

March 5, 2019

BSE Limited,
Department of Corporate Services,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

Dear Sir,

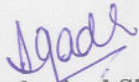
Sub: Proposed offer for buy back of up to 50,00,000 fully paid up equity shares of face value of Re 1/- each at a price of Rs 140 per fully paid up equity share on a proportionate basis through the tender offer process by Shanthi Gears Limited ("Company").

With reference to the captioned matter, we, as Manager to the Buyback offer of the Company, submit the Letter of Offer, which is being dispatched by the Company to its equity shareholders as on February 8, 2019, being the record date for Buyback.

We request you to take the above on your records.

Thanking you,

Yours sincerely,
For **Axis Capital Limited**



Authorized Signatory
Name: Simran Gadh
Designation: Vice President – Corporate Finance

Encl.: As above

Axis Capital Limited (Erstwhile "Axis Securities and Sales Limited")

SEBI Merchant Banker Regn No.:MB/INM000012029 Member Of: BSE Ltd. & National Stock Exchange of India Ltd., Mumbai.

CIN No. U51900MH2005PLC157853

Regd. Office: Axis House, 8th Floor, Wadia International Centre, P. B. Marg, Worli, Mumbai – 400 025 &

Corp. Office: Axis House, C-2, Wadia International Centre, P.B. Marg, Worli, Mumbai – 400 025.

Tel.: (022) 4325 1199, Fax No. (022) 4325 3000, Website: www.axiscapital.co.in

LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer is sent to you as a registered Equity Shareholder of Shanthi Gears Limited (the "Company") as on the Record Date (*as defined below*) in accordance with Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018. If you require any clarifications about the action to be taken, you should consult your stockbroker or investment consultant or the Manager to the Buyback Offer (Axis Capital Limited) or the Registrar to the Buyback Offer (S.K.D.C. Consultants Limited). Please refer to the section on 'Definitions' for the definitions of the capitalized terms used herein.

Shanthi Gears



Shanthi Gears Limited

CIN: L29130TZ1972PLC000649

Registered Office: 304-A, Trichy Road, Singanallur, Coimbatore, Tamil Nadu - 641005

Tel.: 0422-4545745 Fax: 0422-4545700

E-mail: cs@shanthigears.murugappa.com; Website: www.shanthigears.com

Contact Person : Mr. C Subramaniam, Company Secretary and Compliance Officer

CASH OFFER FOR BUYBACK OF UPTO 50,00,000 FULLY PAID-UP EQUITY SHARES OF FACE VALUE OF RE.1/- EACH, REPRESENTING APPROXIMATELY 6.12% OF THE TOTAL NUMBER OF EQUITY SHARES IN THE ISSUED, SUBSCRIBED AND PAID-UP EQUITY SHARE CAPITAL OF THE COMPANY, FROM THE EXISTING SHAREHOLDERS / BENEFICIAL OWNERS OF EQUITY SHARES OF THE COMPANY AS ON THE RECORD DATE I.E. FEBRUARY 08, 2019, ON A PROPORTIONATE BASIS, THROUGH THE "TENDER OFFER" ROUTE AT A PRICE OF RS. 140/- (RUPEES ONE HUNDRED AND FORTY ONLY) PER EQUITY SHARE FOR AN AGGREGATE AMOUNT NOT EXCEEDING RS. 70,00,00,000/- (RUPEES SEVENTY CRORES ONLY)

- 1) The Buyback is in accordance with Article 11 of the Articles of Association of the Company and is subject to the provisions of Sections 68, 69, 70 and all other applicable provisions, if any, of the Companies Act, 2013, the Companies (Share Capital and Debentures) Rules, 2014, the Companies (Management and Administration) Rules, 2014 and in compliance with Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018 including any amendments, statutory modifications or re-enactments thereof, for the time being in force and subject to such other approvals, permissions and sanctions as may be necessary, from time to time from statutory authorities including but not limited to Securities and Exchange Board of India, National Stock Exchange of India Limited, BSE Limited, Reserve Bank of India, etc.
- 2) The Buyback Offer Size is 22.07% of the aggregate of fully paid-up equity share capital and free reserves as per the audited accounts of the Company for the financial year ended March 31, 2018 and is less than the statutory limit of 25% of the fully paid-up equity share capital and free reserves as per the last audited accounts of the Company.
- 3) The Letter of Offer is being sent to the Equity Shareholder(s) / Beneficial Owner(s) of Equity Shares of the Company as on the Record Date i.e. February 08, 2019.
- 4) The procedure for tender and settlement is set out in paragraph 20 at page no. 30 of this Letter of Offer. The tender form ("**Tender Form**") is enclosed together with this Letter of Offer.
- 5) For mode of payment of consideration to the Equity Shareholders, please refer to paragraph 20 of this Letter of Offer.
- 6) A copy of the Public Announcement published on January 31, 2019 and this Letter of Offer (including Tender Form) is available on the website of Securities and Exchange Board of India - <http://www.sebi.gov.in>.
- 7) Equity Shareholders are advised to read this Letter of Offer and in particular, refer to paragraph 17 (Statutory Approvals) and paragraph 21 (Note on Taxation) before tendering their Equity Shares in the Buyback.

BUYBACK OPENS ON: WEDNESDAY, MARCH 13, 2019 AT 9.15 A.M.

BUYBACK CLOSES ON: WEDNESDAY, MARCH 27, 2019 AT 3.30 P.M.

LAST DATE FOR RECEIPT OF COMPLETED TENDER FORMS AND OTHER SPECIFIED DOCUMENTS INCLUDING PHYSICAL SHARE CERTIFICATES BY THE REGISTRAR TO THE BUYBACK: FRIDAY, MARCH 29, 2019 AT 5.00 P.M.

MANAGER TO THE BUYBACK



Axis Capital Limited

1st Floor, Axis House, C-2 Wadia International Centre, P.B. Marg, Worli, Mumbai - 400025

Tel: +91 22 4325 2183

Fax: + 91 22 4325 3000

Email: sgl.buyback@axiscap.in

Contact Person : Ms. Bhumika Gangar

SEBI Registration: INM000012029

Validity Period : Perpetual

CIN: U51900MH2005PLC157853

REGISTRAR TO THE BUYBACK



S.K.D.C. Consultants Ltd

Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy Post, Coimbatore, Tamil Nadu - 641006

Tel: 0422 - 4958995, 2539835-836

Fax: 0422- 2539837

Email: buyback@skdc-consultants.com

Contact Person : Mr. K Jayakumar

SEBI Registration: INR000000775

Validity Period : Permanent Registration

CIN: U74140TZ1998PLC008301

The Offer is pursuant to SEBI (Buy-Back of Securities) Regulations, 2018 and subsequent amendments as well as in accordance with provisions of Sections 68, 69, 70, 110 and all other applicable provisions, if any, of the Companies Act, 2013, as amended

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1. SCHEDULE OF ACTIVITIES

Activity	Schedule of activities	
	Date	Day
Date of Board Meeting approving the proposal for the Buyback	December 26, 2018	Wednesday
Date of passing of special resolution by shareholders approving the proposal for the Buyback	January 29, 2019	Tuesday
Date of declaration of results of special resolution passed by shareholders by Postal Ballot and e-voting approving the proposal for the Buyback	January 29, 2019	Tuesday
Public Announcement of Buyback	January 31, 2019	Thursday
Record Date for determining the Buyback Entitlement and the names of Eligible Shareholders	February 8, 2019	Friday
Buyback Opens on	March 13, 2019	Wednesday
Buyback Closes on	March 27, 2019	Wednesday
Last date for receipt of completed Tender Forms and other specified documents including physical share certificates by the Registrar	March 29, 2019	Friday
Last date for verification by Registrar	April 4, 2019	Thursday
Last date for providing acceptance to the Stock Exchange by the Registrar	April 4, 2019	Thursday
Last date for settlement of bids on the Stock Exchange	April 5, 2019	Friday
Last date for dispatch of share certificate(s) by Registrar/ return of unaccepted demat shares by Stock Exchange to Selling Member	April 5, 2019	Friday
Last Date for Extinguishment of Shares	April 12, 2019	Friday

Note: Where last dates are mentioned for certain activities, such activities may happen on or before the respective last dates.

2. DEFINITION OF KEY TERMS

This Letter of Offer uses certain definitions and abbreviations which, unless the context otherwise indicates or implies or specifies otherwise, shall have the meaning as provided below. References to any legislation, act, regulation, rules, guidelines or policies shall be to such legislation, act, regulation, rules, guidelines or policies as amended, supplemented, or re-enacted from time to time and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision.

Acceptance Form	Tender Form
Act or Companies Act	The Companies Act, 2013, as amended
Articles	Articles of Association of the Company
Board or Board of Directors	Board of Directors of the Company
Board Meeting	Meeting of Board of Directors of the Company held on December 26, 2018
BSE	BSE Limited
Buyback Regulations	Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018
Buyback Committee or Committee	Buyback committee comprising of the following Directors of the Company viz., Mr. L Ramkumar, Mr. J Balamurugan and Ms. Soundara

	Kumar constituted on December 26, 2018.
Buyback Closing Date	Wednesday, March 27, 2019
Buyback Entitlement or Entitlement	The number of Equity Shares that an Eligible Shareholder is entitled to tender, in the Buyback, based on the number of Equity Shares held by such Eligible Shareholder, on the Record Date and the ratio/percentage of Buyback applicable to such Shareholder.
Buyback or Buyback Offer or Offer	Offer to Buyback up to 50,00,000 Equity Shares of Re. 1/- each of the Company at a price of Rs. 140/- per Equity Share in accordance with the Buyback Regulations and relevant provisions of the Act via the tender offer route
Buyback Period	The period between the date of declaration of results of postal ballot to authorize Buyback i.e. January 31, 2019 till the date on which the payment of consideration to shareholders who have accepted the Buyback offer will be made.
Buyback Price or Offer Price	Price at which shares will be bought back from the shareholders i.e. Rs. 140/- per Equity Share
Buyback Size or Offer Size	Number of Equity Shares proposed to be bought back (i.e. up to 50,00,000 Equity Shares) multiplied by the Buyback Price i.e. Rs. 140/- (Rupees One Hundred and forty) per Equity Share aggregating to Rs.70,00,00,000/- (Rupees Seventy Crores only)
Clearing Corporation	Indian Clearing Corporation Limited
Company	Shanthi Gears Limited
Draft LOF or Draft Letter of Offer	The draft letter of offer dated February 07, 2019, filed with SEBI through the Manager to the Buyback, containing disclosures in relation to the Buyback as specified in Schedule III of the Buyback Regulations
DP	Depository Participant
Equity Share(s) or Share(s)	The Company's fully paid-up equity share(s) of face value of Re. 1/- (Rupee one) each
Eligible Person(s) or Eligible Shareholder(s)	Person(s) eligible to participate in the Buyback Offer and would mean all equity shareholders/beneficial owner(s) of Equity Shares of the Company as on Record Date i.e. February 08, 2019 and excludes Person(s) who do not have the capacity under applicable law to tender shares
Escrow Account	Escrow account opened in accordance with Buyback Regulations, in the name of 'Shanthi Gears Ltd Buy back -Escrow Account' bearing the account number 003666200000065.
Escrow Agent	Yes Bank Limited
Escrow Agreement	The escrow agreement dated February 01,2019 entered into between the Company, the Manager to the Offer, and Yes Bank Limited
FEMA	Foreign Exchange and Management Act, 1999 including the regulations, circulars, directions and notifications issued thereunder
General Category	Eligible Shareholders other than the Small Shareholders
IT Act/ Income Tax Act	Income-tax Act, 1961, as amended
LOF or Letter of Offer	This Letter of Offer dated February 27, 2019 to be filed with SEBI containing disclosures in relation to the Buyback as specified in the Buyback Regulations, including comments received from SEBI on the Draft Letter of Offer
LODR Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended
Manager to the Buyback or Manager to the Offer	Axis Capital Limited

Non-Resident Shareholders	Includes NRIs, Foreign Institutional Investors (FIIs), Foreign Portfolio Investors (FPIs), Overseas Corporate Bodies (OCBs) and Foreign Nationals
NSE	National Stock Exchange of India Limited
Offer Period or Tendering Period	Period of ten working days from the date of opening of the Buyback Offer i.e. Wednesday, March 13, 2019 till its closure i.e. Wednesday, March 27, 2019 (both days inclusive)
PA or Public Announcement	The public announcement dated January 30, 2019 made in accordance with the Buyback Regulations, published on January 31, 2019 in all editions of Financial Express (English National daily), Jansatta (Hindi National Daily) and Coimbatore edition of Makkal Kural (Regional language daily) each with wide circulation.
PAN	Permanent Account Number
Promoters and Promoter Group	Promoters and promoter group of the Company as disclosed under the filings made by the Company under the listing agreement/ Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, and the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended
RBI	Reserve Bank of India
Record Date	The date for the purpose of determining the entitlement and the names of the Equity Shareholders, to whom the Letter of Offer will be sent and who are eligible to participate in the Buyback Offer in accordance with Buyback Regulations. This date shall be February 08, 2019
Registrar to the Buyback or Registrar to the Offer or Registrar	S.K.D.C. Consultants Limited
Reserved Category	The Small Shareholders eligible to tender Shares in the Buyback
SEBI	The Securities and Exchange Board of India
SEBI Circular	“Mechanism for acquisition of shares through Stock Exchange” notified by SEBI vide circular CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015 as amended via SEBI circular CFD/DCR2/CIR/P/2016/131 dated December 09, 2016, including any amendments thereof
Seller Member or Seller Broker	A Stock broker (who is a member of the BSE) of an Eligible Shareholder, through whom the Eligible Shareholder wants to participate in the Buyback
Small Shareholder	A Shareholder, who holds Equity Shares of market value of not more than Rs. 2,00,000/- (Rupees Two Lakh only), on the basis of closing price of the Equity Shares on the Stock Exchange registering the highest trading volume, as on Record Date i.e. February 08, 2019
Share Capital Rules	Companies (Share Capital and Debentures) Rules, 2014 , as amended from time to time
Shareholders or Members	Holders of Equity Shares and includes beneficial owners thereof
Stock Exchanges	National Stock Exchange of India Limited and BSE Limited
Tender Offer	Method of buyback as defined in Regulation 2(1)(o) of the Buyback Regulations
TRS	Transaction Registration Slip
Working Day	Working day as defined in the Buyback Regulations

3. **DISCLAIMER CLAUSE**

As required, a copy of this Letter of Offer has been submitted to the SEBI.

It is to be distinctly understood that submission of the Letter of Offer to SEBI should not, in any way be deemed/construed that the same has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of the Company to meet the Buyback commitments or for the correctness of the statements made or opinions expressed in the offer document. The Manager to the Buyback, Axis Capital Limited, certifies that the disclosures made in the offer document are generally adequate and are in conformity with the provisions of the Companies Act and the Buyback Regulations. This requirement is to facilitate investors to take an informed decision for tendering their Shares in the Buyback.

