# SHANTHI GEARS LIMITED

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## PUBLIC ANNOUNCEMENT FOR THE ATTENTION OF THE HOLDERS/BENEFICIAL OWNERS OF EQUITY SHARES OF SHANTHI GEARS LIMITED FOR BUYBACK OF EQUITY SHARES THROUGH TENDER OFFER

**This Public Announcement (the "Public Announcement") is being made pursuant to the provisions of Regulation 7(i) of the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018 (the "Buyback Regulations") for the time being in force including any statutory modifications and amendments from time to time and contains the disclosures as specified in Schedule II to the Buyback Regulations.**

**OFFER FOR BUYBACK OF UP TO 50,00,000 (FIFTY LAKH) EQUITY SHARES OF FACE VALUE OF ₹ 1/- EACH FULLY PAID UP ("EQUITY SHARES") AT A PRICE OF ₹ 140/- (RUPEES ONE HUNDRED AND FORTY ONLY) PER EQUITY SHARE ON A PROPORTIONATE BASIS THROUGH THE TENDER OFFER PROCESS USING THE STOCK EXCHANGE MECHANISM.**

### 1 DETAILS OF THE BUYBACK OFFER AND OFFER PRICE

1.1. The Board of Directors hereinafter referred to as the "**Board**", (which expression includes any committee constituted by the Board to exercise its powers, including the powers conferred by the resolution) of Shanthi Gears Limited ("**Company**"), at its meeting held on December 26, 2018 ("**Board Meeting**") approved the proposal for the buyback of Equity Shares at a price of ₹ 140/- (Rupees One hundred and forty only) per Equity Share (the "**Buyback Price**") up to an aggregate amount not exceeding ₹ 70 Crores (Rupees Seventy Crores only) ("**Buyback Size**") (being less than 25% of the aggregate paid-up equity capital and free reserves of the Company as per latest audited financial accounts for the financial year ended March 31, 2018), from the shareholders ("**Shareholders**") of the Company on a proportionate basis through a tender offer in accordance with the provisions of the Companies Act, 2013 ("**Companies Act**" or "**the Act**") and, the Companies (Share Capital and Debentures) Rules, 2014 (the "**Share Capital Rules**"), the Companies (Management and Administration) Rules, 2014 (the "**Management Rules**") and in compliance with the Buyback Regulations ("**Buyback**" or "**Buyback Offer**"). The Buyback Size does not include any expenses incurred or to be incurred for the Buyback like filing fees payable to the Securities and Exchange Board of India ("**SEBI**"), brokerage, applicable taxes (such as securities transaction tax, stamp duty and goods and service tax), advisors' fees, public announcement publication expenses, printing and dispatch expenses and other incidental and related expenses. The Shareholders of the Company approved the Buyback of the Company's fully paid-up Equity Shares from the existing shareholders/beneficial owners, on a proportionate basis (subject to the reservation for small shareholders), through the tender offer process pursuant to Article 11 of the Articles of Association of the Company and in accordance with Sections 68, 69 and 70 and all other applicable provisions, if any, of the Companies Act, the Share Capital Rules, the Management Rules and the Buyback Regulations, by way of a special resolution, through the postal ballot ("**Postal Ballot**"), the results of which were announced on January 29, 2019 and which was deemed to be passed on January 29, 2019 (i.e. the last date of voting for the Postal Ballot) ("Shareholders' **Approval**"). The Buyback is subject to receipt of any approvals of statutory, regulatory or governmental authorities as may be required under applicable laws, including the Reserve Bank of India (RBI), the SEBI, and the stock exchanges on which the Equity Shares are listed, namely, the National Stock Exchange of India Limited ("**NSE**") and the BSE Limited ("**BSE**") (hereinafter together referred to as the "**Stock Exchanges**").

1.2. The Buyback would be undertaken on a proportionate basis from the Shareholders as of February 08, 2019 ("**Record Date**") through the tender offer route, prescribed under Regulation 6 of the Buyback Regulations using the "Mechanism for acquisition of shares through Stock Exchange" notified by SEBI vide circular no. CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015 read with circular no. CFD/DCR2/CIR/P/2016/131 dated December 09, 2016. For the purpose of this Buyback, BSE will be the designated stock exchange (the "**Designated Stock Exchange**") and the Company will request BSE to provide a separate acquisition window ("**Acquisition Window**") to facilitate the Buyback.

1.3. In terms of the Buyback Regulations, under tender offer route, the Promoters and Promoter Group of the Company have the option to participate in the Buyback. In this regard, the Promoters and Promoter Group of the Company have vide their letters dated December 25, 2018, expressed their intention to participate in the Buyback. The extent of their participation in the Buyback has been detailed in Paragraph 3.5 of this Public Announcement.

1.4. The Buyback Size is ₹ 70 Crores (Rupees Seventy Crores only) representing 22.07% of the aggregate paid-up share capital and free reserves (including securities premium account), as per the audited accounts of the Company for the financial year ended March 31, 2018. The Buyback Price has been arrived at after considering various factors including, but not limited to the trends in the market prices of the Equity Shares on the Stock Exchanges, the net worth of the Company, price earnings ratio, impact on other financial parameters and the possible impact of Buyback on the earnings per Equity Share.

