

# DEMBLE RAMANI & Co.

CHARTERED ACCOUNTANTS



201, M. G.HOUSE, R. T. ROAD,  
CIVIL LINES, NAGPUR-440 001.

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To,  
**The Board of Directors,**  
**MOIL Limited**  
MOIL Bhavan, 1A Katol Road,  
Nagpur – 440 013  
Maharashtra

and

**IDBI Capital Markets & Securities Limited**  
6<sup>th</sup> Floor, IDBI Tower, WTC Complex  
Cuffe Parade, Mumbai-400005  
Maharashtra, India

(IDBI Capital Markets & Securities Limited are referred to as the “**Manager to the Buyback Offer**” or “**Manager**”)

Dear Sirs:

**Sub: Proposed buyback of Equity Shares of not exceeding 25% of the aggregate of the fully paid-up share capital and free reserves as per the audited financial statements of the Company for the financial year ended March 31, 2021, on a proportionate basis (the “Buyback”), from the Eligible Shareholders by way of tender offer through the stock exchange mechanism by MOIL Limited (the “Company”).**

We, M/s. Demble Ramani & Co., Chartered Accountants, the Statutory Auditors of the Company, have been requested by the Company to verify and certify the financial adequacy of the Company for fulfilling the obligations under the Buyback, in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018, as amended (“**Buyback Regulations**”) and the Company’s ability to fulfil all obligations pertaining to the Buyback. We have inquired into the Company’s state of affairs in relation to its audited standalone financial statements for the financial year ended March 31, 2021 and unaudited limited reviewed standalone financial results for the six months ended September 30, 2021 as approved by the Board of Directors in their meeting held on November 10, 2021 and other relevant documents and hereby certify as under:

That the Company has sufficient means to fulfill all the obligations under Buyback Regulations, in respect of Buyback not exceeding 3,38,42,668 (Three Crore Thirty-Eight Lac Forty-Two Thousand Six Hundred Sixty-Eight) equity shares at a price of Rs. 205/- (Rupees Two Hundred Five only) per equity share, for an aggregate maximum amount of not exceeding Rs. 6,93,77,46,940 (Rupees Six Hundred Ninety-Three Crore Seventy-Seven Lac Forty-Six Thousand Nine Hundred Forty only)



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2. The Company has made firm arrangement for financial resources required to implement the Buyback. The financial resources proposed to be utilized for the Buyback are as follows:

Particulars	Amount
Total consideration payable assuming 100% acceptance of the offer by the shareholders	<b>6,93,77,46,940.00/-</b>
<b>Sources*</b>	
• Cash Balance	95,068.00/-
• Balance in Bank Accounts	7,13,20,545.68/-
• Market Value of Mutual Funds	3,46,93,90,565.00/-
• Actual Original Invested Value of Fixed Deposits	16,80,00,00,000.00/-
<b>Total Value of Source of Funds</b>	<b>20,34,08,06,178.68/-</b>

*\*The fixed deposits balance is an Actual Invested Value as on 20<sup>th</sup> Dec 2021 excluding the Interest Accrued on the same and Value of Mutual Fund being Market value of the Funds with NAV as on 20<sup>th</sup> Dec 2021 .  
(The Funds lying with the banks shall be liquidated and the proceeds thereof shall be deposited in the escrow account to be opened before the dispatch of the letter of offer to the shareholders as confirmed to us by the Company.)*

This certificate may be relied upon by the Manager to the Buyback Offer appointed by the Company in relation to the Buyback. We hereby consent to extracts of, or reference to, this certificate being used in the draft letter of offer and or any other document in connection with the Buyback. We also consent to the submission of this certificate as may be necessary, to any regulatory authority and/or its inclusion in any records maintained by the Manager to the Buyback Offer in connection with the Buyback and in accordance with applicable law.