It should also be clearly understood that while the Company is primarily responsible for the correctness, adequacy and disclosure of all relevant information in the offer document, the Manager to the Buyback is expected to exercise due diligence to ensure that the Company discharges its duty adequately in this behalf and towards this purpose, the Manager to the Buyback, Axis Capital Limited has furnished to SEBI a Due Diligence Certificate dated February 07, 2019 in accordance with Buyback Regulations, which reads as follows:

“We have examined various documents and material papers relevant to the Buyback, as part of the due-diligence carried out by us in connection with the finalisation of the Public Announcement and Draft Letter of Offer. On the basis of such examination and the discussions with the Company, we hereby state that:

- The Public Announcement and Draft Letter of Offer are in conformity with the documents, materials and papers relevant to the Buyback.
- All legal requirements connected with the said offer including SEBI (Buy-Back of Securities) Regulations, 2018, have been duly complied with.
- The disclosures in the Public Announcement and Draft Letter of Offer are, to the best of our knowledge, true, fair and adequate in all material respects for the shareholders of the Company to make a well-informed decision in respect of the Buyback.
- Funds used for Buyback shall be as per the provisions of the Companies Act, 2013, as amended”

The filing of the Letter of Offer with SEBI does not however, absolve the Company from any liabilities under the provisions of the Companies Act or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed Buyback.

The Promoters/Directors of the Company declare and confirm that no information/material likely to have a bearing on the decision of investors has been suppressed/withheld and/or incorporated in the manner that would amount to mis-statement/mis-representation and in the event of it transpiring at any point of time that any information/material has been suppressed/withheld and/or amounts to a mis-statement/misrepresentation, the promoters/directors and the Company shall be liable for penalty in terms of the provisions of the Companies Act and the Buyback Regulations.

The Promoters/Directors also declare and confirm that funds borrowed from banks and financial institutions will not be used for the Buyback.

Disclaimer for U.S. Persons

The information contained in this Letter of Offer is exclusively intended for persons who are not U.S. Persons in term of the U.S. Securities Act of 1933, as amended, and who are not physically present in the United States of America. This Letter of Offer does not in any way constitute an offer to sell, or an invitation to sell, any securities in the United States of America and cannot be accepted by any means or instrumentality from within the United States of America. Potential users of the information contained in this Letter of Offer are requested to inform themselves about and to observe any such restrictions.

Disclaimer for Persons in other foreign countries

This Letter of Offer has not been filed, registered or approved in any jurisdiction outside India. This Letter of Offer does not in any way constitute an offer to sell, or an invitation to sell, any securities in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation would subject the Company or the Manager to the Offer to any new or additional requirements or registrations. Potential users of the information contained in this Letter of Offer are requested to inform themselves about and to observe any applicable legal requirement or restrictions.

Forward Looking Statements

This Letter of Offer contains certain forward-looking statements. These forward-looking statements generally can be identified by words or phrases such as 'aim', 'anticipate', 'believe', 'expect', 'estimate', 'intend', 'objective', 'plan', 'project', 'will', 'will continue', 'will pursue' or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward looking statement.

Actual results may differ materially from those suggested by forward-looking statements due to risks or uncertainties associated with expectations relating to, inter alia, regulatory changes pertaining to the industries in India in which we operate and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on its business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in the industries in which we operate.

4. TEXT OF RESOLUTION PASSED AT THE BOARD MEETING

The Buyback through Tender Offer was considered and approved by the Board of Directors of the Company at their meeting held on December 26, 2018. The extracts of the Board resolution are as follows:

RESOLUTION:

RESOLVED THAT in accordance with Article 11 of the Articles of Association of the Company and the provisions of Sections 68, 69, 70 and 110 and all other applicable provisions, if any, of the Companies Act, 2013 (the "**Act**"), the Companies (Share Capital and Debentures) Rules, 2014 (the "**Share Capital Rules**"), the Companies (Management and Administration) Rules, 2014 (the "**Management Rules**"), including any amendments, statutory modifications or re-enactments thereof, for the time being in force and in compliance of the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018 ("**Buyback Regulations**"), and subject to the approval of the shareholders of the Company by way of postal ballot and subject to such other approvals, permissions and sanctions as may be necessary and subject to any modifications and conditions, if any, as may be prescribed by the Securities and Exchange Board of India ("**SEBI**"), Registrar of Companies, Coimbatore, Tamil Nadu ("**ROC**") and/or other appropriate authorities which the Board of Directors of the Company (hereinafter referred to as the "**Board**", which expression includes any committee constituted by the Board to exercise its powers, including the powers conferred by this resolution) agreed and subject to such conditions and modifications as may be prescribed or imposed by such government, regulatory or statutory authorities, the consent of the Board be and is hereby accorded for buyback of not exceeding 50,00,000 (Fifty Lakh Only) fully paid up equity shares (representing 6.12% of the total paid-up equity share capital of the Company as on March 31, 2018) of the face value of Re. 1/- (Rupee One Only) each (hereinafter referred to as the "**Equity Shares**" or "**Shares**") at a price of Rs.140/- (Rupees One Hundred and Forty Only) per equity share payable in cash ("**Buyback Price**") for an aggregate amount up to Rs.70 Crore (Rupees Seventy Crores Only) ("**Buyback Size**"), 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, being within the 25% limit of paid-up up share capital and free reserves (including securities premium account) of the Company or such other source as may be permitted by the Buyback Regulations or the Act, from the members of the Company, as on record date to be determined by the Board (hereinafter referred to as "**the Record Date**"),

on a proportionate basis through “Tender Offer” route as prescribed under the Buyback Regulations (the “Buyback”).”

RESOLVED FURTHER THAT 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, brokerage, applicable taxes (such as securities transaction tax, stamp duty and goods and services tax), advisors’ fees, public announcement publication expenses, printing and dispatch expenses and other incidental and related expenses.

RESOLVED FURTHER THAT in accordance with Section 68 of the Act and all other applicable provisions, if any, of the Act, the Articles of Association of the Company, and other applicable laws, the approval of the shareholders for the Buyback be sought by way of postal ballot.

RESOLVED FURTHER THAT as required by Regulation 6 of the Buyback Regulations, the Company shall buyback Equity Shares from the shareholders on a proportionate basis under the Tender Offer, provided 15% of the number of Equity Shares which the Company proposes to buyback or number of Equity Shares entitled as per the shareholding of small shareholders at the Record Date, whichever is higher, shall be reserved for small shareholders, as defined in the Buyback Regulations.

RESOLVED FURTHER THAT all of the shareholders of the Company who hold Equity Shares as on the Record Date shall be eligible to participate in the Buyback including promoters, promoter group and persons in control of the Company who hold Equity Shares of the Company.

RESOLVED FURTHER THAT the Company shall implement the Buyback using the “Mechanism for acquisition of shares through Stock Exchange” notified by SEBI vide circular CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015 as amended via SEBI circular CFD/DCR2/CIR/P/2016/131 dated December 9, 2016, including any further amendments thereof.

RESOLVED FURTHER THAT the Buyback from non-resident shareholders, Overseas Corporate Bodies (OCB’s), Foreign Institutional Investors, Foreign Portfolio Investors and shareholders of foreign nationality, if any, shall be subject to such approvals, if and to the extent necessary or required from concerned authorities including approvals from the Reserve Bank of India (“RBI”) under Foreign Exchange Management Act, 1999 and rules and regulations framed there under, if any.

RESOLVED FURTHER THAT the Buyback would be subject to the condition of maintaining minimum public shareholding requirements as specified in Regulation 38 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 (as amended) (the “Listing Regulations”).

RESOLVED FURTHER THAT the Company has complied and shall continue to comply with Section 70 of the Act, wherein:

- (a) It shall not directly or indirectly purchase its own shares:
 - (i) through a subsidiary company including its own subsidiary companies, if any; or
 - (ii) through any investment company or group of investment companies.
- (b) There are no defaults subsisting in the repayment of deposits 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, in the last three years; and
- (c) The Company is in compliance with the provisions of Sections 92, 123, 127 and 129 of the Act.

RESOLVED FURTHER THAT the proposed Buyback be implemented from the existing shareholders including the promoter(s) of the Company (as have been disclosed under the shareholding pattern filings made by the Company from time to time under the Listing Regulations and Securities and Exchange Board of India

(Substantial Acquisition of Shares and Takeover) Regulations 2011 (“**SEBI Takeovers Regulations**”), from its free reserves and/or surplus and/or such other sources or by such mechanisms as may be permitted by law, and on such terms and conditions as the Board may decide from time to time, and in the absolute discretion of the Board, as it may deem fit.

RESOLVED FURTHER THAT nothing contained hereinabove shall confer any right on the part of any shareholder to offer, or any obligation on the part of the Company or the Board to buyback any shares and/or impair any power of the Company or the Board to terminate any process in relation to such Buyback if so permissible by law.

RESOLVED FURTHER THAT the draft of the Declaration of Solvency prepared in the prescribed form and supporting affidavit and other documents, placed before the meeting be and are hereby approved and that Mr. S K Sundararaman, Director, and any one of Ms. Soundara Kumar, Director and Mr. L Ramkumar, Director of the Company, be and are hereby authorized to sign the same, for and on behalf of the Board and file the same with the Registrar of Companies, Coimbatore, Tamil Nadu and SEBI in accordance with the applicable laws.

RESOLVED FURTHER THAT a Buyback Committee comprising of the following Directors of the Company viz., Mr. L Ramkumar, Mr. J Balamurugan and Ms. Soundara Kumar of the Company be and is hereby constituted and the powers of the Board in respect of Buyback be delegated to the Committee (“**Buyback Committee**”) and the Buyback Committee be and is hereby authorised to do all such acts, deeds and things as may be necessary, expedient or proper with regard to the implementation of the Buyback, including, but not limited to, the following:

1. The initiating of all necessary actions for preparation, finalization and dispatch of the postal ballot notice along with explanatory statement to seek shareholder approval for the Buyback (“**Postal Ballot Notice**”);
2. The initiating of all necessary actions for preparation and issue of public announcement, draft letter of offer, letter of offer and related documents;
3. The preparation, finalization and filing of public announcement, draft letter of offer, letter of offer, related documents and also the certificates for declaration of solvency and other filings with the SEBI, ROC, the stock exchanges and other appropriate authority(ies), if any;
4. Finalizing the terms of Buyback such as the entitlement ratio, fixing the Record Date, the schedule of activities for Buyback including finalizing the date of opening and closing of Buyback and the timeframe for completion of the Buyback;
5. The appointment of e-voting agency, scrutinizer, depository participant, printers, advertisement agency, and other advisors, consultants or representatives and settlement of the remuneration for all such intermediaries/agencies/persons, including by the payment of commission, brokerage, fee, charges etc. and enter into agreements/ letters in respect thereof;
6. The making of all applications to the appropriate authorities for their requisite approvals;
7. Earmarking and making arrangements for adequate sources of funds for the purpose of the Buyback;
8. The opening, operation and closure of cash escrow account and special account in accordance with the escrow agreement to be executed by the Company in this regard;
9. The opening, operation and closure of demat escrow account in accordance with the escrow agreement to be executed by the Company with the depository participant;
10. To settle all such questions, difficulties or doubts that may arise in relation to the implementation of the Buyback;
11. To make all applications to the appropriate authority(ies) for their requisite approvals including for approvals as may be required from the RBI under the Foreign Exchange Management Act, 1999 and the rules and regulations framed there under, if any;
12. To sign the documents as may be necessary with regard to the Buyback and use the common seal of the Company on relevant documents required to be executed for the Buyback and to initiate all necessary actions for preparation and issue of various documents and such other undertakings,

- agreements, papers, documents and correspondence as may be necessary for the implementation of the Buyback to the SEBI, RBI, ROC, stock exchanges, depositories and/or other appropriate authorities;
13. To deal with stock exchanges (including their clearing corporations), and to sign, execute, and deliver such documents as may be necessary or desirable in connection with implementing the Buyback using the "Mechanism for acquisition of shares through Stock Exchange" notified by SEBI vide circular CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015 as amended via SEBI circular CFD/DCR2/CIR/P/2016/131 dated December 9, 2016, including any further amendments thereof;
 14. Extinguishment of share certificates and certificates of extinguishment required to be filed in connection with the Buyback on behalf of the Board;
 15. To do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary, expedient, usual or proper; and/or
 16. Sign, execute and deliver such documents as may be necessary or desirable in connection with or incidental to the Buyback.

RESOLVED FURTHER THAT the Buyback Committee be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, expedient or proper, to be in the best interest of the shareholders for the implementation of the Buyback, including but not limited to carrying out incidental documentation as also to make applications to the appropriate authorities for their approvals and to initiate all necessary actions for preparation and issue of various documents, opening of accounts including public announcement, letter of offer, extinguishment of share certificates and 'Certificate of Extinguishment' required to be filed in connection with the Buyback on behalf of the Board and such other undertakings, agreements, papers, documents and correspondence as may be necessary for the implementation of the Buyback to the SEBI, RBI, BSE Limited, National Stock Exchange of India Limited, ROC, depositories and/or other authorities.

RESOLVED FURTHER THAT the quorum for a meeting of the Buyback Committee shall be presence of any two members and the Buyback Committee may regulate its own proceedings and meet as often as required, to discharge its functions.

RESOLVED FURTHER THAT the Buyback Committee shall have the power and authority to delegate all or any of the authorities conferred upon it to any officer(s) and/or representatives of the Company, in order to give effect to the aforesaid resolutions and to revoke and substitute such delegation / sub-delegation of authority from time to time.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Buyback Committee be and is hereby authorized to accept and make any alteration(s), modification(s) to the terms and conditions as it may deem necessary, concerning any aspect of the Buyback, in accordance with the statutory requirements as well as to give such directions as may be necessary or desirable, to settle any questions, difficulties or doubts that may arise and generally, to do all acts, deeds, matters and things as it may, in its absolute discretion deem necessary, expedient, usual or proper in relation to or in connection with or for matters consequential to the Buyback without seeking any further consent or approval of the shareholders or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT in compliance with Securities and Exchange Board of India (Buy-Back of Securities) Regulations 1998, **M/s. Axis Capital Limited** be appointed as the Merchant Banker and also the Company broker for the proposed buyback transaction at such remuneration as mutually agreed with Axis Capital Limited.

RESOLVED FURTHER THAT in compliance with Securities and Exchange Board of India (Buy Back of Securities) Regulations 2018, **M/s. SKDC Consultants Limited, Coimbatore** be appointed as the Registrar for the proposed buyback transaction at such remuneration as mutually agreed with Ms. SKDC Consultants Limited.

