

**NOTICE OF POSTAL BALLOT AND E-VOTING**

NOTICE PURSUANT TO SECTION 110 OF THE COMPANIES ACT, 2013 READ WITH THE COMPANIES (MANAGEMENT AND ADMINISTRATION) RULES, 2014, OTHER APPLICABLE PROVISIONS, IF ANY, OF THE COMPANIES ACT, 2013 (INCLUDING ANY STATUTORY MODIFICATION OR RE-ENACTMENT THEREOF FOR THE TIME BEING IN FORCE) AND REGULATION 44 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Dear Member(s),

Notice is hereby given pursuant to Section 110 and other applicable provisions of the Companies Act, 2013, (the "Act"), read together with Rules 20 and 22 of the Companies (Management and Administration) Rules, 2014 (the "Rules"), including any statutory modification or re-enactment thereof for the time being in force and any other applicable provisions of the Act and the rules made thereunder, to consider and pass the resolution set out below as a Special Resolution for the proposed buyback by Shanthi Gears Limited (the "Company") of its fully paid up equity shares each having a face value of Re. 1/- ("Equity Shares") proposed to be passed by way of Postal Ballot. An Explanatory Statement pertaining to the said resolution setting out the material facts and the reasons thereof is annexed to the Notice, along with a Postal Ballot Form (the "Postal Ballot Form") for your consideration.

The Board of Directors of the Company (the "Board") at the meeting held on December 26, 2018 has, subject to the approval of the Members of the Company by way of a special resolution and approval of statutory, regulatory or government authorities as may be required under applicable laws, approved the buyback of fully paid up Equity Shares of face value Re. 1/- each, not exceeding 50,00,000 (Fifty Lakh only) Equity Shares (representing approximately 6.12% of the total paid-up equity share capital of the Company as on March 31, 2018) from the Members holding Equity Shares of the Company on a proportionate basis through the "Tender Offer" route through mechanism for acquisition of shares through Stock Exchange, as prescribed under the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 2018 ("Buyback Regulations"), read with SEBI circular CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015 and circular CFD/DCR2/CIR/P/2016/131 dated December 09, 2016, at a price of Rs.140/- (Rupees One Hundred and Forty Only) per Equity Share payable in cash for an aggregate amount up to Rs.70 Crores (Rupees Seventy Crores Only) ("Buyback"). The offer size of the Buyback is 22.07% of the aggregate of paid-up equity share capital and free reserves of the Company, as on March 31, 2018, which is less than the 25% limit of aggregate of paid-up up share capital and free reserves (including securities premium account) as per the provisions of the Act.

In accordance with the provisions of Sections 68(2)(b), 69, 70 and 110 of the Act read with Rule 22(16)(g) of the Rules and other applicable provisions of the Act and the Rules made thereunder, and the Articles of Association of the Company, the Company is required to obtain approval of its Members by way of a special resolution through postal ballot for the Buyback, since the Buyback is more than 10% of the total paid up equity capital and free reserves of the Company. The Buyback will comprise of purchase of up to 50,00,000 (Fifty Lakh only) Equity Shares (aggregating up to 6.12% of the paid-up equity share capital of the Company) at a price of Rs.140/- (Rupees One Hundred and Forty only) per Equity Share, payable in cash, aggregating to an amount of upto Rs.70 Crores (Rupees Seventy Crores only). Accordingly, the Company seeks your approval for the proposed Buyback.

Pursuant to Rule 22(5) of the Rules, the Company has appointed Mr. P Eswaramoorthy, Proprietor of P. Eswaramoorthy and Company, Company Secretaries, having Membership No. FCS 6510 and CP No. 7069 as the scrutinizer (the "Scrutinizer") for conducting process of the Postal Ballot and voting by electronic means ("e-voting") in a fair and transparent manner.

You are requested to peruse the proposed Resolution along with the Explanatory Statement and read carefully the instructions forming part of this Notice and return the Postal Ballot Form duly filled and signed (at the places marked in the Form) along with Assent (FOR) or Dissent (AGAINST) for the said Resolution, in the attached self-addressed, business reply envelope, so as to reach the Scrutinizer before the closing of working hours (5.00 p.m. IST) on Tuesday, January 29, 2019. Please note that any Postal Ballot Form(s) received after the said date and time will be strictly treated as if no reply has been received.