For M/s Demble Ramani & Co.,  
Chartered Accountants  
FRN 102259W

CA Ashok Ramani

Partner

M. No 030537

UDIN: **21030537AAAADG3401**

Place – Nagpur

Date – 22-12-2021







To,  
**The Board of Directors,**  
**MOIL Limited**  
MOIL Bhavan, 1A Katol Road,  
Nagpur – 440 013  
Maharashtra

and

**IDBI Capital Markets & Securities Limited**  
6<sup>th</sup> Floor, IDBI Tower, WTC Complex  
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Dear Sirs:

**Sub: Proposed buyback of Equity Shares of not exceeding 25% of the aggregate of the fully paid-up share capital and free reserves as per the audited standalone financial statements of the Company for the financial year ended March 31, 2021, on a proportionate basis (the “Buyback”), from the Eligible Shareholders by way of tender offer through the stock exchange mechanism by MOIL Limited (the “Company”).**

We, M/s. Demble Ramani & Co., Chartered Accountants, the Statutory Auditors of the Company, have been informed that the Board of Directors of the Company in their meeting held on November 10, 2021 have decided to buy back, subject to approval from Shareholder through postal ballot, Company’s fully paid up equity shares as allowed under Section 68, 69 and 70 of the Companies Act, 2013, the Companies (Share Capital and Debenture) Rules, 2014 and Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018, as amended, at a price of Rs. 205/- (Rupees Two Hundred Five only) per share. In regards to the same, we have been requested by the Company to verify and certify the financial details of the Company for inclusion in the Draft Letter of Offer, Letter of Offer and any other documents in relation to the Buyback





1. The Buyback is authorized by the Articles of Association of the Company.
2. The ratio of the aggregate of secured and unsecured debts owed by the Company after the Buyback shall not be more than twice the post Buyback paid-up share capital and free reserves.
3. All the shares for Buyback are fully paid-up.
4. The Company has not made any buyback of shares or other securities in the last one year.
5. The Company has not defaulted in the repayment of deposits, 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 no such default is subsisting as on the date of this certificate. Further, where such default was committed prior to the aforesaid period of three years, such default has been remedied and a period of three years has lapsed after such default ceased to subsist.
6. The salient financial information of the Company extracted from the audited standalone financial statement for last three years being March 31, 2021, March 31, 2020 and March 31, 2019 and unaudited limited reviewed financial results for 6 months ended September 30, 2021 are given below:

(Rs. in Crores)

Key Financials	For Six Months period ended September 30, 2021	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2019
	(Limited Review)	(Audited)	(Audited)	(Audited)
Revenue from Operations	605.05	1177.38	1038.07	1440.67
Other Income	43.21	102.47	181.11	190.81
<b>Total Income</b>	<b>648.26</b>	<b>1279.85</b>	<b>1219.18</b>	<b>1631.48</b>
Total Expenses (excluding interest & depreciation)	440.11	890.57	782.53	844.90
Interest	0.00	0.00	0.00	0.00
Depreciation	48.73	99.17	96.16	66.82
Exceptional Items: Expense / (Income)	0.00	50.00	0.00	0.00







Profit Before Tax	159.42	240.11	340.49	719.76
Provisions for Tax (including Deferred Tax)	37.39	63.48	92.27	245.86
Profit/(Loss) discontinuing operation	0.00	0.00	0.00	0.00
Profit/ (Loss) After Tax	122.03	176.63	248.22	473.90
Paid-up Equity Share Capital	237.33	237.33	237.33	257.61
Reserve & Surplus, excluding revaluation reserves & Misc. expenditures to the extent not written off	2580.50	2582.57	2526.06	2825.10
Net worth, excluding revaluation reserves & Misc. expenditures to the extent not written off	2817.83	2819.90	2763.39	3082.71
Total Debt, excluding working capital loans	0.00	0.00	0.00	0.00

**Financial Ratios are as under:**

Particulars	For Six Months period ended September 30, 2021 (Limited Review)*	For the year ended March 31, 2021 (Audited)	For the year ended March 31, 2020 (Audited)	For the year ended March 31, 2019 (Audited)
Earnings per Share (Rs.)	5.14	7.44	9.80	18.40
Debt/ Equity Ratio	0.00	0.00	0.00	0.00
Book Value (Rs. per Share)	118.73	118.82	116.44	119.67
Return on Net worth (%)	4.33	6.26	8.98	15.37
Total Debt/ Net worth (%)	0.00	0.00	0.00	0.00

\*Not Annualised

**Notes:**

1. Net worth = Equity Capital + Reserves & Surplus – Miscellaneous Expenditure.
2. Total Debt = Long Term Borrowings + Short Term Borrowings + Current Maturities of Long Term Borrowings.