RESOLVED FURTHER THAT the projections of the Company placed before the Board are approved and as required by Clause (x) of Schedule I under Regulation 5(iv)(b) of the Buyback Regulations, the Board confirms that it has made a full enquiry into the affairs and prospects of the Company and has formed the opinion:

1. That immediately following the date of Board meeting held on 26 December 2018 and the date on which the special resolution approving the Buyback is passed, there will be no grounds on which the Company can be found unable to pay its debts.
2. That as regards the Company's prospects for the year immediately following the date of the Board meeting held on 26 December 2018 as well as for the year immediately following the date on which the special resolution approving the Buyback is passed, 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 this board meeting and within a period of one year from the date on which the special resolution approving the Buyback is passed.
3. 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).

RESOLVED FURTHER THAT the Board hereby confirms that:

1. All the equity shares for Buyback are fully paid-up;
2. The Company shall not issue and allot any Equity Shares including by way of bonus or convert any outstanding employee stock ownership plans/outstanding instruments into Equity Shares, from the date of shareholders' resolution for the Buyback till the date of closure of the Buyback period;
3. The Company, as per provisions of Section 68(8) of the Companies Act 2013, shall not make a further issue of the same kind of shares or other securities including allotment of new shares under clause (a) of sub-section (1) of section 62 or other specified securities within a period of six months from the date of completion of this buyback except by way of a bonus issue or in the discharge of subsisting obligations such as conversion of warrants, stock option schemes, sweat equity or conversion of preference shares or debentures into equity shares;
4. The Company, as per provisions of 24(i)(f) of Buyback Regulations, shall not raise further capital for a period of one year from the closure of Buyback period except in discharge of its subsisting obligations;
5. The Company shall not Buyback locked-in Equity Shares and non-transferable Equity Shares till the pendency of the lock-in or till the Equity Shares become transferable;
6. The Company shall not Buyback its shares from any person through negotiated deal whether on or off the stock exchanges or through spot transactions or through any private arrangement in the implementation of the Buyback;
7. There are no defaults subsisting in the repayment of deposits 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 institutions or banking companies;
8. Funds borrowed from banks and financial institutions will not be used for the Buyback;
9. The aggregate amount of the Buyback i.e. Rs.70 Crores (Rupees Seventy Crores only) does not exceed 25% of the total paid-up equity capital and free reserves of the Company as per latest audited balance sheet as on March 31, 2018;
10. The maximum number of shares proposed to be purchased under the Buyback shall not exceed 25% of the total number of shares in the paid-up equity capital as per the audited balance sheet as on March 31, 2018;
11. The Company shall not make any offer of buyback within a period of one year reckoned from the date of closure of the Buyback period;
12. There is no pendency of any scheme of amalgamation or compromise or arrangement pursuant to the provisions of the Companies Act, as on date; and
13. That the ratio of the aggregate of secured and unsecured debts owed by the Company shall not be more than twice the paid-up equity share capital and free reserves after the Buyback."

Compliance Officer for the purpose of Buyback

RESOLVED FURTHER THAT in terms of the Buyback Regulations, **Mr. C Subramaniam**, Company Secretary, be and is hereby appointed as the Compliance Officer for the Buyback.

5. DETAILS OF PUBLIC ANNOUNCEMENT

The Public Announcement dated January 30, 2019, was published on January 31, 2019 in the following newspapers, in accordance with Regulation 7(i) of the Buyback Regulations, within two working days from the date of passing of the postal ballot approving the Buyback, on January 29, 2019:

Publication	Language	Editions
Financial Express	English	All Editions
Jansatta	Hindi	All Editions
Makkal Kural	Tamil	Coimbatore Edition

The Company will publish further notices or corrigenda, if any, in the abovementioned newspapers.

The Public Announcement is available on the SEBI website at www.sebi.gov.in, and on the websites of the Stock Exchanges at www.nseindia.com and www.bseindia.com.

6. DETAILS OF THE BUYBACK

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 Rs. 140/- (Rupees One hundred and forty only) per Equity Share (the “**Buyback Price**”) up to an aggregate amount not exceeding Rs. 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 of 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, 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**”).
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.

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 9.4 of this Letter of Offer.
4. The Buyback Price of Rs. 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.
5. 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 Rs. 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. Rs. 79.29 Crores. The maximum amount proposed to be utilized for the Buyback, is Rs.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, the maximum amount proposed to be utilized for the Buyback is 22.07% of the aggregate of fully paid-up equity share capital and free reserves of the Company as on March 31, 2018.
6. 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.
7. The Promoter and Promoter Group of the Company, vide their letters dated December 25, 2018 expressed their intention to participate in the Buyback and offer up to an aggregate maximum of 49,06,500/- Equity Shares or any such lower number of shares in accordance with the Buyback Regulations. The Promoters and Promoter Group of the Company are already in control over the Company and therefore such further increase in voting rights of the Promoters and Promoter Group will not result in any change in control over the Company. For details regarding the shareholding of the Promoters and Promoter Group pre-Buyback and post-Buyback, please refer to paragraph 13.7 of this Letter of Offer. For details with respect to Promoter’s shareholding post- Buyback, please refer to paragraph 13.7 (Capital Structure and Shareholding Pattern) on page 18 of this Letter of Offer.
8. After the completion of the Buyback, the public shareholding of the Company shall not fall below the minimum level required as per Regulation 38 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

7. AUTHORITY FOR THE BUYBACK

The Buyback is being undertaken by the Company in accordance with Article 11 of the Articles, the provisions of Sections 68, 69, 70, 110 and other applicable provisions of the Companies Act, the Rules thereunder and the Buyback Regulations as amended. The Buyback is subject to such other approvals and permissions, as may be required from statutory, regulatory or governmental authorities under applicable laws.

The Board at its meeting held on December 26, 2018, passed a resolution approving the Buyback of Equity Shares of the Company and sought approval of its Members, by a special resolution, through a Postal Ballot Notice. The Shareholders of the Company have approved the Buyback by way of a special resolution, through the postal ballot, including e-voting, which was deemed to be passed on January 29, 2019.

8. NECESSITY FOR THE 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 Rs. 70 Crores (Rupees Seventy Crores only) excluding any expenses incurred or to be incurred for the Buyback like filing fees payable to 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 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 Rs. 140/- (Rupees One hundred and forty only) per Equity Share for an aggregate consideration of upto Rs. 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.

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:

- i. 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;
- ii. 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";
- iii. 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; and
- iv. 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.

9. MANAGEMENT DISCUSSION AND ANALYSIS OF THE LIKELY IMPACT OF THE BUYBACK ON THE COMPANY

1. The Buyback is not likely to cause any impact on the profitability or earnings of the Company, except to the extent of reduction in the amount available for investment, which the Company could have otherwise deployed towards generating investment income. In the event that there is 100% acceptance of the Equity Shares tendered in the Buyback from Shareholders on a proportionate basis, the funds deployed by the Company towards the Buyback would be Rs. 70,00,00,000/- (Rupees Seventy Crores only). This shall impact the investment income earned by the Company, on account of reduced amount of funds available for investments.
2. The Buyback is not expected to impact growth opportunities for the Company.
3. The Buyback will not result in a change in control or otherwise affect the existing management structure of the Company.
4. In terms of the Buyback Regulations, under the 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 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	Maximum number of Equity Shares intended to tender
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

The details of the date and price of acquisition of the Equity Shares that Promoters and Promoter Group of the Company intend to tender are set out below:

Tube Investments of India Limited

Date	Number of Shares	Nominal Value (Rs.)	Issue Price / Transfer Price (Rs.)	Consideration	Nature of Transaction
August 1, 2017	5,72,96,413	Re.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 (Rs.)	Issue Price / Transfer Price (Rs.)	Consideration	Nature of Transaction
August 28, 2017	6,500	Re.1/-	Not Applicable	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 August 7, 2017
Maximum number of Equity Shares intended to be tendered				6,500	

- Consequent to the Buyback and based on the number of shares bought back within each category of shareholders, the shareholding pattern of the Company would undergo a change.
- 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 the date of Public Announcement is as follows:

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%

- As on the date of the Public Announcement, the aggregate shareholding of the directors of companies, which are part of the Promoters and Promoter Group is: NIL
- As on the date of Public Announcement, the details of shareholding of the Directors of the Company: NIL
- Assuming response to the Buyback is to the extent of 100% (full acceptance) from all the Shareholders upto their entitlement the aggregate shareholding and the voting rights of the

Promoters and Promoter Group of the Company, may increase from the existing 70.12% holding in the total equity capital and voting rights of the Company. The Promoters and Promoter Group of the Company are already in control over the Company and therefore such further increase in voting rights of the Promoters and Promoter Group of the Company will not result in any change in control over the Company.

- f. Assuming response to the Buyback is to the extent of 100% (full acceptance) from all the Shareholders upto their entitlement the aggregate shareholding of the public in the Company shall decrease to 29.36% post Buyback from the current pre Buyback shareholding of 29.88%.
5. Consequent to the Buyback and based on the number of Equity Shares bought back from the Non-Resident Shareholders, Indian financial institutions, banks, mutual funds and the public including other bodies corporate, the shareholding of the Promoters and Promoter Group of the Company would undergo a change.
6. The debt-equity ratio post Buyback will be compliant with the permissible limit of 2:1 prescribed under Section 68(2)(d) of Companies Act, even if the response to the Buyback is to the extent of 100% (full acceptance) from all the Eligible Shareholders upto their Buyback Entitlement.
7. The Company shall not issue any equity shares or other securities (including by way of bonus) till the expiry of the Buyback Period. The Company shall not issue fresh shares or other specified securities (including employee stock options) during the Buyback Period, whether by way of bonus issue or in the discharge of subsisting obligations, such as conversion of convertible loans, convertible instruments, stock options or otherwise.
8. The Company shall not raise further capital for a period of one year from the expiry of Buyback Period except in discharge of its subsisting obligations.
9. The Promoters or their associates shall not deal in the Shares or other specified securities of the Company in the stock exchange or off-market, including inter-se transfer of shares among the Promoters during the period from the date of passing the resolution of the Board of Directors, till the closing of the offer in accordance with the Buyback Regulations.
10. Salient financial parameters consequent to the Buyback based on the latest audited results as on March 31, 2018 are as under:

Parameter	Pre Buyback*	Post Buyback*
Networth (Rs. In Crores) #	317.79	247.79
Return on Networth (%) (Profit after tax / Net worth)##	8.99%	11.53%
Earnings per Share (PAT / Weighted average no. of shares)	3.50	3.73
Book Value per Share (Net worth / No. of Equity Shares outstanding at the end of the periods.)	38.89	32.30
P/E as per the latest audited financial results ⁵	34.80	32.65
Total Debt/Equity Ratio (Total Debt/Networth)	Nil	Nil

Notes:

*Pre and Post Buyback calculations are based on audited financials as of March 31, 2018. The post Buy Back numbers are calculated by reducing the net worth by the proposed buyback amount (assuming full acceptance) without factoring in any impact on the profit & loss account.

Equity share capital + Reserves and surplus.

Return on Networth Profit after tax / Net worth

⁵P/E Ratio based on the closing market price as on January 31, 2019 (Date of publication of public announcement), i.e. Rs.121.80 (source www.nseindia.com)

10. BASIS OF CALCULATING THE BUYBACK PRICE

The Equity Shares of the Company are proposed to be bought back at a price of Rs. 140/- (Rupees One Hundred and forty only) per Equity Shares (the “**Buyback Price**”). 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 where the Equity Shares are listed, 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.

The Buyback Offer Price of Rs. 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.

For trends in the market price of the Equity Shares, please refer to paragraph 16 of this Letter of Offer.

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 Rs. 3.50, which will increase to Rs.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.

The Book value 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 Rs.38.90 and Rs.32.31 on post Buyback assuming full acceptance of the Buyback.

11. SOURCES OF FUNDS FOR THE BUYBACK

1. Assuming full acceptance, the funds that would be deployed by the Company for the purposes of the Buyback, would be Rs.70 Crores (Rupees Seventy crores only) excluding any expense incurred or to be incurred for the Buyback like filing of the fees payable to the Securities and Exchange Board of India, brokerage, applicable taxes such as securities transaction taxes, goods and service tax, stamp duty, advisors' fees, public announcement publication expenses, printing and dispatch expenses and other incidental and related expenses.
2. The funds for the Buyback will be sourced from internal accruals. The Company has confirmed that funds for Buyback will be available from cash balances and/or liquidation of financial instruments and/or other sources available with the Company as permitted by the Buyback Regulations. The Company shall transfer from its free reserves a sum equal to the nominal value of the equity shares bought back through the Buyback to the Capital Redemption Reserve Account and details of such transfer shall be disclosed in its subsequent audited financial statement. The funds borrowed, if any, from banks and financial institutions will not be used for the Buyback.

12. DETAILS OF ESCROW ACCOUNT AND AMOUNT DEPOSITED THEREIN

1. In accordance with Regulation 9(xi) of the Buyback Regulations, on February 01, 2019 , an Escrow Agreement has been entered into amongst the Company, Manager to the Buyback and the Escrow Agent viz. Yes Bank Limited having its registered office at Yes Bank Tower, IFC – 2, 15th Floor, Senapati Bapat Marg, Elphinstone (W), Mumbai 400 013, India .

In terms of the Escrow Agreement, the Company has (a) opened an escrow account in the name and style "Shanthi Gears Ltd Buyback– Escrow Account" bearing the account number 003666200000065; (b) has deposited in the Escrow Account, cash aggregating to a sum of Rs. 17,50,00,000 (Rupees Seventeen crores and fifty lakhs only) i.e. equivalent to 25% upto Rs. 100 crores by way of security for the fulfillment of its obligations under the Buyback. The Manager to the Buyback is empowered to operate the Escrow Account in accordance with the Buyback Regulations.

2. The amount of cash deposited in the Escrow Account is in accordance to the amount required to be deposited in terms of the Buyback Regulations.
3. The Company has adequate and firm financial resources to fulfill the obligations under the Buyback and the same has been certified by CA. L. Kamlesh, partner of S. Lakshminarayan Associates, Chartered Accountants, (Firm Registration No. 0006609S), having its office at 'Lakshya" 1056/1, Avinashi Road, Coimbatore - 641 018. Tel. 0422 - 2243304, vide their certificate dated January 29, 2019.

4. Based on the aforementioned certificate, the Manager to the Buyback confirms that it is satisfied that firm arrangements for fulfilling the obligations under the Buyback are in place and that the Company has the ability to implement the Buyback in accordance with the Buyback Regulations.

