

29th June ,2021

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

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

Stock Code: SHANTIGEAR
Trough NEAPS

Stock Code: 522034
Through BSE Listing Centre

Dear Sir,

Sub: Submission of Annual Report for FY 2020-21

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are sending herewith the Annual Report of the Company for the financial year 2020-21.

Kindly take the same on record.

Yours faithfully

For **SHANTHI GEARS LIMITED**

C Subramaniam
Company Secretary

A large, detailed image of a metallic gear with many teeth, positioned on the left side of the cover, partially overlapping the red background.

BUILDING RESILIENCE

Shanthi Gears Limited
48th Annual Report
2020 - 2021

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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.

The Spirit of the Murugappa Group

The light of
INTEGRITY
that gives us the courage to
always do the right thing

The light of
RESPONSIBILITY
that gives us the humility to
think about the world around us

The light of
PASION
that provides us with
the desire to win

The light of
RESPECT
that inspires people
around us to perform

The light of
QUALITY
which makes us
dream of excellence

These **five lights** guide us as we navigate
through professional and personal decisions.

Our Homage



Shri P Subramanian

11th November, 1942 - 11th December, 2020

Founder of Shanthy Gears Limited

Dear Shareholders,

The year 2020-21 has been unprecedented in terms of the environment in which we have had to do business.

My sincere wishes and prayers for the good health, happiness and prosperity of all our shareholders and their families. The pandemic has not only affected our livelihood, business and the economy but also taught us many lessons in managing tough situations. It has been a year of learning and exploring new opportunities.

On 11th December 2020, we lost our beloved founder of Shanthi Gears, Mr P Subramanian who not only established one of the finest gear and gear box manufacturing facilities, but also distinguished himself by his generous and selfless service to the society through Shanthi Social Services. In 2021, Govt. of India awarded him Padma Shri (posthumously) considering his remarkable contribution in the field of Trade and Industry. We at Shanthi Gears sincerely acknowledge the strong foundation he laid for the company and pay our homage.

Our business in Q1 was sluggish but could break even in Q2. We could meet the additional demand in Q3 and Q4 and achieved a business of ₹134 crores in Q3 & Q4 which is 37% higher over the corresponding period FY 19-20. We gained momentum in exports by registering a 27% growth, adding products and expediting proto orders. The team bagged about 10 projects in steel sector, that includes new products and new application for stainless steel rolling application. The business also recorded its highest order booking of ₹190 crores in H2.

The tough operating conditions due to the pandemic also forced the company to look at new opportunities to improve your company's performance. The noteworthy improvements have been in the areas of productivity, cost reduction, digitalization and acquisition of new customers. I am confident these will be continued with focus in the coming years too.



As we get into FY 2021-22, we have to service customer orders within the framework of the restrictions imposed due to the second wave of Covid 19. With a healthy orderbook of above ₹200 crores, your company will continue to strengthen relationships with customers, suppliers and other stake holders.

2020-21 has been a challenging year and I would like to thank our employees, management team, customers, dealers, suppliers and other stake holders for their hard work and commitment during this important phase of the company's journey. I would also thank the Board Members for their continued support and encouragement to the team.

My Sincere thanks to all of you for the trust and confidence reposed in us during this uncertain time.

Sincerely,
L Ramkumar

COMMITMENT TO STAKEHOLDERS AND SOCIETY

COVID Contribution

Contribution to CM relief fund for COVID.



Renovation

We have Renovated the rest room of Sulur Girls Higher Secondary School.



SAFETY - COVID-19 AWARENESS

- CORONA Warriors team is formed comprising of shop floor employees (rotational shifts) to prevent the spread of COVID.
- Warriors will ensure the basic preventive measures that are to be followed in work place to reduce the risk of COVID infections like employee's compliance with social distancing in the workplace, adherence to wear the masks, practice of hand washing and other COVID precautionary measures to followed in common areas like canteen, bus transport and employees rest room, etc.,
- Scheduled weekly meetings with warriors to collect their feedback about workplace compliance and address the concerns immediately.



Step 1:- Follow round markings to ensure social distancing



Step 2:- Disinfection of footwears



Step 3:- Hand sanitization

EMPLOYEE ENGAGEMENT ACTIVITIES

X-mas Celebration



Pongal Celebration



International Women's Day Celebration



Women wellness program



Eye Check-up Camp



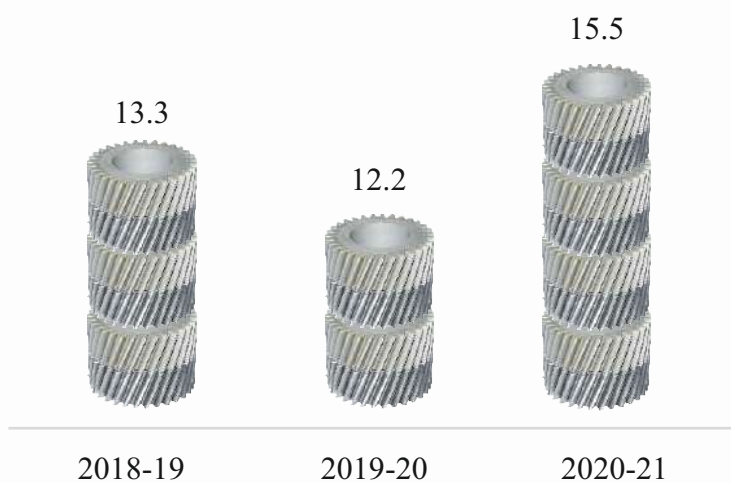
IRIS & ISO CERTIFICATES



Order Booking (₹ Cr.)



Export Sales (₹ Cr.)



10 YEAR FINANCIAL HIGHLIGHTS

₹ Crores

Particulars	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
OPERATING RESULTS										
Revenue (Excluding excise duty)	215.53	242.29	241.68	214.12	183.95	164.79	152.00	150.77	143.72	172.32
Earnings before Depreciation, Interest & Tax (EBITDA)	34.93	41.08	53.08	48.73	46.33	39.86	29.89	51.56	50.93	69.32
Profit before Interest & Tax (PBIT)	26.07	32.69	42.46	33.17	28.50	23.15	13.14	25.95	22.36	42.10
Profit before Tax (PBT)	26.07	32.69	42.46	33.17	28.50	23.15	13.11	25.93	22.07	41.60
Profit after Tax (PAT)	20.17	25.20	33.35	28.58	22.51	17.73	9.32	18.38	15.47	28.13
Earnings Per Share (₹)	2.63	3.28	4.08	3.50	2.75	2.23	1.14	2.25	1.89	3.44
Dividend Per Share (₹)	1.50	2.00	6.00	1.00	0.75	0.50	0.50	1.00	0.60	1.00
Book Value Per Share (₹)	30.92	29.80	36.97	38.90	37.49	34.75	33.14	32.61	31.53	30.33
Interest	-	-	-	-	-	-	0.03	0.02	0.29	0.62
SOURCES AND APPLICATION OF FUNDS										
SOURCES OF FUNDS										
Share Capital	7.67	7.67	8.17	8.17	8.17	8.17	8.17	8.17	8.17	8.17
Reserves & Surplus	229.46	220.95	293.91	309.62	298.15	275.72	262.57	258.23	249.41	239.67
Net Worth	237.13	228.62	302.08	317.79	306.32	283.89	270.74	266.40	257.58	247.84
Debt	-	-	-	-	-	-	-	-	-	3.96
Deferred Tax Liability (Net)	-	-	-	-	-	-	0.86	2.51	6.88	10.73
Total	237.13	228.62	302.08	317.79	306.32	283.89	271.60	268.91	264.46	262.53
APPLICATION OF FUNDS										
Gross Fixed Assets	142.80	120.45	113.76	101.28	98.14	89.93	367.52	364.27	361.09	360.21
Accumulated Depreciation	68.78	60.68	55.13	44.47	32.82	16.71	285.87	269.25	245.34	222.00
Net Fixed Assets	74.02	59.77	58.63	56.81	65.32	73.22	81.65	95.02	115.75	138.21
Capital Work-in-Progress	0.03	6.40	0.18	0.50	0.77	0.36	3.61	3.60	3.62	5.59
Deferred Tax Asset (Net)	2.47	4.13	4.96	5.95	3.60	1.45	-	-	-	-
Long Term Investments	27.67	27.67	14.16	12.17	12.17	6.00	-	-	-	-
Short Term Investments & Deposits	72.69	63.06	112.69	149.01	119.26	105.30	101.09	107.76	90.60	55.02
Net Working Capital	60.25	67.62	111.46	93.35	105.20	97.56	85.25	62.53	54.49	63.71
Total	237.13	228.62	302.08	317.79	306.32	283.89	271.60	268.91	264.46	262.53
RATIOS										
EBITDA to Sales (%)	16.21%	16.95%	21.96%	22.76%	25.19%	24.19%	19.66%	34.20%	35.44%	40.23%
PBIT to Sales (%)	12.10%	13.49%	17.57%	15.49%	15.49%	14.05%	8.64%	17.21%	15.56%	24.43%
PBT to Sales (%)	12.10%	13.49%	17.57%	15.49%	15.49%	14.05%	8.63%	17.20%	15.36%	24.14%
PAT to Sales (%)	9.36%	10.40%	13.80%	13.35%	12.24%	10.76%	6.13%	12.19%	10.76%	16.32%
Interest Cover (Times)	-	-	-	-	-	-	996.33	2,578.00	175.62	111.81
ROCE (%) [#]	10.99%	14.30%	14.06%	10.44%	9.30%	8.15%	4.84%	9.65%	8.45%	16.04%
Return on Networth (%)	8.50%	11.02%	11.04%	8.99%	7.35%	6.25%	3.44%	6.90%	6.01%	11.35%
Total Debt Equity Ratio	-	-	-	-	-	-	-	-	-	0.02
Sales/Net Fixed Assets (Times)	2.91	4.05	4.12	3.77	2.82	2.25	1.86	1.59	1.24	1.25
Net Working Capital Turnover (Times)	3.58	3.58	2.17	2.29	1.75	1.69	1.78	2.41	2.64	2.70

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

* Figures pertaining to 2015-2016 to 2020-21 are as per Ind AS and 2011-12 to 2014-15 are as per IGAAP.

OUR BOARD OF DIRECTORS

Mr. L Ramkumar, Chairman

Mr. L Ramkumar (65 years; DIN-00090089) is a Cost Accountant and has a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad. He has over 40 years of rich and varied experience in management including 28 years in Tube Investments of India Ltd.



Ms. Soundara Kumar, Non-Executive Director

Ms. Soundara Kumar (67 years; DIN-01974515) holds a graduate degree in Mathematics. She worked in State Bank of India for over 39 years both in India and overseas and is well experienced in the financial services industry. She retired as Deputy Managing Director, Stressed Asset Management Group of State Bank of India. She is also on the Board of various companies including Ramco Systems Ltd, Rajapalayam Mills Ltd, Tami Nadu Newsprint Limited, Bank of Baroda and Carborundum Universal Ltd.



Mr. J Balamurugan, Non-Executive Director

Mr. J Balamurugan (60 years; DIN-00023309) is an Electronics Engineer from Regional Engineering College, Trichy. He has also done the Management Programme for Entrepreneurial Firms from Indian Institute of Management, Bangalore. He has experience in managing the businesses of IT infrastructure, On-line services and Aftermarket automotive enhancements and others. He is the past Chairman of Confederation of Indian Industry, Coimbatore Zone.



Mr. S K Sundararaman, Non-Executive Director

Mr. S K Sundararaman (48 years; DIN-00002691) holds a Masters Degree in Business Administration from Cambridge University, United Kingdom. He is currently the Managing Director of Shiva Taxyarn Ltd. He has wide experience in the field of Textile Technology and well known for his innovative approach and Development of new technical textile products.



OUR BOARD OF DIRECTORS

**Mr. Vellayan Subbiah,
Non-Executive Director**

Mr. Vellayan Subbiah (51 years; DIN-01138759) is a Bachelor of Technology in Civil Engineering from IIT Madras and holds a Masters in Business Administration from the University of Michigan. He has over 23 years of work experience in consulting, technology and financial services. He is currently the Managing Director of Tube Investments of India Ltd and Chairman of Chola mandalam Investment and Finance Company Ltd. He is on the Board of various companies including SRF Ltd. and CG Power and Industrial Solutions Limited.

**Mr. M A M Arunachalam,
Non-Executive Director**

Mr. M A M Arunachalam (53 Years; DIN-00202958) has done his Bachelors in Commerce and Masters in Business Administration from University of Chicago. He is an Industrialist and has an experience of 33 years in the field of varied industrial activities. He is the Chairman of Tube Investments of India Limited and Managing Director of Parry Enterprises India Ltd and also on the Board of Carborundum Universal Ltd, Coromandel Engineering Company Limited, CG Power & Industrial Solutions Limited and Chola mandalam Investments and Finance Company Limited.

**Mr. Krishna Samaraj,
Non-Executive Director**

Mr. Krishna Samaraj (66 years; DIN-00048547) is an Engineering Graduate with a Masters in Business Administration from the University of Michigan, USA. He is currently the Managing Director of Magna Electro Castings Limited. He is also a national council member of the Institute of Indian Foundry Men (IIF) and served as the President of IIF for the year 2015-16. He is one of the Directors of Foundry Development Foundation. He is also holding directorship in various companies including Veejay Terry Products Limited and Chandra Textiles Private Limited.

**Mr. M Karunakaran,
Whole-time Director**

Mr. M Karunakaran (49 Years; DIN-09004843), Mechanical Engineer from Annamalai University and MBA from University of Madras. He has 26 Years of experience in the areas of Product Design & Development, Operations, SCM, VAVE Projects and Project Management. He has been associated with M/s. Tube Investments of India Ltd (TII) for more than 20 years and now serving as CEO of Shanthi Gears Limited.



CORPORATE INFORMATION**BOARD OF DIRECTORS**

L Ramkumar, Chairman
J Balamurugan
Soundara Kumar
S K Sundararaman
Vellayan Subbiah
Krishna Samaraj
M A M Arunachalam

WHOLE-TIME DIRECTOR

M Karunakaran

CHIEF FINANCIAL OFFICER

Ranjan Kumar Pati

COMPANY SECRETARY

C Subramaniam

REGISTERED OFFICE

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

PLANTS

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

**CORPORATE IDENTIFICATION
NUMBER**

L29130TZ1972PLC000649

AUDITORS

Deloitte Haskins & Sells,
Chartered Accountants

BANKERS

HDFC Bank
IDBI Bank
Kotak Mahindra Bank

BOARD'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors have pleasure in presenting to you the performance of the Company, for the year ended 31 March 2021.

1. Business Environment

The Global prospects in the year 2020-21 was highly uncertain due to the pandemic. Economic recoveries are diverging across countries and sectors. The demand for products remained sluggish during the first half of the year and we have seen improvement in the second half of the year. Governments and central banks across the globe deployed various policy tools to support their economies such as lowering policy rates, quantitative easing measures, etc. Global growth is projected at 6% in 2021 and 4.4% in 2022.

Industry Scenario

Focus Markets

On Indian Economy

The United Nations expects India's GDP to grow at 7.5% in 2021. According to the IMF, in the next two years, India is also expected to sustain as the fastest-growing economy on account of various Government initiatives like 'Make in India' and 'Digital India'.

On the Industrial Gear Industry

With the increasing trend of population and income levels in India, industries like FMCG, Steel, Cement, Power, Infrastructure and Mining are in the process of renovating and expanding their manufacturing facilities to meet the demand of the people. The estimated market size of industrial gearboxes in India is ₹2,000 Crores and is expected to reach to ₹2,600 Crores in next four years. Also, India is focusing on renewable sources to generate energy and to achieve 40% of its energy from non-fossil sources by 2030 which brings the opportunity for the Wind mill segment.

Industry	Growth Drivers
Steel	We expect the steel demand in India to touch the 100 million tonnes mark in 2022. As the economy and economic growth recovers, steel demand from capital goods, construction machinery, mining equipment, and electrical machinery is expected to show strong recovery.
Cement	Cement Production in India is expected to touch 550 Million tonnes in 2025 from the current level of 327 Million tonnes. Heavy expansions with entry of foreign players is expected due to steady demand and healthy profit margins. As India has a high quantity and quality of limestone deposits throughout the country, the Cement Industry promises huge potential for growth.
Power	Steady increase in peak demand for electricity in the country is expected at 6% CAGR for the next 4 years. Installed renewable energy is 136 GW which meets 38% of the total demand. The country is aiming for even more ambitious target of 57% of the total electricity capacity from renewable sources by 2027.
Printing & Paper	Printing & Paper poised for robust growth – Printing is expected to grow at CAGR of 4.5% and Paper is expected to grow at CAGR of 7.6%.
Mining and Minerals	Mining plays an important role in Indian Industry, which significantly contributes to the Indian economy. The Government has declared Mining as “essential service” and allowed the production and transportation of minerals during the country-wide lock down. Several initiatives such “Mining and Mineral Policy” reforms are also taken to ramp up production and maximize capacity utilization.

2. Company Performance

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Revenue from operations (Net)	215.53	242.29
Earnings Before Interest Tax Depreciation & Amortisation	34.93	41.08
Depreciation and Amortisation expense	8.86	8.39
Profit Before Tax	26.07	32.69
Less: Tax expense	5.90	7.50
Profit After Tax	20.17	25.19
Add: Surplus brought forward	16.23	18.80
Appropriations:		
Final dividend paid during the year	-	7.68
Tax on Final dividend paid during the year	-	1.58
Interim dividend paid during the year	11.51	15.35
Tax on Interim dividend paid during the year	-	3.15
Balance carried to Balance Sheet	24.89	16.23

3. Review of Operations

During the year the business had a top line of ₹215.53 Crores (PY: ₹242.29 Crores) and profit after tax is at ₹20.17 Crores (PY: ₹25.19 Crores).