1.5. The Buyback Price of ₹ 140/- (Rupees One hundred and forty only) per Equity Share represents a premium of 10.06% and 10.15% over the closing price of the Equity Shares on the BSE and on the NSE respectively, as on December 17, 2018, being the date on which the Company intimated the Stock Exchanges of the date of the meeting of the Board wherein proposal of the Buyback was to be considered. Further the Buyback Price represents a premium of 16.19% and 16.11% over the average market price of the Equity Shares on BSE and on NSE, respectively, during the three months preceding December 17, 2018, being the date on which the Company intimated the Stock Exchanges of the date of the meeting of the Board of Directors, wherein the proposal of the Buyback was considered. The basic earnings per Equity Share of the Company pre- Buyback as on March 31, 2018, considering the number of shares outstanding as on March 31, 2018 is ₹ 3.50 on, which will increase to ₹ 3.73 post Buyback assuming full acceptance of the Buyback. The return on net worth of the Company pre Buyback as on March 31, 2018 is 8.99%, which will increase to 11.53% post Buyback assuming full acceptance of the Buyback.

1.6. The aggregate paid-up share capital and free reserves as on March 31, 2018 (the audited financial statements available as on the date of the Board Meeting recommending the proposal of the Buyback) is ₹ 317.15 Crores. Under the provisions of the Act, the funds deployed for the Buyback cannot exceed 25% of the total paid-up share capital and free reserves of the Company i.e. ₹ 79.29 Crores. The maximum amount proposed to be utilized for the Buyback, is ₹ 70 Crores (Rupees Seventy crores only) and is therefore within the limit of 25% of the Company's total paid-up share capital and free reserves as per the audited accounts for the financial year ended March 31, 2018. Further, under the Act, the number of Equity Shares that can be bought back in any financial year cannot exceed 25% of the total paid-up equity capital of the Company in that financial year. Accordingly, the maximum number of Equity Shares that can be bought back in the current financial year is 2,04,28,963. Since the Company proposes to buyback up to 50,00,000 Equity Shares, the same is within the aforesaid 25% limit

1.7. A copy of this Public Announcement is available on the website of the Company at www.shanthigears.com, and is expected to be available on the SEBI website www.sebi.gov.in during the period of the Buyback and on the websites of the Stock Exchanges at www.nseindia.com and www.bseindia.com respectively.

### 2 NECESSITY FOR BUYBACK

The Board at its meeting held on December 26, 2018 considered the accumulated free reserves as well as the cash liquidity reflected in the audited accounts for the financial year ended March 31, 2018 and considering these, the Board decided to allocate a sum of ₹ 70 Crores (Rupees Seventy crores only) excluding any expenses incurred or to be incurred for the Buyback like filing fees payable to the SEBI, brokerage, applicable taxes (such as securities transaction tax, stamp duty and goods and service tax), advisors' fees, public announcement publication expenses, printing and dispatch expenses and other incidental and related expenses, etc., for the Buyback. After considering several factors and benefits to the Shareholders holding Equity Shares of the Company, the Board decided to recommend Buyback of not exceeding 50,00,000 (fifty lakh) Equity Shares (representing approximately 6.12 % of the total paid-up equity share capital of the Company as on March 31, 2018) at a price of ₹ 140/- (Rupees One hundred and forty only) per Equity Share for an aggregate consideration of upto ₹ 70 Crores (Rupees Seventy crores only) excluding transaction costs viz. brokerage, applicable taxes such as securities transaction tax, goods and service tax, stamp duty, advisors' fees, public announcement publication expenses, printing and dispatch expenses and other incidental and related expenses etc.

In the opinion of the Board, the Buyback is a more efficient form of returning surplus cash to the Shareholders holding Equity Shares of the Company, inter-alia, for the following reasons:

2.1 Share buyback is the acquisition by a company of its own Equity Shares. The Buyback will help the Company to return surplus cash to its Shareholders holding Equity Shares broadly in proportion to their shareholding, thereby, enhancing the overall return to the Shareholders;

2.2 The Buyback, which is being implemented through the Tender Offer route as prescribed under the Buyback Regulations, would involve allocation of higher of number of Equity Shares as per their entitlement or 15% of the number of Equity Shares to be bought back, reserved for the small shareholders. The Company believes that this reservation for small shareholders would benefit a large number of public shareholders, who would get classified as "small shareholders";

2.3 The Buyback may help in improving return on equity, by reduction in the equity base, which may consequentially lead to a long term increase in shareholders' value;

2.4 The Buyback gives an option to the Shareholders holding Equity Shares of the Company, who can choose to participate and get cash in lieu of Equity Shares to be accepted under the Buyback offer or they may choose not to participate and enjoy a resultant increase in their percentage shareholding, post the Buyback, without any additional investment.

