

SHANTHI GEARS LIMITED

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Sec/NSE/532/2012
July 30, 2012

The Manager
Listing Department
National Stock Exchange Limited
Exchange Plaza
Bandra - Kurla Complex
Bandra (E)
MUMBAI - 400 051

Dear Sirs,

Sub: Reasoned Recommendations of the Committee of Independent Directors of Shanthi Gears Limited with respect to the Open Offer made by Tube Investments of India Limited

Pursuant to the Open Offer made by Tube Investments of India Limited, the Board of Directors of Shanthi Gears Limited at its meeting held on July 20, 2012 had constituted a committee of independent directors as per Regulation 26(7) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 ("Takeover Code").

The committee of independent directors met on 30th July 2012 and provided its written reasoned recommendations on the said open offer in the format prescribed by the Takeover Code. The said recommendations would be published in the newspapers as per Regulation 26(7) of the Takeover Code.

The Company also undertook to comply with the obligations under the share purchase agreement dated July 13, 2012 and the Takeover Code.

Please find enclosed with this letter the reasoned recommendations of the Committee. The Committee has also sent copies of the recommendations to SEBI and the manager to the offer.

Thanking You,

Yours faithfully,
For **SHANTHI GEARS LIMITED**

C. Subramaniam
Company Secretary

Recommendations of the Committee of Independent Directors ("IDC") on the open offer to the shareholders of Shanthi Gears Limited ("Target Company") under Regulation 26(7) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

1.	Date	30/07/2012
2.	Name of the Target Company	Shanthi Gears Limited
3.	Details of the Offer pertaining to the Target Company	Open Offer for acquisition of up to 2,12,46,122 fully paid up equity shares of the Target Company of Rs.1/- each at a price of Rs.81/- per share by Tube Investments of India Limited ("Acquirer") in compliance with Regulations 3(1) and 4 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 2011 and subsequent amendments thereto ("SEBI (SAST) Regulations")
4.	Name(s) of the acquirer and PAC with the acquirer	Tube Investments of India Limited. There are no persons acting in concert for the purpose of the Offer within the meaning of Regulation 2(1)(q) of the SEBI (SAST) Regulations.
5.	Name of the Manager to the Issue	Enam Securities Private Limited 1st Floor, Axis House, C-2, Wadia International Centre, P.B. Marg, Worli, Mumbai- 400025. Tel. No.: + 91 22 4325 2525 Fax No- +91- 22- 4325 3000 Email: sgl@enam.com Website: www.enam.com Contact Person: Sachin K Chandiwal / Sonal Sinha
6.	Members of the Committee of the Independent Directors	1. Mr. M J Vijayaraaghavan 2. Dr. D Padmanaban 3. Mr. C G Kumar 4. Mr. M Alagiriswamy Mr. M J Vijayaraaghavan is the Chairman of the IDC.
7.	IDC Member's relationship with the Target Company (Director, Equity Shares owned, any other contract/relationship), if any	Mr. M J Vijayaraaghavan, Dr. D Padmanaban, Mr. C G Kumar and Mr. M Alagiriswamy are independent Directors of the Target Company. Mr M J Vijayaraaghavan holds 520 equity shares and other Independent Directors are holding NIL shares of Re.1/- each fully paid up of Target Company. Apart from the above, there is no other contract/relationship with Target Company.
8.	Trading in the Equity Shares/ other securities of the Target Company by IDC Members	None of the IDC Member has traded in any of the equity shares/ other securities of the Target Company.

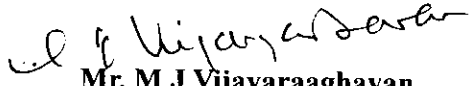


9.	IDC Member's relationship with the acquirer(Director, Equity Shares owned, any other contract/relationship), if any.	There is no relationship between the Members of the IDC and the Acquirer.
10.	Trading in the Equity Shares/ other securities of the acquirer by the IDC Members	None of the IDC Member has traded in any of the equity shares/ other securities of the Acquirer.
11.	Recommendations on the Open Offer, as to whether the offer is fair and reasonable	Based on the review of the detailed public statement issued by the Manager to the Open Offer on behalf of the Acquirer, the IDC is of the opinion that the offer price is fair and reasonable and in accordance with the SEBI(SAST) Regulations.
12.	Summary of reasons for recommendation	<p>The proposed substantial acquisition of equity shares and consequent change in control of the Target Company by the Acquirer would help the Target Company to cater to a larger customer base and scale up the operations which are presently running at limited capacity. Further, the expertise and management potential of the Acquirer would certainly go a long way in ensuring the increased productivity and profitability of the Target Company.</p> <p>The Target Company would stand to benefit from the existing business activities of the Acquirer and align its business to related divisions of the Acquirer such as the metal forming division which produces door frames, automotive chains and industrial chains and synergy would be achieved by the acquisition of the Target Company by the Acquirer.</p> <p>The Committee also examined the valuation report with regards to the open offer provided by Jeetendra Kulkarni, Chartered Accountant dated 21st July, 2012 ("Valuation Report"). In view of the past and prevailing market prices and the Valuation Report and other relevant factors, the offer price of Rs.81/- per share can be considered as fair and reasonable.</p>
13.	Details of Independent Advisors, if any	Jeetendra Kulkarni, Chartered Accountant
14.	Any other matter(s) to be highlighted	Nil



To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this statement is, in all material respect, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by the Target Company under the SEBI (SAST) Regulations.

For Shanthi Gears Limited



Mr. M J Vijayaraaghavan

Chairman of Committee of Independent Directors

Place: Coimbatore

Date: 30th July, 2012