Members having shares in demat form and in physical form may vote either by way of Postal Ballot or by way of e-voting. For this purpose, the Company has engaged the services of National Securities Depository Limited (NSDL). In case a Member has voted through e-voting facility, he/she is not required to send the physical Postal Ballot Form. In case a Member votes through e-voting facility as well as sends his/her vote through physical Postal Ballot Form, the vote cast through e-voting shall only be considered and the voting through physical postal ballot shall not be considered by the Scrutinizer.

The e-voting facility is available at the link <https://www.evoting.nsdl.com>. Please refer the instructions for e-voting given after the proposed Resolution for the process and the manner in which e-voting is to be carried out.

The Scrutinizer will submit his report to any Director authorized by the Board of Directors, after completion of the scrutiny of the postal ballots (including e-voting). The results of the Postal Ballot (including e-voting) would be announced by any Director authorized by the Board of Directors on or before 5.00 p.m. on Wednesday, January 30, 2019. The said results would be displayed at the Registered Office of the Company, intimated to BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE") (collectively referred to as the "Stock Exchanges") where the Company's shares are listed and displayed along with the Scrutinizer's Report on the Company's website viz. [www.shanthigears.com](http://www.shanthigears.com) and also on the website of NSDL.

The Resolution, if passed by the requisite majority, shall be deemed to have been passed on Tuesday, January 29, 2019 i.e. the last date specified for receipt of duly completed Postal Ballot Forms or e-voting.

#### SPECIAL BUSINESS

##### Approval for the Buyback of Equity Shares of the Company

To consider and, if thought fit, to give assent or dissent to the following resolution as a Special 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 (Buyback of Securities) Regulations, 2018 ("Buyback Regulations"), and subject to such approvals, permissions and sanctions as may be necessary and subject to 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 may be agreed by 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), the consent of the shareholders be and is hereby accorded to the buyback of not exceeding 50,00,000 (Fifty Lakh Only) fully paid up Equity Shares (representing approximately 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 Crores (Rupees Seventy Crores Only) ("Buyback Size"), representing 22.07% 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 the aggregate paid-up share capital and free reserves (including securities premium account) as per the provisions of the Act, out of the free reserves and/or the 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 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 (OCBs), 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 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 Takeovers) Regulations 2011 ("SEBI Takeover 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 Board be and is hereby authorized to give effect to the aforesaid resolutions and may delegate all or any of the power(s) conferred hereinabove as it may in its absolute discretion deem fit to any Director(s) / Officer(s) / Authorised Representative(s) / Committee of the Company ("Buyback Committee") and each member of the Buyback Committee be and is hereby severally 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 and issue of public announcement, draft letter of offer, letter of offer and related documents;
2. 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;
3. 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;
4. 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;
5. Earmarking and making arrangements for adequate sources of funds for the purpose of the Buyback;
6. 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;
7. 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;
8. To settle all such questions, difficulties or doubts that may arise in relation to the implementation of the Buyback;
9. 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;
10. 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;

11. 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;
12. Extinguishment of share certificates and certificates of extinguishment required to be filed in connection with the Buyback on behalf of the Board;
13. To do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary, expedient, usual or proper; and
14. Sign, execute and deliver such documents as may be necessary or desirable in connection with or incidental to the Buyback.

RESOLVED FURTHER THAT the Board 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 for the purpose of giving effect to this Resolution, the Board 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 Members 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."

Registered Office:

304-A, Trichy Road, Singanallur,

Coimbatore, Tamil Nadu - 641005

Tel.: 0422-4545745 Fax: 0422-4545700

E-mail: [cs@shanthigears.murugappa.com](mailto:cs@shanthigears.murugappa.com)

Website: [www.shanthigears.com](http://www.shanthigears.com)

CIN: L29130TZ1972PLC000649

Coimbatore, 26<sup>th</sup> December, 2018

By Order of the Board  
For Shanthi Gears Limited

C Subramanian  
Company Secretary

Notes:

1. The Explanatory Statement for the proposed Special Resolution pursuant to Section 102 read with Section 110 of the Act setting out material facts pertaining to the resolution is annexed hereto along with the Postal Ballot Form for your consideration. It also contains all the disclosures as specified in Schedule I of the Buyback Regulations.
2. The Postal Ballot Notice is being sent to all the Members, whose names appear on the Register of Members/List of Beneficial Owners on December 26, 2018 as received from the depositories. The Postal Ballot Notice is being sent to Members in electronic form to the email addresses registered with their depository participants (in case of electronic shareholding) / the Company's Registrar and Share Transfer Agent (in case of physical shareholding). For Members whose email IDs are not registered, physical copies of the Postal Ballot Notice along with Postal Ballot Form are being sent by permitted mode along with a postage prepaid self-addressed Business Reply Envelope addressed to the Scrutinizer.
3. In compliance with the provisions of Sections 108 and 110 of the Act read with the Rules and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is offering e-voting facility to all the Members of the Company to enable them to cast their votes electronically. The Company has engaged the services of National Securities Depository Limited to provide e-voting facility to its Members. The instructions for e-voting are annexed to this Postal Ballot Notice.