### 3 DETAILS OF PROMOTERS' SHAREHOLDING AND INTENTION OF PROMOTERS AND PROMOTER GROUP TO PARTICIPATE IN THE BUYBACK

3.1 The aggregate shareholding of the Promoters and Promoter Group and of the directors of the members of the Promoters and Promoter Group, where such member is a company and persons who are in control of the Company as on December 26, 2018, i.e. the date of the postal ballot notice is as follows:

The aggregate shareholding of the Promoters and Promoter Group as on the December 26, 2018, i.e. the date of the postal ballot notice is:

| Sr. No. | Name of Shareholder | No. of Equity Shares held | Percentage (%) |
|---|---|---|---|
| 1. | Tube Investments of India Limited | 5,72,96,413 | 70.1166% |
| 2. | Ambadi Investments Limited | 6,500 | 0.0079% |
| | **Total** | 5,73,02,913 | **70.1245 %** |

3.2 The aggregate shareholding of the directors of companies, which are part of the Promoters and Promoter Group: NIL

3.3 Details of shareholding of the Directors of the Company as on the date of the postal ballot notice: NIL

3.4 No Equity Shares of the Company have been purchased/sold by any of the Promoters and the Promoter Group of the Company, directors of the Promoters and Promoter Group, and persons who are in control of the Company as on the date of the postal ballot notice, during the period from six months preceding the date of the Board Meeting at which the Buyback was proposed and from the date of the Board Meeting till the date of the postal ballot notice.

3.5 In terms of the Buyback Regulations, under the Tender Offer route, the Promoters and Promoter Group have the option to participate in the Buyback. In this regard, the Promoters and Promoter Group have expressed their intention vide their letters dated December 25, 2018 to participate in the Buyback and offer up to an aggregate maximum of 49,06,500 Equity Shares as detailed below or any such lower number of shares in accordance with the Buyback Regulations:

| Sr. No. | Name | No. of Equity Shares Held to tender | Maximum number of Equity Shares intended |
|---|---|---|---|
| 1. | Tube Investments of India Limited | 5,72,96,413 | 49,00,000 |
| 2. | Ambadi Investments Limited | 6,500 | 6,500 |
| | **Total** | **5,73,02,913** | **49,06,500** |

**3.6** Details of the date and price of acquisition of the Equity Shares that the Promoters and Promoter Group of the Company intend to tender are setout below:

**Tube Investments of India Limited**

| Date | Number of Shares | Nominal Value (₹) | Issue Price/ Transfer Price (₹) | Consideration | Nature of Transaction |
|---|---|---|---|---|---|
| August 1, 2017 | 5,72,96,413 | ₹ 1/- | Not Applicable | Not Applicable | Vesting of shares pursuant to the Scheme of Arrangement (Demerger) between Tube Investments of India Ltd and TI Financial Holdings Ltd sanctioned by the National Company Law Tribunal, Chennai by its Order dated July 17, 2017. |
| **Maximum number of Equity Shares intended to be tendered 49,00,000** | | | | | |

**Ambadi Investments Limited**

| Date | Number of Shares | Nominal Value (₹) | Issue Price/ Transfer Price (₹) | Consideration | Nature of Transaction |
|---|---|---|---|---|---|
| August 28, 2017 | | 6,500 | ₹ 1/- | Not Applicable | Vesting of shares pursuant to the Scheme of Amalgamation between Murugappa Holdings Limited, Presmet Private Limited and Ambadi Investments Private Limited sanctioned by the National Company Law Tribunal, Chennai by its Order dated 7th August, 2017 |
| **Maximum number of Equity Shares intended to be tendered 6,500** | | | | | |

**3.7** The Company confirms that there are no defaults subsisting in the repayment of deposit or interest payment thereon, redemption of debentures or interest payment thereon or redemption of preference shares or payment of dividend due to any shareholder, or repayment of any term loans or interest payable thereon to any financial institution or banking company.

### 4. Confirmations from the Board

The Board of Directors of the Company has confirmed that it has made a full enquiry into the affairs and prospects of the Company and has formed the opinion:

a. That immediately following the date of Board meeting held on December 26, 2018 and the date on which the special resolution approving the Buyback is passed i.e. January 29, 2019, there will be no grounds on which the Company can be found unable to pay its debts.

b. That as regards the Company's prospects for the year immediately following the date of the Board meeting held on December 26, 2018 as well as for the year immediately following the date on which the special resolution approving the Buyback is passed i.e. January 29, 2019, and having regard to the Board's intentions with respect to the management of the Company's business during that year and to the amount and character of the financial resources, which will, in the Board's view, be available to the Company during that year, the Company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from the date of the Board meeting held on December 26, 2018 and within a period of one year from the date on which the special resolution approving the Buyback is passed i.e. January 29, 2019.

c. In forming its opinion aforesaid, the Board has taken into account the liabilities as if the Company were being wound up under the provisions of the Act and the Insolvency and Bankruptcy Code, 2016 (including prospective and contingent liabilities).