Focus on Servicing and Replacement segment in power transmission helped in sustaining the competitive advantage. The business continued to build relationships through high levels of customer engagement during the year.

Conscious effort on cash generation helped us to sustain the reduced net working capital levels of previous year.

Specific attention is given to development of alternate materials and processes to drive value addition and cost reduction. Capital investments were made wherever technological upgradation was required.

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

4. Dividend

The Company has declared an interim dividend of ₹1.5/- per equity share of Face Value ₹1/- in February 2021 and paid during March 2021. The Board has not recommended any final dividend for the financial year 2020-21 and the interim dividend already declared and paid will be considered as the Dividend for the financial year 2020-21.

The dividend pay-out is in accordance with the Company's policy on Dividend Distribution. The said Policy as approved by the Board is uploaded and is available on the following link on the Company's website, <http://www.shanthigears.com/wp-content/uploads/2021/04/SGL-Dividend-Distribution-Policy.pdf>.

Details thereof also form part of this Annual Report for the information of shareholders as Annexure-A.

5. Share Capital

The paid up Equity Share Capital as on 31 March 2021 was ₹ 7.67 Crores.

6. Deposits

The Company has not accepted any fixed deposits under Chapter V of the Companies Act, 2013 and as such no amount of principal and interest was outstanding as on 31 March 2021.

7. Particulars of Loans, Guarantees

During the year under review, the Company has not given any loans or guarantees under the provisions of Section 186 of the Companies Act, 2013. As part of treasury management, the Company deploys short-term surplus in units of mutual funds, the details relating to which form part of the Notes to the financial statements provided in this Annual Report.

8. Directors

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

Mr. M A M Arunachalam was appointed as Additional Director (Non-Executive Director) on 10 February 2021, liable to retire by rotation and he continues upto the ensuing Annual General Meeting (AGM). Necessary resolution proposing the appointment of Mr. M A M Arunachalam as a Director liable to retire by rotation under Section 152 of the Companies Act, 2013 forms part of the Notice for the ensuing AGM.

Mr. M Karunakaran was appointed as Additional Director and as Whole-time Director of the Company by the Board of Directors with effect from 10 February 2021. The appointment of Mr. M Karunakaran is for a term of 3 (three) years from 10 February 2021 till 9 February 2024 (both days inclusive) and subject to the approval of the shareholders of the Company. Necessary resolution proposing the appointment of Mr. M Karunakaran as Whole-time Director forms part of the Notice for the ensuing AGM.

Notice has been received from a Member proposing the candidature of Mr. M A M Arunachalam as Director and Mr M Karunakaran as Whole-time Director of the Company.

The Board takes pleasure in recommending the appointment of Mr.L Ramkumar and Mr. M A M Arunachalam as Directors and Mr. M Karunakaran as Whole-time Director of the Company at the forthcoming Annual General Meeting.

All the Independent Directors of the Company have furnished necessary declaration in terms of Section 149(6) of the Company Act affirming that they meet the criteria of independence as stipulated under the Company Act. In the opinion of the Board, all the Independent Directors fulfill the conditions specified in the Companies Act, 2013 and Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 and are independent of the Management.

9. Key Managerial Personnel

Mr. B Balamurugan, Chief Financial Officer of the Company resigned from the services of the Company for personal reasons and was relieved on 14 August 2020.

Mr. Ranjan Kumar Pati was appointed as Chief Financial Officer of the Company with effect from 10 February 2021. Mr. M Karunakaran, Chief Executive Officer was appointed as the Whole-time Director of the Company with effect from 10 February 2021.

Mr. M Karunakaran, Whole-time Director, Mr. Ranjan Kumar Pati, 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.

10. Internal Control System and their Adequacy

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

11. Internal Financial Control Systems with reference to financial statements

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

12. Enterprise Risk Analysis and Management

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

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

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

13. Corporate Governance

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

14. 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-B.

15. Annual Return

Pursuant to section 92(3) read with section 134(3)(a) of the Companies Act, 2013 the Annual return as on 31 March 2021 is available on the company's Website link: <http://www.shanthigears.com/wp-content/uploads/2021/06/Annual>Returns-2020-21.pdf>

16. Directors Responsibility Statement

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

- a) in the preparation of the annual accounts, applicable Accounting Standards have been followed and that there were no material departures therefrom;
- b) they have, in the selection of the accounting policies, consulted the statutory auditors and have applied their recommendations consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2021 and of the profit of the Company for the year ended on that date;
- c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) they have prepared the annual accounts on a going concern basis;
- e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively during the year ended 31 March 2021; and
- f) proper system has been devised to ensure compliances with the provisions of all applicable laws and that such systems were adequate and operating effectively during the financial year ended 31 March 2021.

17. Policy on Appointment and Remuneration of Directors

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

The Remuneration policy provides the framework for remunerating the members of the Board, Key Managerial Personnel and other employees of the Company. This policy is guided by the principles and objectives enumerated in Section 178 (4) of the Companies Act, 2013 and reflects the remuneration philosophy and principles of the Murugappa Group to ensure reasonableness and sufficiency of remuneration to attract, retain and motivate competent resources, a clear relationship of remuneration to performance and a balance

between rewarding short and long-term performance of the Company. The policy lays down broad guidelines for payment of remuneration to Executive and Non-Executive Directors within the limits approved by the shareholders.

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

18. Related Party Transactions

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

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

19. Board Evaluation

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

20. Vigil Mechanism/ Whistle Blower Policy

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

21. Business Responsibility Reporting

As required under the SEBI Listing Regulations which mandate the inclusion of a Business Responsibility Report as part of the Annual Report for the top 1000 listed entities based on market capitalisation, the Business Responsibility Report forms part of the Annual Report as Annexure-F. The Business Responsibility Policy of the Company is displayed in the Company's website at the following link <http://www.shanthigears.com/wp-content/uploads/2020/06/SGL-BRR-Policy-May-2020.pdf>

22. Declarations/Affirmations

During the year under review:

- there were no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate *viz.*, 31 March 2021 and the date of this Report; &
- there were no significant material orders passed by the regulators or courts or tribunals impacting the Company's going concern status and its operations in future.

23. Human Resources

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

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

The Company had 572 permanent employees on its rolls, as on 31 March 2021.

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-C.

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.

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

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

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

The Company has in place an anti-sexual harassment policy in line with the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Compliance Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (Permanent, contractual, temporary and trainees) are covered under this policy. The Company has not received any complaint about sexual harassment during the year 2020-21.

26. Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. R Sridharan Associates, Company Secretaries to undertake Secretarial Audit of the Company. The Secretarial Audit Report is annexed herewith and forms part of this Report as Annexure-E. The Company has ensured compliance of the Secretarial Standards issued by the Institute of Company Secretaries of India during the period under review. Accordingly, no qualification or observation or other remarks have been made by the Secretarial Auditor in his Report.

27. Auditors

The Members have appointed M/s Deloitte Haskins & Sells, Chartered Accountants (Firm Registration No. 008072S) the Statutory Auditors of the Company for a period of 5 years from the conclusion of 45th AGM (2018) till the conclusion of 50th AGM (2023) subject to ratification of such appointment by members at every AGM. The requirement to place the matter relating to appointment of auditors for ratification by Members at every AGM has been done away by the Companies (Amendment) Act, 2017 with effect from 7 May 2018. Accordingly, no resolution is being proposed for ratification of appointment of statutory auditors at the Forty-eighth AGM.

Mr. B Venkateswar was appointed as Cost Auditor for audit of the Cost Accounting records of the Company for the year ended 31 March 2021. A resolution seeking Members' ratification of the Remuneration payable to Cost Auditor is included in the AGM notice dated 24 May 2021. The Cost Audit report will be filed within the stipulated period.

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

On behalf of the Board

Chennai
24 May 2021

L Ramkumar
Chairman
DIN-00090089

ANNEXURE A TO THE BOARD'S REPORT

DIVIDEND DISTRIBUTION POLICY**1. Background**

This Policy is formulated in accordance with Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015 introduced on 8 July 2016. This policy will be effective from 29 March 2021, being the date of its approval by the Board of Directors of the Company.

2. Objective

The objective of this Policy is to lay down the criteria and parameters that are to be considered by the Board of Directors of the Company while deciding on the declaration of Dividend from time to time. This Policy is applicable to dividend declared/recommended on the equity shares of the Company and does not cover dividend on preference shares, if any, where the rate of dividend is governed by the terms of the issue of preference shares or any other form of dividend.

3. Parameters to be considered for declaration of Dividend

The Board of Directors may declare interim dividend / recommend final dividend for consideration of shareholders of the Company.

As in the past, subject to the provisions of applicable laws, the Company's dividend pay-out will be determined by the Board of Directors from time to time based on the available financial resources, investment requirements and other factors more fully described hereunder. Subject to these parameters, the Company would endeavour to maintain a total dividend pay-out ratio (dividend inclusive of any tax on distribution of dividend in the hands of the Company) of about 25% of the annual standalone profits after tax after adjusting for payment of preference dividend, if any.

The Board of Directors of the Company will consider the following parameters while recommending / declaring Dividend:

3.1 Financial Parameters / Internal Factors

1. Standalone / net operating profit after tax;

2. Operating cash flow of the Company for the year;
3. Liquidity position, aggregate Debt of the Company (both standalone and consolidated), debt service coverage position etc.;
4. Loan repayment and Working capital requirements;
5. Capital expenditure requirements;
6. Resources required for funding acquisitions, mergers and / or new businesses;
7. Cash flow required for meeting tax demands and other contingencies;
8. Regulatory (and growth requirement of) Capital Adequacy;
9. Regulatory (and growth requirement of) Solvency;
10. Trend of dividends paid in the past years;
11. Dividend receipt from subsidiaries;
12. Any windfall, extra-ordinary or abnormal gains made by the Company; &
13. Any other factor not explicitly covered above but which is likely to have a significant impact on the Company.

3.2 External Factors

1. Prevailing legal requirements, regulatory restrictions laid down under the applicable laws including tax laws and changes made in accounting laws;
2. Dividend pay-out ratios of companies in the same industry; &
3. Any other factor that has a significant influence / impact on the Company's working / financial position of the Company.

The Board of Directors may additionally recommend special dividend in special circumstances.

4. Circumstances under which the shareholders may not expect Dividend

The shareholders of the Company may not expect Dividend under the following circumstances:

- 4.1 In the event of inadequacy of profits or whenever the Company has incurred losses;
- 4.2 Significant cash flow requirements towards higher working capital requirements / tax demands / or others, adversely impacting free cash flows;
- 4.3 An impending / ongoing capital expenditure program or any acquisitions or investment in joint ventures requiring significant allocation of capital;
- 4.4 Allocation of cash required for buy-back of securities;
- 4.5 Any of the above referred internal or external factors restraining the Company from considering dividend.

5. Utilization of retained earnings

The Company may declare dividend out of the profits of the Company for the year or out of the profits of any previous year or years or out of the free reserves available for distribution of Dividend, after having due regard to the parameters laid down in this Policy. Profits retained in the business will be invested in the business / operations of the Company and may be used for augmenting working capital, repayment of borrowings, funding capital expenditure / acquisition(s) and for all other corporate purposes

6. Parameters to be adopted with regard to various classes of shares

Presently, the Authorised Share Capital of the Company is divided into equity shares of Re.1/- each. At present, the issued and paid-up share capital of the Company comprises only equity shares.

The Company shall first declare dividend on outstanding preference shares, if any, at the rate of dividend fixed at the time of issue of preference shares and thereafter, the dividend would be declared on equity shares. Currently, the Company has issued one class of equity shares with equal voting rights. As and when the Company issues different class of shares, the Board of Directors may suitably amend this Policy.

7. Procedure

- 7.1 The dividend proposal placed before the Board for consideration shall be in terms of this Policy.
- 7.2 The Company shall ensure compliance of provisions of applicable Laws and this Policy in relation to Dividend declared by the Company.

8. Disclosure

The Company shall make appropriate disclosures as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

9. General

- 9.1 This Policy would be subject to revision / amendment in accordance with the guidelines as may be issued by Ministry of Corporate Affairs, Securities Exchange Board of India or such other regulatory authority as may be authorized, from time to time, on the subject matter
- 9.2 The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.
- 9.3 In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

ANNEXURE B TO THE BOARD'S REPORT

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. Brief outline on CSR Policy of the Company

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

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

CSR Policy of the Company *inter alia* provides for identification of CSR projects and programmes, modalities of execution, monitoring process.

2. Composition of CSR Committee

Sl. No.	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Ms. Soundara Kumar	Chairperson, Independent, Non-Executive	1	1
2	Mr. L Ramkumar	Member, Non-Independent, Non-Executive	1	1
3	Mr. J Balamurugan	Member, Independent, Non-Executive	1	1

3. Provide the web-link where Composition of CSR Committee, CSR Policy and CSR Projects approved by the Board are disclosed on the website of the Company

- Composition of the CSR Committee shared above is available on the Company's website on <http://www.shanthigears.com/board-committees>
- CSR Policy is available on the weblink: <http://www.shanthigears.com/wp-content/uploads/2018/07/CSR-Policy.pdf>
- CSR Projects are available on the weblink: <http://www.shanthigears.com/wp-content/uploads/2021/06/CSR-project-2020-21.pdf>

4. Provide the details of impact assessment of CSR projects carried out in pursuance of Sub-Rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable

Not Applicable

5. Details of the amount available for set off in pursuance of Sub-Rule (3) of Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

Sl. No.	Financial Year	Amount available for set-off from preceding financial year (in ₹)	Amount required to be set off for the financial year, if any (in ₹)
-		NIL	NIL

6. Average net profit of the Company as per Section 135(5): ₹ 35.50 Crores

7. (a) Two percent of average net profit of the Company as per Section 135(5): ₹ 0.71 Crores
 (b) Surplus arising out of the CSR Projects or programmes or activities of the previous financial years: NIL
 (c) Amount required to be set off for the financial year, if any: NIL
 (d) Total CSR obligation for the financial year (7a+7b-7c): ₹ 0.71 Crores

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (₹ Crores)	Amount Unspent (₹ Crores)				
	Total Amount transferred to Unspent CSR Account as per Section 135(6)		Amount transferred to any fund specified under Schedule VII as per second provision to Section 135(5)		
	Amount	Date of Transfer	Name of the Fund	Amount	Date of Transfer
0.75	NIL	-	-	NIL	-

(b) Details of CSR amount spent against ongoing projects for the financial year: NIL

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1) Sl. No.	(2) Name of the Project	(3) Item from the list of activities in schedule VII to the Act	(4) Local Area (Yes/No)	(5) Location of the Project State District	(6) Amount Spent for the project (₹ Crores)	(7) Mode of implementation Direct (Yes/No)	(8) Mode of implementation - Through agency Name CSR Registration number
1	Studies on Bio-energy from agro and other wastes for Rural India	(iv)	No	Rural India	0.36	No	Shri AMM Murugappa Chettiar Research Centre CSR00000057
2	Girls Education	(ii)	No	Chhattisgarh Raigarh	0.11	No	IIMACT CSR00002935
3	Infrastructure for Government Schools	(ii)	Yes	Tamil Nadu Coimbatore	0.03	Yes	- -
4	Scholarship to College Students	(ii)	Yes	Tamil Nadu Coimbatore	0.04	Yes	- -
5	COVID-19 Relief Measures	(xii)	Yes	Tamil Nadu Coimbatore	0.07	Yes	- -
6	COVID-19 Relief Measures	(xii)	Yes	Tamil Nadu Coimbatore	0.05	Yes	Chief Minister's Public Relief Fund towards COVID-19 -
7	COVID-19 Relief Measures	(xii)	Yes	Tamil Nadu Coimbatore	0.10	Yes	Isha Outreach CSR00001844

- (d) Amount spent in Administrative Overheads: NIL
- (e) Amount spent on Impact Assessment, if any: NIL
- (f) Total amount spent for the Financial year (8a+8b+8c+8d): ₹ 0.75 Crores
- (g) Excess amount for set off, if any

Sl. No.	Particulars	Amount (₹ Crores)
(i)	Two percent of average net profit of the Company as per Section 135(5)	0.71
(ii)	Total amount spent for the Financial Year	0.75
(iii)	Excess amount spent for the financial year (ii)-(i)	0.04
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous years, if any	NIL
(v)	Amount available for set off in succeeding financial years (iii)-(iv)	NIL

9. (a) Details of Unspent CSR amount for the preceding three years:

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under Section 135(6) (₹ Crores)	Amount spent in the reporting Financial Year (₹ Crores)	Amount transferred to any fund specified under Schedule VII as per Section 135(6), if any	Amount remaining to be spent in succeeding Financial Year (₹ Crores)
				Name of the Fund	Date of Transfer
1	-	-	-	-	-

- (b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): NIL

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details)

- (a) Date of creation or acquisition of the capital asset(s): None
- (b) Amount of CSR spent for creation or acquisition of Capital Asset: NIL
- (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc: Not Applicable
- (d) Provide details of the capital asset(s) created or acquired (including complete address and location of Capital Asset: Not Applicable

11. Specify the reason(s), if the company has failed to spend two percent of the average net profit as per section 135(5):
Not Applicable

On behalf of the Board

L Ramkumar
Chairman
DIN-00090089
24 May 2021
Chennai

Soundara Kumar
Chairperson of the CSR Committee
DIN- 01974515
24 May 2021
Coimbatore

ANNEXURE C TO THE BOARD'S REPORT

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

1. Ratio of remuneration* to each Director to the median Employee Remuneration

Name	Designation	Ratio
Mr. L Ramkumar	Chairman	1.39
Mr. J Balamurugan	Director	1.55
Mr. S K Sundararaman	Director	1.47
Ms. Soundara Kumar	Director	1.51
Mr. Krishna Samaraj	Director	1.16
Mr. M A M Arunachalam	Director	0.17
Mr. M Karunakaran	Whole-time Director	1.66

Note: * Remuneration includes sitting fees

2. Percentage increase in Remuneration of each Director & Key Managerial Personnel in the financial year 2020-2021.

Name	Designation	% Increase
Mr. L Ramkumar	Chairman	0.00%
Mr. J Balamurugan	Director	11.43%
Mr. S K Sundararaman	Director	8.82%
Ms. Soundara Kumar	Director	1.33%
Mr. Krishna Samaraj	Director	-1.69%
Mr. M A M Arunachalam	Director	Not applicable
Mr. M Karunakaran	Whole-time -Director	Not applicable
Mr. B Balamurugan	Chief Financial Officer	Not applicable
Mr. Ranjan Kumar Pati	Chief Financial Officer	Not applicable
Mr. C Subramaniam	Company Secretary	6.01%

3. Percentage increase in the Median Remuneration of Employees

Median Remuneration	in ₹ Lakhs
2019-20	4.87
2020-21	5.02
Increase / (Decrease)	0.15
% Change	3.03%

4. Number of Permanent Employees on Roll : 572

5. 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 3.46%. The increase granted to managerial personnel is 8.56%.