4. The voting rights of the Members shall be in proportion to their holding of Equity Shares with the paid up equity share capital of the Company as on December 26, 2018. A person who is not a Member on the cut-off date (i.e. December 26, 2018) should treat this Notice for information purpose only.
5. Resolutions passed by the Members through Postal Ballot are deemed to have been passed as if they have been passed at a General Meeting of the Members.
6. In case a Member is desirous of obtaining a printed Postal Ballot Form or a duplicate, he or she may send an e-mail to [cs@shanthigears.murugappa.com](mailto:cs@shanthigears.murugappa.com). The Registrar and Transfer Agent/Company shall forward the same along with postage-prepaid self-addressed Business Reply Envelope to the Member.
7. Facility to exercise vote by Postal Ballot including voting through electronic means will be available during the following period:
  - Y Commencement of voting: From 9.00a.m. (IST) on Monday, December 31, 2018
  - Y End of voting: At 5.00p.m. (IST) on Tuesday, January 29, 2019 (both days inclusive)
  - Y The facility for voting through electronic means will be disabled for voting by January 29, 2019 upon expiry of the aforesaid voting period
8. Incomplete, unsigned or incorrect Postal Ballot Forms will be rejected. The Scrutinizer's decisions on the validity of Postal Ballot Form shall be final and binding.
9. Votes will be considered invalid, inter alia, on the following grounds:
  - (i) if the Member's signature does not tally;
  - (ii) if the Member has marked all his shares both in favour and also against the Resolution;
  - (iii) if neither the assent nor dissent is mentioned;
  - (iv) if the Postal Ballot Form is unsigned or has not been signed by or on behalf of the Member;
  - (v) the Postal Ballot Form not being accompanied by a certified copy of the relevant specific authority, if the Postal Ballot Form is signed in a representative capacity;
  - (vi) if the Postal Ballot Form is received torn or defaced or mutilated to an extent that it is difficult for the Scrutinizer to identify either the Member or the number of votes or as to whether the votes are in favour or against or if the signature could not be checked or on one or more of the abovesaid grounds;
  - (vii) if any other form is used;
  - (viii) if the information filled in the Postal Ballot Form is incomplete;
  - (ix) any direction given by competent authority in writing to the Company to freeze the voting rights of the Member;
  - (x) if the Member has made any amendment to the Resolution or imposed any condition while exercising his vote;
  - (xi) if the envelope containing the Postal Ballot Form is received after the last date prescribed.
10. A Member cannot exercise his vote by proxy on Postal Ballot.

Instructions and other information relating to e-voting:

1. A. In case a Member receives an email from NSDL [for Members whose e-mail IDs are registered with the Company / Depository participant(s)]:
  - i. Launch internet browser by typing the URL: <https://www.evoting.nsdl.com>.
  - ii. Enter the login credentials (i.e. User ID and Password as mentioned in the mail), Your Folio No. / DP ID & Client ID will be your User ID. However, if you are already registered with NSDL for e-voting, you can use your existing User ID and password for casting your vote.
  - iii. After entering these details appropriately, click on "LOGIN".
  - iv. You will now reach password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z),

one numeric value (0-9) and a special character (@, #, \$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.