### 5. REPORT ADDRESSED TO THE BOARD OF DIRECTORS BY THE COMPANY'S AUDITOR ON PERMISSIBLE CAPITAL PAYMENT AND OPINION FORMED BY DIRECTORS REGARDING INSOLVENCY.

The text of the report dated December 26, 2018, from the Statutory Auditors of the Company, addressed to the Board is reproduced below:

**Auditors' Report on Buy Back of Shares pursuant to the requirement of Schedule I (xi) to Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018**

**Quote**

"The Board of Directors
Shanthi Gears Limited
304-A, Trichy Road,
Singanallur, Coimbatore,
Tamil Nadu, 641005

**Statutory Auditors' Report on buyback of equity shares by the Company as required by the Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018**

1. This Report is issued in accordance with the terms of our engagement letter dated September 05, 2018. The Board of Directors of Shanthi Gears Limited ("the Company") have approved the proposal for buy-back of Equity Shares by the Company at its meeting held on December 26, 2018 in pursuance of the provisions of Section 68, 69 and 70 of the Companies Act, 2013 ("the Act") and the SEBI Buyback Regulations.

2. The accompanying Statement of permissible capital payment (including premium) ('Annexure A') as at March 31, 2018 (hereinafter referred together as the "Statement") is prepared by the Management, which we have initialed for identification purposes only

**Management's Responsibility for the Statement**

3. The preparation of the Statement in accordance Section 68 (2)(b) of the Companies Act, 2013 and the compliance with the SEBI Buyback Regulations, is the responsibility of the Management of the Company, including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Statement and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

4. Pursuant to the requirements of the SEBI Buyback Regulations, it is our responsibility to provide a reasonable assurance:

(i) Whether we have inquired into the state of affairs of the Company in relation to its latest audited financial statements as at and for year ended March 31, 2018;

(ii) if the amount of the permissible capital payment for the proposed buy back of equity shares is properly determined considering the audited financial statements for the year ended March 31, 2018; and

(iii) if the Board of Directors, in their meeting dated December 26, 2018 have formed the opinion as specified in clause (x) of Schedule I to the SEBI Buyback Regulations, on reasonable grounds and that the Company, having regard to its state of affairs, will not be rendered insolvent within a period of one year from the aforesaid date and from the date on which the result of shareholders resolution by way of postal ballot will be declared.

5. The financial statements referred to in paragraph 4 above, have been audited by us, on which we issued an unmodified audit opinion vide our report dated May 02, 2018. We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

6. We conducted our examination of the Statement in accordance with the Guidance note on Audit Reports and Certificates for Special Purposes issued by the ICAI ("Guidance Note"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

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

**Opinion**

8. Based on enquiries conducted and our examination as above, we report that:

i) We have enquired into the state of affairs of the Company in relation to its audited financial statements as at and for the year ended March 31, 2018 which has been approved by the Board of Directors of the Company on May 02, 2018.

ii) The amount of permissible capital payment (including premium) towards the proposed buy back of equity shares as computed in the Statement attached herewith, is properly determined in our view in accordance with Section 68 (2)(b) of the Act. The amounts of share capital and free reserves have been extracted from the audited financial statements of the Company for the year ended March 31, 2018.

iii) The Board of Directors of the Company, in their meeting held on December 26, 2018 have formed their opinion as specified in clause (x) of Schedule I to the SEBI Buyback Regulations, on reasonable grounds and that the Company, having regard to its state of affairs, will not be rendered insolvent within a period of one year from the date of passing the Board meeting resolution dated December 26, 2018 and from the date on which the result of shareholders resolution by way of postal ballot will be declared.

**Restrictions on Use**

9. This report has been issued at the request of the Company solely for use of the Company (i) in connection with the proposed buyback of equity shares of the Company in pursuance to the provisions of Sections 68 and other applicable provisions of the Companies Act, 2013 and the SEBI Buyback Regulations, (ii) to enable the Board of Directors of the Company to include in the explanatory statement to be included in the postal ballot notice to be circulated to the shareholders of the Company, (iii) in the public announcement, draft letter of offer, letter of offer and other documents pertaining to buy-back to be sent to the shareholders of the Company or filed with (a) the Registrar of Companies, Securities and Exchange Board of India, stock exchanges, public shareholders and any other regulatory authority as per applicable law and (b) the Central Depository Services (India) Limited, National Securities Depository Limited and (iv) for providing to Axis Capital Limited (Managers), each for the purpose of extinguishment of equity shares and may not be suitable for any other purpose

Date: December 26, 2018
Place: Coimbatore
DHS-C/CRR/593

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

C R Rajagopal
Partner
(Membership No. 023418)