6. 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

Chennai
24 May 2021

L Ramkumar
Chairman
DIN-00090089

ANNEXURE D TO THE BOARD'S REPORT

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

The Company is committed to the conservation of energy and various measures are pursued in this regard. Some of the measures taken during 2020-21 are highlighted hereunder:

The Company has invested on LED light installation at Shop floor, installed the Variable Frequency Drive for Assembly Trial running tables, Boring, Turning & Milling machines, Thyristor controls for Heat treatment furnace, Conventional panels are replaced with programmable logic controls, Optimized the HT Transformer loads during the idle production periods & Dust collector motor functioning and Energy savings on Air screw compressor by arresting the Line air leakages.

Green Power

The company has 9 Wind Mills with a total capacity of 6.7 MW. These wind mills generated 96.98 lakh units of electricity and these units were used for captive production. In addition to this, the company also generated 2.13 lakh units of electricity from the 200 KW Roof top Solar panels installed in the Company's premises.

Technology Absorption

Efforts made by the Company towards technology absorption and its benefits

Research and Developments (R&D) is venturing into new explorations, in the fast evolving Transmission Technology. In the last year, R&D product development included an in-house high reduction ratio Gearbox using unconventional tooth profile, tested successfully at site. On similar lines, New Product Development (NPD) is being introduced in the Marine and High speed Gearbox applications. R&D is also focusing on product adjacencies to serve SGL customers as a complete service provider in the Transmission Industry. Future manufacturing processes and Technology disruptors are also under the radar of the department and considerable efforts are being worked out on patentable ideas. SGL-R&D in collaboration with its external partners has developed instrumentations and sensor devices for improving the reliability and life of the Gearbox to provide value addition to the customers. As a part of automation in shop floor machines and assembly shops, IIOT monitoring is done, resulting in improvement in production efficiencies. Also, the team conceptualized and developed an automated Gearbox Test-Report generator having intelligent software interact with sensors, to add to SGL Gearbox Test facilities. A special focus is given towards Condition Monitoring Systems (CMS) development for cement and steel industry Gearboxes. SGL-R&D is developing cloud based CMS products and services for NVT (Noise, Vibration & Temperature) diagnosis and solutions for Gearboxes which will position SGL as one-source services provider for all its customer needs.

Company thrives to become the future technology leader in Transmission industry and serve its customer with the latest Technology, Quality and Reliable products.

Expenditure on R & D

₹ Crores

Particulars	2020-21	2019-20
Capital Expenditure	-	0.20
Revenue Expenditure	2.06	2.13
Total R & D Expenditure	2.06	2.33
Total R & D Expenditure as a % of turnover	0.96%	0.96%

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

Foreign Exchange Earnings and Outgo	2020-21
Foreign Exchange Earned	13.51
Foreign Exchange Outgo	13.19

On behalf of the Board

Chennai
24 May 2021

L Ramkumar
Chairman
DIN-00090089

ANNEXURE E TO THE BOARD'S REPORT

FORM NO. MR - 3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 24 A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended]

The Members,

Shanthi Gears Limited

CIN:L29130TZ1972PLC000649

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

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by SHANTHI GEARS LIMITED [Corporate Identification Number: L29130TZ1972PLC000649] (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's 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, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31 March 2021 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March 2021 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (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) The Company has not dealt with the matters relating to Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings under FEMA during the year under review and hence, the question of complying with the provisions of Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder does not arise;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') are applicable;
 - 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, 2015;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (not applicable during the period under review);
 - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (not applicable during the period under review);
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (not applicable during the period under review);
 - 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 Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (not applicable during the period under review); and

- h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;
- (vi) We have reviewed the systems and mechanisms established by the Company for ensuring compliances under the other applicable Acts, Rules, Regulations and Guidelines prescribed under various laws which are applicable to the Company and categorized under the following major heads/groups:
1. Factories Act, 1948;
 2. Labour laws and other incidental laws related to labour and employees appointed by the Company including those on contractual basis as relating to wages, gratuity, prevention of sexual harassment, dispute resolution, welfare, provident fund, insurance, compensation etc.;
 3. Industries (Development & Regulation) Act, 1951;
 4. Acts relating to consumer protection including the Competition Act, 2002;
 5. Acts and Rules prescribed under prevention and control of pollution;
 6. Acts and Rules relating to Environmental protection and energy conservation;
 7. Acts and Rules relating to hazardous substances and chemicals;
 8. Acts and Rules relating to electricity, fire, petroleum, drugs, motor vehicles, explosives, boilers etc.;
 9. Acts relating to protection of IPR;
 10. Land revenue laws; and
 11. Other local laws as applicable to various plants and offices;

We believe that the audit evidence which we have obtained is sufficient and appropriate to provide a basis for our audit opinion. In our opinion and to the best of our information and according to explanations given to us, we believe that the systems and mechanisms established by the Company are adequate to ensure compliance of laws as mentioned above.

With respect to the applicable financial laws such as Direct and Indirect tax laws, based on the information & explanations provided by the Management and Officers of the Company and certificates placed before the Board of Directors, we report that adequate systems are in place to monitor and ensure compliance.

We have also examined compliance with the applicable clauses / regulations of the following:

- (i) Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS2) issued by The Institute of Company Secretaries of India.
- (ii) The Uniform Listing Agreement entered with BSE Limited and National Stock Exchange of India Limited pursuant to the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. issued by the Ministry of Corporate Affairs, Securities and Exchange Board of India and such other regulatory authorities for such acts, rules, regulations, standards etc. as mentioned above.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Director, Non-Executive Directors, Woman Independent Director 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. Notes on Agenda which are circulated less than the specified period the necessary compliances under the Companies Act, 2013 and secretarial standard on Meeting of the Board of Directors are complied with. Board Meetings that were held through video

conferencing or other audio visual means, / the directors who were participated through video conferencing during the period under review the necessary compliances of Rule 3 & 4 of the Companies (Meetings of Board and its Powers) Rules, 2014 have been complied with. Further, the Circulars, Regulations and Guidelines issued by the Ministry of Corporate Affairs, Securities and Exchange Board of India and other relevant regulatory authorities in view of the pandemic pertaining to Board/ Committee meetings, General Meetings and other provisions of the Act, Rules and Regulations have been complied with by the Company.

Based on the verification of the records and minutes, the decisions at the Board / Committee Meetings were taken with the consent of the Board of Directors / Committee Members and no Director / Member had dissented on any of the decisions taken at such Board / Committee Meetings. Further, in the minutes of the General Meeting, the number of votes cast against the resolutions has been recorded.

We further report that based on review of compliance mechanism established by the Company we are of the opinion that the management has adequate systems and processes commensurate with its size and operations, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

Place : Chennai
Date : 24 May 2021

We further report that the above mentioned Company being a Listed entity this report is also issued pursuant to Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended and circular No.CIR/CFD/CMD1/27/2019 dated 8 February 2019 issued by Securities and Exchange Board of India.

We further report that as per the information and explanations provided by the Management, the Company does not have any Material Unlisted Subsidiary (ies) Incorporated in India as defined in Regulation 16(1)(c) and Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the period under review.

We further report that during the audit period, there were no specific events having major bearing on the Company's affairs in pursuance of above referred laws, rules, regulations, guidelines and standards.

For **R SRIDHARAN & ASSOCIATES**
COMPANY SECRETARIES

CS R SRIDHARAN

CP No. 3239

FCS No. 4775

UIN : S2003TN063400

UDIN: F004775C000361285

This report is to be read with our letter of even date which is annexed as **ANNEXURE -A** and forms an integral part of this report.

ANNEXURE A TO THE SECRETARIAL AUDIT REPORT

The Members,

SHANTHI GEARS LIMITED

CIN: L29130TZ1972PLC000649

304A, TRICHY ROAD, SINGANALLUR

COIMBATORE - 641005

Our 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. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We 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 to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. It is the responsibility of the management of the company to devise proper systems to ensure compliance with the provisions of Corporate and other applicable laws, rules, regulations, standards and to ensure that the systems are adequate and operate effectively. Our examination was limited to the verification of procedure on test basis.
6. The 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.

**For R SRIDHARAN & ASSOCIATES
COMPANY SECRETARIES**

Place : Chennai

Date : 24 May 2021

CS R SRIDHARAN

CP No. 3239

FCS No. 4775

UIN: S2003TN063400

UDIN: F004775C000361285

ANNEXURE F TO THE BOARD'S REPORT

BUSINESS RESPONSIBILITY REPORT

About this Report

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) prescribe that the top 1000 listed entities based on market capitalisation as at the end of March of every financial year are required to include a Business Responsibility Report (BRR) as part of their Annual Report. The following report has been prepared in accordance with Regulation 34 of the Listing Regulations since the Company figures among the top 1000 listed entities in India based on market capitalisation at the National Stock Exchange of India Limited (NSE) and the BSE Ltd (BSE) as at 31 March 2021.

Section A: General Information about the Company

1	Corporate Identity Number (CIN)	L29130TZ1972PLC000649
2	Name of the Company	Shanthi Gears Limited
3	Registered office address	304-A, Trichy Road, Singanallur, Coimbatore – 641005
4	Website	www.shanthigears.com
5	E-mail ID	cs@shanthigears.murugappa.com
6	Financial Year reported	1 April 2020 to 31 March 2021
7	Sectors that the Company is engaged in (industrial activity code-wise)	Gears, Gear Boxes and Geared Motors (NIC Code : 2814)
8	List three key products/services that the Company (as in balance sheet)	Gears, Gear Boxes and Geared Motors
9	Total number of locations where business activity is undertaken by the Company	
	a) Number of International Locations (Provide details of major 5)	There are no international manufacturing operations for the Company.
	b) Number of National locations	The Company has manufacturing operations in 4 locations locally in Coimbatore (Unit A, Unit B, Unit C and Unit F).
10	Markets served by the Company Local/State/National/ International	The Company predominantly serves the Indian market. The Company also has export to other countries in Asia, Europe and the America.

Section B: Financial details of the Company

1	Paid up Capital (INR)	₹ 7.67 Crs
2	Total Turnover (INR)	₹ 215.5 Crs
3	Total profit after taxes (INR)	₹ 20.17 Crs
4	Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	₹ 0.75 Crs 3.72 %
5	List of activities in which expenditure in 4 above has been	Education& Rural Sustainability has been incurred and Covid-19 relief measures (please refer the CSR Annual Report for details)

Section C: Other details

- Does the Company have any Subsidiary company/companies?
No. The Company has no subsidiaries. (The Company is a subsidiary of Tube Investments of India Limited)
- Do the subsidiary company/companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).
Not Applicable
- Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%].
The Company does not mandate its suppliers and distributors to participate in its BR activities. However, they are encouraged to do so.

Section D: BR Information
1. Details of Director/Directors responsible for BR

- Details of the Director/Director responsible for implementation of the BR policy/policies

DIN Number	01138759
Name	Vellayan Subbiah
Designation	Director
- Details of the BR head

DIN Number	01138759
Name	Vellayan Subbiah
Designation	Director
Telephone number	044- 42286701
Email ID	vellayans@tii.murugappa.com

2. Principle-wise (as per NVGs) BR Policy/policies

The 9 areas of business responsibility enunciated under the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs, Government of India are:

Principle (“P”)	Area of BR
1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
3	Businesses should promote the well-being of all employees
4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised
5	Businesses should respect and promote human rights
6	Business should respect, protect and make efforts to restore the environment
7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
8	Businesses should support inclusive growth and equitable development
9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

Sl.No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have policy/policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy been formulated in consultation with the relevant stake holders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national/ international	Y	Y	Y	Y	Y	Y	Y	Y	Y
4	Has the policy been approved by the Board? Is yes, has it been signed by MD/ owner/CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?	http://www.shanthigears.com								
7	Has the policy been formally communicated to all relevant Internal and external stakeholders	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the company have in house structure to Implement the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the company have grievance redressal Mechanism Related to the policy/ policies to address stakeholders' Grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

The policies of the Company are based on its guiding principles and core values and are mapped to each of the principles hereunder.

Principle	Applicable Policies
Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	• Values and Beliefs, called the 'Five Lights' • Whistle Blower Policy • SGL Code of Conduct
Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle	• Safety, Health and Environmental Policy Businesses
Businesses should promote the well-being of all employees	• Safety, Health and Environmental Policy • Policy on prevention of Sexual Harassment at the work place
Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised	• CSR Policy
Businesses should respect and promote human rights	• Values and Beliefs, called the 'Five Lights' • Whistle Blower Policy • Code of Conduct
Business should respect, protect and make efforts to restore the environment	• Safety, Health and Environmental Policy
Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	• Values and Beliefs, called the 'Five Lights'
Businesses should support inclusive growth and equitable development	• CSR Policy
Businesses should engage with and provide value to their customers and consumers in a responsible manner	• Values and Beliefs, called the 'Five Lights'

2a. If answer to Sl. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options): Not applicable.

3. Governance related to BR

- **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, annually, more than 1 year.**

The BR performance revolves around a number of policies which is assessed by the BR Head monthly, quarterly and annually based upon its importance and impact on the Company's operations and activities.

- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this Report? How frequently it is published?**

Yes. The Company publishes a BR Report as part of its Annual Report. The said Report is also available in the Company's website at www.shanthigears.com.

Section E: Principle-wise Performance

Principle 1 – Ethics, Transparency & Accountability

The Company is committed to developing governance structures, procedures and practices that ensure ethical conduct at all levels; and promoting the adoption of this principle across its value chain. Commitment to ethical and lawful business conduct is a fundamental shared value of the Board of Directors, senior management and all employees of the Company.

1. Does the policy relating to Ethics, Bribery and Corruption cover only the Company? Yes/No. Does it extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?

The Company's policies relating to Governance rest on adhering to ethics, transparency in dealing with stakeholders, adequate and timely disclosure etc. These policies are similar across all the entities in the Group. All stakeholders of the Company - internal as well as external are expected to work within the framework of the aforesaid policies/principles. In the selection of its vendors and contractors, the Company ensures to identify and deal with those who can maintain and follow ethical standards. The Company further on a regular basis endeavours to reiterate awareness and also impart training on these values to its employees. The relevant stakeholders of the Company are also made aware of the said values from time to time.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

The Company has set up a Whistle-blower mechanism as an avenue for voicing of concerns *inter alia* relating to unethical behavior. During the year, there were no complaints under the Company's Whistle Blower policy. There were one complaint from stakeholder (*viz.*, shareholders) under the Stakeholders Relationship Committee established for voicing of grievances/issues by investors, all of which were promptly resolved. There were no complaints pending as at 31 March 2021

Principle 2 - Safety and sustainability of goods & services

The Company undertakes to assure safety and optimal resource use over the life-cycle of its products. Efforts will be made to ensure that everyone connected with it be it designers, producers, value chain members, customers and recyclers are made aware of their responsibilities.

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

Gears & Gearboxes

The company has developed Gears and Gearboxes for different Industrial applications such as Steel, Cement, Paper, Material handling, Railways, Mining etc., Some of the products are Import substitutes, enabling conservation of foreign currency. The company caters to the requirements of infrastructure industry by providing gears of Steel, Cement and Railway Sectors. To support environment, the company is servicing/replacing the windmill gearboxes/gear components. Needless to say, windmill is one of the renewable energy sources.

The Company, being conscious on supporting 'Make in India' drive of Indian Government, is making gears and gearboxes for defense sector which are imported earlier. The Company is also developing number of new energy efficient and compact gearboxes to save energy and space.

The Company has strong focus on managing and reducing its energy, water and waste footprint, and is in constant lookout for improvement opportunities. Some interventions taken in this regard include implementation of ISO 14001 and OHSAS 18001 standardisation systems, reducing overall dependence on direct fuel consumption at our operational sites. All these efforts have allowed us to improve upon our resource use efficiency.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

Not Applicable

3. Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably?

Yes. Vendors/Service providers are encouraged to adopt management practices detailed under the international standards such as ISO 9001, ISO 14001, OHSAS 18001 and Company's Environment, Health and Safety (EHS) Guidelines. The Company's integrated operations ensure sustainable exploitation of the available resources. Joint project opportunities amongst various business units improve efficiencies in sourcing besides resulting in product efficiencies. Conscious efforts are made to ensure that everyone connected with the Company be it the designers, producers, value chain members, customers and recyclers are made aware of their responsibilities. The Company is continuously focused on internal improvements which helps in achieving operational efficiencies also resulting in energy conservation and sustainable operations. Usage of materials which are either recycled or capable of recycling assumes top priority.