- v. You need to login again with the new credentials.
  - vi. On successful login, the system will prompt you to select the "EVENT" i.e., Shanthi Gears Limited.
  - vii. On the voting page, enter the number of shares (*which represents the number of votes*) as on the cut-off date under "FOR / AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR / AGAINST" taken together should not exceed your total shareholding as on December 26, 2018. You may also choose the option ABSTAIN. If the Member does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.
  - viii. Members holding multiple folios / demat accounts shall choose the voting process separately for each folios / demat accounts.
  - ix. You may then cast your vote by selecting an appropriate option and click on "Submit".
  - x. A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you confirm, you will not be allowed to modify or change the votes cast. During the voting period, Members can login any number of times till they have voted on the Resolution.
  - xi. Corporate / Institutional Members (i.e. other than Individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution / Authority Letter, etc. together with attested specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at e-mail ID: [eswarfcs@gmail.com](mailto:eswarfcs@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in). The scanned image of the above mentioned documents should be in the naming format "Shanthi Gears\_ 110328". The documents should reach the scrutinizer on or before Tuesday, January 29, 2019 at 5.00p.m.
- B. In case of Members receiving physical copy of Postal Ballot Notice through permitted mode [for Members whose email IDs are not registered with the Company/Depository Participant(s)]:
- i. User ID and Initial password as provided along with Postal Ballot Form.
  - ii. Please follow all steps from Sr. No. (i) to (xi) as mentioned in (A) above, to cast your vote.
2. The e-voting period will commence on Monday, December 31, 2018 at 9.00a.m. and end on Tuesday, January 29, 2019 at 5.00p.m. During this period, the Members of the Company holding shares in physical form or in dematerialized form, as on the cut-off date, being December 26, 2018 may cast their vote by electronic means in the manner and process set out herein above. The e-voting module shall be disabled for voting thereafter. Once the vote on the Resolution is cast by the Member, the Member shall not be allowed to change it subsequently.
3. In case of any queries, you may refer to the Frequently Asked Questions (FAQs) for members and e-voting user manual for members available at the Downloads sections of <https://www.evoting.nsdl.com> or contact NSDL at the following toll free no.: 1800-222-990.
4. The Board of Directors has appointed Mr. P Eswaramoorthy, Proprietor of P. Eswaramoorthy and Company, Company Secretaries, to scrutinize the Postal Ballot process in a fair and transparent manner.
5. All timings mentioned herein are IST.
6. The Scrutinizer will submit his report to any Director authorized by the Board of Directors, after completion of the scrutiny of the postal ballots (including e-voting). The results of the Postal Ballot (including e-voting) would be announced by any Director authorized by the Board of Directors on or before 5.00 p.m. on Wednesday, January 30, 2019 at the Registered Office of the Company at 304-A, Trichy Road, Singanallur, Coimbatore, Tamil Nadu - 641005.
7. The result of the Postal Ballot along with the Scrutinizer's Report will also be displayed on the Company's website [www.shanthigears.com](http://www.shanthigears.com) and also on the website of NSDL and shall be communicated to the stock exchanges where the Company's shares are listed.

8. The resolution, if approved by the requisite majority of Members by means of Postal Ballot, shall be deemed to have been passed on the last date of voting, i.e. Tuesday, January 29, 2019.

#### EXPLANATORY STATEMENT PURSUANT TO SECTIONS 68 AND 102 OF THE COMPANIES ACT, 2013

The Board at its meeting held on December 26, 2018 has approved the proposal for recommending Buyback of Equity Shares as contained in the Resolution in the Notice.

Since the Buyback is more than 10% of the total paid up equity capital and free reserves of the Company, in terms of Section 68(2)(b) of the Act, it is necessary to obtain the consent of the Members of the Company, for the Buyback, by way of a special resolution.

As per the relevant provisions of the Act and the Buyback Regulations, the Explanatory Statement contains relevant and material information to enable the Members holding Equity Shares of the Company to consider and approve the Special Resolution on the Buyback of the Company's Equity Shares. Requisite details relating to the Buyback are given below.

##### a) Objective of 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 transaction costs viz. brokerage, applicable taxes such as securities transaction tax, goods and services tax, stamp duty, etc., for returning to the Members holding Equity Shares of the Company through the Buyback. After considering several factors and benefits to the Members holding Equity Shares of the Company, the Board decided to recommend Buyback of not exceeding 50,00,000 (Fifty Lakh Only) 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 up to Rs. 70 Crores (Rupees Seventy Crores Only) excluding transaction costs viz. brokerage, applicable taxes such as securities transaction tax, goods and services tax, stamp duty, etc.

Buyback is a more efficient form of returning surplus cash to the Members 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 Members holding Equity Shares broadly in proportion to their shareholding, thereby, enhancing the overall return to the Members;
- ii. The Buyback, which is being implemented through the Tender Offer route as prescribed under the Buyback Regulations, would involve allocation of higher 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 Members 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.