**Key Ratios basis:**





Earnings per Share- Basic (Rs)	Net profit attributable to the equity shareholders / <b>Weighted</b> average number of Shares outstanding during the year
Book Value per Share (Rs.)	(Paid up Equity Share Capital + Reserves and Surplus) / No. of Equity Shares Subscribed
Return on Networth excluding revaluation reserves (%)	Net Profit After Tax/ Net Worth excluding revaluation reserves
Debt- Equity Ratio	Total Debt/ Net Worth

7. Salient financial parameters consequent to the Buyback based on the latest audited standalone financial statements for the financial year ended March 31, 2021 are as under:

Parameters	Pre-Buyback	Post- Buyback*
Net worth (Rs. in Crores)	2819.90	2,126.13
Return on Net worth (%)	6.26	8.31
Earnings Per Share (of Rs.10 each)	7.44	8.68
Book Value per Share (Rs. 10/-)	118.82	104.49
P/E as per the latest audited financial results	20.20	17.32
Total Debt/ Equity Ratio	0.00	0.00

\*(Assuming full acceptance of Equity Shares in the Buyback Offer in the ratio of Buyback)

**Note:**

1. Net worth = Equity Share Capital + Reserves & Surplus – Miscellaneous Expenditure.
2. Total Debt = Long Term Borrowing + Short Term Borrowings + Current Maturities of Long Term Borrowings.







The key ratios have been computed as below:

**Key Ratios Basis**

Earnings per Share – Basic (Rs.)	Net Profit attributable to equity shareholders / Weighted average number of Shares outstanding during the year
Book value per Share (Rs.)	(Paid up Equity Share Capital + Reserves and Surplus) / No of Equity Shares Subscribed
Return on Net Worth excluding revaluation reserves ( % )	Net Profit After Tax / Net Worth excluding revaluation reserves
Debt-Equity Ratio	Total Debt / Net Worth
P/E ratio	Closing price on [NSE/BSE] as on March 31, 2021* (i.e. Rs. 150.35) / Earnings per share

*\*Last trading day in Financial Year 2021*

8. The capital structure of the Company, as on the date, is as follows:

Particulars	Aggregate value at face value
<b>Authorised share capital</b>	
30,00,00,000 Equity Shares of Rs. 10/- each	3,00,00,00,000.00
<b>Issued share capital</b>	
23,73,27,879 Equity Shares of Rs. 10/- each	2,37,32,78,790.00
<b>Subscribed and paid up</b>	
23,73,27,879 Equity Shares of Rs. 10/- each	2,37,32,78,790.00

9. Assuming 100% (full acceptance) response to the Buyback Offer, the issued, subscribed and paid-up equity share capital of the Company after the completion of the Buyback Offer would be as follows:

Particulars	No. of Shares	Amount
Issued, Subscribed and Paid-up Equity Shares	20,34,85,211	2,03,48,52,110.00

10. Details of the changes in share capital of the Company since incorporation are as follows:

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Date of Allotment	Number of Equity Shares	Cumulative number of shares	Face Value (Rs)	Issue Price (Rs)	Consideration	Equity Share Capital (Rs)	Cumulative Paid-up Capital (Rs)
September 8, 1962	19,400	19,400	100	100	Cash	1,940,000	1,940,000
	19,400	38,800	100	100	Cash	1,940,000	3,880,000
	19,400	58,200	100	100	Cash	1,940,000	5,820,000
	56,000	114,200	100	-	Other than cash <sup>1</sup>	5,600,000	11,420,000
February 2, 1963	43	114,243	100	100	Cash	4,300	11,424,300
March 24, 1963	43	114,286	100	100	Cash	4,300	11,428,600
October 7, 1963	43	114,329	100	100	Cash	4,300	11,432,900
November 30, 1963	4,975	119,304	100	100	Cash	497,500	11,930,400
	4,975	124,279	100	100	Cash	497,500	12,427,900
	14,380	138,659	100	-	Other than cash <sup>2</sup>	1,438,000	13,865,900
December 24, 1963	4,975	143,634	100	100	Cash	497,500	14,363,400
March 22, 1983	20,000	163,634	100	100	Cash	2,000,000	16,363,400
April 29, 1983	10,000	173,634	100	100	Cash	1,000,000	17,363,400
	5,000	178,634	100	100	Cash	500,000	17,863,400
September 24, 1983	15,000	193,634	100	100	Cash	1,500,000	19,363,400
March 16, 1984	5,000	198,634	100	100	Cash	500,000	19,863,400
July 11, 1984	7,200	205,834	100	100	Cash	720,000	20,583,400
July 25, 1985	35,000	240,834	100	100	Cash	3,500,000	24,083,400
May 24, 1986	10,000	250,834	100	100	Cash	1,000,000	25,083,400
September 5, 1986	5,000	255,834	100	100	Cash	500,000	25,583,400
December 4, 1986	10,000	265,834	100	100	Cash	1,000,000	26,583,400
February 28, 1987	150,000	415,834	100	100	Cash	15,000,000	41,583,400
May 26, 1987	7,200	423,034	100	100	Cash	720,000	42,303,400
September 26, 1987	140,000	563,034	100	100	Cash	14,000,000	56,303,400
September 29, 1988	277,000	840,034	100	100	Cash	27,700,000	84,003,400
	20,000	860,034	100	100	Cash	2,000,000	86,003,400
	9,900	869,934	100	100	Cash	990,000	86,993,400
September 29, 1989	215,800	1,085,734	100	100	Cash	21,580,000	108,573,400
	20,000	1,105,734	100	100	Cash	2,000,000	110,573,400
	7,780	1,113,514	100	100	Cash	778,000	111,351,400
September 26, 1990	314,000	1,427,514	100	100	Cash	31,400,000	144,231,400
	10,000	1,437,514	100	100	Cash	1,000,000	143,751,400
	4,800	1,442,314	100	100	Cash	480,000	144,231,400
September 20, 1991	20,000	1,462,314	100	100	Cash	2,000,000	146,231,400
	21,560	1,483,874	100	100	Cash	2,156,000	148,387,400
September 28, 1992	26,740	1,510,614	100	100	Cash	2,674,000	151,061,400
September 23,	11,900	1,522,514	100	100	Cash	1,190,000	152,251,400