13. CAPITAL STRUCTURE AND SHAREHOLDING PATTERN

1. The present capital structure of the Company as on date of the issue of the this Letter of Offer is as follows:

Particulars	Pre Buyback (in Rs. crores)
Authorised Share Capital	
10,00,00,000 Equity Shares of Re. 1 each	10.00
Issued, Subscribed and Paid-Up Share Capital	
8,17,15,853 fully paid-up Equity Shares of Re. 1/- each	8.17

2. Assuming full acceptance in the Buyback, the capital structure post Buyback would be as follows:

Particulars	Post Buyback (in Rs. crores)
Authorised Share Capital	
10,00,00,000 Equity Shares of Re. 1 each	10.00
Issued, Subscribed and Paid-Up Share Capital	
76,715,853 fully paid-up Equity Shares of Re. 1/- each	7.67

3. As on the date of the Letter of Offer, there are no outstanding preference shares, partly paid up Equity Shares or calls in arrears.
4. As on the date of the Letter of Offer, there are no outstanding instruments convertible into Shares.
5. The Company shall not issue and allot any Shares including by way of bonus from the date of the Public Announcement till the expiry of the Buyback Period.
6. There have been no other buyback programmes of the Company over the last 3 years from the date of the Letter of Offer.
7. The shareholding pattern of the Company before the Buyback, i.e., as on February 08, 2019 (the Record Date) and after the Buyback (assuming full subscription of 50,00,000 shares in the Buyback), is as follows:

Particulars	Number of Shares	% to existing share capital	No. of Shares post Buyback*	% holding post Buyback*
Promoters and persons acting in concert	5,73,02,913	70.12	5,41,89,260	70.64
Foreign Investors (OCBs/FIIs/NRIs/Non-residents/Non-domestic companies)	29,67,995	3.63	2,25,26,593	29.36
Indian Financial Institutions/Banks/Mutual Funds/Govt. Companies	42,51,602	5.20		
Public including other Bodies Corporate	1,71,93,343	21.04		
Total	8,17,15,853	100	76,715,853	100

* Assuming full acceptance of 50,00,000 Equity Shares in the Buyback in the ratio of their entitlement

8. No Equity Shares of the Company have been purchased/sold by any of the Promoters and Promoter Group, directors of the Promoters and Promoter Group and the persons who are in control of the Company during the period of twelve months preceding the date of the Board Meeting at which the Buyback was approved and the date of the Public Announcement.

9. Assuming full acceptance of the Buyback, the issued, subscribed and paid up equity share capital of the Company would be Rs.7.67 Crores comprising 76,715,853 Equity Shares of Re. 1/- each as more fully set out in paragraph 13.2 of this Letter of Offer.
10. Assuming response to the Buyback is to the extent of 100% (full acceptance) from all the Shareholders upto their entitlement, the aggregate shareholding of the Promoters and Promoter Group of the Company, post Buyback may increase to 70.64 % from 70.12 %.
11. There is no pending scheme of amalgamation or compromise or arrangement of the Company pursuant to any provisions of the Act.

14. BRIEF INFORMATION ABOUT THE COMPANY

1. The Company was originally incorporated as a private limited company under the name of 'Shanthi Gear Products Private Limited' on July 1, 1972. It took over the partnership firm 'Shanthi Engineering and Trading Company' which had been set up in 1969. The Company subsequently changed its name to Shanthi Gears Private Limited on February 27, 1986. On March 10, 1986, the Company was converted into a public limited company consequent to which the word "Private" was deleted from its name.
2. The equity shares of the Company were listed on the BSE (Code: 522034) on February 06, 1987 and NSE (Code: SHANTIGEAR) on January 17, 1996.
3. The registered office of the Company is situated at 304-A, Trichy Road, Singanallur, Coimbatore-641005, Tamilnadu.
4. The Company is into the business of gears and gear products. It is a leading manufacturer of gears and gear boxes in India. Its product range spans across a wide spectrum, from textile loom gears to aviation, from standard gears to custom-made gears for all applications, from simple worm gear boxes to complex planetary helical/bevel helical gear boxes.
5. During FY 2017-18, the Company grew its revenue by 16.4% with a Compounded Annual Growth Rate (CAGR) of 12.1 % during the last 3 Years .
6. The total authorised share capital of the Company is Rs.10,00,00,000/- consisting of 10,00,00,000 equity shares of Re. 1/- each. As on date the subscribed, issued and paid up share capital of the Company consisted of 8,17,15,853 fully paid up equity shares of Re.1/- each aggregating Rs.8,17,15,853/-.

7. Following is the equity share capital history of the Company since inception:

Sr. No	Date Of Allotment	No. of Equity shares	Face Value (Rs.)	Issue Price Per Share (Rs.)	Type of issue (IPO/FPO/ Preferential Issue/ Scheme/Bonus/ Rights,etc.)	Cumulative Capital (No. of Shares)	Cumulative paid up share capital (Rs.)
1.	July 1, 1972	202	100	100	Subscription to the Memorandum	202	20,200
2.	January 2, 1973	50	100	100	Allotment of Shares	252	25,200
3.	January 3, 1973	410	100	100	Allotment of Shares	662	66,200
4.	February 28, 1973	310	100	100	Allotment of Shares	972	97,200
5.	March 5, 1973	300	100	100	Allotment of Shares	1272	1,27,200
6.	March 14, 1973	295	100	100	Allotment of Shares	1567	1,56,700
7.	March 23, 1973	433	100	100	Allotment of Shares	2000	2,00,000
8.	February 2, 1983	2000	100	100	Bonus Issue	4000	4,00,000
9.	October 9, 1985	40,000	10	10	Stock Split from Rs.100/- each to Rs.10/- each	40,000	4,00,000
10.	March 10, 1986	3,20,000	10	10	Bonus Issue	3,60,000	36,00,000
11.	July 12, 1986	7,40,000	10	10	IPO	11,00,000	1,10,00,000
12.	December 11, 1992	3,30,000	10	60	Rights Issue of convertible debentures	14,30,000	1,43,00,000
13.	September 5, 1994	3,40,000	10	170	Preferential Issue	17,70,000	1,77,00,000
14.	October 10, 1994	14,30,000	10	10	Bonus Shares	32,00,000	3,20,00,000
15.	October 31, 1994	6,00,000	10	15	Allotment of Shares to Promoters against warrants	38,00,000	3,80,00,000
16.	March 30, 1998	17,600	10	10	Scheme of Merger	38,17,600	3,81,76,000
17.	May 14, 2004	84,180	10	10	Scheme of Merger	39,01,780	3,90,17,800
18.	August 4, 2004	3,90,17,800	1	1	Stock Split form Rs.10/- each to Re.1/-each	3,90,17,800	3,90,17,800
19.	August 7, 2004	3,90,17,800	1	1	Bonus Issue	7,80,35,600	7,80,35,600
20.	March 24, 2006	7,83,033	1	58.35	Conversion of FCCB	7,88,18,633	7,88,18,633
21.	April 20, 2006	3,91,516	1	58.35	Conversion of FCCB	7,92,10,149	7,92,10,149
22.	April 22, 2006	7,83,033	1	58.35	Conversion of FCCB	7,99,93,182	7,99,93,182
23.	May 16, 2006	7,83,033	1	58.35	Conversion of FCCB	8,07,76,215	8,07,76,215
24.	August 1, 2007	1,56,606	1	58.35	Conversion of FCCB	8,09,32,821	8,09,32,821
25.	December 24, 2007	3,91,516	1	58.35	Conversion of FCCB	8,13,24,337	8,13,24,337
26.	January 8, 2008	3,91,516	1	58.35	Conversion of FCCB	8,17,15,853	8,17,15,853

8. The Board of Directors of the Company comprises the following:

Name, Occupation, Age and DIN	Designation	Qualifications	Date of Appointment / Reappointment	Directorships in Companies and LLPs
Name: Mr. Ramkumar Lakshminarayanan Age: 62 years Occupation: Professional Director DIN: 00090089	Chairman	Cost Accountant and has a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad	September 3, 2012	1. Great Cycles (Private) Limited, Sri Lanka 2. Creative Cycles (Private) Limited, Sri Lanka
Name: Mr. J Balamurugan, Age: 57 years Occupation: Business DIN: 00023309	Independent Non-Executive Director	Electronics Engineer from Regional Engineering College, Trichy	September 3, 2012	1. Sree Karpagambal Mills Limited 2. Nextgen Communications Limited 3. Unity Electro Systems Private Limited 4. Unity Mills Private Limited 5. Spit-fire Motor Sports Private Limited 6. Spitfire Automotive Performance Private Limited 7. Confidign Solutions Private Limited
Name: Ms. Soundara Kumar Age: 64 years Occupation: Service DIN: 01974515	Independent Non-Executive Director	Graduate degree in Mathematics	March 31, 2015	1. Ramco Systems Limited 2. Orchid Pharma Limited 3. Rajapalayam Mills Limited 4. Sundaram BNP Paribas Fund Services Limited 5. Sundaram Trustee Company Limited 6. Tamilnadu Newsprint & Papers Limited 7. Bank of Baroda
Name: Mr. S K Sundararaman Age: 45 years Occupation: Business DIN: 00002691	Independent Non-Executive Director	Masters Degree in Business Administration from Cambridge University, United Kingdom.	February 6, 2018	1. Shiva Texyarn Limited 2. Shiva Mills Limited 3. S K S Agencies Limited 4. Vedanayagam Hospital Limited 5. Abirami Ecoplast

Name, Occupation, Age and	Designation	Qualifications	Date of	Directorships in
				Private Limited 6. Sundar Ram Enterprise Private Limited 7. L K Distributors Private Limited 8. Abirami Distributors Private Limited 9. Indian Technical Textile Association 10. Pricol Limited
Name: Vellayan Subbiah Age: 49 Occupation: Business DIN: 01138759	Additional Director	Degree in Civil Engineering from IIT Madras and Management Degree from the University of Michigan	February 01, 2019	1. SRF Limited 2. Havells India Limited 3. Tube Investments of India Limited 4. Ambadi Investments Limited 5. Cherrytin Online Private Limited

9. The details of change in Board of Directors during the last 3 years from the date of this Letter of Offer are as under:

Name	Appointment/ Resignation/Cessation	Effective Date	Reasons
Mr. Vellayan Subbiah	Appointment	February 01, 2019	Appointment
Mr. C. R. Swaminathan	Cessation	August 2, 2018	Retirement
Mr. S. K. Sundararaman	Appointment	February 6, 2018	Appointment
Mr. M. M Murugappan	Resignation	November 2, 2017	Resignation
Mr. V. Venkiteswaran	Cessation	July 26, 2017	Retirement

10. The Buyback will not result in any benefit to any directors of the Company / Promoters and Promoter Group of the Company / persons in control of the Company / group companies except to the extent of their intention to participate in the Buyback and the change in their shareholding as per the response received in the Buyback, as a result of the extinguishment of Equity Shares which will lead to a reduction in the equity share capital post Buyback.

15. FINANCIAL INFORMATION ABOUT THE COMPANY

The brief audited financial information of the Company for the last three financial years are provided below:

(Rs In crores)

Particulars	For the six months ended Sep- 18 (Limited review)	For the year ended Mar-18 As per IND AS (Audited)	For the year ended Mar-17 As Per IND AS (Audited)	For the year ended Mar-16 As Per IND AS (Audited)
Revenue from Operations (net)	121.36	219.55	203.82	182.11
Other Income	5.82	11.92	10.73	9.23
Total Income	127.18	231.47	214.55	191.34
Total Expense	98.87	182.74	168.22	151.41
Interest	-	-	-	-
Depreciation	5.86	15.56	17.83	16.71
Exceptional Items (credit net)	-	-	-	-
Profit Before Tax	22.45	33.17	28.50	23.15
Provision for Tax (including Deferred Tax)	4.95	4.59	5.99	5.42
Profit After Tax	17.50	28.58	22.51	17.73
Paid-up Equity Share capital of the Company	8.17	8.17	8.17	8.17
Reserves & Surplus	327.14	309.62	298.15	275.72
Net Worth	335.31	317.79	306.32	283.89
Total Debt	Nil	Nil	Nil	Nil

Key Ratios	For the six months ended Sep- 18 (Limited review)	For the year ended Mar-18 As per IND AS (Audited)	For the year ended Mar-17 As Per IND AS (Audited)	For the year ended Mar-16 As Per IND AS (Audited)
Basic Earnings per Share (Rs.)	2.14	3.50	2.75	2.17
Diluted Earnings per Share (Rs.)	2.14	3.50	2.75	2.17
Book value per Share (Rs.)	41.04	38.90	37.49	34.75
Return on Net Worth	10.44% [#]	8.99%	7.35%	6.25%
Debt-Equity Ratio	Nil	Nil	Nil	Nil
Total Debt / Net Worth*	Nil	Nil	Nil	Nil

#Annualized

The Key ratios have been computed as below:

Key Ratios	Basis of Calculation
Net Worth	Equity share capital + Reserves and surplus
Basic Earnings per Share (Rs.)	PAT / Weighted average no. of shares
Diluted Earnings per Share (Rs.)	PAT / Weighted average no. of shares
Book value per Share (Rs.)	Net worth / No. of Equity Shares outstanding at the end of the period.
Return on Net Worth	Profit after tax / Net worth

The Company shall abide by the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, wherever and if applicable. The Company has complied with Sections 68, 69 and 70 of the Companies Act, 2013.