***Unquote***

**Annexure A**

**Statement of permissible capital payment (including premium) as at March 31, 2018**

**The amount of permissible capital payment (including premium) towards the proposed buy back of equity shares as computed in the table below is properly determined in our view in accordance with Section 68 (2)(b) of the Act. The amounts of share capital and free reserves have been extracted from the audited financial statements of the Company for the year ended March 31, 2018.**

| Particulars as at March 31, 2018 | | Amount (₹ Crore) |
|---|---|---|
| Paid-up capital (81,715,853 equity shares of ₹ 1/- each, fully paid up) | **A** | 8.17 |
| Free Reserves (as defined under Section 68 of the Act): | | |
| Profit and Loss account balance | | 34.69 |
| Securities Premium | | 24.29 |
| General reserve | | 250.00 |
| Total Free Reserves | B | 308.98 |
| Total paid-up capital and free reserves | **A+B** | 317.15 |
| Maximum amount permissible under the Act/Buyback Regulations with special resolution at General Meeting :- 25% of total paid-up equity capital and free reserves (in accordance with Chapter III of the Buyback Regulations and Section 68(2)(b) of the Act) | | 79.29 |
| Maximum amount for Buyback sought by the Board of Directors based on its proposal for Buyback of Equity Shares by the Company at its meeting held on December 26, 2018 | | 70.00 |

### 6 PROCESS AND METHODOLOGY TO BE ADOPTED FOR THE BUYBACK PROCESS:

**6.1 Process :**

(a) The Buyback offer is open to all Shareholders holding Equity Shares as on Record Date in physical form ("**Physical Shares**") and beneficial owners holding Equity Shares in dematerialised form ("**Demat Shares**") (hereinafter referred to as the "**Eligible Sellers**").

(b) The Buyback offer will be implemented by the Company through the Stock Exchange mechanism, as provided under the Buyback Regulations and circular no. CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015 and circular no. CFD/DCR2/CIR/P/2016/131 dated December 09, 2016, issued by SEBI and in accordance with the procedure prescribed in the Act and the Buyback Regulations and as may be determined by the Board (including the committee/persons authorized to complete the formalities of the Buyback) and on such terms and conditions as may be permitted by law from time to time.

(c) For the implementation of the Buyback offer, the Company has appointed Axis Capital Limited ("**Company's Broker**") as the registered broker through whom the purchases and settlements on account of the Buyback Offer would be made by the Company. The contact details of the Company's Broker are as follows:

AXIS CAPITAL

**AXIS CAPITAL LIMITED**
5th Floor, Axis House,
C-2 Wadia International Centre,
P. B. Marg, Worli, Mumbai - 400 025
**Tel:** +91 22 4325 5579
**Fax:** +91 22 4325 5599
**Contact Person:** Ram Shinde
**Email:** QIB@axiscap.in
**SEBI Registration No.:** BSE: INB011387330;
**NSE:** INB231387235

(d) The Company will request BSE to provide a separate Acquisition Window to facilitate placing of sell orders by Eligible Sellers who wish to tender their Equity Shares in the Buyback. The details of the platform will be as specified by BSE from time to time. In case, the Eligible Sellers' registered stock broker is not registered with BSE, Eligible Seller may approach Company's Broker to place its bid.

(e) At the beginning of the tendering period, the order for buying Equity Shares shall be placed by the Company through the Company's Broker. During the tendering period, the order for selling the Equity shares will be placed by the Eligible Sellers through their respective stock brokers ("**Seller Member**") during normal trading hours of the secondary market. In the tendering process, the Company's Broker may also process the orders received from the Equity Shareholders. The Seller Member can enter orders for demat as well as physical shares.

(f) The reporting requirements for Non-Resident Shareholders under Reserve Bank of India, Foreign Exchange Management Act, 1999, as amended and any other rules, regulations, guidelines, for remittance of funds, shall be made by the Eligible Seller and/or the Seller Member through which the Equity Shareholder places the bid.

(g) Modification/cancellation of orders and multiple bids from a single Eligible Seller will be allowed during the tendering period of the Buyback offer. Multiple bids made by single Eligible Seller for selling the Equity Shares shall be clubbed and considered as "one" bid for the purposes of acceptance.

(h) The cumulative quantity tendered shall be made available on the website of BSE (www.bseindia.com) throughout the trading sessions and will be updated at specific intervals during the tendering period.

**6.2 Procedure to be followed by Eligible Sellers holding Equity Shares in the dematerialized form:**

(a) Eligible Sellers who desire to tender their Equity Shares in the electronic/dematerialized form under the Buyback would have to do so through their respective Seller Member by giving the details of Equity Shares they intend to tender under the Buyback.

(b) The Seller Member would be required to place an order/bid on behalf of the Eligible Sellers who wish to tender Equity Shares in the Buyback using the Acquisition Window of BSE. Before placing the bid, the Eligible Seller would be required to transfer the tendered Equity Shares to the account of the Indian Clearing Corporation Limited (the "**Clearing Corporation**"), by using the early pay in mechanism as prescribed by BSE or the Clearing Corporation, prior to placing the bid by the Seller Member. The details of the early pay-in account will be intimated in the circular to be issued in this regard.

(c) For custodian participant orders for demat Equity Shares early pay-in is mandatory prior to confirmation of the order/bid by the custodian. The custodian shall either confirm or reject the orders not later than the closing of trading hours on the last day of the tendering period. Thereafter, all unconfirmed orders shall be deemed to be rejected. For all confirmed custodian participant orders, order modification shall revoke the custodian confirmation and the revised order shall be sent to the custodian again for confirmation.