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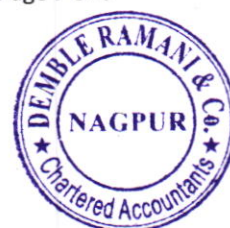
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Date of Allotment	Number of Equity Shares	Cumulative number of shares	Face Value (Rs)	Issue Price (Rs)	Consideration	Equity Share Capital (Rs)	Cumulative Paid-up Capital (Rs)
1993							
November 23, 1994	10,000	1,532,514	100	100	Cash	1,000,000	153,251,400
October 17, 2006	1,033,874	2,566,388	100	-	Other than Cash	103,387,400	256,638,800
	121,900	2,688,288	100	-	Other than Cash	12,190,000	268,828,800
	111,712	2,800,000	100	-	Other than Cash	11,171,200	280,000,000
<i>By way of a shareholders resolution dated August 28, 2009, the face value of Equity Shares of our Company was reduced from Rs. 100 per Equity Share to Rs. 10 per Equity Share. Cumulative number of Equity Shares increased from 2,800,000 Equity Shares of Rs. 100 each to 28,000,000 Equity Shares of Rs. 10 each.</i>							
December 29, 2009	114,196,400	142,196,400	10	-	Other than Cash	1,141,964,000	1,421,964,000
	13,464,500	155,660,900	10	-	Other than Cash	1,346,450,000	1,556,609,000
	12,339,100	168,000,000	10	-	Other than Cash	1,233,910,000	1,680,000,000
October 6, 2016	(3,48,12,196)	13,31,87,804	10	248 <sup>3</sup>	Cash	34,81,21,960	133,18,78,040
September 29, 2017	13,31,87,804	26,63,75,608	10	-	Other than Cash	133,18,78,040	266,37,56,080
March 26, 2018	(87,66,720)	25,76,08,888	10	240 <sup>4</sup>	Cash	876,67,200	257,60,88,880
January 15, 2020	(2,02,81,009)	23,73,27,879	10	152 <sup>5</sup>	Cash	20,28,10,090	2,37,32,78,790

**Notes:**

1. Fresh allotment to CPMO for transfer of fixed assets and consumable stores to MOIL Limited in terms of the agreement dated June 8, 1962 between the GoI and CPMO.
2. Further allotment to CPMO towards the satisfaction of outstanding sum due on fixed assets and stores transferred by CPMO to MOIL Limited in terms of the agreement dated June 8, 1962 between the GoI and CPMO and in accordance with the said agreement between GoI and CPMO and on the basis of valuation approved by Controller of Capital Issues (CCI), being part value of fixed assets and consumable stores transferred.
3. On October 6, 2016, the Company accepted bought back of 3,48,12,196 Equity Shares at Rs. 248 per Equity Share.
4. On March 26, 2018, the Company accepted bought back of 87,66,720 Equity Shares at Rs. 240 per Equity Share.
5. On January 15, 2020, the Company accepted bought back of 2,02,81,009 Equity Shares at Rs. 152 per Equity Share.