16. STOCK MARKET DATA

- The Shares of the Company are listed on BSE and NSE.
- The high, low and average market prices for the last three financial years (April to March periods) and the monthly high, low and average market prices for the six months preceding the date of Public Announcement, i.e January 30, 2019, and the corresponding volumes on BSE are as follows:

Period	High (Rs.)	Date of High	Number of Shares traded on that date	Low (Rs.)	Date of Low	Number of Shares traded on that date	Average Price* (Rs.)	Total volume traded in period
3 Years								
April 1, 2015 – March 31, 2016	129.4	7-Apr-15	9,371	78	25-Feb-16	3,486	100	42,93,681
April 1, 2016 – March 31, 2017	143.3	23-Sep-16	2,41,171	82	1-Apr-16	41,072	113.46	51,09,499
April 1, 2017 – March 31, 2018	178.9	21-Dec-17	76,558	110.2	3-Apr-17	6,395	139.43	46,68,456
6 months								
July, 2018	149.35	25-Jul-18	35,408	120.5	9-Jul-18	1,540	129.66	3,27,794
August, 2018	140	3-Aug-18	15,078	127.15	16-Aug-18	2,519	132.07	73,535
September, 2018	134.9	3-Sep-18	6,771	122.1	28-Sep-18	1,028	128.56	33,596
October, 2018	124.4	1-Oct-18	4,807	106.2	26-Oct-18	615	114.90	30,469
November, 2018	134	15-Nov-18	4,335	115	7-Nov-18	1,852	123.09	11,212
December, 2018	139.5	24-Dec-18	14,868	112.85	10-Dec-18	2,456	126.71	95,328

Source: www.bseindia.com

*Arithmetical average of closing prices

- The high, low and average market prices for the last financial three years (April to March periods) and the monthly high, low and average market prices for the six months preceding the Public Announcement i.e January 30, 2019 and the corresponding volumes on NSE are as follows:

Period	High (Rs.)	Date of High	Number of Shares traded on that date	Low (Rs.)	Date of Low	Number of Shares traded on that date	Average Price* (Rs.)	Total volume traded in period
3 Years								
April 1, 2015 – March 31, 2016	129.75	7-Apr-15	27,800	77.35	25-Feb-16	10,202	99.98	10,640,346
April 1, 2016 – March 31, 2017	143.4	23-Sep-16	11,58,945	82.05	1-Apr-16	99,304	113.43	17,400,666
April 1, 2017 – March 31, 2018	179.1	21-Dec-17	4,04,548	109.95	3-Apr-17	1,30,412	139.53	19,065,868
6 months								
July, 2018	150.5	25-Jul-18	3,07,216	120.1	9-Jul-18	14,395	129.52	7,77,904
August, 2018	141	2-Aug-18	1,14,207	127.4	16-Aug-18	11,288	131.98	6,29,151
September, 2018	134.4	17-Sep-18	28,937	122.1	28-Sep-18	6,803	129.81	2,97,183
October, 2018	125.55	16-Oct-18	19,974	107.1	11-Oct-18	6,143	114.57	1,94,873
November, 2018	134.95	15-Nov-18	78,675	116.6	5-Nov-18	4,042	122.73	2,40,057
December, 2018	139.85	24-Dec-18	1,18,364	113	11-Dec-18	12,655	126.39	17,05,298

Source: www.nseindia.com

*Arithmetical average of closing prices

4. Notice of the Board Meeting convened to consider the proposal of the Buyback was given to the BSE and NSE on December 17, 2018. The closing price of the Company's equity share on December 17, 2018 on BSE was Rs. 127.10 and on NSE was Rs. 127.20. The Board, at its meeting held on December 26, 2018, approved the proposal for the Buyback at Rs. 140/- per share and the intimation was sent to BSE and NSE on the same day. The high, low and closing market prices on December 24, 2018 (being the trading day before the date on which the Board Meeting was held to approve the Buyback), on BSE were Rs. 139.50, Rs. 132.70 and Rs 133.80., respectively and on NSE were Rs.139.85, Rs. 132.55 and Rs. 133..45, respectively. The closing market price on December 26, 2018 (being the date of the resolution of the Board of directors approving the buy back) was Rs. 131.25 on BSE and Rs. 130.80 on NSE.

17. DETAILS OF STATUTORY APPROVALS

1. The Buyback offer is subject to approvals, if any required, under the provisions of the Act, the Buyback Regulations, FEMA and/or such other acts in force for the time being.
2. The Board at its meeting held on December 26, 2018 and shareholders by passing a special resolution through postal ballot including e-voting, results of which were declared on January 29, 2019, approved the proposal for the Buyback.
3. The Buyback of Shares from Non-Resident Shareholders will be subject to approvals, if any, of the appropriate authorities, including RBI, as applicable. It is the obligation of such Non-Resident Shareholders, to obtain such approvals and submit such approvals along with the tender form, so as to enable them to tender equity shares in the buyback and for the Company to purchase such Equity Shares, tendered. The Company will have the right to make payment to the Eligible Shareholders in respect of whom no prior RBI approval is required and not accept Equity Shares from the Eligible Shareholders in respect of whom prior RBI approval is required in the event copies of such approvals are not submitted.
4. By agreeing to participate in the Buyback the Non-Resident Shareholders give the Company the authority to make, sign, execute, deliver, acknowledge and perform all applications to file regulatory reportings, if required, including FC-TRS form, if necessary and undertake to provide assistance to the Company for such regulatory reporting, if required by the Company.
5. As of date, there is no other statutory or regulatory approval required to implement the Buyback, other than that indicated above. If any statutory or regulatory approval becomes applicable subsequently, the Buyback Offer will be subject to such statutory or regulatory approval(s). In the event of any delay in receipt of any statutory / regulatory approvals, changes to the proposed timetable of the Buyback Offer, if any, shall be intimated to the Stock Exchanges.

18. DETAILS OF THE 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, 3rd 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.

Eligible Shareholders who wish to tender their Equity Shares in the Buyback can send by registered post/speed post or hand deliver the Tender Form, TRS generated by the exchange bidding system along with all the relevant documents by super-scribing the envelope as "Shanthi Gears Limited Buyback Offer 2019", to the Registrar at its office as per address mentioned above, so that the same are not received not later than 2 (two) days from the Buyback Closing Date i.e., by Friday, March 29, 2019 (by 5 p.m. IST).

Eligible Shareholders are required to submit their form(s) with their broker for bidding. After entering a valid bid, the seller broker/Eligible Shareholder, shall send the tender form, along with the requisite documents, either by registered post / courier, to the Registrar to the Buyback, superscribing the envelope as “Shanthi Gears Limited Buyback Offer 2019”, or hand deliver the same to the Registrar at the address mentioned above in this paragraph. Eligible Shareholders holding Equity Shares in the dematerialized form are requested to refer to paragraph 20.22.

IT IS NOT MANDATORY FOR ELIGIBLE SHAREHOLDERS HOLDING AND TENDERING EQUITY SHARES IN DEMAT FORM TO SUBMIT THE TENDER FORM AND THE TRS.

THE TENDER FORM AND OTHER RELEVANT DOCUMENTS SHOULD NOT BE SENT TO THE COMPANY OR TO THE MANAGER TO THE BUYBACK.

19. PROCESS AND METHODOLOGY FOR THE BUYBACK

1. The Company proposes to Buyback upto 50,00,000 Equity Shares from the existing Shareholders / beneficial owners of Equity Shares of the Company, on a proportionate basis, through the Tender Offer route at a price of Rs. 140/- (Rupees One Hundred and forty only) per Equity Share, payable in cash for an aggregate amount not exceeding Rs. 70,00,00,000/- (Rupees Seventy crores only), (being not more than 25% of the total paid-up equity capital and free reserves of the Company as per the audited accounts for the financial year ended March 31, 2018). The maximum number of Equity Shares proposed to be bought back represents approximately 6.12% of the total paid-up equity share capital of the Company as on March 31, 2018. The Buyback is in accordance with Article 11 of the Articles of Association of the Company and subject to the provisions of Section 68 and all other applicable provisions, if any, of the Companies Act and in compliance with Buyback Regulations and subject to such other approvals, permissions and sanctions as may be necessary, from time to time from statutory authorities including but not limited to SEBI, Stock Exchanges, RBI etc.
2. The aggregate shareholding of the Promoters and Promoter Group is 5,73,02,913 Equity Shares, which represents 70.12% of the existing equity share capital of the Company. In terms of the Buyback Regulations, under the 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 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, provided details regarding shares intended to be tendered by them in the following manner:

S.No.	Name	No. of Equity Shares Held	Maximum number of Equity Shares intended to tender
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. Assuming response to the Buyback Offer is to the extent of 100% from all the Shareholders upto their entitlement (full acceptance), post Buyback the aggregate shareholding of the Promoters and Promoter Group will be 54,189,260 Equity Shares, representing 70.64% of the post Buyback equity share capital of the Company i.e an increase of 0.52% (rounded-off) from their present holding of 70.12 % of the pre Buyback equity share capital of the Company.
 - a. Record Date, ratio of Buyback and entitlement of each Shareholder
The Buyback Committee on January 29, 2019 has fixed Friday the February 08, 2019 as the Record Date for the purpose of determining the entitlement and the names of the Shareholders, who are eligible to participate in the Buyback Offer.
 - b. The Equity Shares proposed to be bought back by the Company shall be divided in two categories:
 1. Reserved category for Small Shareholders (“**Reserved Category**”); and
 2. General category for all Shareholders other than Small Shareholders (“**General Category**”)
 - c. As defined under Regulation 2(i)(n) of the Buyback Regulations, a “Small Shareholder” is a Shareholder who holds Equity Shares having market value, on the basis of closing price on February 08, 2019 as on Record Date, of not more than Rs. 2,00,000/- (Rupees Two Lakh

only). As on the Record Date, the closing price on NSE, having the highest trading volume was Rs. 119.70 per Equity Share, accordingly all Shareholders holding not more than 1,670 Equity Shares as on the Record Date are classified as 'Small Shareholders' for the purpose of the Buyback Offer.

- d. Based on the above definition, there are 14,697 Small Shareholders with aggregate shareholding of 34,99,904 Shares, as on the Record Date, which constitutes 4.28% of the outstanding paid up equity share capital of the Company and 70% of the number of Equity Shares which are proposed to be bought back as part of this Buyback Offer.
- e. In compliance with Regulation 6 of the Buyback Regulations, the reservation for the Small Shareholders, will be 7,50,000 Equity Shares which is higher of:
 1. Fifteen percent of the number of Equity Shares which the Company proposes to Buyback i.e. 15% of 50,00,000 Equity Shares which works out to 7,50,000 Equity Shares; or
 2. The number of Equity Shares to which the Small Shareholders are entitled, as per their shareholding as on Record Date i.e. $\left[\frac{34,99,904}{8,17,15,853} \right] \times 50,00,000$ which works out to 2,14,151 Equity Shares.

All the outstanding Equity Shares have been used for computing the entitlement of Small Shareholders since the Promoters and Promoter Group also intend to offer Equity Shares held by them in the Buyback.
- f. Based on the above analysis and in accordance with Regulation 6 of the Buyback Regulations, 7,50,000 Equity Shares have been reserved for the Small Shareholders ("**Reserved Category**") and accordingly, the General Category for all other Eligible Sellers shall consist of 42,50,000 Equity Shares ("**General Category**").
- g. 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
- h. Based on the above, the entitlement ratio of Buyback for both categories is decided as below:

Category Entitlement Ratio of Buyback

Category	Entitlement Ratio of Buyback*
Reserved Category	3 Equity Shares out of every 14 fully paid-up Equity Shares held on the Record Date
General Category	52 Equity Shares out of every 957 fully paid-up Equity Shares held on the Record Date

**The above Ratio of Buyback is approximate and providing indicative Buyback Entitlement. Any computation of entitled Equity Shares using the above Ratio of Buyback may provide a slightly different number due to rounding-off. The actual Buyback Entitlement for Reserved category for Small Shareholders is 0.214291591997952 and General category for all other Eligible Shareholders is 0.05433674403158 .*

4. **Fractional Entitlements**

If the entitlement under Buyback, after applying the above mentioned ratios to the Equity Shares held on Record Date, is not a round number (i.e. not in the multiple of 1 Equity Share) then the fractional entitlement shall be ignored for computation of entitlement to tender Equity Shares in the Buyback Offer, for both categories of Shareholders.

On account of ignoring the fractional entitlement, those Small Shareholders who hold 1,670 or less Equity Shares as on Record Date, will be dispatched a Tender Form with zero entitlement. Such Small Shareholders are entitled to tender additional Equity Shares as part of the Buyback Offer and will be given preference in the acceptance of one Equity Share, if such Small Shareholders have tendered for additional Equity Shares.

5. **Basis of Acceptance of Equity Shares validly tendered in the Reserved Category**

Subject to the provisions contained in this Letter of Offer, the Company will accept the Shares tendered in the Buyback Offer by the Small Shareholders in the Reserved Category in the following order of priority:

- a. Full acceptance of Shares from Small Shareholders in the Reserved Category who have validly tendered their Shares, to the extent of their Buyback Entitlement, or the number of Shares tendered by them, whichever is less.
- b. Post the acceptance as described in paragraph 19.6 (a), in case, there are any Shares left to be bought back in the Reserved Category, the Small Shareholders who were entitled to tender zero Shares (on account of ignoring the fractional entitlement), and have tendered additional Shares, shall be given preference and one Equity Share each from the additional Shares tendered by these Small Shareholders shall be bought back in the Reserved Category.
- c. Post the acceptance as described in paragraph 19.6(a) and (b), in case, there are any validly tendered unaccepted Shares in the Reserved Category ("**Reserved Category Additional Shares**") and Shares left to be bought back in Reserved Category, the Reserved Category Additional Shares shall be accepted in a proportionate manner and the acceptances shall be made in accordance with the Buyback Regulations, i.e. valid acceptances per Shareholder shall be equal to the Reserved Category Additional Shares tendered by the Shareholder divided by the total Reserved Category Additional Shares and multiplied by the total number of Shares remaining to be bought back in Reserved Category. For the purpose of this calculation, the Reserved Category Additional Shares taken into account for such Small Shareholders, from whom one Equity Share has been accepted in accordance with paragraph 19.6 (b), shall be reduced by one.
- d. Adjustment for fractional results in case of proportionate acceptance, as described in paragraph 19.6(c), will be made as follows:
 - For any Shareholder, if the number of Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 and the fractional acceptance is greater than or equal to 0.50, then the fraction would be rounded off to the next higher integer.
 - For any Shareholder, if the number of Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 and the fractional acceptance is less than 0.50, then the fraction shall be ignored.

6. **Basis of Acceptance of Equity Shares validly tendered in the General Category**

Subject to the provisions contained in this Letter of Offer, the Company will accept the Shares tendered in the Buyback Offer by Shareholders (other than Small Shareholders) in the General Category in the following order of priority:

- a. Full acceptance of Shares from Shareholders in the General Category who have validly tendered their Shares, to the extent of their Buyback Entitlement, or the number of Shares tendered by them, whichever is less.
- b. Post the acceptance as described in paragraph 19.7 (a), in case, there are any validly tendered

unaccepted Shares in the General Category (“**General Category Additional Shares**”) and Shares left to be bought back in General Category, the General Category Additional Shares shall be accepted in a proportionate manner and the acceptances shall be made in accordance with the Buyback Regulations, i.e. valid acceptances per Shareholder shall be equal to the General Category Additional Shares by the Shareholder divided by the total General Category Additional Shares and multiplied by the total number of Shares remaining to be bought back in General Category.

- c. Adjustment for fractional results in case of proportionate acceptance, as described in paragraph 19.7 (b), will be made as follows:
- For any Shareholder, if the number of Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 and the fractional acceptance is greater than or equal to 0.50, then the fraction would be rounded off to the next higher integer.
 - For any Shareholder, if the number of Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 and the fractional acceptance is less than 0.50, then the fraction shall be ignored.

