



**S. Lakshminarayanan Associates**  
Chartered Accountants

Partners

| **S. Lakshminarayanan**, B.Com., F.C.A., | **L. Rajesh**, B.Com., F.C.A., Grad C.W.A.,  
| **L. Kamesh**, B.Com., F.C.A., Grad C.W.A., | **K. Ramya**, B.Com., F.C.A.,

**Auditor's Report to the Members of**  
**M/s. SHANTHI GEARS LIMITED, COIMBATORE**

Ladies and Gentlemen,

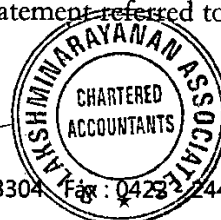
We report that We have audited the Balance Sheet of M/s. SHANTHI GEARS LIMITED, COIMBATORE as at 31<sup>st</sup> March, 2012 and the Profit & Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These Financial Statements are the responsibility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

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

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

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

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our Audit.
- In our opinion, proper books of account as required by law have been kept so far as appears from our examination of those books.
- The Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this Report are in agreement with the Books of Account.




- d) In our opinion the Profit & Loss Account and Balance Sheet read together with the notes thereon and Cash Flow Statement; comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representation received from all the Directors as of 31<sup>st</sup> March, 2012 and taken on record by the Board of Directors, We report that none of the Directors are disqualified as of 31<sup>st</sup> March, 2012 from being appointed as Directors in terms of section 274 (1)(g) of the Companies Act, 1956.
- f) In our opinion and according to the information and explanations given to us and on the basis of such checks as We considered appropriate, the said Balance Sheet and Profit & Loss Account read together with the Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India
- (i) in the case of the Balance Sheet, of the STATE OF AFFAIRS as at 31<sup>st</sup> March, 2012
- (ii) in the case of the Profit & Loss Account of the PROFIT for the year ended that date
- and
- (iii) in the case of Cash Flow Statement of the CASH FLOWS for the year ended that date

Place: Coimbatore

Dated: 29<sup>th</sup> May 2012

**For S.LAKSHMINARAYANAN ASSOCIATES  
CHARTERED ACCOUNTANTS  
FIRM REG. NO.6609 S**

  
(S.LAKSHMINARAYANAN)  
F - 012024  
PARTNER.



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

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

(b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies were noticed on such verification.

(c) The company has not disposed off substantial part of fixed assets.

(ii)(a) The Stock in trade (including raw material) and stores, spare parts of the Company at all its locations have been physically verified by the Management during the year.

(b) In our opinion, the procedures for physical verification of stock followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.

(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and book records were not material.

(iii)(a) The Company has not granted any loans, secured or unsecured, to companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956.

(b) The Company has not taken any loans, secured or unsecured, from companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956.

(iv) In our opinion, the internal control procedures of the company relating to purchases of stores, raw materials including components, plant & machinery, equipments and other similar assets and for sale of goods & services are commensurate with its size and nature of its business. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control systems.

(v)(a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.



A handwritten signature in black ink, appearing to be "R. S.", written over the stamp.

# S.Lakshminarayanan Associates

Chartered Accountants

Continuation Sheet.....

(b) In our opinion and according to the information and explanations given to us, the transactions in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevalent market prices at the relevant time.

(vi) The company has not accepted any deposits from the Public during the year.

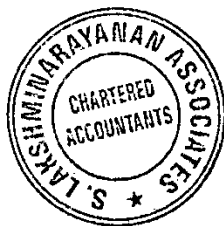
(vii) In our opinion, the Company's internal audit system is commensurate with its size and nature of its business.

(viii) The provisions of the Companies Act for maintenance of Cost Records under Section 209 (1) (d) are not applicable to the Company.

(ix)(a) The Company is regular in depositing with the appropriate authorities the undisputed statutory dues relating to provident fund, employees state insurance, investor education protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us and the records of the company examined by us there are no dues of income tax, wealth tax, cess and service tax, excise duty, customs duty which have not been deposited on account any dispute. Particulars of dues to sales tax as at 31<sup>st</sup> March 2012 which have not been deposited on account of any dispute, the amounts involved and the forum where the dispute is pending are given vide annexure below.

Sl. No.	Name of the Statute	Nature of the Due	Amount	Period to which the amount relates	Forum where the dispute is pending	Remarks
1	Tamil Nadu Sales Tax Act.	AST on CST	1,17,718	Y.E. 31.03.1999	Assistant Commissioner Fast Track Assessment Circle I, Coimbatore	Tax Paid under Protest and Writ Petition pending with High Court, Chennai
2	Tamil Nadu Sales Tax Act.	AST on CST	1,04,013	Y.E. 31.03.2000	Assistant Commissioner Fast Track Assessment Circle I, Coimbatore	Tax Paid under Protest and Writ Petition pending with High Court, Chennai
3	The Central Excise Act	ED on Inter-Unit transfer of Machinery	Duty - 76,16,281 Penalty - 76,16,281	NIL	The Appellate Tribunal, South Zonal Bench, Chennai.	Duty not paid



*RS*

(x)The Company has no accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

(xi)In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions and banks.

(xii)The Company has not granted loans and advances on the basis of security of pledge of shares, debentures and other securities.

(xiii)The provisions of any special statute applicable to a chit fund/nidhi/mutual benefit fund/society are not applicable to the company.

(xiv)The Company has maintained records on all transactions regarding purchase & redemption of mutual funds. Timely entries have been made in such records and the investment in mutual funds was made in company's name.

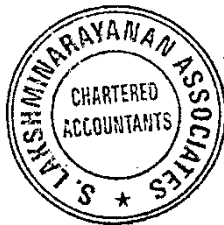
(xv)The Company has not given guarantees for loans taken by others from bank or financial institutions.

(xvi)In our opinion, the term loans have been applied for the purpose for which they were raised.

(xvii)According to the cash flow statement and other records examined by us and the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment.

(xviii)According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act.

(xix)According to the information and explanations given to us, during the year covered by our audit report, the company has not issued any debentures.



A handwritten signature in black ink, appearing to be "RSC".

**S.Lakshminarayanan Associates**

Chartered Accountants

Continuation Sheet.....

(xx) According to the information and explanations given to us, the company has not raised funds by public issues during the year covered by our audit report.

(xxi) According to the information and explanations given to us and on the basis of our examination of books & records of the company in accordance with the generally accepted auditing practices, no fraud on or by the company has been noticed or reported during the year.

Place: Coimbatore

Dated: 24<sup>th</sup> May 2012

**For S. LAKSHMINARAYANAN ASSOCIATES  
CHARTERED ACCOUNTANTS  
FIRM REGN. NO.6609S**

  
**(S. LAKSHMINARAYANAN)  
F - 012024  
PARTNER**