##### b) Method to be adopted for the Buyback

The Buyback shall be on a proportionate basis (subject to the reservation for small shareholders), from all the Members holding Equity Shares of the Company through the "Tender Offer" route, as prescribed under the Buyback Regulations and the mechanism notified under the SEBI 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 amendments thereof. The Buyback will be implemented in accordance with the Act and the Rules to the extent applicable and on such terms and conditions as may be deemed fit by the Company.

As required under the Buyback Regulations, the Company will announce a record date (the "Record Date") for determining the names of the Members holding Equity Shares of the Company who will be eligible to participate in the Buyback.

In due course, upon the passing of this Resolution, each Member as on the Record Date will receive a Letter of Offer along with an intimation indicating the entitlement of the Member for participating in the Buyback.

The Equity Shares to be bought back as a part of the Buyback is divided in two categories:

- (a) Reserved category for small shareholders; and
- (b) General category for all other Members.

As defined in the Buyback Regulations, a "small shareholder" is a shareholder who holds Equity Shares having market value, on the basis of closing price on the recognized stock exchange in which highest trading volume in respect of Equity Shares as on Record Date, of not more than Rs. 2,00,000/- (Rupees Two Lakhs Only) ("Small Shareholder"). In accordance with Regulation 6 of the Buyback Regulations, 15% (fifteen percent) 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, whichever is higher, shall be reserved for the Small Shareholders as part of this Buyback. The Company believes that this reservation of 15% for Small Shareholders would benefit a large number of public shareholders, who would get classified as Small Shareholders.

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

Members holding Equity Shares of the Company may also accept a part of their entitlement. Members holding Equity Shares of the Company also have the option of tendering additional shares (over and above their entitlement) and participating in the shortfall, if any, created due to non-participation of some other Members. The maximum tender under the Buyback by any Member cannot exceed the number of Equity Shares held by the Member as on the Record Date.

The Equity Shares tendered as per the entitlement by Members holding Equity Shares of the Company as well as additional shares tendered, if any, will be accepted as per the procedure laid down in the Buyback Regulations. The settlement of the tenders under the Buyback is expected to be done 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 circular CFD/DCR2/CIR/P/2016/131 dated December 9, 2016, including any amendments thereof.

Detailed instructions for participation in the Buyback (tender of Equity Shares in the Buyback) as well as the relevant time table will be included in the Letter of Offer which will be sent in due course to the Members holding Equity Shares of the Company as on the Record Date.

- c) Maximum amount required under the Buyback and the sources of funds from which the Buyback would be financed

The maximum amount required under the Buyback will not exceed Rs. 70 Crores (Rupees Seventy Crores Only) excluding transaction costs viz. brokerage, applicable taxes such as securities transaction tax, goods and services tax, stamp duty, etc., 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, which is within the limit of 25% as per the provisions of the Act. The Buyback would be financed out of free reserves and / or the securities premium account of the Company. The Company shall transfer from its free reserves and / or securities premium account a sum equal to the nominal value of the Equity Shares bought back through the Buyback to the capital redemption reserve account and the details of such transfer shall be disclosed in its subsequent audited balance sheet.

The Company will fund the Buyback from the retained earnings and no funds will be borrowed from Banks and Financial Institutions for the Buyback.

The Company confirms that as required under Section 68(2)(d) of the Act, the ratio of the aggregate of secured and unsecured debts owed by the Company will be not more than twice the paid-up share capital and free reserves as on March 31, 2018 after the Buyback.

- d) Buyback Price and the basis of arriving at 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 Share (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 BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") 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 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 (collectively referred to as the "Stock Exchanges"), 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.

- e) Number of shares that the Company proposes to buyback and the time limit for completing the Buyback

The Company proposes to buyback up to 50,00,000 (Fifty Lakh only) Equity Shares of face value of Re. 1/- each of the Company. The Buyback is proposed to be completed within 12 months from the date of Special Resolution approving the proposed Buyback.

- f) Compliance with Section 68(2)(c) of the Act

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 aggregate paid-up share capital and free reserves as per the audited accounts for the financial year ended March 31, 2018.