4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

The Company has developed a vendor base around many of its manufacturing locations. Capability building is the primary focus of the Company's vendor development and management process. The Company recognises the importance of its vendor base and continuously monitors the financial health and business practices of the same.

5. Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

The Company has sustainable processes in place to recycle the products and waste, post completion of manufacturing life cycle.

Principle 3 - Promotion of well-being of employees

The Company ensures a work environment that promotes well-being of all its employees. Focusing on health, safety and preventing discrimination are part of the Company's guiding principles on employees' well-being.

1	Please indicate the total number of employees	1,421
2	Please indicate the total number of employees hired on temporary/contractual/casual basis	849
3	Please indicate the number of permanent women employees	23
4	Please indicate the number of permanent employees with disabilities	NIL
5	Do you have an employee association that is recognized by management?	Yes
6	What percentage of your permanent employees is members of this recognized employee association?	32
7	Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	NIL
8	What safety & skill up-gradation training was provided in the last year?	

Safety Trainings:

1. First Aid Competency Training
2. Hazard Communication (Do's & Don'ts)
3. 5S & Safety Orientation
4. Emergency Preparedness & response (Roles & Responsibility)
5. Building Safety Culture
6. Occupation Health & Safety Management (IMS/ ISO45001-2018)
7. Behavioral Based Safety
8. Safety Stewards program
9. LOTO training

Other Trainings:

1. Fuelling the Future - Batch 3
2. Refresher on IOT
3. Kaizen Awareness
4. COVID 19 Awareness
5. EHS orientation & Hazard Communication
6. What is service business
7. How to inspect / health check-up a gear box

Principle 4 - Responsiveness towards stakeholders

The Company is responsive to the requirements of all its Stakeholders and this is enshrined in its Corporate Values & Beliefs of Integrity, Passion, Quality, Respect and Responsibility. These values require that the Company act as a responsible corporate citizen and change lives for the better and this is to be done in a manner that reflects humility. The Company considers its employees, business associates, suppliers, stockists, dealers, customers, shareholders/investors and communities surrounding its operations and regulatory authorities as its key stakeholders. The Company continues its engagement with them through various mechanisms such as consultations with local communities, supplier/vendor meetings, customer/employee engagement surveys, investor forums, etc. The Company's website, www.shanthigears.com provides comprehensive information to the stakeholders about the Company.

1. Has the Company mapped its internal and external stakeholders?

Yes. The Company has mapped its internal and external stakeholders.

2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?

The Company identifies underprivileged communities around its business locations as disadvantaged, vulnerable and marginalised stakeholders and continuously engages with all such stakeholders identifying their needs and priorities so as to serve these needs accordingly. The systems and processes are in place to systematically identify stakeholders and for understanding their concerns and for engaging with them are reviewed from time to time.

3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders.

The Company on a periodical basis undertakes dedicated activities as a part of its CSR initiatives for the disadvantaged, vulnerable and marginalised stakeholders in and around the Company's factories/plants.

Principle 5 - Promoting human rights

The Company respects the rights and dignity of all individuals and upholds the principles of human rights. The Company's commitment to human rights and fair treatment is set out in its Code of Conduct and the Five Principles governing the Group. The policy provides conduct of operations with honesty, integrity and openness with respect for human rights and interests of employees. The Company believes that a sustainable organisation rests on a foundation of ethics and respect for human rights.

1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

The policy of the Company on human rights is enshrined in the values represented in the Five Lights guiding the Company, its Group companies and their employees across all spheres. The alignment with this value system is expected out of any person dealing with the Company.

The Company encourages its suppliers, contractors and others to follow the principles laid down in the five principles of its values and beliefs.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

No complaint pertaining to violation of human rights was received during the financial year ended 31 March 2021.

Principle 6 - Protecting the environment

The Company takes responsibility for and accords the highest value to the protection of the environment. Accordingly, the best practices and procedures relating to environment protection are followed by all the factories of the Company. The Company strives to promote ecological sustainability and green initiatives by adopting energy saving mechanism and sensitising employees to reduce carbon foot print of the Company.

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/ Suppliers/ Contractors/NGOs/others.

Sustainability is an important element of the Company's business processes. The Company encourages all its stakeholders to follow environment-friendly processes.

2. Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming etc.? Y/N. If yes, please give hyperlink for web page etc.

As a manufacturing company, necessary mechanisms have been set up for ensuring compliance with the laws on environment. mechanisms in place to ensure compliance with the applicable environmental laws. The Company is committed to be an environment friendly organisation and has a dedicated Environmental Policy across all its business units. The Company is an active player in practising initiatives to address environmental issues and ensuring sustainable development.

3. Does the Company identify and assess potential environmental risks? Y/N

Yes, the Company does have a mechanism to identify and assess potential environmental risks in its plants, projects and operations. Environmental risk identification and mitigation is ingrained in the Company's risk management system.

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any Environmental Compliance Report is filed?

No, the Company has not undertaken any specific project related to the Clean Development Mechanism as per the Kyoto Protocol.

5. Has the Company undertaken any other initiatives on - clean technology, energy efficiency, renewable energy, etc. /N. If yes, please give hyperlink for web page etc.

The Company utilises its resources in an optimal and responsible manner ensuring sustainability through reduction, re-use, re-cycling and managing waste. Continuous efforts are on to improve energy efficiency in every sphere of Company's operations. Appropriate measures to check and prevent pollution are undertaken. The Company seeks to improve its environmental performance by adopting cleaner production methods, promotion of energy efficient and environmental friendly technologies. Suitable processes and systems are developed with contingency plans and processes that help in preventing, mitigating and controlling environmental damages caused due to the Company's operations.

6. Are the emissions/wastes generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

All businesses of the Company are engaged in manufacturing activity. Accordingly, it is being ensured that the emissions/wastes being generated through such activities are in compliance with the applicable environmental laws.

7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

No show cause/legal notices were received from CPCB/ SPCB during the financial year.

Principle 7- Responsibility towards public and regulatory policy

1. Is your Company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with.

Yes.

- 1) Confederation Of Indian Industry
- 2) Madras Management Association (MMA)
- 3) The Employers' Federation of Southern India
- 4) Indian Wind Power Association
- 5) American Gear Manufacturers Association
- 6) The Institute Of Indian Foundrymen

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; If yes specify the broad areas (Drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, others)

Yes, while the Company is not actively involved in lobbying, as a responsible corporate citizen, the Company as a part of major industry associations/chambers makes recommendations/representations before regulators and associations for advancement and improvement of industrial climate in India.

The Company also represents its views/opinions on energy security, economic reforms, governance etc

Principle 8 – Supporting inclusive growth and development

1. Does the Company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

Yes. Please refer to the CSR Annual Report for the financial year ended 31 March 2021

2. Are the programmes/projects undertaken through in house team/own foundation/external NGO/government structures/any other organization?

For the financial year 2020-21, while certain budgeted CSR initiatives were implemented directly by the Company with in house support, for projects requiring specialised experience and expertise for execution, implementing agencies were also involved.

3. Have you done any impact assessment of your initiative?

All CSR initiatives are supported by an Impact assessment to ensure that they reach the community intended and positively impact the life of those.

4. What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?

Please refer to the CSR Annual Report of the Board's Report for the FY 2020-21 for details of the direct contribution made by the Company during the financial year ended 31 March 2021.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

Initiatives are identified based on the requirement of the community such that the benefits out of them are of an enduring nature. – Please refer to the CSR Annual Report for the financial year ended 31 March 2021.

Principle 9 – Providing value to customers & consumers

The Company firmly believes in being a quality and customer centric organisation offering products/goods of genuine value to all its discerning customers that meets with their expectations every time. The products/goods of the Company undergo several quality checks at every level of the production process chain. Well-defined Standard Operating Procedures (SOP) and processes aid in identifying and eradicating process/system impediments.

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.

Pending customer complaints/consumer cases constitute a very meager percentage (less than 1%) as at the end of 31st March 2021. Proactive steps are being taken to resolve the same at the earliest.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information).

Yes, the Company displays product information on all product/goods of the Company in accordance with the Legal Metrology Act, 2011 and the applicable Rules thereunder/ other laws. In addition, wherever it is considered relevant and appropriate for facilitating better usage of the product/ goods by the customer, additional information about the products/goods, the use and the mode of handling thereof are also provided.

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so

There have been no cases relating to unfair trade practices, irresponsible advertising and/or anti-competitive behavior against the Company.

4. Did your Company carry out any consumer survey/ consumer satisfaction trends?

No.

On behalf of the Board

Chennai
24 May 2021

L Ramkumar
Chairman
DIN-00090089

ANNEXURE G TO THE BOARD'S REPORT**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 eight members, as on the date of this Report, with knowledge and experience in different fields. Mr. L Ramkumar, Chairman (Non-Executive), Mr. Vellayan Subbiah, Director (Promoter, Non-Executive) and Mr. M A M Arunachalam, Additional Director (Promoter, Non-Executive) are Non-Independent Directors in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations). Mr. M Karunakaran is the Whole-time Director of the Company.

Mr. J Balamurugan, Ms. Soundara Kumar, Mr. SK Sundararaman and Mr. Krishna Samaraj are Independent Directors in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. None of the said Directors are related to each other. In the Board's opinion, all the Independent Directors of the Company fulfil the conditions specified in the SEBI Listing Regulations and under the Companies Act, 2013, and are independent of the management.

Members had approved the appointment of Mr. J Balamurugan, Ms. Soundara Kumar, Mr. S K Sundararaman and Mr. Krishna Samaraj 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 Director as required under Schedule IV to the Companies Act, 2013 and the terms and conditions of their appointment have also been disclosed on the Company's website:

<http://www.shanthigears.com/wp-content/uploads/2018/07/Appointment-of-Independent-Directors-Terms-and-Conditions.pdf>

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

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

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

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

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

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

The Board has identified business strategy, leadership, technology, finance and board insight skills, expertise and competencies are required in the context of the business. All the above core sets are available with the present Board of Directors. Board skill matrix is given in Annexure A to this Report.

Towards succession planning, the Board also reviews its composition to ensure that the same is closely aligned with the business strategy and long-term needs of the Company.

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

There were five meetings of the Board during the financial year 2020-21. The dates of the Board meetings, attendance and the number of Directorships/ Committee memberships held by the Directors as on 31 March 2021 are given in **Table 1** of the Annexure A to this Report.

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

Audit Committee

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

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

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

The Committee met four times during the year ended 31 March 2021. The Composition of the Audit Committee and the attendance of each member at these meetings are given in **Table 2** of the Annexure A to this Report.

Nomination and Remuneration Committee

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

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

Remuneration to Directors

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

The details of remuneration paid/payable to the Non-Executive Directors, for the financial year ended 31 March 2021 is given in **Table 4** of the Annexure A to this Report.

Corporate Social Responsibility Committee

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

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

Risk Management Committee

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

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

Performance Evaluation

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

Corporate Social Responsibility and Stakeholders Relationship Committees on the basis of well-defined evaluation parameters as set out in the questionnaire. The duly filled questionnaire received back from the Chairman and all the other Directors.

To take the evaluation exercise forward, all the Independent Directors of the Company met on 31 March 2021, without the attendance of the Non-Independent Directors and members of the management to discuss *inter alia* the matters specified under Schedule IV of the Companies Act, 2013.

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

Related Party Transactions

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

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

The policy for related party transactions approved by the Board had been uploaded on the Company's website (Web link: <http://www.shanthigears.com/wp-content/uploads/2019/05/SGL-RPT-Policy-Mar-2019.pdf>)

Investors' Service

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

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

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

Mr. L Ramkumar, a Non-Executive Director, is the Chairman of the Stakeholders Relationship Committee. The Committee met once during the year ended 31 March 2021. The composition of the Committee and attendance of its members at the meetings are given in **Table 6** of the Annexure A to this Report.

None of the investor complaint was received and resolved during the year. No complaints were pending as at 31 March 2021.

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 statutes by the heads of functions is placed before the Board on quarterly basis for its review.

Internal Control

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

Whistle Blower Policy

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

Compliance of Corporate Governance Norms

The Company has complied with all the mandatory requirements of corporate governance norms during the

financial year. Quarterly financial results of the Company are published in leading newspapers and uploaded on the Company's website.

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

Other Disclosures

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

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

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

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

General Shareholder Information

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

On behalf of the Board

Chennai
24 May 2021

L Ramkumar
Chairman
DIN-00090089

Declaration on Code of Conduct

To

The Members of Shanthi Gears Limited

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

It is further confirmed that all Directors and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended 31 March 2021, as envisaged in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Coimbatore
24 May 2021

M Karunakaran
Whole-Time Director
DIN-09004843

ANNEXURE A TO THE CORPORATE GOVERNANCE REPORT

(A) Board Skill Matrix

The Board has identified the key qualifications, skills and attributes as essential for effective oversight of the Company taking into account its varied business interests. These are presented as a matrix below:

Expertise & Experience	Remarks
Business Strategy	All Directors have expertise & experience required for business of the Company
Leadership	
Technology	
Finance	
Board insight	

B) Board Meeting Dates and Attendance

The Board of Directors met five times during the financial year 2020-21. The dates of the Board meetings were 26 May 2020, 21 July 2020, 21 October 2020, 10 February 2021 and 29 March 2021.

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 2021 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-Mar-2021
1	Mr. L Ramkumar	5(5)	2(1)	3(2)	Present	-
2	Mr. J Balamurugan	5(5)	3	2	Present	-
3	Ms. Soundara Kumar	5(5)	7	6(2)	Present	-
4	Mr. S K Sundararaman	5(5)	4	7	Absent	-
5	Mr. Vellayan Subbiah	5(5)	7(2)	5(1)	Present	-
6	Mr. Krishna Samaraj	4(5)	3	2	Present	-
7	Mr. MAM Arunachalam ^(c)	NIL(1)	7	7(2)	Not Applicable	-
8	Mr. M Karunakaran ^(c)	2(2)	NIL	NIL	Not Applicable	501 Equity Shares

(a) Excludes foreign companies, private limited companies (which are not subsidiary or holding Company of public Company), alternative Directorship and companies registered under Section 8 of the Companies Act, 2013

(b) Includes only membership in Audit and Stakeholders Relationship Committees.

(c) Appointed with effect from 10 February 2021

(C) Composition of Audit Committee and Attendance

The Committee met four times during the financial year 2020-21. The dates of meetings were 26 May 2020, 21 July 2020, 21 October 2020 and 10 February 2021. The composition of the Audit Committee and attendance of each Member at these meetings are as follows:

TABLE 2

No.	Name of Member	No. of Meetings Attended (No. of meetings held)
1	Ms. Soundara Kumar, Chairperson	4(4)
2	Mr. J Balamurugan	4(4)
3	Mr. S K Sundararaman	4(4)

(D) Composition of Nomination and Remuneration Committee and Attendance

The Committee met three times during the financial year ended 31 March 2020. The dates of meetings were 26 May 2020, 21 July 2020 and 10 February 2021. The composition of Nomination & Remuneration Committee and the attendance of each member at these meetings are as follows:

TABLE 3

No.	Name of Member	No. of Meetings Attended (No. of meetings held)
1	Mr. J Balamurugan, Chairman	3(3)
2	Mr. L Ramkumar	3(3)
3	Mr. S K Sundararaman	3(3)

(E) Remuneration of Non-Executive Directors

The details of commission provided for/ sitting fees paid to Non-Executive Directors for the year ended 31 March 2021 are as follows:

TABLE 4

			Amount in ₹
Name of the Directors	Commission*	Sitting fees	Total
Mr. L Ramkumar	5,00,000	2,00,000	7,00,000
Mr. J Balamurugan	5,00,000	2,80,000	7,80,000
Ms. Soundara Kumar	5,00,000	2,60,000	7,60,000
Mr. S K Sundararaman	5,00,000	2,40,000	7,40,000
Mr. Krishna Samaraj	5,00,000	80,000	5,80,000
Mr. M A M Arunachalam	67,123	20,000	87,123
Total	25,67,123	10,80,000	36,47,123

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

(F) Composition of Corporate Social Responsibility Committee and Attendance

The Committee met once during the financial year ended 31 March 2021. The date of meeting was 21 July 2020. The composition of Corporate Social Responsibility Committee and the attendance of each member at these meetings are as follows:

TABLE 5

No	Name of Members	No. of Meetings Attended (No. of meetings held)
1	Ms. Soundara Kumar, Chairperson	1(1)
2	Mr. L Ramkumar	1(1)
3	Mr. S K Sundararaman	1(1)

(G) Composition of Stakeholders Relationship Committee and Attendance

The Committee met once during the financial year ended 31 March 2021. The date of meeting was 29 March 2021. The composition of the Stakeholders Relationship Committee and the attendances at the meetings are as follows:

TABLE 6

No	Name of Members	No. of Meetings Attended (No. of meetings held)
1	Mr. L Ramkumar, Chairman	1(1)
2	Mr. J Balamurugan	1(1)
3	Ms. Soundara Kumar	1(1)

(H) Composition of Risk Management Committee and Attendance

The Committee met once during the financial year ended 31 March 2021. The date of meeting was 29 March 2021. The composition of the Risk Management Committee and the attendance of each member at the meeting are as follows:

TABLE 7

No	Name of Members	No. of Meetings Attended (No. of meetings held)
1	Mr. J Balamurugan, Chairman	1(1)
2	Ms. Soundara Kumar	1(1)
3	Mr. M Karunakaran	1(1)

On behalf of the Board

Chennai
24 May 2021

L Ramkumar
Chairman
DIN: 00090089

ANNEXURE B TO THE CORPORATE GOVERNANCE REPORT**CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS**

Pursuant to Regulation 34(3) read with Schedule-V Para-C Sub-clause (10)(i) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Members,

Shanthi Gears Limited

CIN: L29130TZ1972PLC000649

304- A, Trichy Road, Singanallur,

Coimbatore - 641005.