7. **Basis of Acceptance of Equity Shares between the two categories**

- a. After acceptances of tenders, as mentioned in paragraph 19.6 and 19.7, in case, there are any Shares left to be bought back in one category (“**Partially Filled Category**”) and there are additional unaccepted validly tendered Shares (“**Further Additional Shares**”) in the second category (“**Over Tendered Category**”), then the Further Additional Shares in the Over Tendered Category shall be accepted in a proportionate manner i.e. valid acceptances per Shareholder shall be equal to Further Additional Shares validly tendered by the Shareholder in the Over Tendered Category divided by the total Further Additional Shares in the Over Tendered Category and multiplied by the total Shares left to be bought back in the Partially Filled Category.
- b. If the Partially Filled Category is the General Category and the Over Tendered Category is the Reserved Category, then any Small Shareholder who has received a Tender Form with zero Buyback Entitlement and who has tendered Additional Shares shall be eligible for priority acceptance of one Equity Share before acceptance in paragraph 19.8(a) out of the Shares left to be bought back in the Partially Filled Category provided no acceptance could take place from such Shareholder in accordance with paragraph 19.6.
- c. Adjustment for fraction results in case of proportionate acceptance, as defined in paragraph 19.8(a):
- For any Shareholder, if the number of Further Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 and the fractional acceptance is greater than or equal to 0.50, then the fraction would be rounded off to the next higher integer.
 - For any Shareholder, if the number of Further Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 and the fractional acceptance is less than 0.50, then the fraction shall be ignored.

In case of any practical issues, resulting out of rounding-off of Shares or otherwise, the Buyback Committee or any person(s) authorized by the Buyback Committee will have the authority to decide such final allocation with respect to such rounding-off or any excess of Equity Shares or any shortage of Equity Shares after allocation of Equity Shares as set out in the process described in paragraph 19.

8. **For avoidance of doubt, it is clarified that, in accordance with the clauses above:**

- Shares accepted under the Buyback from each Eligible Shareholder, shall be lower of the following:
 - the number of Shares tendered by the respective Shareholder and
 - the number of Shares held by the respective Shareholder, as on the Record Date.
- Shares tendered by any Shareholder over and above the number of Shares held by such Shareholder as on the Record Date shall not be considered for the purpose of acceptance.

20. PROCEDURE FOR TENDERING SHARES AND SETTLEMENT

1. The Buyback is open to all Equity Shareholders / beneficial owners of the Company holding Equity Shares either in physical and/or dematerialized form on the Record Date.
2. The Company proposes to effect the Buyback through the Tender Offer route, on a proportionate basis. The Letter of Offer and Tender Form, outlining the terms of the Buyback as well as the detailed disclosures as specified in the Buyback Regulations, will be mailed/dispatched to Eligible Shareholders.
3. The Eligible Shareholders who have registered their email IDs with the depositories / the Company, shall be dispatched the Letter of Offer through electronic means. The Eligible Shareholders who have not registered their email ids with the depositories / the Company, shall be dispatched the Letter of Offer through physical mode by registered post / speed post / courier. In case of non-receipt of Letter of Offer and the Tender Form, please follow the procedure as mentioned in paragraph 20.25 below. The Company shall accept all the Equity Shares validly tendered in the Buyback by Eligible Shareholders, on the basis of their Buyback Entitlement as on the Record Date.
4. The Company will not accept any Equity Shares offered for Buyback which are under any restraint order of a court for transfer/ sale of such shares. The Company shall comply with Regulation 19(5) of the Buyback Regulations which states that the Company shall not buyback locked-in Equity Shares and non-transferable Equity Shares till the pendency of the lock-in or till such Equity Shares become transferable. The Company shall accept all the Equity Shares validly tendered in the Buyback by the Eligible Shareholders, on the basis of the Buyback entitlement as on the Record Date.
5. Eligible Shareholders will have to transfer the Equity Shares from the same demat account in which they were holding the Equity Shares as on the Record Date and in case of multiple demat accounts, Eligible Shareholders are required to tender the applications separately from each demat account. In case of any changes in the demat account in which the Equity Shares were held as on Record Date, such Eligible Shareholders should provide sufficient proof of the same to the Registrar to the Buyback and such tendered Equity Shares may be accepted subject to appropriate verification and validation by the Registrar to the Buyback. The Board or Buyback Committee authorized by the Board will have the authority to decide such final allocation in case of non-receipt of sufficient proof by such Eligible Shareholder.
6. Eligible Shareholders' participation in Buyback is voluntary. Eligible Shareholders holding Equity Shares of the Company can choose to participate and get cash in lieu of shares to be accepted under the Buyback or they may choose not to participate. Eligible Shareholders holding Equity Shares of the Company may also accept a part of their entitlement. Eligible Shareholders holding Equity Shares of the Company 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 Eligible Shareholders, if any. If the Buyback entitlement for any Eligible Shareholder is not a round number, then the fractional entitlement shall be ignored for computation of entitlement to tender Equity Shares in the Buyback. The acceptance of any Equity Shares tendered in excess of the Buyback Entitlement by the Eligible Shareholder shall be in terms of the procedure outlined herein.
7. The maximum tender under the Buyback by any Eligible Shareholder cannot exceed the number of Equity Shares held by the Eligible Shareholder as on the Record Date.
8. The Company shall accept all the Equity Shares validly tendered for the Buyback by Eligible Shareholders, on the basis of their Buyback Entitlement as on the Record Date.
9. As elaborated under paragraph 19.4(h) above, the Equity Shares proposed to be bought as a part of the Buyback are divided into two categories: (a) Reserved Category for Small Shareholders and (b) the General Category for all other Eligible Shareholders. The Buyback Entitlement of Eligible Shareholders in each category shall be calculated accordingly.
10. Post acceptance of the Equity Shares tendered on the basis of Buyback Entitlement, Equity Shares left to be bought as a part of the Buyback, if any, in one category shall first be accepted, in proportion to the Equity Shares tendered, over and above their Buyback Entitlement, by Eligible Shareholders in that category, and thereafter, from Eligible Shareholders who have tendered over and above their Buyback Entitlement, in other category.
11. The Buyback shall be implemented using the "Mechanism for acquisition of shares through Stock

Exchange” notified by SEBI Circular and following the procedure prescribed in the Companies Act, the Share Capital Rules and the Buyback Regulations and as may be determined by the Board and on such terms and conditions as may be permitted by law from time to time.

12. For implementation of the Buyback, the Company has appointed Axis Capital Limited as the registered broker to the Company (the “**Company’s Broker**”) to facilitate the process of tendering of Equity Shares through Stock Exchange Mechanism for the Buyback as described in this paragraph 20.12. In the tendering process, the Company’s Broker may also process the orders received from the eligible Shareholders. The contact details of the Company’s Broker are as follows



Axis Capital Limited

5th Floor, Axis House, C-2 Wadia International Centre,
P. B. Marg, Worli, Mumbai - 400 025
Contact Person: Mr. Ram Shinde, Tel: +91 22 4325 5579 ,
Email: QIB@axiscap.in

Website: www.axiscapital.co.in

SEBI Registration No. NSE Capital Market: INB231387235; BSE Equity: INB011387330
CIN: U51900MH2005PLC157853

13. The Company will request BSE to provide the separate acquisition window to facilitate placing of sell orders by shareholders who wish to tender Equity Shares in the Buyback. The BSE would be the designated stock exchange for the Buyback (“**Designated Stock Exchange**”). The details of the platform will be specified by Designated Stock Exchange from time to time. In case Eligible Shareholders registered stock broker is not registered with BSE, Eligible Shareholders may choose to approach Company’s Broker to place its bid.
14. All Eligible Shareholders may place orders in the Acquisition Window, through their respective stock brokers (“**Seller Member(s)**”).
15. In the event Seller Member(s) are not registered with the Designated Stock Exchange or if the Eligible Shareholders do not have any stock broker then that Eligible Shareholders can approach any stock broker registered with the Designated Stock Exchange and can make a bid by using quick unique client code (“**UCC**”) facility through that stock broker registered with the Designated Stock Exchange after submitting the details as may be required by the stock broker to be in compliance with the Buyback Regulations. In case Eligible Shareholders are not able to bid using quick UCC facility through any other stock broker registered with the Designated Stock Exchange, then the Eligible Shareholders may approach Company’s Broker viz. Axis Capital Limited, to bid by using quick UCC facility after submitting requisite documents.

In case of Eligible Shareholder being an individual

If Eligible Shareholder is registered with KYC Registration Agency (“KRA”) - Forms required:

- Central Know Your Client (CKYC) form including Foreign Account Tax Compliance Act (“FATCA”), In-Person Verification (“IPV”) and Original Seen and Verified (“OSV”) if applicable
- Know Your Client (KYC) form Documents required (all documents self-attested):
 - Bank details (cancelled cheque)
- Demat details only if Equity Shares are in demat mode (Demat Master /Latest Demat statement)

If Eligible Shareholder is not registered with KRA - Forms required:

- CKYC form including FATCA, IPV and OSV if applicable
- KRA form
- KYC form Documents required (all documents self-attested):
 - PAN card copy
 - Address proof
 - Bank details (cancelled cheque)
- Demat details only if Equity Shares are in demat mode (Demat master /Latest Demat statement)

It may be noted that other than submission of above forms and documents in person verification may be required.

In case Eligible Shareholder is an HUF:

If Eligible Shareholder is registered with KYC Registration Agency (“KRA”): Forms required:

- CKYC form of KARTA including FATCA, IPV and OSV if applicable
- KYC form Documents required (all documents self-attested):
 - Bank details (cancelled cheque)
- Demat details only if Equity Shares are in demat mode (Demat Master/Latest Demat statement)

If Eligible Shareholder is not registered with KRA: Forms required:

- CKYC form of KARTA including FATCA, IPV and OSV if applicable
- KRA form
- KYC form Documents required (all documents self-attested):
 - PAN card copy of HUF & KARTA
 - Address proof of HUF & KARTA
 - HUF declaration
 - Bank details (cancelled cheque)
- Demat details only if Equity Shares are in demat mode (Demat master /Latest Demat statement)

It may be noted that other than submission of above forms and documents in person verification may be required.

In case of Eligible Shareholder other than Individual and HUF:

If Eligible Shareholder is KRA registered: Form required

- KYC form Documents required (all documents certified true copy)
 - Bank details (cancelled cheque)
- Demat details only if Equity Shares are in demat mode (Demat master /Latest Demat statement)
- FATCA, IPV and OSV if applicable
- Latest list of Directors/authorised signatories/partners/trustees
- Latest shareholding pattern
- Board resolution
- Details of ultimate beneficial owner along with PAN card and address proof
- Last 2 years financial statements

If Eligible Shareholder is not KRA registered: Forms required:

- KRA form
- KYC form Documents required (all documents certified true copy):
 - PAN card copy of company/ firm/trust
 - Address proof of company/ firm/trust
 - Bank details (cancelled cheque)
- Demat details only if Equity Shares are in demat mode (Demat Master /Latest Demat statement)
- FATCA, IPV and OSV if applicable
- Latest list of Directors/authorised signatories /partners/trustees
- PAN card copies & address proof of Directors/authorised signatories/partners/trustees
- Latest shareholding pattern
- Board resolution/partnership declaration
- Details of ultimate beneficial owner along with PAN card and address proof
- Last 2 years financial statements
- Memorandum & Articles of Association (MOA)/Partnership deed /trust deed

Additionally, registered Eligible Shareholders holding Equity Shares in Physical form must also provide the documents mentioned in Paragraph 20.23(a).

It may be noted that above mentioned list of documents is an indicative list. The requirement of documents and procedures may vary from broker to broker.

16. All Eligible Shareholders, through their respective Seller Member will be eligible and responsible to place orders in the acquisition window. All Eligible Shareholders can enter orders for Equity Shares in demat form as well as Equity Shares in physical form.
17. During the Tendering Period, the order for selling the Equity Shares will be placed in the acquisition window by Eligible Shareholders through their respective Seller Members during normal trading hours of the secondary market.
18. Seller Members can enter orders for Equity Shares in demat form as well as Equity Shares in physical form.
19. Modification/ cancellation of orders and multiple bids from a single Shareholder will be allowed during the Tendering Period of the Buyback offer. Multiple bids made by single Shareholder for selling the Equity Shares shall be clubbed and considered as 'one' bid for the purposes of acceptance.
20. The cumulative quantity tendered shall be made available on websites of the Stock Exchange at www.bseindia.com throughout the trading session and will be updated at specific intervals during the Tendering Period.
21. All documents sent by the Eligible Shareholders will be at their own risk. Eligible Shareholders are advised to safeguard adequately their interests in this regard.
22. **Procedure to be followed by Eligible Shareholders holding Equity Shares in the dematerialised form**
 - a) Eligible Shareholders who desire to tender their Equity Shares in the electronic form under Buyback would have to do so through their respective Seller Member by indicating to their Seller Member 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 Shareholders who wish to tender Equity Shares in the Buyback using the acquisition window of the Designated Stock Exchange. Before placing the bid, the Eligible Shareholder would be required to transfer the tendered Equity Shares to the special account of the Clearing Corporation, by using the early pay in mechanism of the Depository prior to placing the order/ bid on the platform of the Stock Exchanges by the Seller Member. For further details, Eligible Shareholders may refer to the circulars issued by the Stock Exchange/ Clearing Corporation.
 - c) The details of the settlement number of the special account of the Clearing Corporation under which the Equity Shares are to be transferred in the account of Clearing Corporation for the Buyback will be provided in a separate circular to be issued by the Clearing Corporation.
 - d) For custodian participant orders for demat Equity Shares early pay-in is mandatory prior to confirmation of order/bid by custodian. The custodian shall either confirm or reject the orders not later than the closing of trading hours (i.e., 3:30 p.m.) on the last day of the Tendering Period (i.e., the Buyback Closing Date). 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.
 - e) Upon placing the bid, the Seller Member shall provide a TRS generated by the exchange bidding system to the Eligible Shareholder. TRS will contain the details of order submitted like bid ID number, application number, DP ID, client ID, number of Equity Shares tendered, etc.
 - f) Eligible Shareholders shall also provide all relevant documents, which are necessary to ensure transferability of the Equity Shares in respect of the Tender Form to be sent. Such documents may include (but not be limited to):

- i. Duly attested power of attorney, if any person other than the Eligible Shareholder has signed the Tender Form;
 - ii. Duly attested death certificate and succession certificate/ legal heirship certificate/court approved scheme of merger/amalgamation for a company, in case any Eligible Shareholder has expired; and
 - iii. In case of companies, the necessary certified corporate authorizations (including board and/or general meeting resolutions).
- g) In case of demat equity shares, submission of Tender Form and TRS is not mandatory. After the receipt of the demat Equity Shares by the Clearing Corporation and a valid bid in the exchange bidding system, the Eligible Shareholders holding Equity Shares in demat form have successfully tendered the Equity Shares in the Buyback.
 - h) The cumulative quantity tendered shall be made available on the website of the Stock Exchanges throughout the trading sessions and will be updated at specific intervals during the Tendering Period.
 - i) The Eligible Shareholders will have to ensure that they keep the DP account active and unblocked to receive credit in case of return of Equity Shares due to rejection or due to prorated Buyback decided by the Company. Further, Eligible Shareholders will have to ensure that they keep the savings bank account attached with the DP account active and updated to receive credit remittance due to acceptance of Buyback of shares by the Company.