(d) Upon placing the order, the Seller Member shall provide transaction registration slip ("**TRS**") generated by the stock exchange bidding system to the Eligible sellers. TRS will contain details of order submitted like bid ID No., DP ID, Client ID, no. of Equity Shares tendered, etc.

(e) In case of non-receipt of the completed tender form and other documents, but receipt of Equity Shares in the accounts of the Clearing Corporation and a valid bid in the exchange bidding system, the bid for Buyback shall be deemed to have been accepted.

**6.3 Procedure to be followed by Eligible Sellers holding Equity Shares in the Physical form:**

(a) Equity Shareholders who are holding physical Equity Shares and intend to participate in the Buyback will be required to approach the Seller Member along with the complete set of documents for verification procedures to be carried out including the:

1) completed tender form and original share certificate(s);

2) valid Form SH 4 (transfer form) duly filled and signed by the Eligible Seller (in same order and as per the specimen signatures registered with the Company) and duly witnessed at the appropriate place authorizing the transfer in favor of the Company;

3) self-attested copy of the Eligible Seller's PAN Card; and

4) any other relevant documents such as (but not limited to):

a. Duly attested Power of Attorney if any person other than the Equity Shareholder has signed the relevant Tender Form;

b. Notarized copy of death certificate/succession certificate or probated will, if the original Equity Shareholder has deceased;

c. Necessary corporate authorisations, such as Board Resolutions etc., in case of companies

5) In addition, if the address of the Equity Shareholder has undergone a change from the address registered in the register of members of the Company, the Equity Shareholders would be required to submit a self-attested copy of address proof consisting of any one of the following documents: valid Aadhar Card, Voter Identity Card or Passport.

(b) Based on these documents, the concerned Seller Member shall place a bid on behalf of the Eligible Seller holding Equity Shares in physical form and who wish to tender Equity Shares in the Buyback, using the Acquisition Window of BSE. Upon placing the bid, the Seller Member shall provide a TRS generated by the exchange bidding system to the Eligible Seller. TRS will contain the details of order submitted like folio no., certificate no., distinctive no., no. of Equity Shares tendered etc.

(c) The Seller Member/Eligible Seller has to deliver the original share certificate(s) and documents (as mentioned above) along with TRS generated by exchange bidding system upon placing of bid, either by registered post or courier or hand delivery to the Registrar to the Buyback (at the address mentioned in clause 10 below) within 2 (two) days of bidding by Seller Member. The envelope should be super scribed as "**Shanthi Gears Limited Buyback Offer 2019.** One copy of the TRS will be retained by Registrar and it will provide acknowledgement of the same to the Seller Member/Eligible Seller.

(d) Eligible Sellers holding physical Equity Shares should note that physical Equity Shares will not be accepted unless the complete set of documents are submitted. Acceptance of the physical Equity Shares for the Buyback shall be subject to verification as per the Buyback Regulations and any further directions issued in this regard. The Registrar will verify such bids based on the documents submitted on a daily basis and till such time the BSE shall display such bids as 'unconfirmed physical bids'. Once the Registrar confirms the bids, it will be treated as 'Confirmed Bids'.

(e) In case any Eligible Seller has submitted Equity Shares in physical form for dematerialization, such Eligible Seller should ensure that the process of getting the Equity Shares dematerialized is completed well in time so that they can participate in the Buyback offer before closure of the tendering period.

(f) All Equity Shareholders holding the Physical Shares shall note that in accordance with the proviso to regulation 40(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (notified by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018), read with SEBI's press release dated December 3, 2018, transfers of securities shall not be processed unless the securities are held in the dematerialized form with a depository with effect from April 1, 2019. In case the applicable law restricts the buyback of Equity Shares held in physical form, the Company may not be able to accept the tender of such Equity Shares held in physical form from April 1, 2019.

**6.4 METHOD OF SETTLEMENT**

Upon finalization of the basis of acceptance as per Buyback Regulations:

(a) The settlement of trades shall be carried out in the manner similar to settlement of trades in the secondary market.

(b) The Company will pay the consideration to the Company's Broker who will transfer the funds pertaining to the Buyback to the Clearing Corporation's bank accounts as per the prescribed schedule.

(c) For Equity Shares accepted under the Buyback, the Clearing Corporation will make direct funds pay-out to respective Eligible Seller's bank account as provided by the depository system. If the Eligible Seller's bank account details are not available or if the funds transfer instruction is rejected by RBI/Bank, due to any reason, then such funds will be transferred to the concerned Seller Members settlement bank account for onward transfer to the respective Eligible Seller.

(d) In case of Eligible Sellers where there are specific RBI and other regulatory requirements pertaining to funds pay-out, which do not opt to settle through custodians, the funds pay-out would be given to their respective Seller Members settlement bank account for onward transfer to the Eligible Sellers. For this purpose, the client type details would be collected from the Registrar to the Buyback.