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

In our opinion and to the best of our knowledge and according to the verifications including Director Identification Number (DIN) Status at the portal www.mca.gov.in and based on such examination as well as information and explanations furnished to us, which to the best of our knowledge and belief were necessary for the purpose of issue of this certificate and based on such verification as considered necessary, we hereby certify that none of the Directors as stated below on the Board of the Company as on 31 March 2021 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board India /Ministry of Corporate Affairs or any such other statutory authority.

Sl.No.	DIN	NAME OF THE DIRECTOR	DESIGNATION	DATE OF APPOINTMENT
1.	00090089	L Ramkumar	Non-Executive-Chairman	03/09/2012
2.	00023309	J Balamurugan	Non-Executive -Independent Director	03/09/2012
3.	01974515	Soundara Kumar	Non-Executive -Independent Director	31/03/2015
4.	00002691	S K Sundararaman	Non-Executive -Independent Director	06/02/2018
5.	01138759	Vellayan Subbiah	Non-Executive -Non Independent Director	01/02/2019
6.	00048547	Krishna Samaraj Narayanaswamy	Non-Executive -Independent Director	25/03/2019
7.	00202958	M A M Arunachalam	Non-Executive -Non Independent Director Additional Director	10/02/2021
8.	09004843	Muthusamy Karunakaran	Whole-time Director	10/02/2021

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

**For R SRIDHARAN & ASSOCIATES
COMPANY SECRETARIES**

CS R SRIDHARAN

CP No. 3239

FCS No. 4775

UIN: S2003TN063400

UDIN: F004775C000361331

Chennai

24 May 2021

INDEPENDENT AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**TO THE MEMBERS OF SHANTHI GEARS LIMITED**

1. This certificate is issued in accordance with the terms of our engagement letter dated July 20, 2020.
2. We, Deloitte Haskins & Sells, Chennai, Chartered Accountants, the Statutory Auditors of Shanthi Gears Limited ("the Company"), have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on March 31, 2021, as stipulated in Regulations 17 to 27 and Clauses (b) to (I) of Regulation 46(2) and paras C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations).
6. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

Management's Responsibility

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

Auditor's Responsibility

4. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.

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

Opinion

8. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Regulations 17 to 27 and Clauses (b) to (i) of Regulation 46(2) and paras C and D of Schedule V of The Listing Regulations during the year ended March 31, 2021.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 008072S)

Balaji M.N.
Partner
(Membership No. 202094)
(UDIN : 21202094AAAADI4410)

Bengaluru,
24 May 2021

GENERAL SHAREHOLDER INFORMATION

Company Registration

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

Registered Office

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

Annual General Meeting

Day : Wednesday
 Date : 21 July 2021
 Time : 4.00 P.M.
 Venue : Video Conferencing (“VC”) / Other Audio Visual Means (“OAVM”)

Tentative Calendar for 2021-22

Annual General Meeting	:	21 July 2021
Results for the Quarter Ending 30 June 2021	:	21 July 2021
Results for the Quarter Ending 30 September 2021	:	October/ November, 2021
Results for the Quarter Ending 31 December 2021	:	January/February 2022
Results for the Year Ending 31 March 2022	:	April/May 2022

Book Closure Date: 10 July 2021 to 21 July 2021 (Both days inclusive)

Dividend

During the financial year, in March 2021, the Company paid an interim dividend of ₹ 1.5/ per equity share. This may be 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
2014-15 (Interim)	02.02.2015	10.03.2022
2015-16 (Interim)	27.01.2016	03.03.2023
2016-17 (Final)	26.07.2017	31.08.2024
2017-18 (Interim)	06.02.2018	14.03.2025
2018-19(Interim)	26.12.2018	31.01.2026
2018-19 (Final)	23.07.2019	28.08.2026
2019-20 (Interim)	28.02.2020	04.04.2027
2020-21 (Interim)	10.02.2021	18.03.2028

As provided under the Companies Act, 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 2013-14 have been transferred to the IE&P Fund.

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

Instructions to Shareholders

(a) Shareholders holding shares in physical form

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

(b) Shareholders holding shares in demat form

Shareholders can make use of the National Electronic Clearing Services (NECS) of Reserve Bank of India, offered at several centres across the country, to receive dividend payment directly into their bank account, avoiding thereby the hassles relating to handling of physical warrants besides elimination of risk of loss in

postal transit/ fraudulent encashment of warrants. The NECS operates on the account number allotted by the Bank post Core Banking Solution implementation. The new Bank account number may kindly be intimated by the shareholders to the Depository Participant.

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

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

Name and address of Stock Exchanges

Name of Stock Exchange	Address
National Stock Exchange of India Ltd.	Exchange Plaza, 5 th Floor, Plot No.C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.
BSE Ltd.	New Trading Ring, 1 st Floor, P J Towers, Rotunda Building, Dalal Street, Mumbai - 400 001.

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 : **INE631A01022**

The Company has paid annual listing fees for the financial year 2021-2022 in respect of the above stock exchanges.

Market Price Data and Comparison

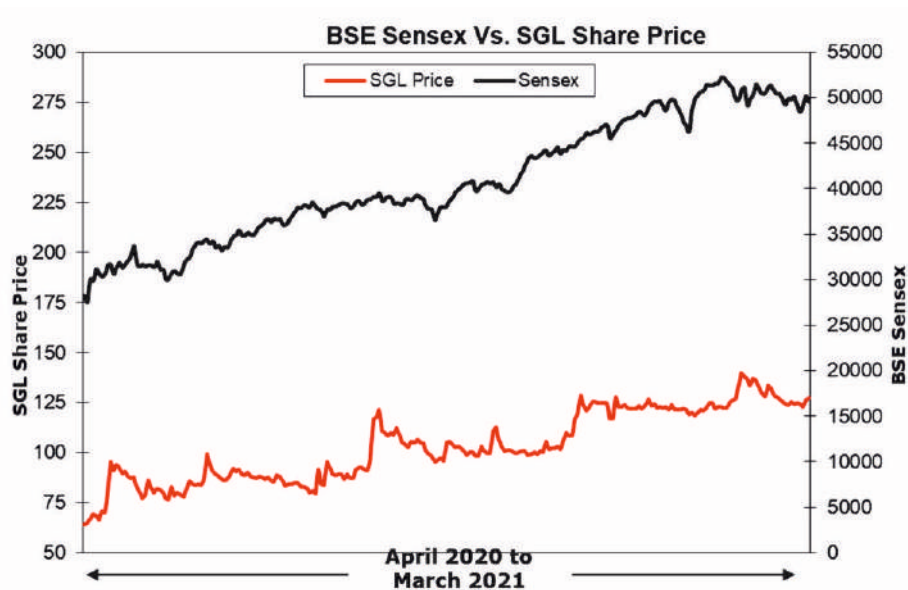
Monthly high and low price of the Equity Shares of the Company during 2020-21 are as follows:

MONTH	NSE		BSE	
	HIGH(₹) PRICE	LOW(₹) PRICE	HIGH(₹) PRICE	LOW(₹) PRICE
April 2020	99.85	62.50	100.15	62.40
May 2020	90.60	74.00	90.90	73.85
June 2020	104.00	83.10	103.40	80.50
July 2020	95.00	78.60	94.90	77.20
August 2020	128.90	83.00	128.60	81.00
September 2020	114.80	93.60	114.85	93.70
October 2020	117.30	96.55	116.00	96.00
November 2020	112.40	98.00	110.40	98.25
December 2020	131.45	105.80	131.40	106.50
January 2021	136.00	118.00	134.95	118.00
February 2021	145.95	117.10	146.10	116.95
March 2021	139.85	120.50	139.85	119.65

Performance in comparison to broad based indices

Shanthi Gears Limited (SGL) Share Performance (April 2020 to March 2021)

BSE Sensex Vs. SGL Share Price



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,
Kanamathy Towers, 3rd Floor, 1391/A-1, Sathy Road,
Ganapathy, Coimbatore - 641006.

Tamil Nadu.

Tel : (0422) 4958995, 2539835-836

Fax : (0422) 2539837

Email : info@skdc-consultants.com

Shareholding pattern as on 31 March 2021

Sl.No.	Category	No.of Shares	%
1	Promoters	5,40,63,189	70.47
2	Mutual Funds, Banks, Financial Institutions, Insurance Companies	5,79,687	0.76
3	Alternate Investment Funds	3,17,782	0.41
4	NRI's/OCB's	4,86,047	0.63
5	Foreign Portfolio Investors	34,38,024	4.48
6	Foreign Financial Institutions	2,000	0.00
7	Foreign Corporate Bodies	793	0.00
8	Private Corporate Bodies	22,67,575	2.96
9	Indian Public	1,49,59,982	19.50
10	IEPF Authority	3,67,004	0.48
11	Unclaimed Share Suspense Account	2,33,770	0.30
Total		7,67,15,853	100.00

Distribution of Shareholding as on 31 March 2021

No.of Equity Shares held	No. of Shareholders	% Shareholders	No. of Shares	% Shares
1 - 500	13,757	82.70	16,08,296	2.10
501 - 1000	1,101	6.62	9,25,095	1.20
1001 - 5000	1,342	8.07	33,62,883	4.38
5001 - 10000	274	1.65	19,19,051	2.50
10001 - 100000	140	0.84	32,18,718	4.20
100001 And Above	20	0.12	6,56,81,810	85.62
Total	16,634	100.00	7,67,15,853	100.00

Dematerialisation of Shares and Liquidity

As on 31 March 2021, 7,59,05,431 shares were in dematerialised form representing 98.94 % of total shares.

Commodity Price Risk/Foreign Exchange Risk and Hedging Activities

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

Credit Rating

The Company has obtained the following credit rating from ICRA

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

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

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

Financial Year Ending	Date	Time	Venue
31.03.2018	02.08.2018	4.00 P.M.	Registered Office of the Company 304-A, Trichy Road, Singanallur, Coimbatore - 641 005
31.03.2019	23.07.2019	4.00 P.M.	Jenneys Residency, 2/2 Avinashi Road, Opposite to CIT, Civil Aerodrome Post, Peelamedu, Coimbatore-641014
31.03.2020	21.07.2020	4.00 P.M.	Video Conferencing

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
23.07.2019	Yes	Re-appointment of Mr. J Balamurugan as an Independent Director
21.07.2020	Yes	1) Re-appointment of Ms. Soundara Kumar as Independent Director 2) Payment of Commission to Non-executive Directors

Resolution passed by Postal Ballot

There was no resolution passed by Postal Ballot during the Financial year 2020-21

Means of Communication

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

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

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

Unclaimed shares

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

Sl.No.	Particulars	No. of Shareholders	No. of shares
1	Aggregate number of Shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on 01.04.2020	165	2,39,530
2	Number of Shareholder who approached the Company for transfer of their shares from Unclaimed Suspense Account during 01.04.2020 to 31.03.2021	2	3,240
3	Number of Shareholder to whom shares were transferred from the Unclaimed Suspense Account during 01.04.2020 to 31.03.2021	2	3,240
4	Shares relating to unclaimed dividend for 7 years transferred to Investors Education & Protection Fund account during the year 01.04.2020 to 31.03.2021	2	2,520
5	Aggregate number of Shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on 31.03.2021	161	2,33,770

Shareholders who continue to hold the Share Certificates with face value of ₹10/- are entitled to claim the equity shares with the face value of ₹1/- from the Unclaimed Suspense Account. Further, the shareholders who have not claimed bonus shares are also entitled to claim the shares from Unclaimed Suspense Account. The voting rights on the shares outstanding in the suspense account as on 31 March 2021 shall remain frozen till the rightful owner of such share claims the share. On receipt of the claim, the Company will, after verification, arrange to credit the equity shares to the demat account of the shareholder concerned or deliver the Share Certificate to the shareholder in physical mode after re-materialisation.

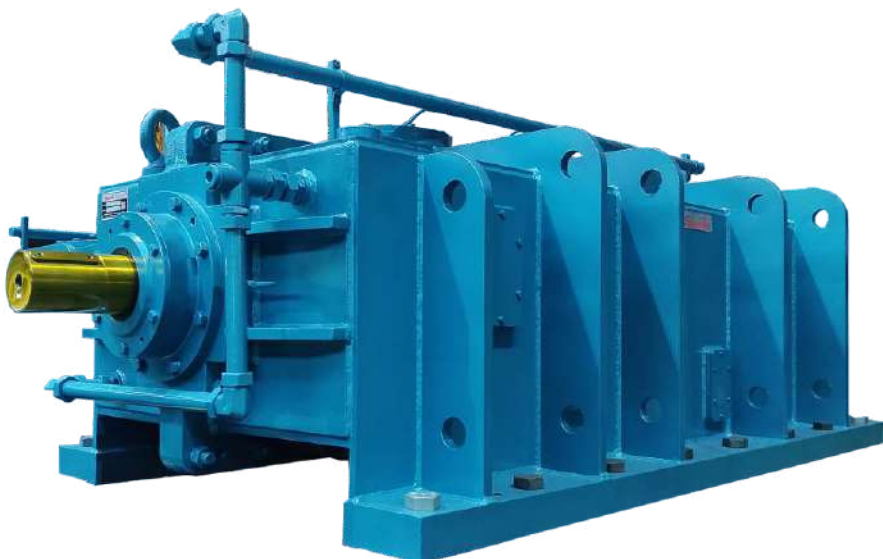
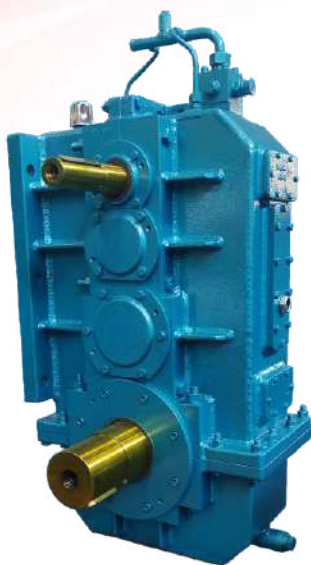
Plant Locations

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

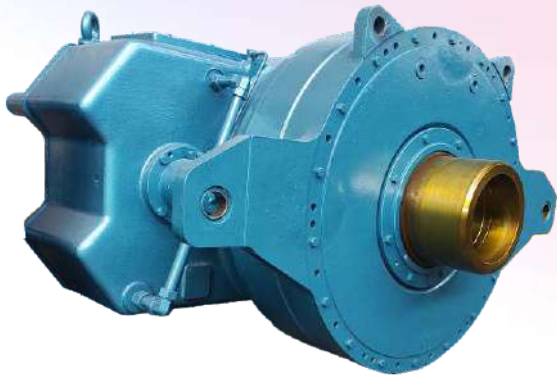
Contact Address

Compliance Officer	For all matters relating to investors Services
Mr. C Subramaniam Company Secretary Shanthi Gears Limited 304-A, Trichy Road, Singanallur, Coimbatore - 641005, Tamil Nadu Tel : 0422 -4545745 Fax : 0422- 4545700 Email : cs@shanthigears.murugappa.com	S.K.D.C. CONSULTANTS LIMITED Kanapathy Towers, 3 rd Floor 1391/A-1, Sathy Road Ganapathy Coimbatore - 641 006, Tamil Nadu Tel : 0422- 4958995, 2539835-836 Fax : 0422- 2539837 Email: info@skdc-consultants.com

Business Unit I - (GGB) Gears & Gear Boxes



Business Unit II - (SFW) Service, Foundry & Worm



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHANTHI GEARS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Shanthi Gears Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2021, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity or the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under

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

Key Audit Matters

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

Sl.No.	Key Audit Matter	Auditor's Response
1.	Valuation of inventory work in progress The Company has significant balance in inventory work in progress. The valuation of inventory work in progress are complex as it includes inputs for overheads from various process, each overhead is allocated to inventory work in progress based on different basis for allocation. Inventory work in progress are valued at lower of cost or net realisable value, and is dependent on establishing appropriate valuation processes. Management uses Information Technology System (Oracle) for calculating and apportioning the overheads cost in inventory work in progress.	Principal audit procedures Our audit approach was a combination of test of internal controls and substantive procedures which included the following: - Obtained an understanding of the determination and allocation of the overheads values to inventory work in progress and assessed and tested the appropriateness of capturing the overhead from various process, basis of allocation of overheads. - Evaluated the design of internal controls relating to the overhead allocation in inventory work in progress and tested the operating effectiveness of the controls relating to overhead allocation of inventory work in progress. Tested the controls placed in Information Technology for overheads allocation in inventory work in progress using the experts.