- g) 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 this Notice is as follows:

1. The aggregate shareholding of the Promoters and Promoter Group as on the date of this Notice is :

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

2. The aggregate shareholding of the directors of companies, which are part of the Promoters and Promoter Group: NIL
3. Details of shareholding of the Directors of the Company as on the date of this Notice: NIL
4. 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 persons who are in control of the Company as on the date of this Notice, during the period from six months preceding the date of the Board Meeting at which the Buyback was proposed and from the date of the Board Meeting till the date of this Notice.
5. In terms of the Buyback Regulations, under the Tender Offer route, the Promoters and Promoter Group have the option to participate in the Buyback. In this regard, the Promoters and Promoter Group have expressed their intention vide their letters, dated December 25, 2018 to participate in the Buyback and offer up to an aggregate maximum of 49,06,500/- Equity Shares as detailed below or any such lower number of shares in accordance with the Buyback Regulations:

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

6. Details of the date and price of acquisition of the Equity Shares that the Promoters and Promoter Group 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 Limited and TI Financial Holdings Limited sanctioned by the National Company Law Tribunal, Chennai by its Order dated 17 <sup>th</sup> July, 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 7 <sup>th</sup> August, 2017.
Maximum number of Equity Shares intended to be tendered					6,500

h) Confirmations from the Board

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

- 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; and 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 this Board meeting and within a period of one year from the date on which the Special Resolution approving the Buyback is passed; and

- iii. 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).
- i) Report addressed to the Board of Directors by the Company's Auditors on the permissible capital payment and the opinion formed by Directors regarding insolvency:

The text of the report dated December 26, 2018, 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  
Shanthy Gears Limited  
304-A, Trichy Road,  
Singanallur, Coimbatore,  
Tamil Nadu, 641005

Statutory Auditor's Report relating to 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 Shanthy 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.

Auditors 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 buyback 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.

#### Restriction 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

- j) General obligations of the Company as per the provisions of the Buy-back Regulations and the Act:-
- i. The Company shall not issue any Equity Shares or other securities (including by way of bonus) till the date of closure of the Buyback;
  - ii. The Company shall not raise further capital for a period of one year from the closure of Buyback offer except in discharge of its subsisting obligations;
  - iii. The Special Resolution approving the Buyback will be valid maximum for a period of one year from the date of passing of the said Special Resolution (or such extended period as may be permitted under the Act or the Buy-back Regulations or by the appropriate authorities). The exact time table for the Buyback shall be decided by the Board (or its duly constituted Committee) within the above time limits;
  - iv. The Equity Shares bought back by the Company will be compulsorily cancelled and will not be held for re-issuance;
  - v. The Company shall not withdraw the Buyback after the public announcement of the offer to Buyback is made or the draft letter of offer is filed with SEBI;
  - vi. 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;
  - vii. The Company confirms that there are no defaults subsisting in the repayment of deposit or interest payment thereon, redemption of debentures or interest payment thereon or redemption of preference shares or payment of dividend due to any shareholder, or repayment of any term loans or interest payable thereon to any financial institution or banking company; and
  - viii. For any queries, clarifications or Buyback process, Members holding Equity Shares of the Company may contact the following:  
C Subramanian, Company Secretary and Compliance Officer  
Tel: 0422-4545745; Fax 0422-4545700;  
Email: [cs@shanthigears.murugappa.com](mailto:cs@shanthigears.murugappa.com)

All the material documents referred to in the Notice and Explanatory Statement such as the Memorandum and Articles of Association of the Company, relevant Board resolution for the Buyback, the Auditors Report dated December 26, 2018 and the audited accounts for the period from April 1, 2017 to March 31, 2018 are available for inspection by the Members of the Company at its Registered Office on any working day between 10:00a.m. and 4:00p.m.

In the opinion of the Board, the proposal for Buyback is in the interest of the Company and its Members holding Equity Shares of the Company. The Directors, therefore, recommend passing of the Special Resolution as set out in the accompanying Notice.

None of the Directors or Key Managerial Personnel of the Company and/or their relatives is in anyway, concerned or interested, either directly or indirectly in passing of the said resolution, save and except, as stated above and to the extent of their shareholding, if any, in the Company.

Registered Office:  
304-A, Trichy Road, Singanallur,  
Coimbatore, Tamil Nadu - 641005  
Tel.: 0422-4545745 Fax: 0422-4545700  
E-mail: [cs@shanthigears.murugappa.com](mailto:cs@shanthigears.murugappa.com)  
Website: [www.shanthigears.com](http://www.shanthigears.com)  
CIN: L29130TZ1972PLC000649  
Coimbatore, December 26, 2018

By Order of the Board  
For Shanthi Gears Limited

C Subramanian  
Company Secretary

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