(e) The Equity Shares bought back in demat form would be transferred directly to the demat account of the Company opened for Buyback ("**Special Demat Account**") provided it is indicated by the Company's Broker or it will be transferred by the Company's Broker to the Special Demat Account on receipt of the Equity Shares from the Clearing Corporation.

(f) Excess demat Equity Shares or unaccepted demat Equity Shares, if any, tendered by the Eligible Sellers would be returned to them by the Clearing Corporation.

(g) Eligible Sellers tendering Equity Shares will have to ensure that they keep the depository participant ("**DP**") account active and unblocked to receive credit in case of return of Equity Shares, due to rejection or due to non-acceptance of shares under the Buyback offer.

(h) Any excess physical Equity Shares pursuant to proportionate acceptance/rejection will be returned back to the Eligible Sellers directly by the Registrar to the Buyback. The Company is authorized to split the share certificate and issue new consolidated share certificate for the unaccepted Equity Shares, in case the Equity Shares accepted by the Company are less than the Equity Shares tendered in the Buyback by Equity Shareholders holding Equity Shares in the Physical form, and return the same to the sole/first Eligible Seller (in case of joint Equity Shareholders). Share certificates in respect of unaccepted/rejected Equity Shares and other documents, if any, will be sent by registered post/speed post at the Eligible Seller's sole risk to the sole/first Eligible Seller (in case of joint Eligible Sellers), at the address recorded with the Registrar/Company.

(i) The settlements of fund obligation for Demat Shares and Physical Shares shall be effected as per the SEBI circulars and as prescribed by BSE and Clearing Corporation from time to time. For Demat Shares accepted under the Buyback, the Clearing Corporation will make direct funds pay-out to the respective Eligible Shareholders and in case of Physical Shares, the Clearing Corporation will release the funds to the Shareholder Broker(s) as per secondary market payout mechanism. If such Eligible Shareholder's bank account details are not available or if the funds transfer instruction is rejected by the RBI/bank(s), due to any reasons, then the amount payable to the Eligible Shareholder will be transferred to the Shareholder Broker for onward transfer to such Eligible Shareholders.

(g) In case of certain shareholders viz., NRIs, non-residents etc. (where there are specific regulatory requirements pertaining to funds payout including those prescribed by the RBI) who do not opt to settle through custodians, the funds payout would be given to their respective Shareholder Broker's settlement accounts for releasing the same to such shareholder's account.

**(i)** Company's Broker would issue a contract note to the Company for the Equity Shares accepted under the Buyback.

**6.5** Eligible Sellers who intend to participate in the Buyback should consult their respective Seller Member for any cost, applicable taxes, charges and expenses (including brokerage) etc., that may be levied by the Seller Member upon the Eligible Sellers for tendering Equity Shares in the Buyback (secondary market transaction). The Buyback consideration received by the Eligible Seller, in respect of accepted Equity Shares, could be net of such costs, applicable taxes, charges and expenses (including brokerage) and the Company accepts no responsibility to bear or pay such additional cost, charges and expenses (including brokerage) incurred solely by the Eligible Sellers.

**6.6** The Equity Shares lying to the credit of the Special Demat Account and the Equity Shares bought back and accepted in physical form will be extinguished in the manner and following the procedure prescribed in the Buyback Regulations.

**7. RECORD DATE AND SHAREHOLDER'S ENTITLEMENT**

7.1 As required under the Buyback Regulations, the Company has announced the Record Date as February 08, 2019 for the purpose of determining the entitlement and the names of the shareholders, who are eligible to participate in the Buyback Offer i.e. the Eligible Sellers.

7.2 The Equity Shares to be bought back as a part of this Buyback Offer is divided into two categories:

1. Reserved category for small shareholders; and
2. General category for all other shareholders.

7.3 As defined in Regulation 2(i)(n) of the Buyback Regulations, a 'small shareholder' means a shareholder of a listed company, who holds shares or other specified securities whose market value, on the basis of closing price of shares or other specified securities, on the Stock Exchange in which highest trading volume in respect of such security is recorded, as on record date is not more than ₹ 2,00,000/- (Rupees Two lakhs Only).

7.4 In accordance with the proviso to Regulation 6 of the Buyback Regulations, 15% (Fifteen per cent) of the number of Equity Shares which the Company proposes to Buyback, or number of Equity Shares entitled as per shareholding of small shareholders, whichever is higher, shall be reserved for the small shareholders as part of this Buyback.

7.5 On the basis of shareholdings as on the Record Date, the Company will determine the entitlement of each Eligible Seller to tender their Equity Shares in the Buyback. This entitlement for each Eligible Seller will be calculated based on the number of Equity Shares held by the respective Eligible Seller as on the Record Date and the ratio of Buyback applicable in the category to which such Eligible Seller belongs.