- Traced on a sample basis, the cost of overheads considered for inventory work in progress to the actual cost of expenses accounted in the financial statements.
- Tested on a sample basis, the correctness of capturing of cost of overheads from various process, and tested on sample basis the correctness of basis of allocation of overheads in accordance with the Generally Accepted Accounting Principles (GAAP).
- Verified on a sample basis, the cost of inventory and sales value agreed for inventory in the sales contract.
- Used Information technology expert to validate the Information system configurations that are relevant to allocation of overheads to the inventory work in progress

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

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

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

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

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

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a

matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and the reports of the other auditors.
- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors as on March 31 2021 taken on record by the Board of Directors, none of the directors are disqualified as on March 31 2021 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure A”. Our report expresses

an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

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

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

- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company
2. As required by the Companies (Auditor's Report) Order, 2016 (“the Order”) issued by the Central Government in terms of Section 143(11) of the Act, we give in “Annexure B” a statement on the matters specified in paragraphs 3 and 4 of the Order.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 008072S)

Balaji M.N.
Partner

(Membership No. 202094)
(UDIN :21202094AAAADH4576)

Bengaluru,
24 May 2021

ANNEXURE “A” TO THE INDEPENDENT AUDITOR'S REPORT**Report on Internal Financial Controls Over Financial Reporting****ANNEXURE “A” TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Shanthi Gears Limited (“the Company”) as of March 31 2021 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical

requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future

periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Firm's Registration No. 008072S)

Balaji M.N.

Partner

(Membership No. 202094)
(UDIN : 21202094AAAADH4576)

Bengaluru,
24 May 2021

ANNEXURE “B” TO THE INDEPENDENT AUDITOR'S REPORT

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

- | | |
|---|--|
| <p>i. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.</p> <p>b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.</p> <p>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.</p> <p>ii. As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.</p> <p>iii. The company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.</p> <p>iv. The Company has not granted any loans, made investments, or provided guarantees and hence reporting under clause (iv) of the CARO 2016 is not applicable.</p> | <p>v. According to the information and explanations given to us, the Company has not accepted any deposit during the year to which the provisions of Sections 73 to 76 or any other relevant provisions of Companies Act, 2013 were applicable.</p> <p>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.</p> <p>vii. According to the information and explanations given to us, in respect of statutory dues:</p> <p>a. The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Service Tax, Goods and Services Tax, Cess and other material statutory dues applicable to it to the appropriate authorities.</p> <p>b. There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Cess and other material statutory dues in arrears as at March 31, 2021 for a period of more than six months from the date they became payable.</p> |
|---|--|

- c. Details of dues of Income-tax, Excise Duty, Service Tax and which have not been deposited as on March 31 2021 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹ In crores)	Amount unpaid (₹ In crores)
Central Excise Act, 1944	Excise Duty on Inter unit transfer of Machinery	Jurisdictional Officer	2005-06	1.52*	1.52
Income Tax Act, 1961	Demand on Dividend distribution tax	Joint Commissioner of Income tax, Range III	2010-11	0.03	0.03
Income Tax Act, 1961	Income tax demand payable	Jurisdictional Assessing Officer	2017-18	4.57	4.57

* Includes penalty of ₹ 0.76 Crores

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|--|--|
| <p>viii. The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of CARO 2016 is not applicable to the Company.</p> <p>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</p> <p>x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.</p> <p>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.</p> <p>xii. The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.</p> | <p>xiii. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.</p> <p>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.</p> <p>xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.</p> <p>xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.</p> |
|--|--|

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 008072S)

Balaji M.N.
Partner
(Membership No. 202094)
(UDIN : 21202094AAAADH4576)

Bengaluru,
24 May 2021

BALANCE SHEET AS AT 31 MARCH 2021

₹ Crores

Particulars	Note No.	As at 31.03.2021	As at 31.03.2020
I. ASSETS			
Non-current Assets			
(a) Property, plant and equipment	4a	66.40	52.18
(b) Capital work-in-progress	4c	0.03	6.37
(c) Investment property	5	7.51	7.26
(d) Intangible assets	4b	0.11	0.33
(e) Financial assets			
(i) Investments	6	27.67	27.67
(f) Deferred tax assets (net)	7	2.47	4.13
(g) Other non-current assets	8	7.67	9.80
Total Non-current assets		111.86	107.74
Current Assets			
(a) Inventories	9	78.14	60.84
(b) Financial assets			
(i) Investments	10a	19.18	51.65
(ii) Trade receivables	10b	47.32	38.19
(iii) Cash and cash equivalents	10c	1.97	1.06
(iv) Other bank balances	10c	0.78	0.93
(v) Other financial assets	10d	57.15	13.86
(c) Current tax assets (Net)		0.09	1.53
(d) Other current assets	11	8.93	7.23
Total Current assets		213.56	175.29
TOTAL ASSETS		325.42	283.03
II. EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	12	7.67	7.67
(b) Other equity	13	229.46	220.95
Total Equity		237.13	228.62
Liabilities			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Other long-term liabilities	14	2.32	1.38
(b) Provisions	15	0.16	0.16
Total Non-current liabilities		2.48	1.54
Current Liabilities			
(a) Financial liabilities			
(i) Trade payables	16a		
-total outstanding dues of micro enterprises and small enterprises		1.46	3.21
-total outstanding dues of creditors other than micro enterprises and small enterprises		53.25	26.91
(ii) Other financial liabilities	16b	0.78	0.93
(b) Provisions	17	0.38	0.44
(c) Current tax Liabilities (Net)		-	-
(d) Other current liabilities	18	29.94	21.38
Total Current liabilities		85.81	52.87
Total Liabilities		88.29	54.41
TOTAL EQUITY AND LIABILITIES		325.42	283.03

See accompanying notes forming part of the Financial Statements

In terms of our report attached.

For Deloitte Haskins & Sells

Chartered Accountants

Balaji M.N.

Partner

Place : Bangalore

Place : Coimbatore

Date : 24 May 2021

Ranjan Kumar Pati
 Chief Financial Officer

M Karunakaran
 Whole-time Director
 DIN: 09004843

L Ramkumar
 Chairman
 (DIN: 00090089)
 Place: Chennai

C Subramaniam
 Company Secretary

For and on behalf of the Board of Directors

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2021 ₹ Crores

Particulars	Note No.	Year ended 31.03.2021	Year ended 31.03.2020
Revenue from operations			
Sale of products & Services	19	215.53	242.29
Other income	20	8.28	6.53
Total Income		223.81	248.82
Expenses			
(a) Cost of materials consumed	21	107.65	111.98
(b) Changes in inventories of finished goods and work in progress	22	(4.12)	3.81
(c) Employee benefits expense	23	46.92	48.23
(d) Depreciation and amortisation expense	24	8.86	8.39
(e) Other expenses	25	38.43	43.72
Total Expenses		197.74	216.13
Profit Before Tax		26.07	32.69
Tax Expense			
Income Tax	26		
Current Tax (net)		4.41	6.21
Prior Years		(0.24)	-
Deferred Tax		1.73	1.29
		5.90	7.50
Profit for the year		20.17	25.19
Other Comprehensive Income			
Item that will not be reclassified into profit or loss			
Re-measurement gains and (losses) on defined benefit/obligation (net)		(0.23)	(1.35)
Income tax relating to Item that will not be reclassified into profit or loss	26	0.07	0.46
Total Comprehensive Income		20.01	24.30
Earnings Per Equity Share of ₹ 1/- each	33		
Basic (in ₹)		2.63	3.28
Diluted (in ₹)		2.63	3.28
Significant Accounting Policies	3		

See accompanying notes forming part of the Financial Statements

In terms of our report attached.

For Deloitte Haskins & Sells

Chartered Accountants

Balaji M.N.

Partner

Place : Bangalore

Place : Coimbatore

Date : 24 May 2021

Ranjan Kumar Pati
Chief Financial Officer**M Karunakaran**
Whole-time Director
DIN: 09004843**For and on behalf of the Board of Directors****L Ramkumar**

Chairman

(DIN: 00090089)

Place: Chennai

C Subramaniam
Company Secretary

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
A. Cash Flow from Operating Activities		
Profit for the year	20.17	25.19
Adjustments for:		
Depreciation of property, plant and equipment	8.74	8.32
Depreciation of investment properties	0.12	0.07
(Profit)/Loss on Property plant & equipment Sold / Discarded (Net)	(0.20)	(0.32)
Income tax expense	5.90	7.50
Interest income	(2.14)	(0.56)
Dividend income	(0.98)	(2.79)
Net gain arising of financial assets measured at fair value through profit or loss	(0.40)	(0.39)
Provision for doubtful trade receivables	(0.82)	(0.02)
Bad debts written off	-	0.06
Operating Profit before Working Capital / Other Changes	30.39	37.06
Changes in working capital:		
Adjustments for (increase) / decrease in operating assets:		
Inventories	(17.30)	9.29
Trade receivables	(9.13)	18.32
Other financial assets	(1.18)	0.71
Other current assets	(0.26)	(1.39)
Other non-current assets	0.72	(4.06)
Adjustments for increase / (decrease) in operating liabilities:		
Trade payables	24.59	(0.81)
Other current liabilities	8.56	3.04
Other long-term liabilities	0.94	1.38
Short-term provisions & Government Grants	(0.06)	(0.22)
Cash generated from operations	37.27	63.32
Net income tax paid	(4.50)	(7.74)
Net cash generated by Operating Activities (A)	32.77	55.58
B. Cash flow from Investing Activities		
Capital expenditure on fixed assets, including capital advances	(15.40)	(17.51)
Proceeds from sale of property plant and equipments	0.24	0.33
Investment in long term investments (Net)	-	(13.51)
Purchase of current investments and deposits	(103.57)	(69.20)
Proceeds from current investments and deposits	94.17	120.60
Interest received		
- Others	3.23	0.67
Dividend received		
- Others	0.98	2.79
Net cash flow used in investing activities (B)	(20.35)	24.17
C. Cash flow from Financing Activities		
Buy-back of equity shares	-	(70.00)
Dividends paid on equity shares	(11.51)	(23.01)
Tax on dividend	-	(4.73)
Net cash flow used in Financing Activities (C)	(11.51)	(97.74)
Net increase/(decrease) in Cash and Cash equivalents (A+B+C)	0.91	(17.99)
Cash and cash equivalents at the beginning of the year	1.06	19.05
Cash and cash equivalents at the end of the year	1.97	1.06

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.20120
Cash and Cash Equivalents as at End of the Year comprises of		
(a) Cash on hand*	0.00	0.01
(b) Balances with banks		
i) In Current Accounts	1.97	1.05
ii) In deposit account with Original maturity less than 3 months		
Cash and Cash Equivalents as at End of the Year	1.97	1.06

* Represents ₹28,506(PY₹65,392)

In terms of our report attached.
For Deloitte Haskins & Sells
Chartered Accountants

Balaji M.N.
Partner
Place : Bangalore

Place : Coimbatore
Date : 24 May 2021

Ranjan Kumar Pati
Chief Financial Officer

M Karunakaran
Whole-time Director
DIN: 09004843

For and on behalf of the Board of Directors

L Ramkumar
Chairman
(DIN: 00090089)
Place: Chennai

C Subramaniam
Company Secretary

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021
a) Equity Share Capital

Particulars	₹ Crores
Balance as at 01 April 2019	8.17
Shares issued / (bought back) during the year	(0.50)
Balance as at 31 March 2020	7.67
Balance as at 01 April 2020	7.67
Shares issued / (bought back) during the year	-
Balance as at 31 March 2021	7.67

b) Other Equity

Particulars	General reserve	Securities premium	Retained Earnings	Other Comprehensive Income	Capital redemption reserve	Total Other Equity
Balance as at 31 March 2019	250.00	24.29	18.80	0.80	0.02	293.91
Profit for the year	-	-	25.19	-	-	25.19
Payment of dividends						
Final Dividend	-	-	(9.25)	-	-	(9.25)
Interim Dividend	-	-	(18.51)	-	-	(18.51)
Buy-back of equity shares	(45.71)	(24.29)	-	-	0.50	(69.50)
Other Comprehensive Income	-	-	-	(0.89)	-	(0.89)
Balance as at 31 March 2020	204.29	-	16.23	(0.09)	0.52	220.95
Profit for the year	-	-	20.17	-	-	20.17
Payment of dividends						-
Interim Dividend	-	-	(11.51)	-	-	(11.51)
Other Comprehensive Income	-	-	-	(0.15)	-	(0.15)
Balance as at 31 March 2021	204.29	-	24.89	(0.24)	0.52	229.46

See accompanying notes forming part of the Financial Statements

In terms of our report attached.

For Deloitte Haskins & Sells

Chartered Accountants

Balaji M.N.

Partner

Place : Bangalore

Place : Coimbatore

Date : 24 May 2021

Ranjan Kumar Pati
Chief Financial Officer

M Karunakaran
Whole-time Director
DIN: 09004843

L Ramkumar
Chairman
(DIN: 00090089)
Place: Chennai

C Subramaniam
Company Secretary

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

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

The financial statements were authorised for issue in accordance with a resolution of the directors on 24 May 2021.

2. Basis of Preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

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

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

3. Significant Accounting Policies

3.1. Presentation and disclosure of financial statements

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

- It is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is expected to be realized within twelve months after the reporting date; or
- 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;

- It is expected to be settled in the Company's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is due to be settled within twelve months after the reporting date; or
- 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 counter party, result in its settlement by the issue of equity instruments do not affect its classification.

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

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

3.2. Fair Value Measurement

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

- a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- b) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- c) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the

nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.3. Use of Estimates

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

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

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

3.5. Cash Flow Statement

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

3.6. Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Freehold land is measured at cost and not depreciated. Cost includes related taxes, duties, freight, insurance, etc.

NOTES TO FINANCIAL STATEMENTS

attributable to the acquisition, installation of the fixed assets but excludes duties and taxes that are recoverable from tax authorities.

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

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

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

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

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

Capital Work-in-Progress: Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost and

attributable interest. Once it becomes available for use, their cost is re-classified to appropriate caption and are subjected to depreciation.

3.7. Investment Properties

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

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

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

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

3.8. Intangible Assets

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

3.9. Impairment of Assets

The carrying values of assets/cash generating units are reviewed at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount

NOTES TO FINANCIAL STATEMENTS

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

3.10. Inventories

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

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

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

3.11. Revenue and Other Income

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

Company is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

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

Sale of Goods and Services:

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

Rendering of Services:

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

Dividends:

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

Interest Income:

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

Rental Income:

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

NOTES TO FINANCIAL STATEMENTS

3.12. Government Grants and Export benefits

Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. When the grant from the Government relates to an expense item, it is recognised as income on a systematic basis in the statement of profit and loss over the period necessary to match them with the related costs, which they are intended to compensate. When the grant relates to an asset, it is recognised as income based on the fulfilment of export obligation.

Export benefits are accounted for in the year of exports based on eligibility and when there is reasonable certainty in receiving the same. In the case of Export Promotion Capital Goods (EPCG) grant, the company recognise the grant in the statement of Profit & Loss based on the condition of fulfilment of export obligation.

3.13. Employee Benefits

I. Defined Contribution Plan

a. Provident Fund

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

b. Employee State Insurance

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

II. Defined Benefit Plan

Gratuity

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by Life Insurance Corporation of India (LIC). The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year

using the Projected Unit Credit method. Actuarial gains/losses are immediately recognised in retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not re-classified to profit or loss in subsequent periods. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The defined benefit obligation recognised in the balance sheet represents the present value of the Defined Benefit Obligation less the Fair Value of Plan Assets out of which the obligations are expected to be settled and adjusted for unrecognised past service cost, if any. Any asset arising out of this calculation is limited to the past service cost plus the present value of available refunds and reduction in future contributions. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the changes in Service costs comprising current service costs, past-service costs and Net interest expense or income of the net defined benefit obligation as an expense 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 compensated absence of a long-term nature based on actuarial valuation on the Balance Sheet date using the Projected Unit Credit Method.

IV. Short-Term Employee Benefits

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

3.14. Operating Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO FINANCIAL STATEMENTS

Company as lessee - Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases of Buildings (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short term leases are recognised as expense on a straight-line basis over the lease term.

Company as Lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Contingent rents are recognised as revenue in the period in which they are earned.

3.15. Foreign Currency Transactions

Initial recognition

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

Measurement as at Balance Sheet Date

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

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

Treatment of exchange differences

Exchange differences arising on settlement/restatement of foreign currency monetary assets and liabilities of the

Company are recognised as income or expense in the Statement of Profit and Loss.

3.16. Depreciation and Amortisation

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

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

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

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

3.17. Research and Development

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

NOTES TO FINANCIAL STATEMENTS

3.18. Taxes on Income

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

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

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

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

3.19. Provisions and Contingent Liabilities

A provision is recognized when an enterprise has a present obligation (legal or constructive) as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be

made. Provisions are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

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

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

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

3.20. GST input credit

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

3.21. Financial Instruments

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

A. Financial assets

I. Initial recognition and measurement

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

NOTES TO FINANCIAL STATEMENTS

ii. Subsequent measurement

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

iii. De-recognition

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

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

iv. Impairment of financial assets

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

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance.
- The Company follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables.