23. Procedure to be followed by Registered Eligible Shareholders holding Equity Shares in Physical form

- a) Eligible Shareholders who are holding physical Equity Shares and intend to participate in the Buyback will be required to approach their respective Seller Members along with the complete set of documents for verification procedures to be carried out including the (i) original share certificate(s), (ii) valid share transfer form(s) (i.e., form SH-4) duly filled and signed by the transferors (i.e. by all registered Eligible Shareholders in same order and as per the specimen signatures registered with the Company) and duly witnessed at the appropriate place authorizing the transfer in favour of the Company, (iii) self-attested copy of the Eligible Shareholder's PAN Card, and (iv) any other relevant documents such as power of attorney, corporate authorization (including board resolution/specimen signature), notarized copy of death certificate and succession certificate or probated will, if the original shareholder has deceased, etc., as applicable. In addition, if the address of an Eligible Shareholder has undergone a change from the address registered in the Register of Members of the Company, such Eligible Shareholder 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 the documents mentioned in paragraph 20.23(a) above, the concerned Seller Member shall place the bid on behalf of the Eligible Shareholder holding Equity Shares in physical form who wishes to tender Equity Shares in the Buyback using the acquisition window of the Stock Exchanges. Upon placing the bid, the Seller Member shall provide a TRS generated by the Stock Exchanges' bidding system to the Eligible Shareholder. TRS will contain the details of order submitted like Folio No., Certificate No., Distinctive No., No. of Equity Shares tendered etc.
- c) After placing the Bid, the Seller Member of the Eligible Shareholder has to deliver the original share certificate(s) and documents (as mentioned in paragraph 20.23(a) above along with TRS either by registered post or courier or hand delivery to the Registrar (at the address mentioned at paragraph 20 above not later than 2 (two) days from the Buyback Closing Date, by Friday, March 29, 2019 by 5:00 p.m. 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 Shareholder.
- d) Eligible Shareholder 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 Stock Exchanges shall display such bids as 'unconfirmed physical bids'. Once the Registrar confirms the bids, it will be treated as 'confirmed bids'.

- e) All documents as mentioned above, shall be enclosed with the valid Tender Form, otherwise the Equity Shares tendered will be liable for rejection. The Equity Shares shall be liable for rejection on the following grounds amongst others: (i) If there is any other company's equity share certificate(s) enclosed with the Tender Form instead of the Equity Share certificate(s) of the Company; (ii) If the transmission of Equity Shares is not completed, and the Equity Shares are not in the name of the Eligible Shareholders; (iii) If the Eligible Shareholders tender Equity Shares but the Registrar to the Buyback does not receive the Equity Share certificate(s); (iv) In case the signature on the Tender Form and Form SH-4 does not match as per the specimen signature recorded with Company/Registrar and Transfer Agent of the Company.
- f) In case any Eligible Shareholder has submitted Equity Shares in physical form for dematerialization, such Eligible Shareholders should ensure that the process of getting the Equity Shares dematerialized is completed well in time so that they can participate in the Buyback before Buyback Closing Date.

24. **For Equity Shares held by Eligible Shareholders, being Non-Resident Shareholders of Equity Shares (Read with paragraph 17 "Details of the Statutory Approvals"):**

- a) Eligible Shareholders, being Non-Resident Shareholders of Equity Shares (excluding FIIs) shall also enclose a copy of the permission received by them from RBI, if applicable, to acquire the Equity Shares held by them.
- b) In case the Equity Shares are held on repatriation basis, the Non-Resident Eligible Shareholder shall obtain and enclose a letter from its authorised dealer / bank confirming that at the time of acquiring such Equity Shares, payment for the same was made by the non-resident Eligible Shareholder from the appropriate account (e.g. NRE a/c.) as specified by RBI in its approval. In case the Non-Resident Seller is not in a position to produce the said certificate, the Equity Shares would be deemed to have been acquired on non-repatriation basis and in that case the Non-Resident Seller shall submit a consent letter addressed to the Company, allowing the Company to make the payment on a non-repatriation basis in respect of the valid Equity shares accepted under the Buyback.
- c) If any of the above stated documents (as applicable) are not enclosed along with the Tender Form, the Equity Shares tendered under the Buyback are liable to be rejected.

THE NON RECEIPT OF THE LETTER OF OFFER BY, OR ACCIDENTAL OMISSION TO DISPATCH THE LETTER OF OFFER TO ANY PERSON WHO IS ELIGIBLE TO RECEIVE THE SAME TO PARTICIPATE IN THE BUYBACK, SHALL NOT INVALIDATE THE BUYBACK OFFER IN ANY WAY.

25. **In case of non-receipt of the Letter of Offer:**

- a) **In case the Equity Shares are in dematerialised form:** If Eligible Shareholder(s) who have been sent the Letter of Offer through electronic means wish to obtain a physical copy of the Letter of Offer, they may send a request in writing to the Company or Registrar at the address or email id mentioned at the cover page of the Letter of Offer stating name, address, number of Equity Shares held on Record Date, client ID number, DP name / ID, beneficiary account number, and upon receipt of such request, a physical copy of the Letter of Offer shall be provided to such Eligible Shareholder. An Eligible Shareholder may participate in the Buyback by downloading the Tender Form from the website of the Company i.e. www.shanthigears.com or the website of the registrar at www.skdc-consultants.com or by providing their application in writing on plain paper, signed by all Equity Shareholders, stating name and address of Shareholder(s), number of Equity Shares held as on the Record Date, Client ID number, DP Name/ ID, beneficiary account number and number of Equity Shares tendered for the Buyback.
- b) **In case the Equity Shares are in physical form:** An Eligible Shareholder may participate in the Buyback by providing their application in writing on plain paper signed by all Eligible Shareholders stating name, address, folio number, number of Equity Shares held, share certificate number, number of Equity Shares tendered for the Buyback and the distinctive numbers thereof, enclosing the original share certificate(s), copy of Eligible Shareholders' PAN card(s) and executed share transfer form in favour of the Company. The transfer form SH-4 can be downloaded from the Company's website i.e. www.shanthigears.com. After placing the Bid through Seller Member, the Seller Member of the Eligible Shareholders must ensure that the Tender Form, along with the TRS and requisite documents (as mentioned in paragraph 20.23(a) above), reach the Registrar not later than 2 (two) days from the Buyback Closing Date, Friday,

March 29, 2019 by 5.00 p.m. If the signature(s) of the Eligible Shareholders provided in the plain paper application differs from the specimen signature(s) recorded with the Registrar and Transfer Agent of the Company or are not in the same order (although attested), such applications are liable to be rejected under this Buyback.

Please note that Eligible Shareholder(s) who intend to participate in the Buyback will be required to approach their respective Seller Member (along with the complete set of documents for verification procedures) and have to ensure that their bid is entered by their respective Seller Member or broker in the electronic platform to be made available by the Designated Stock Exchange before the Buyback Closing Date.

The Company shall accept Equity Shares validly tendered by the Shareholder(s) in the Buyback on the basis of their shareholding as on the Record Date and the Buyback Entitlement. Eligible Shareholder(s) who intend to participate in the Buyback using the 'plain paper' option as mentioned in this paragraph are advised to confirm their entitlement from the Registrar to the Buyback Offer, before participating in the Buyback.

- c) The participation of the Eligible Shareholders in the Buyback is entirely at the discretion of the Eligible Shareholders. The Company does not accept any responsibility for the decision of any Eligible Shareholder to either participate or to not participate in the Buyback. The Company will not be responsible in any manner for any loss of Share certificate(s) and other documents during transit and the Eligible Shareholders are advised to adequately safeguard their interest in this regard.

26. Method of Settlement

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

- 1 The settlement of trades shall be carried out in the manner similar to settlement of trades in the secondary market and as intimated by the Clearing Corporation from time to time.
- 2 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. For demat Equity Shares accepted under the Buyback, the Clearing Corporation will make direct funds payout to respective Eligible Shareholders. If Eligible Shareholders' bank account details are not available or if the funds transfer instruction is rejected by RBI/Bank, due to any reason, such funds will be transferred to the concerned Seller Members' settlement bank account for onward transfer to such Eligible Shareholders holding Equity Shares in dematerialized form.
- 3 In case of certain client types viz. Non-Resident Shareholders (where there may be specific RBI and other regulatory requirements pertaining to funds pay-out) who do not opt to settle through custodians, the funds pay-out would be given to their respective Seller Member's settlement accounts for releasing the same to the respective Eligible Shareholder's account. For this purpose, the client type details would be collected from the Depositories, whereas funds payout pertaining to the bids settled through custodians will be transferred to the settlement bank account of the custodian, each in accordance with the applicable mechanism prescribed by the Stock Exchanges and the Clearing Corporation from time to time.
- 4 For the Eligible Shareholders holding Equity Shares in physical form, the funds payout would be given to their respective Seller Member's settlement accounts for releasing the same to the respective Eligible Shareholder's account.
- 5 The Equity Shares bought back in demat form would be transferred directly to the Company Demat Account provided it is indicated by the Company's Broker or it will be transferred by the Company's Broker to the Company Demat Account on receipt of the Equity Shares from the clearing and settlement mechanism of the Stock Exchanges.
- 6 The Eligible Shareholders will have to ensure that they keep the 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.
- 7 Excess demat Equity Shares or unaccepted demat Equity Shares, if any, tendered by the Eligible Shareholders would be returned to them by the Clearing Corporation directly to the respective Eligible Shareholder's DP account, as part of the exchange payout process. If the securities transfer instruction is rejected in the depository system, due to any issue then such securities will be transferred to the Seller Member's depository pool account for onward transfer to the

Eligible Shareholder. In case of custodian participant orders, excess demat Shares or unaccepted demat Shares, if any, will be returned to the respective custodian participant. The Seller Members / custodian participants would return these unaccepted Equity Shares to their respective clients on whose behalf the bids have been placed. Any excess physical Equity Shares pursuant to proportionate acceptance/rejection will be returned back to the Eligible Shareholders directly by the Registrar. 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 Eligible Shareholders holding Equity Shares in the physical form.

- 8 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 payout 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.
- 9 The Company's Broker would also issue a contract note to the Company for the Equity Shares accepted under the Buyback. If Eligible Shareholders bank account details are not available or if the fund transfer instruction is rejected by RBI or bank, due to any reasons, then the amount payable to Eligible Shareholders will be transferred to the Seller Member for onward transfer to the Eligible Shareholder.
- 10 Shareholders who intend to participate in the Buyback should consult their respective Seller Members for payment to them of any cost, charges and expenses (including brokerage) that may be levied by the Seller Member upon the selling Shareholders for tendering Equity Shares in the Buyback (secondary market transaction). The Buyback consideration received by the selling Shareholders from their respective Seller Members, in respect of accepted Equity Shares, could be net of such costs, 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 selling Shareholders.
- 11 The Equity Shares lying to the credit of the Demat Escrow 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 Regulations.

27. **Rejection Criteria**

The Equity Shares tendered by Eligible Shareholders would be liable to be rejected on the following grounds:

For Eligible Shareholders holding shares in the dematerialized form if:

- a) the Shareholder is not a Eligible Shareholder of the Company as on the Record Date; or
- b) If there is a name mismatch in the dematerialised account of the Shareholder and PAN.

For Eligible Shareholders holding Equity Shares in the physical form if:

- a) The documents mentioned in the Tender Form for Eligible Shareholders holding Equity Shares in physical form are not received by the Registrar on or before the close of business hours Friday, March 29, 2019 by 5.00 p.m.;
- b) If there is any other company share certificate enclosed with the Tender Form instead of the share certificate of the Company;
- c) If the transmission of Equity Shares is not completed, and the Equity Shares are not in the name of the Eligible Shareholders;
- d) If the Eligible Shareholders bid the Equity Shares but the Registrar does not receive the physical Equity Share certificate; or
- e) In the event the signature in the Tender Form and Form SH-4 do not match as per the specimen signature recorded with Company or Registrar and Transfer Agent.
- f) The documents mentioned in instruction number 3 and 4 of the Tender Form for physical

Equity Shareholders are not received by the Registrar before the close of business hours on or before Friday, March 29, 2019 by 5.00 PM.

- g) Where there exists any restraint order of a Court/ any other competent authority for transfer / disposal/ sale or where loss of share certificates has been notified to the Company or where the title to the Equity Shares is under dispute or otherwise not clear or where any other restraint subsists.

21. NOTE ON TAXATION

THE SUMMARY OF THE TAX CONSIDERATIONS IN THIS SECTION ARE BASED ON THE CURRENT PROVISIONS OF THE TAX LAWS OF INDIA AND THE REGULATIONS THEREUNDER, THE JUDICIAL AND THE ADMINISTRATIVE INTERPRETATIONS THEREOF, WHICH ARE SUBJECT TO CHANGE OR MODIFICATION BY SUBSEQUENT LEGISLATIVE, REGULATORY, ADMINISTRATIVE OR JUDICIAL DECISIONS. ANY SUCH CHANGES COULD HAVE DIFFERENT TAX IMPLICATIONS.

IN VIEW OF THE PARTICULARISED NATURE OF TAX CONSEQUENCES, SHAREHOLDERS ARE REQUIRED TO CONSULT THEIR TAX ADVISORS FOR THE APPLICABLE TAX PROVISIONS INCLUDING THE TREATMENT THAT MAY BE GIVEN BY THEIR RESPECTIVE TAX OFFICERS IN THEIR CASE, AND THE APPROPRIATE COURSE OF ACTION THAT THEY SHOULD TAKE.

THE COMPANY DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR OTHERWISE OF SUCH ADVICE. THEREFORE, SHAREHOLDERS CANNOT RELY ON THIS ADVICE AND THE SUMMARY OF TAX IMPLICATIONS RELATING TO THE TREATMENT OF INCOME TAX IN THE CASE OF BUY-BACK OF LISTED EQUITY SHARES ON THE STOCK EXCHANGE SET OUT BELOW SHOULD BE TREATED AS INDICATIVE AND FOR GUIDANCE PURPOSES ONLY.

1. GENERAL

The Indian tax year runs from 1st April to 31st March. The basis of charge of Indian income-tax depends upon the residential status of the taxpayer during a tax year. A person who is a tax resident of India is liable to taxation in India on his worldwide income, subject to certain prescribed tax exemptions provided under the Income Tax Act, 1961 ('**Income Tax Act**' or '**ITA**').

A person who is treated as a non-resident for Indian tax purposes is generally liable to tax in India only on his/her Indian sourced income or income received by such person in India. In case of shares of a company, the source of income from shares would depend on the 'situs' of the shares. As per ITA and Judicial precedents, generally the "situs" of the shares is where company is "incorporated" and where its shares can be transferred. Accordingly, since the Company is incorporated in India, the shares of the Company would be "situated" in India and any gains arising to a non-resident on transfer of such shares should be taxable in India under the ITA subject to any specific exemption in this regard. Further, the non-resident can avail the beneficial tax treatment prescribed under the relevant Double Taxation Avoidance Agreement ("**DTAA**") subject to satisfaction of the relevant conditions and documentary compliance requirements prescribed under the ITA.

