and give high quality, high precision, gear boxes, geared motors, and geared assemblies both standard and custom built for any industry. **Because this Nation deserves the best of Gears and Gearbox solutions...."**

Today, you can find that our gears are driving the aircrafts, trains, tractors, compressors, cranes, elevators, conveyors and the machinery in almost every industry like cement, textile, power, steel, sugar; just to name a few.

Shanthi Gears

Nation deserves the best of Gears and Gearbox solutions...

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