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

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the

cash flows that the Company expects to receive, discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

B. Financial liabilities

i. Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables.

ii. Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

De-recognition

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

NOTES TO FINANCIAL STATEMENTS

4.PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS

₹ Crores

Particulars	Gross Block				Accumulated Depreciation				Net Block		
	As at 01.04.2020	Transfer to Investment Property	Additions	Disposals	As at 31.03.2021	As at 01.04.2020	Transfer to Investment Property	Additions	Disposals	As at 31.03.2021	As at 31.03.2020
4a. Property, Plant & Equipment											
Land	2.86 (2.86)	-	-	-	2.86 (2.86)	-	-	-	-	2.86 (2.86)	2.86 (2.86)
Buildings	24.40 (24.63)	1.14 (0.24)	0.15 (0.01)	-	23.41 (24.40)	5.23 (4.13)	0.77	1.03 (1.10)	-	5.49 (5.23)	19.17 (20.50)
Plant & Machinery	77.25 (71.94)	-	21.86 (7.99)	0.73 (2.68)	98.38 (77.25)	49.06 (45.85)	-	6.28 (5.88)	0.73 (2.67)	54.61 (49.06)	28.19 (26.09)
Furniture & Fittings	1.76 (1.70)	-	0.01 (0.06)	-	1.77 (1.76)	1.54 (1.40)	-	0.10 (0.14)	-	1.64 (1.54)	0.22 (0.30)
Office Equipment	3.80 (2.74)	-	1.13 (1.06)	-	4.93 (3.80)	2.60 (1.90)	-	0.88 (0.70)	-	3.48 (2.60)	1.20 (0.84)
Vehicles	0.89 (0.76)	-	-	0.07 (0.17)	0.82 (0.89)	0.35 (0.26)	-	0.23 (0.26)	0.03 (0.17)	0.55 (0.35)	0.54 (0.50)
Total	110.96 (104.63)	1.14 (0.24)	23.15 (9.42)	0.80 (2.85)	132.17 (110.96)	58.78 (53.54)	0.77	8.52 (8.08)	0.76 (2.84)	65.77 (58.78)	52.18 (51.09)
4b. Intangible assets - Acquired											
Computer Software	1.79 (1.67)	-	-	-	1.79 (1.79)	1.46 (1.22)	-	0.22 (0.24)	-	1.68 (1.46)	0.33 (0.45)
Total	1.79 (1.67)	-	-	-	1.79 (1.79)	1.46 (1.22)	-	0.22 (0.24)	-	1.68 (1.46)	0.33 (0.45)
Previous Year	Previous year figures are given in brackets.										

Previous year figures are given in brackets.

NOTES TO FINANCIAL STATEMENTS

4 c. Capital Work-in-Progress

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Opening Balance as at the beginning of the period	6.37	0.18
CWIP Addition/ Capitalised during the period	(6.34)	6.19
Closing Balance as at the end of the period	0.03	6.37

5. Investment Property

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Opening Balance as at the beginning of the period	7.70	7.46
Additions / Deletions / Transfer from PPE during the year	1.14	0.24
Closing Balance as at the end of the period	8.84	7.70
Accumulated Depreciation		
Opening Balance as at the beginning of the period	0.44	0.37
Accumulated Depreciation - Transferred from PPE	0.77	-
Depreciation during the year	0.12	0.07
Closing Balance as at the end of the period	1.33	0.44
Net Block		
As at the beginning of the period	7.26	7.09
As at the end of the period	7.51	7.26

Information regarding income and expenditure of Investment property

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Rental Income derived from investment properties	1.56	0.81
Direct operating expenses (including repairs and maintenance)	-	-
Profit arising from investment properties before depreciation and indirect expenses	1.56	0.81
Less: Depreciation	(0.12)	(0.07)
Profit arising from investment properties before indirect expenses	1.44	0.74

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

As on 31 March 2021 the fair value of the property is ₹36.24 Crs (PY ₹23.19 Crs).

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

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

NOTES TO FINANCIAL STATEMENTS

6. Financial assets

Non-Current Investments (At amortised cost)

₹ Crores

Particulars	Nominal	As at 31.03.2021		As at 31.03.2020	
	Value	No. of units	Value ₹ Crores	No. of units	Value ₹ Crores
Investment in Tax Free Bonds - Quoted					
PFC Tax Free Bonds	1000	12567	1.31	12567	1.31
IRFC Tax Free Bonds	1000	36783	3.96	36783	3.96
NHAI Tax Free Bonds	1000	71428	8.01	71428	8.01
IREDA Tax Free Bonds	1000	23624	2.41	23624	2.41
HUDCO Tax Free Bonds	1000	41442	4.28	41442	4.28
NABARD Tax Free Bonds	1000	4008	0.40	4008	0.40
RECL Tax Free Bonds	1000	28000	3.23	28000	3.23
NTPC Tax Free Bonds	1000	17735	1.99	17735	1.99
NHPC Tax Free Bonds	1000	800	0.09	800	0.09
SBI - Perpetual Bonds	1000000	20	1.99	20	1.99
Total			27.67		27.67
Aggregate amount of Quoted Investments			27.67		27.67
Aggregate amount of Unquoted Investments			-		-
Aggregate amount of impairment in value of Investments			-		-

7. Deferred Tax Assets (Net)

₹ Crores

Particulars	Balance Sheet		Statement of Profit and Loss	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Recognised in profit or loss				
Provision for Doubtful Debts	0.65	0.88	(0.24)	(0.18)
Defined benefit obligations	0.77	0.74	0.03	(0.96)
FVTPL financial assets	(0.05)	(0.04)	0.00	0.13
Property, plant and equipment	(0.39)	1.17	(1.56)	(0.01)
Provision for inventories	1.38	1.34	0.04	(0.27)
Recognised in other comprehensive income				
Defined benefit obligations	0.11	0.04	0.07	0.46
Deferred Tax Assets (Net)	2.47	4.13	(1.66)	(0.83)

NOTES TO FINANCIAL STATEMENTS

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

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Capital Advances		
Considered Good	0.49	1.90
Considered Doubtful	0.18	0.18
	0.67	2.08
Less: Provision for Doubtful Advance	(0.18)	(0.18)
	0.49	1.90
Security Deposits	3.09	3.24
Advance Income Tax	3.92	4.51
Rental Advances	0.17	0.15
Total	7.67	9.80

9. Inventories

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

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Raw Materials	34.62	21.24
Work in Progress	37.41	36.15
Finished Goods	5.54	2.68
Stores and Spare Parts	0.57	0.77
Total	78.14	60.84

The cost of inventories recognised as an expense during the year in respect of continuing operations was ₹107.65 Crs (for the year ended 31 March 2020: ₹ 111.98 Crs).

The inventories of ₹ 0.53 Crs (as at 31 March 2020: ₹ 0.51 Crs) are expected to be recovered after more than twelve months.

NOTES TO FINANCIAL STATEMENTS

10. Financial Assets

a) Current Investments – Fair Value Through P&L (FVTPL)

Particulars	Nominal		As at 31.03.2021		As at 31.03.2020	
	Value	No. of units	Value ₹ Crores	No. of units	Value ₹ Crores	
Investment in mutual funds - Quoted						
Birla Sun Life Cash Plus – Daily Dividend						
Direct Plan -Reinvestment	100	0	-	145296	4.64	
Tata Liquid Fund Direct Plan Growth	1000	0	-	2588	0.81	
UTI Treasury Advantage Fund - Direct Plan - Daily Dividend	1000	0	-	20283	6.59	
UTI Fixed Term Income Fund Series XXVIII - III - Direct Growth Plan	10	5000000	6.03	5000000	5.63	
IDFC Arbitrage Fund	10	0	-	11499365	15.21	
Kotak Equity Arbitrage Fund - Direct Plan - Growth	20	0	-	9400037	10.50	
UTI Overnight Fund-Direct Daily Growth Plan	-	18090	5.10	8895	2.43	
SBI - Overnight Fund-Direct Daily Growth Plan	-	10389	3.48	8960	2.92	
HDFC - Overnight Fund-Direct Daily Growth Plan	-	14930	4.57	9816	2.90	
Total			19.18		51.65	
Aggregate amount of Quoted Investments			19.18		51.65	
Aggregate amount of Unquoted Investments			-		-	
Aggregate amount of impairment in value of Investments			-		-	

NOTES TO FINANCIAL STATEMENTS

b) Trade Receivables (Unsecured)

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Outstanding for a period exceeding six months from the day they were due for payment		
- Considered Good	0.79	1.80
- Receivables which have significant increase in credit risk	1.16	1.83
Less: Allowance for expected credit loss	(1.16)	(1.83)
Other Receivables		
- Considered Good	46.53	36.39
- Receivables which have significant increase in credit risk	0.37	0.51
Less: Allowance for expected credit loss	(0.37)	(0.51)
Total	47.32	38.19

Out of the above Nil (PY ₹ 0.14 Crs) is receivable from Holding Company.

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

Movement in the expected credit loss allowance:

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Balances at the beginning of the year	0.51	0.74
Movement in expected credit loss allowance on trade receivables calculated at life time expected credit loss	(0.14)	(0.23)
Balances at the end of the year	0.37	0.51

c) Cash & Cash Equivalents

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Balances with banks in current accounts	1.97	1.05
Cash on hand*	-	0.01
Cash and Cash Equivalents as per Ind AS 7	1.97	1.06
Bank Balances Other than (iii)		
- Unpaid dividend accounts	0.78	0.93

* Represents ₹ 28,506 (PY ₹ 65,392)

NOTES TO FINANCIAL STATEMENTS

d) Other Financial Assets

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
a) Accruals		
i) Interest Accrued on Deposits	1.23	0.14
ii) Interest Accrued on Bonds	0.98	0.98
b) Other Loans and Advances		
i) Gratuity Fund with LIC (net) (Refer Note 29)	0.02	0.02
ii) Annual Leave Fund with LIC (net)	0.37	0.26
c) Balance in Fixed Deposit Accounts - Original maturity of more than 3 months	53.51	11.40
d) Others		
i) Receivable from Sale of Surplus Energy	1.03	1.03
ii) Others	0.01	0.03
Total	57.15	13.86

11. Other Current Assets

(Unsecured, Considered Good)

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
a) Prepaid Expenses	1.30	1.37
b) Balance with Statutory authorities	6.31	3.85
c) Advance to suppliers	1.28	1.96
d) Loans & Advances to employees	0.04	0.04
e) Others	-	0.01
Total	8.93	7.23

12. Equity Share Capital

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
AUTHORISED:		
10,00,00,000 Equity Shares of ₹ 1/- each with Voting rights	10.00	10.00
Issued Subscribed and Fully Paid-Up:		
7,67,15,853 Equity Shares of ₹ 1/- each (as at 31 Mar 2020 7,67,15,853 Shares)	7.67	7.67

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

Particulars	For the year ended 31.03.2021		For the year ended 31.03.2020	
	No. of shares	₹ in Crores	No. of shares	₹ in Crores
At the beginning of the year	7,67,15,853	7.67	8,17,15,853	8.17
Shares allotted /(boughtback) during the year	-	-	(50,00,000)	(0.50)
At the end of the year	7,67,15,853	7.67	7,67,15,853	7.67

NOTES TO FINANCIAL STATEMENTS

(ii) Details of shares held by the holding company:

Particulars	As at 31.03.2021	As at 31.03.2020
Out of the equity shares issued by the company:		
- Tube Investments of India Limited, the holding company	5,40,57,475	5,40,57,475

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

Particulars	As at 31.03.2021		As at 31.03.2020	
	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	5,40,57,475	70.47%	5,40,57,475	70.47%

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

13. Other Equity

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
General reserve	204.29	204.29
Retained earnings	24.89	16.23
Other Comprehensive Income	(0.24)	(0.09)
Capital redemption reserve	0.52	0.52
Total	229.46	220.95

General Reserve : It represents appropriation of profit by the company.

Retained earnings : Retained earnings comprise of the Company's prior years' undistributed earnings after taxes.

14. Financial Liability (Non Current) Other Long Term Liabilities

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Non Current		
Government Grant	2.32	1.38
Total	2.32	1.38

Government assistance in the form of the duty benefit availed under Export Promotion for Capital Goods (EPCG) Scheme on Purchase of property, plant and equipment accounted as Government grants. These grants will be recognised in Statement of profit and loss on the basis of fulfilment of export obligation.

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Opening Balance	1.38	-
Addition during the year	1.69	1.38
Less: Amount Recognised as income during the year	(0.75)	-
Closing Balance	2.32	1.38

NOTES TO FINANCIAL STATEMENTS

15. Provisions

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Provision for Warranty-(Refer note below)	0.16	0.16
Total	0.16	0.16

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

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Provision for Warranty		
At the Beginning of the Year	0.16	0.16
Add: Provision created during the year	0.07	0.16
	0.23	0.32
Less: Utilised during the year	(0.07)	(0.16)
At the end of the year	0.16	0.16

16. Financial Liability (Current)

a. Trade Payables

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Trade Payables		
Due to micro enterprises and small enterprises (See Note below)	1.46	3.21
Dues of creditors other than micro enterprises and small enterprises	53.25	26.91
Total	54.71	30.12

MSME Disclosure

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Principal amount due to suppliers under MSMED Act	1.46	3.21
Interest accrued and due to suppliers under MSMED Act, on the above amount	0.01	0.02
Payment made to suppliers (other than interest) beyond the appointed day, during the year	-	-
Interest paid to suppliers under MSMED Act (Section 16)	-	-
Interest due and payable to suppliers under MSMED Act, for payments already made	-	-
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.01	0.02

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

NOTES TO FINANCIAL STATEMENTS

b. Other Financial Liabilities (at amortised cost)

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Unclaimed Dividends *	0.78	0.93
Total	0.78	0.93

*Amounts to be credited to Investor Education and Protection Fund towards Unpaid Dividends ₹0.04 Crs (as at 31 March 2020: ₹0.07 Crs).

17. Provisions

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Provision for Compensated Absences	0.38	0.44
Total	0.38	0.44

18. Other Current Liabilities

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Advances from Customers	21.49	17.56
Statutory Remittances	6.21	1.70
Security Deposits from Dealers	1.54	1.43
Others	0.70	0.69
Total	29.94	21.38

19. Sale of Products and Services

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Sale of Products	207.79	234.33
Sale of Services	2.66	3.15
Other Operating Revenue		
Sale of Scrap	4.70	4.16
Duty Draw Back and Export Incentives	0.38	0.65
Total	215.53	242.29

The Company disaggregates revenue geography as below.

₹ Crores

Geography	Year ended 31.03.2021	Year ended 31.03.2020
India	199.56	230.07
America	6.51	4.25
Europe	3.26	2.60
Others	6.19	5.37
Total	215.53	242.29

NOTES TO FINANCIAL STATEMENTS

20. Other Income

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
a) Interest Income on		
Bank Deposits	1.85	0.39
Bonds	2.05	1.41
Others	0.29	0.17
b) Dividend Income from Current Investments	0.98	2.79
c) Net gain arising on financial assets designated as at FVTPL	0.40	0.39
d) Other Non-Operating Income		
Rental Income	1.56	0.81
Gain on disposal of property plant and equipments	0.20	0.32
Net gain on foreign currency transactions and translations	0.16	0.12
Miscellaneous Income	0.04	0.13
e) Government Grant	0.75	-
Total	8.28	6.53

21. Cost of Materials Consumed

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Opening Stock	21.25	26.73
Add: Purchases	121.02	106.50
	142.27	133.23
Less: Closing Stock	34.62	21.25
Cost of Material Consumed	107.65	111.98

NOTES TO FINANCIAL STATEMENTS

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

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Inventories at the beginning of the year		
Work-in-Progress	2.68	40.12
Finished Goods	36.15	2.52
	38.83	42.64
Inventories at the end of the year		
Work-in-Progress	5.54	2.68
Finished Goods	37.41	36.15
	42.95	38.83
Net Decrease/(Increase)	(4.12)	3.81

23. Employee Benefits Expense

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Salaries, Wages & Bonus	41.51	41.63
Contribution to Provident & Other Funds (Refer note 29)	2.35	2.42
Staff Welfare Expenses	3.06	4.18
Total	46.92	48.23

24. Depreciation and amortisation expense

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Depreciation of property, plant and equipment	8.52	8.08
Amortisation of intangible assets	0.22	0.24
Depreciation of Investment Property	0.12	0.07
Total	8.86	8.39

NOTES TO FINANCIAL STATEMENTS

25. Other Expenses

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Consumption of stores and spare parts	2.42	2.79
Power and Fuel	6.30	6.65
Subcontracting Charges	8.64	10.44
Rent including lease rentals (Refer Note 32)	0.25	0.26
Repairs and maintenance - Buildings	0.87	1.12
Repairs and maintenance - Machinery	6.60	6.10
Repairs and maintenance - Others	2.41	2.43
Insurance	0.53	0.40
Rates and taxes	0.47	0.42
Software Expenses	1.35	1.42
Communication	0.25	0.30
Travelling and conveyance	0.63	2.45
Printing and stationery	0.33	0.27
Freight and forwarding	2.80	2.31
Sales commission	0.36	0.68
Business promotion	0.20	0.90
Donations and contributions	-	0.01
Payments to auditors (Refer (i) below)	0.16	0.14
Expenditure on Corporate Social Responsibility (Refer (ii) below)	0.75	0.69
Professional and Consultancy charges	0.85	0.85
Service Fees	2.25	2.25
Trade receivables written off	-	0.06
Provision for doubtful trade receivables	(0.82)	(0.02)
Commission to Non Executive Directors	0.26	0.25
Directors' sitting fees	0.11	0.09
Bank Charges	0.24	0.19
Other Expenses	0.22	0.27
Total	38.43	43.72

25 (i) Auditor's Remuneration

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Payment to Auditors comprise (Net of levies)		
For Statutory Audit & Tax Audit	0.14	0.12
For Other Services	0.02	0.02
Total	0.16	0.14

NOTES TO FINANCIAL STATEMENTS

25 (ii) Details of CSR expenditure

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
a) Gross Amount required to be spent by the company during the year	0.75	0.69
b) Amount spent during the year		
I) Education	0.17	0.32
ii) Others	0.58	0.37
Total	0.75	0.69

25 (iii) Research and Development Expenses

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Revenue Expenditure		
Employee Benefit Expense	1.84	2.02
Repairs & Maintenance-Machinery	0.06	0.01
Other Expense	0.12	0.10
Total	2.02	2.13
Capital Expenditure		
Plant & Machinery	-	0.17
Total	-	0.17

26. Income Tax Expense recognised in Profit and loss

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Current Tax:		
Current income tax charge	4.41	6.21
Adjustments recognised in the current year in relation to completion of prior year assesement	(0.24)	-
Deferred Tax:		
Relating to the origination and reversal of temporary differences	1.73	1.29
Income Tax expense reported in the Statement of Profit and Loss	5.90	7.50

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

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Remeasurement of defined benefit obligation	0.07	0.46
Total	0.07	0.46

NOTES TO FINANCIAL STATEMENTS

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

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in India (29.12%).