The ITA also provides for different tax regimes / rates applicable to the gains arising on buy-back of shares, based on the period of holding, residential status and category of the shareholder, nature of the income earned, etc. The summary tax implications on buy-back of equity shares listed on the stock exchanges in India is set out below.

All references to equity shares in this note refer to equity shares listed on the stock exchanges in India unless stated otherwise.

2. CLASSIFICATION OF SHAREHOLDERS

Shareholders can be classified under the following categories:

A) Resident Shareholders being:

- Individuals, Hindu Undivided Family (HUF), Association of Persons (AOP) and Body of Individuals (BOI)
- Others:
 - Company

- Other than Company

B) Non-Resident Shareholders being:

- Non-Resident Indians (NRIs)
- Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs)
- Others:
 - Company
 - Other than Company

3. CLASSIFICATION OF INCOME

Shares can be classified under the following two categories:

- A. Shares held as investment (Income from transfer taxable under the head “Capital Gains”)
- B. Shares held as stock-in-trade (Income from transfer taxable under the head “Profits and Gains of Business or Profession”, hereinafter referred to as “Business Income”)

Gains arising from the transfer of shares may be treated either as “capital gains” or as “business income” for tax purposes, depending upon whether such shares were held as a capital asset or trading asset (i.e. stock-in-trade).

Further, investments by FII / FPI in any securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 would be treated as capital asset and the transfer of such shares would be treated as “capital gains” under the provisions of the Income Tax Act.

A) SHARES HELD AS INVESTMENT

- i. As per the provisions of the Income Tax Act, where the shares are held as investments, income arising from the transfer of such shares is taxable under the head “Capital Gains”. Capital Gains on Buy-back of shares are governed by the provisions of Section 46A of the Income Tax Act and would attract capital gains in the hands of shareholders as per provisions of computation of Capital Gain contained in Section 48 of the Income Tax Act.

ii. Period of holding

Depending on the period for which the shares are held, the gains would be taxable as ‘short term capital gain’ or ‘long term capital gain’ as stated below:

- In respect of equity shares held for a period of less than or equal to 12 months prior to the date of transfer, the same shall be treated as a ‘short-term capital asset’, and the gains arising therefrom shall be taxable as ‘short term capital gains (“STCG”).
- Similarly, where equity shares are held for a period of more than 12 months prior to the date of transfer, the same shall be treated as a ‘long-term capital asset’, and the gains arising therefrom shall be taxable as ‘long-term capital gains’ (“LTCG”).

iii. Buy-back of shares through a recognized stock exchange

Where transaction for transfer of such equity shares (i.e. buy-back) is executed through a recognized stock exchange, they are liable to Securities Transaction Tax (‘STT’). STT is a tax payable in India on the value of securities on every purchase or sale of securities that are listed on the recognized stock exchanges in India. Currently, the STT rate applicable on the purchase or sale of shares on the stock exchange is 0.1% of the value of security.

The taxability of buyback proceeds in the hands of the eligible shareholder should be as under:

Long Term Capital Gains

- As per the provisions of the Income Tax Act as amended by the Finance Act, 2018, the exemption to LTCG provided u/s. 10(38) of Income Tax Act has been withdrawn and tax is levied under section 112A on LTCG exceeding ₹1 Lac in a financial year arising on transfer of listed equity shares @ 10% without

allowing the benefit of indexation subject to the condition that Securities Transaction Tax (STT) has been paid on acquisition and transfer of such equity shares.

- To provide benefit to shareholders for gains accrued on such equity shares upto 31st January 2018, it has been prescribed that that the cost of acquisition in respect of such equity shares which would be transferred on or after 1st April, 2018 shall be higher of:
 - i) the actual cost of acquisition of such equity shares acquired before 1st February, 2018 or
 - ii) the lower of
 - a) the highest price of such equity shares quoted on the recognised stock exchange on the 31st January, 2018; or
 - b) the actual sale value of such equity shares.
- Further, as per the Notification no 60/2018 dated: 01/10/2018, an exemption from the requirement of STT being paid at the time of acquisition of shares, is sought to be provided for certain modes of acquisition including acquisition of shares by a non-resident under the FDI policy. If acquisition is made in such specified modes, the tax on LTCG would be governed by section 112A.
- If taxability of LTCG is not governed by section 112A by virtue of STT not having being paid at the time of acquisition of the shares being bought back, entire LTCG arising to the shareholder shall be subject to tax @ 10% under Section 112 of the IT Act (or 20% after claiming indexation. Benefit of indexation is available only for resident shareholders. Non-residents are not entitled for indexation benefit wherein capital gain is computed in foreign currency as per first proviso to section 48.
- In case of FII's, LTCG on transfer of equity shares will be taxable @10% (benefit of indexation not available) under section 115AD. However, in respect of long-term capital gains covered by section 112A, 10% tax shall apply on such income exceeding the threshold of Rs. 1,00,000.

Short Term Capital Gains

- STCG arising from such transaction would be subject to tax @ 15% under Section 111A of the Income Tax Act.
- iv. Further, in case of resident Individual or HUF, the benefit of maximum amount which is not chargeable to income-tax is considered while computing the tax on such STCG taxable under Section 111A of the Income Tax Act. In such cases, where the total income as reduced by such STCG is below the maximum amount not chargeable to tax, then such STCG shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income tax and on the balance of STCG, if any, income tax @ 15% is charged. In addition to the above STCG tax, Surcharge and Health and education cess are leviable (Please refer to paragraph 5 below for rate of surcharge and cess).
- v. Further in case of Eligible Shareholders being companies as defined under the Income Tax Act, the tax provisions of minimum alternate tax on book profits as provided u/s. 115JB of the Income Tax Act need to be considered depending on their income and losses, etc. for the year.
- vi. Non-resident shareholders can avail beneficial provisions of the applicable DTAA, if any, entered into by India with relevant country in which the shareholder is resident but subject to fulfilling relevant conditions and submitting/ maintaining necessary documents prescribed under the Income Tax Act.

B) SHARES HELD AS STOCK-IN-TRADE

If the shares are held as stock-in-trade by any of the shareholders of the Company, then the gains would be characterized as business income and taxable under the head "Profits and Gains of Business or Profession". In such a case, the provisions of Section 46A and Section 48 of the Income Tax Act will not apply.

i. Resident Shareholders

- a) For individuals, HUF, AOP, BOI, profits would be taxable at slab rates.

- b) Domestic company having turnover or gross receipts not exceeding Rs. 250 Crore in the previous year i.e. 2016-17 would be taxable @ 25%.
- c) For persons other than stated in (a) and (b) above, profits would be taxable @ 30% or other applicable tax rate.

No benefit of indexation by virtue of period of holding would be available in any case.

ii. Non-Resident Shareholders

- a) Non-resident shareholders can avail beneficial provisions of the applicable DTAA, if any, entered into by India with relevant shareholder country but subject to fulfilling relevant conditions and submitting/maintaining necessary documents prescribed under the Income Tax Act.
- b) Where DTAA provisions are not applicable:

- For non-resident individuals, HUF, AOP, BOI, profits would be taxable at slab rates.
- For foreign companies, profits would be taxed in India @ 40%.
- For other non-resident shareholders, such as foreign firms, profits would be taxed in India @ 30%.

In addition to the above, Surcharge and Health and education cess are leviable (Please refer to paragraph 21.5 below for rate of surcharge and cess).

4. TAX DEDUCTION AT SOURCE

A. In case of Resident Shareholders

In absence of any specific provision under the Income Tax Act, the Company is not required to deduct tax at source on the consideration payable to resident shareholders pursuant to the Buy-back.

B. In case of Non-resident Shareholders

Since the Buy-back is undertaken through the stock exchange, the responsibility of discharge of the tax due on the gains (if any) is primarily on the Non-Resident Shareholder. It is therefore important for the Non-Resident Shareholders to appropriately compute such gains (if any) on this transaction and immediately pay taxes in India (either through deduction at source or otherwise) in consultation with their custodians/authorized dealers/ tax advisors appropriately.

The non-resident shareholders undertake to indemnify the Company, if any tax demand is raised on the Company on account of gains arising to the non-resident shareholders on buy-back of Equity Shares by the Company. The non-resident shareholders also undertake to provide the Company, on demand, the relevant details in respect of the taxability / non-taxability of the proceeds arising on buy-back of Equity Shares by the Company, copy of tax return filed in India, evidence of the tax paid etc.

5. RATE OF SURCHARGE AND CESS

In addition to the basic Tax rate, Surcharge and Health and education cess are leviable as under:

A. Surcharge

- In case of domestic companies: Surcharge @ 12% is leviable where the taxable income exceeds Rs.10 crores and @ 7% where the taxable income exceeds Rs.1 crore but does not exceed Rs.10 crores.
- In case of companies other than domestic companies: Surcharge @ 5% is leviable where the taxable income exceeds Rs.10 crores and @ 2% where the taxable income exceeds Rs.1 crore but does not exceed Rs.10 crores.
- In case of individual, HUF, AOP, BOI: Surcharge @15% is leviable where the taxable income exceeds Rs.1crore and @ 10% where the taxable income exceeds Rs. 50 lakh but does not exceed Rs.1 crore
- In case of Firm, Local Authority: Surcharge @12% is leviable where the taxable income exceeds Rs. 1 crore.

B. Cess

“Health and Education Cess levied” @ 4% of income tax and surcharge.

The above note on taxation sets out the provisions of law in a summary manner only and is not a complete/exhaustive analysis or listing of all potential tax consequences on the disposal of equity shares under the Buy-back. This note is neither binding on any regulators nor can there be any assurance that they will not take a position contrary to the comments mentioned herein. Hence, Eligible Shareholders should consult with their own tax advisors for the tax provisions applicable to their particular circumstances.

22. DECLARATION FROM THE BOARD OF DIRECTORS

Declaration as required under clause (x) of Schedule I under Regulation 5(iv)(b) of the Buyback Regulations:

The Board made the aforementioned declaration as on the date of passing the Board resolution approving the Buyback i.e. December 26, 2018, as reproduced below:

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:

- i. 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, there will be no grounds on which the Company can be found unable to pay its debts.
- ii. 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, 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 Board meeting and within a period of one year from the date on which the special resolution approving the Buyback is passed.
- iii. In forming its opinion aforesaid, the Board has taken into account the liabilities (including prospective and contingent liabilities) as if the Company were being wound up under the provisions of the Act and the Insolvency and Bankruptcy Code, 2016.

Sd/-

Sd/-

Mr S K Sundararaman Director
DIN: 00002691

Ms. Soundara Kumar
Director DIN: 01974515

23. AUDITOR'S CERTIFICATE

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 (Buy -Back 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

Unquote

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

C R Rajagopal
Partner
(Membership No.023418)

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 (Rs. Crore)
Paid-up capital (81,715,853 equity shares of Re. 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

24. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during the Offer Period at the registered office of the Company at 304-A, Trichy Road, Singanallur, Coimbatore, Tamil Nadu - 641005 on any working day (i.e. Monday to Friday and not being a bank holiday) between 11:00 am to 5:00 pm up to the date of closure of the Buyback.

- a) Copy of the Certificate of Incorporation and the Memorandum and Articles of Association of Shanthi Gears Limited
- b) Copy of the financial statements of Shanthi Gears Limited for the six month period ended September 30, 2018 and Limited Review Report thereon , and annual reports for the years ended March 31, 2018 March 31, 2017 and March 31, 2016;
- c) Copy of the resolution passed by the Board of Directors at the meeting held on December 26, 2018 approving proposal for Buyback;
- d) Copy of Certificate dated December 26, 2018 received from Deloitte Haskins & Sells , in terms of clause (xi) of Part A to Schedule II of the Buyback Regulations;
- e) Copy of Declaration of solvency and an affidavit in form SH-9 as prescribed under section 68(6) of the Companies Act;
- f) Copy of special resolution passed by shareholders of the Company approving the Buyback, the results of which were declared on January 29, 2019;
- g) Copy of Escrow Agreement dated February 01, 2019 between Shanthi Gears Limited, the Escrow Agent and Yes Bank Limited;
- h) Confirmation letter by the Escrow Agent dated February 27, 2019 that the Escrow Account has been opened and Escrow Amount has been deposited
- i) Certificate dated January 29, 2019 received from S.Lakshminarayan Associates, Chartered Accountants, certifying that the Company has made firm financing arrangements for fulfilling the obligations under the Buyback, in accordance with the Regulations

j) Copy of Public Announcement published in the newspapers on January 31, 2019 regarding Buyback of Equity Shares; and

k) Copy of SEBI observation letter no.SEBI/HO/CFD/DCR2/OW/P/2019/5227/1 dated February 26, 2019.

25. DETAILS OF THE COMPLIANCE OFFICER

In case of any query, the Shareholders may contact the Registrar to the Buyback, from Monday to Friday between 11 am to 5 pm on all working days except public holidays at the above mentioned address. The contact information of the Registrar to the Buyback is provided at paragraph 18.

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
Fax	0422-4545700
Email id	cs@shanthigears.murugappa.com

In case of any clarifications or to address investor grievance, the Shareholders may contact the Compliance Officer, from Monday to Friday between 11 am to 2 pm on all working days except public holidays, at the above mentioned address.

26. REMEDIES AVAILABLE TO SHAREHOLDERS/ BENEFICIAL OWNERS

In case of any grievance relating to the Buyback (e.g. non-receipt of the Buyback consideration, share certificate, demat credit etc.) the investor can approach the Compliance Officer for redressal.

If the Company makes any default in complying with the provisions of Section 68 of the Companies Act or any rules made there-under, or any regulation or under clause (f) of subsection (2) of Section 68 of the Companies Act, the Company or any officer of the Company who is in default shall be punishable with imprisonment for a term and its limit, or with a fine and its limit or with both in terms of the Companies Act.

The address of the concerned office of the Registrar of Companies is as follows:

Registrar of Companies
No.7, AGT Business Park, I Floor, Phase II,
Avinashi Road, Civil Aerodrome Post,
Coimbatore- 641014
Tamilnadu
Phone:(0422) -2629640, 2628170

27. DETAILS OF THE 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

28. DECLARATION BY THE DIRECTORS

As per Regulation 24(i)(a) of the Buyback Regulations, the Board of Directors of the Company accepts full responsibility for all the information contained in this Letter of Offer. This Letter of Offer is issued under the authority of the Board and in terms of the resolution passed by the Board on December 26, 2018.

For and on behalf of all members of the Board of Directors of Shanthi Gears Limited

Sd/-

Mr. S K Sundararaman
Director
DIN: 00002691

Sd/-

Ms. Soundara Kumar
Director
DIN: 01974515

Sd/-

Mr. C Subramaniam Company
Secretary
Membership No. FCS6971

Date: February 27, 2019

Place: Coimbatore