7.6 In order to ensure that the same Eligible Seller with multiple demat accounts/folios do not receive a higher entitlement under the small shareholder category, the Equity Shares held by such Eligible Seller with a common Permanent Account Number ("**PAN**") shall be clubbed together for determining the category (small shareholder or General) and entitlement under the Buyback. In case of joint shareholding, the Equity Shares held in cases where the sequence of the PANs of the joint shareholders is identical shall be clubbed together. In case of Eligible Sellers holding physical shares, where the sequence of PANs is identical and where the PANs of all joint shareholders are not available, the Registrar will check the sequence of the names of the joint holders and club together the Equity Shares held in such cases where the sequence of the PANs and name of joint shareholders are identical. The shareholding of institutional investors like mutual funds, insurance companies, foreign institutional investors/foreign portfolio investors etc. with common PAN are not proposed to be clubbed together for determining their entitlement and will be considered separately, where these Equity Shares are held for different schemes/sub-accounts and have a different demat account nomenclature based on information prepared by the Registrar as per the shareholder records received from the depositories. Further, the Equity Shares held under the category of "clearing members" or "corporate body margin account" or "corporate body – broker" as per the beneficial position data as on Record Date with common PAN are not proposed to be clubbed together for determining their entitlement and will be considered separately, where these Equity Shares are assumed to be held on behalf of clients.

7.7 Shareholders' participation in the Buyback will be voluntary. Eligible Sellers can choose to participate and get cash in lieu of shares to be accepted under the Buyback or they may choose not to participate and enjoy a resultant increase in their percentage shareholding post Buyback, without additional investment. Eligible Sellers may also tender a part of their entitlement. Eligible Sellers also have the option of tendering additional shares (over and above their entitlement) and participate in the shortfall created due to non-participation of some other shareholders, if any.

7.8 The maximum tender under the Buyback by any Eligible Seller of the Company cannot exceed the number of Equity Shares held by such Eligible Seller of the Company as on the Record Date.

7.9 The Equity Shares tendered as per the entitlement by the Eligible Seller as well as additional Equity Shares tendered, if any, will be accepted as per the procedure laid down in Buyback Regulations.

7.10 Detailed instructions for participation in the Buyback (tendering of Equity Shares in the Buyback) as well as the relevant time table will be included in the Letter of Offer which will be sent in due course to the Eligible Sellers. Eligible Sellers which have registered their email ids with the depositories/the Company, shall be dispatched the Letter of Offer through electronic means. If Eligible Sellers wish to obtain a physical copy of the Letter of Offer, they may send a request to the Company or Registrar at the address mentioned at clause 9 or clause 10 below.

Eligible Sellers which have not registered their email ids with the depositories/the Company, shall be dispatched the Letter of Offer through physical mode.

**8. INVESTOR SERVICE CENTRE AND COMPLIANCE OFFICER**

The Company has designated the following as the Compliance Officer for the Buyback:

| | |
|---|---|
| **Name** | Mr. C Subramaniam |
| **Designation** | Company Secretary |
| **Address** | 304-A, Trichy Road, Singanallur, Coimbatore, Tamil Nadu - 641005 |
| | Tel.: 0422-4545745 |
| **Email id** | cs@shanthigears.murugappa.com |

In case of any clarifications or to address investor grievance, the Shareholders may contact the Company Secretary, from Monday to Friday between 11 am to 5 pm on all working days except public holidays, at the above mentioned address.

**9. REGISTRAR TO THE BUYBACK**

The Company has appointed the following as the Registrar to the Buyback:

**Name** : S.K.D.C. Consultants Limited
**Address** : Kanapathy Towers, 3 Floor, 1391/A-1, Sathy Road, Ganapathy Post, Coimbatore, Tamil Nadu - 641006
**Contact Person** : Mr. K. Jayakumar
**Phone** : 0422 - 4958995, 2539835-836
**Fax** : 0422- 2539837
**Email** : buyback@skdc-consultants.com

In case of any query, the Shareholders may contact the Registrar, from Monday to Friday between 10 am to 5 pm on all working days except public holidays at the above mentioned address.

**10. MANAGER TO THE BUYBACK**

The Company has appointed the following as Manager to the Buyback:

**AXIS CAPITAL LIMITED**
**Address:** 1st Floor, Axis House, C-2 Wadia International Centre, P.B. Marg, Worli, Mumbai - 400025
**Phone :** +91 22 4325 2183 **Fax:** +91 22 4325 3000
**Contact Person:** Ms. Bhumika Gangar
**Email:** sgl.buyback@axiscap.in
**Website:** www.axiscapital.co.in
**SEBI Registration Number:** INM000012029

**11. DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of Regulation 24(i)(a) of the Buyback Regulations, the Board of Directors of the Company accepts responsibility for all the information contained in this Public Announcement and confirms that such document contains true, factual and material information and does not contain any misleading information.

For and on behalf of the Board of Directors of
**Shanthi Gears Limited**

| Sd/- | Sd/- | Sd/- |
|---|---|---|
| **Mr. S K Sundararaman** | **Ms. Soundara Kumar** | **Mr. C Subramaniam** |
| Director | Director | Company Secretary |
| DIN: 00002691 | DIN: 01974515 | Membership No. FCS6971 |

Date : January 30, 2019
Place : Coimbatore

PRESSMAN

**Ad size: 329x240**