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Accounting Profit before income tax	26.07	32.69
Profit before income tax multiplied by standard rate of corporate tax in India of 29.12%	7.59	9.52
Effects of:		
Benefits u/s 80IA of Income Tax Act, 1961	(1.08)	(1.35)
Income that is exempt from taxation	(0.60)	(1.22)
Benefit u/s 35(2AB) of Income Tax Act, 1961	-	(0.38)
Differential Tax rate on Capital Gains	0.05	0.04
Other disallowances	0.18	0.89
Income Tax expense reported in the Statement of Profit and Loss net of Deferred Tax	6.14	7.50
Adjustments recognised in the current year in relation completion prior year assesment	(0.24)	-
Income tax expense recognised in the profit or loss	5.90	7.50

27. Commitments and Contingent Liabilities

₹ Crores

Particulars	As at 31.03.2021	As at 31.03.2020
Commitments		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances)	1.82	5.86
Export obligation under EPCG / Advance License Scheme to be fulfilled. The Company is confident of meeting its obligations under the Schemes within the stipulated Period.	2.32	1.38
Contingent Liabilities		
Claims against the Company not acknowledged 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 Rs.0.76 Crores and penalty 0.76 Crores. The Appellate tribunal has passed the order and the matter is pending before jurisdiction	1.52	1.52

NOTES TO FINANCIAL STATEMENTS

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.

28. Significant accounting judgements, estimates and assumptions

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

Judgements

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

Operating lease commitments – Company as lessor

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that

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

Property, Plant and Equipment and Investment Property

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

Taxes

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

Defined benefit plans

The cost of the defined benefit gratuity plan and other post-employment leave encashment benefit and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate,

NOTES TO FINANCIAL STATEMENTS

future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

Allowances for slow/Non-moving Inventory and obsolescence

An allowance for Inventory is recognised for cases where the realisable value is estimated to be lower than the inventory carrying value. The inventory allowance is estimated taking into account various factors, including prevailing sales prices of inventory item and losses associated with obsolete / slow-moving / redundant inventory items. The Company has, based on these assessments, made adequate provision in the books.

29. Employee Benefits under Defined Benefit Plans

a) Defined Contribution Plan

The Company makes Provident Fund and Employee State Insurance Scheme contributions which are defined

contribution plans for qualifying employees. Under the scheme the Company is required to contribute a specified percentage of the payroll cost to fund the benefit. The Company recognised ₹1.97 Crs (PY ₹2.08 Crs) for Provident Fund contribution, ₹0.10 Crs (PY ₹0.21 Crs) for Employee State Insurance Scheme in the Statement of Profit & Loss. The contribution payable to these plans by the Company are at the rates specified in the rules of the scheme.

b) Gratuity

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

NOTES TO FINANCIAL STATEMENTS

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Change in Benefit Obligation		
Projected benefit Obligation as at Year beginning	5.92	4.32
Service Cost	0.35	0.36
Interest Cost	0.36	0.25
Cash flows		
a. Benefit payments from plan	(0.84)	(0.39)
Remeasurements		
a. Effect of changes in financial assumptions	(0.18)	0.19
b. Effect of experience adjustments	0.42	1.19
Projected benefit Obligation as at Year end	6.03	5.92
Change in fair value of Plan Assets	31.03.2021	31.03.2020
Fair Value of Planned assets as at year beginning	5.94	4.77
Interest income	0.32	0.27
Cash flows		
a. Total employer contributions		
(i) Employer contributions	0.60	1.25
b. Benefit payments from plan assets	(0.84)	(0.39)
Remeasurements		
a. Return on plan assets (excluding interest income)	0.01	0.04
Fair Value of Planned assets as at year end	6.04	5.94
Amount Recognised in the Balance Sheet	31.03.2021	31.03.2020
Defined benefit obligation	6.03	5.92
Fair value of plan assets	6.04	5.94
Net defined benefit (liability) / asset	0.02	0.02
Components of defined Benefit cost	31.03.2021	31.03.2020
Service Cost		
a) Current Service Cost	0.35	0.36
Net Interest Cost		
a) Interest Expense on DBO	0.36	0.25
b) Less: Interest (Income) on plan assets	0.32	0.27
c) Total net Interest Cost	0.04	(0.02)
Remeasurements (Recognised in OCI)		
a) Effect of changes in financial assumptions	(0.18)	0.19
b) Effect of experience adjustments	0.42	1.19
c) Less: (return) on Plan assets (Excluding Interest Income)	(0.01)	(0.04)
d) Total Remeasurements included in OCI	0.23	1.34
Total defined benefit cost recognised in P&L and OCI	0.61	1.68

NOTES TO FINANCIAL STATEMENTS

₹ Crores

Employer Expense (P&L)	31.03.2021	31.03.2020
a. Current Service Cost	0.35	0.36
b. Interest Cost on net DBO	0.04	(0.02)
Total P&L Expenses	0.39	0.34
Reconciliation of OCI (Re-measurement)	31.03.2021	31.03.2020
Recognised in OCI during the beginning of the period	(0.15)	1.20
Recognised in OCI during the period	(0.23)	(1.35)
Recognised in OCI at the end of the period	(0.38)	(0.15)
Sensitivity analysis - DBO end of Period	31.03.2021	31.03.2020
Discount rate +100 basis points	(0.37)	(0.39)
Discount rate -100 basis points	0.41	0.43
Salary Increase Rate +1%	0.42	0.44
Salary Increase Rate -1%	(0.38)	(0.40)
Attrition Rate +1%	0.04	0.03
Attrition Rate -1%	(0.04)	(0.04)
Significant actuarial assumptions	31.03.2021	31.03.2020
Discount rate Current Year	6.57%	6.13%
Salary increase rate	4%	4%
Attrition Rate	3%	3%
Retirement Age	58	58
Pre-retirement mortality	Indian Assured Mortality (2012-14)	Indian Assured Mortality (2012-14)
Disability	5% of mortality rate	5% of mortality rate
Data	31.03.2021	31.03.2020
Number of employees	511	526
Average Age (yrs.)	44.99	44.96
Average Past Service (yrs.)	14.59	14.55
Average Monthly Salary (₹)	17053	16664

NOTES TO FINANCIAL STATEMENTS

Expected cash flows for following year	31.03.2021	31.03.2020
Expected employer contributions / Addl. Provision Next Year	0.45	0.56
Expected total benefit payments		
Year 1	0.38	0.41
Year 2	0.38	0.33
Year 3	0.54	0.33
Year 4	0.45	0.48
Year 5	0.49	0.48
Next 5 years	2.23	2.25

Defined benefit obligation at end of period	31.03.2021	31.03.2020
Current Obligation	0.45	0.56
Non-Current Obligation	0.17	0.66
Total	0.62	1.22

Notes:

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

c) Long Term Compensated Absences

Actuarial Assumption	Year ended 31.03.2021	Year ended 31.03.2020
Discount Rate	7%	6%
Future Salary Increase	4%	4%
Attrition Rate	3%	3%
Expected Rate of Return on Plan Assets	7%	6%

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

30. Segment Reporting

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

₹ Crores

Segment Disclosure	Year ended / As at 31.03.2021	Year ended/ As at 31.03.2020
1. Revenue by Geographic Market		
India	200.04	230.07
Rest of the World	15.49	12.22
Total	215.53	242.29
2. Segment Assets by Geographic Market		
India	324.19	282.91
Rest of the World	1.23	0.12
Total	325.42	283.03

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

a) List of related parties

Name of the Related Party	Relationship
Tube Investments of India Limited*	Holding Company
Financiere C10 SAS	
Great Cycles (Private) Ltd	
Creative Cycles (Private) Ltd	
Sedis SAS	
Sedis Co Ltd., UK	
Sedis GmbH	
CG Power and Industrial Solutions Limited*	
CG Power Equipment Limited	
CG-PPI Adhesive Products Limited	
CG Power Solutions Limited	
CG Drives & Automation Netherland BV	

NOTES TO FINANCIAL STATEMENTS

Name of the Related Party	Relationship
CG Drives & Automation Swedon AB	Fellow Subsidiaries
CG Electric Systems Hungry ZRT	
CG-Ganz Generator and Motor Limited	
Liability Company	
CG Industrial Holdings Sweden AB	
CG International BV	
CG Middle East FZE	
CG Power Solutions UK Ltd	
CG Power America, LLC	
QEI, LLC	
CG Power Systems Canada INC	
CG International Holdings Singapore PTE Ltd	
CG Sales Networks Malaysia Sdn. Bhd	
PT Crompton Prima Switchgear Indonesia	
CG Power & Industrial Solutions Middle East FZCO	
CG Drives & Automation Germany GmbH	
CG Holdings Belgium NV	
CG Power Solutions Saudi Arabia Co.	
CG Power Systems Belgium NV	
CG Sales Networks France SA	
PT. CG Power Systems Indonesia	
Mr M Karunakaran, CEO (Whole Time Director from 10 February 2021)	Key Managerial Personnel (KMP)
Mr B Balamurugan, CFO till 14 August 2020	
Mr Ranjan Kumar Pati, CFO from 10 February 2021	
Mr C Subramaniam	
Mr L Ramkumar	Non Executive Directors
Mr Vellayan Subbaih	
Mr J Balamurugan	
Ms Soundra Kumar	
Mr S K Sundararaman	
Mr N Krishna Samaraj	
Mr M A M Arunachalam (Additional Director from 10 February 2021)	

* 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.

NOTES TO FINANCIAL STATEMENTS

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

₹ Crores

Transactions	Related Party	Year ended / As at 31.03.2021	Year ended / As at 31.03.2020
Sale of Goods & Services	Tube Investments of India Limited	0.85	0.95
	CG Power and Industrial Solutions Limited	0.50	
Purchase of Goods & Services	CG Power and Industrial Solutions Limited	0.16	
Dividend Paid	Tube Investments of India Limited	8.11	16.22
Service Fee	Tube Investments of India Limited	2.25	2.25
Reimbursement of Expenses	Tube Investments of India Limited	0.58	0.58
Lease rent Paid	Tube Investments of India Limited	0.04	0.07
Buyback of Shares	Tube Investments of India Limited	-	45.35
Receivable	Tube Investments of India Limited	0.00	0.14
	CG Power and Industrial Solutions Limited	0.59	
Payable	Tube Investments of India Limited	0.96	0.84
	CG Power and Industrial Solutions Limited	0.19	
Remuneration	Key Managerial Personnel (KMP)	0.98	1.30
	Director	0.08	
Sitting fee & Commission	Non Executive Directors	0.36	0.34

32. Operating Leases

The company has cancellable operating lease agreements for office space with lease terms of 12 months or less. As per the lease terms an amount of ₹ 0.25 Crs (PY: ₹0.26 Crs) is charged to statement of Profit and Loss on a straight-line basis as per short term lease recognition. As lessor, the Company realized an income of ₹1.56 Crs (PY- ₹0.81 Crs) on properties under lease.

33. Earnings Per Share

₹ Crores

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
Profit After Tax	20.17	25.19
Weighted Average Number of Shares		
Basic	7,67,15,853	7,67,15,853
Diluted	7,67,15,853	7,67,15,853
Earnings per share of ₹ 1/-		
Basic (in ₹)	2.63	3.28
Diluted (in ₹)	2.63	3.28

NOTES TO FINANCIAL STATEMENTS

34. Details of unhedged foreign currency exposures

Particulars	As at 31.03.2021			As at 31.03.2020	
	Currency	Foreign Currency	INR (₹ in Crores)	Foreign Currency	INR (₹ in Crores)
	USD	96,660	0.71	10,517	0.08
Trade Receivables	GBP	11,734	0.12	4,458	0.04
	EURO	47,486	0.41	-	-

35. Fair Values

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

Particulars	Carrying Value		Fair Value	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Financial Assets				
Non-current Investments	27.67	27.67	27.67	27.67
Current Investments	19.18	51.65	19.18	51.65
Trade Receivables	47.32	38.19	47.32	38.19
Cash and Cash Equivalents	1.97	1.06	1.97	1.06
Other Bank Balances	0.78	0.93	0.78	0.93
Other Financial Assets	57.15	13.86	57.15	13.86
Total	154.07	133.36	154.07	133.36
Financial Liabilities				
Other financial liabilities - Non-current-				
Other Long Term Liabilities	2.32	1.38	2.32	1.38
Trade Payables	54.71	30.12	54.71	30.12
Other financial liabilities - Current	0.78	0.93	0.78	0.93
Total	57.81	32.43	57.81	32.43

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

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

₹ Crores

Particulars	Level 1		Level 2		Level 3	
	As at 31.03.21	As at 31.03.20	As at 31.03.21	As at 31.03.20	As at 31.03.21	As at 31.03.20
Financial Assets						
Current Investments	19.18	51.65	-	-	-	-
Total	19.18	51.65	-	-	-	-
Financial Liabilities	-	-	-	-	-	-
Total	-	-	-	-	-	-

NOTES TO FINANCIAL STATEMENTS

36. Capital management

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

37. Financial risk management objectives and policies

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

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

A. MARKET RISK

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

Foreign currency exchange rate risk

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

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

The foreign exchange rate sensitivity is calculated for each currency by aggregation of the net foreign exchange rate exposure of a currency and a simultaneous parallel foreign exchange rates shift in the foreign exchange rates of each currency by 1%.

Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to 1% appreciation in USD and EURO exchange rates on foreign currency exposures as at the year end, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not material

NOTES TO FINANCIAL STATEMENTS

Foreign Currency Sensitivity

₹ Crores

As at	Nature	Increase/(Decrease) in PBT for change in USD Rate	Increase/(Decrease) in PBT for change in Euro Rate	Increase/(Decrease) in PBT for change in GBP
31-Mar-21	Receivables	0.11	0.02	0.02
31-Mar-20	Receivables	0.09	0.01	0.02

B. CREDIT RISK

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

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

Exposure to credit risk - The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹107.22 Crs as at 31 March 2021 and ₹53.10 Crs as at 31 March 2020, being the total of the carrying amount of balances with banks, short term deposits with banks, trade receivables and other financial assets.

Customer credit risk is managed by the Company subject to the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. At 31 March 2021, the Company has 2 customers (31 March 2020: 3 customer), the receivables from whom exceeds 5% of total receivables which amounts to approximately 13% (31 March 2020: 23%) of all the total receivables outstanding.

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

₹ Crores

Trade Receivables	31-03-2021			31-03-2020		
	Gross	Provision	Net	Gross	Provision	Net
Not Due	27.73	0.03	27.71	7.52	0.01	7.51
Less than 6 months	19.17	0.34	18.83	29.39	0.51	28.88
More than 6 months	1.95	1.16	0.79	3.63	1.83	1.80
Total	48.85	1.53	47.32	40.54	2.35	38.19

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

C. LIQUIDITY RISK

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

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

NOTES TO FINANCIAL STATEMENTS

The table below provides details regarding the contractual maturities of financial liabilities

₹ Crores

Contractual maturities of financial liabilities	On demand	< 3 months	3 to 12 months	> 1 year	Total
Year ended 31-03-21					
Trade and Other Payables	26.60	24.06	4.01	0.03	54.71
Year ended 31-03-20					
Trade and Other Payables	11.53	14.53	4.03	0.03	30.12

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

For and on behalf of the Board of Directors

L.Ramkumar
Chairman
(DIN: 00090089)
Place : Chennai

Place : Coimbatore
Date : 24 May 2021

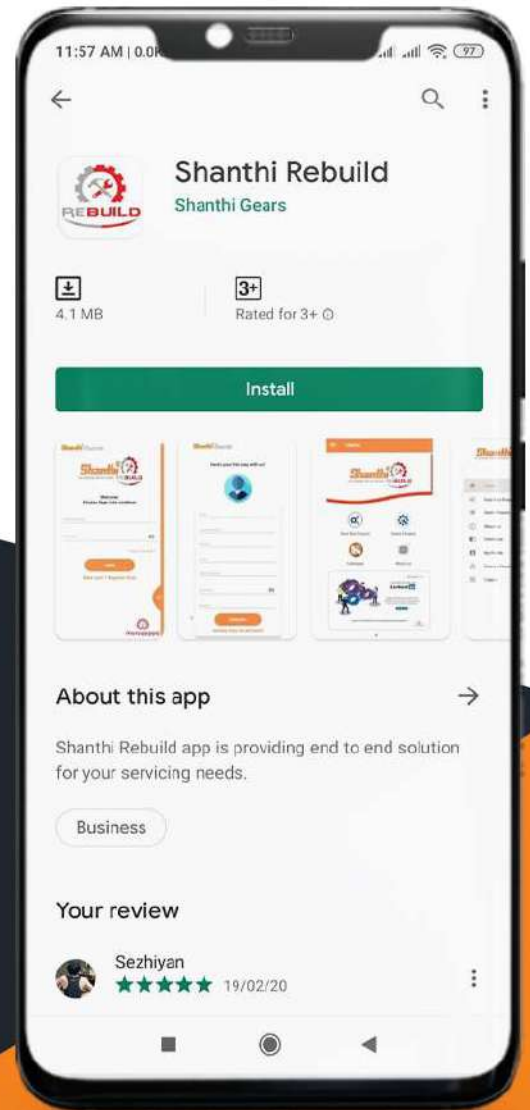
Ranjan Kumar Pati
Chief Financial Officer

C.Subramaniam
Company Secretary

M. Karunakaran
Whole-time Director
(DIN : 09004843)



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