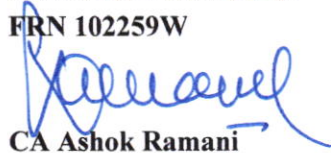


This letter is solely for the information of the addressees and to assist the Manager to the Buyback appointed by the Company in conducting and documenting their investigations of the affairs of the Company in connection with the Buyback, and for the purpose of any defence the addressees may wish to advance in any claim or proceeding in connection with the contents of the Buyback documents, and is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that: (i) reference may be made to it in the list of closing and other documents and communications pertaining to the Buyback, (ii) it may be disclosed to any professional advisors of the addressees or as may be required by law, regulation, court order or regulatory or self-regulatory authority, and (iii) it may be produced in any actual or potential proceedings or actual or potential disputes relating to or connected with the document pertaining to the Buyback or otherwise in connection with the Buyback. Nothing in this letter shall prohibit you, should you choose to do so, from using this letter to evidence your due diligence process in connection with the Buyback.

We hereby consent to inclusion of the extracts of this certificate in the Public Announcement, Draft Letter of Offer, the Letter of Offer or any other document in relation to the Buyback.

Yours faithfully,

**For M/s. Demble Ramani & Co,**  
**Chartered Accountants**  
**FRN 102259W**

  
**CA Ashok Ramani**

**Partner**

**M. No 030537**

**UDIN: 21030537AAAADH6181**

**Nagpur**

**Date – 22-12-2021**







To,  
**The Board of Directors,**  
**MOIL Limited**  
MOIL Bhavan, 1A Katol Road,  
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Maharashtra

**Sub: Proposed buyback of Equity Shares of not exceeding 25% of the aggregate of the fully paid-up share capital and free reserves as per the audited standalone financial statement of the Company for the financial year ended March 31, 2021, on a proportionate basis (the “Buyback”), from the Eligible Shareholders by way of tender offer through the stock exchange mechanism by MOIL Limited (the “Company”).**

Dear Sirs,

With reference to the captioned subject, given below is a broad summarization of the applicable sections of the Income Tax Act, 1961, (“**Income Tax Act**”) relating to treatment of income-tax in case of buyback of listed equity shares on the stock exchange, which shall form part of the disclosure in the Draft Letter of Offer, Letter of Offer or any other document in relation to the Buyback of the Company.

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 ON THESE TAX CONSIDERATIONS.

IN VIEW OF THE PARTICULARIZED 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 THIS TAX SUMMARY AND THERE CAN BE NO LIABILITY ON THE COMPANY IF ANY ACTION IS TAKEN BY THE SHAREHOLDER SOLELY BASED ON THIS TAX SUMMARY. THEREFORE, SHAREHOLDERS CANNOT RELY ON THIS ADVICE AND THE SUMMARY TAX IMPLICATIONS RELATING TO THE TREATMENT OF INCOME TAX





IN THE CASE OF BUYBACK OF EQUITY SHARES LISTED 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 April 1 to March 31 of subsequent year. 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 ("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. Vide Finance Act, 2020, certain non-resident individuals are deemed to be resident in India upon triggering of certain conditions. Deemed residents would be liable to pay tax in India only on their Indian sourced income or income from business or professional controlled 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 Double Taxation Avoidance Agreement ("DTAA"), as modified by the Multilateral Instrument ("MLI"), if the same is applicable to the relevant DTAA between India and the respective country of which the said shareholder is tax resident. The above benefit may be available subject to satisfying relevant conditions prescribed under ITA including but not limited to availability of Tax Residency Certificate, non-applicability of General Anti-Avoidance Rule ("GAAR") and providing and maintaining necessary information and documents as prescribed under ITA as well as satisfying the relevant conditions under the respective DTAA including anti-abuse measures under the MLI, if applicable.

## 2. CLASSIFICATION OF SHAREHOLDERS

Section 6 of the ITA, determines the residential status of an assessee. Accordingly, shareholders can be classified broadly in two categories as below:

### A. Resident Shareholders being:

- Individuals, Hindu Undivided Family (HUF), Association of Persons (AOP) and Body of







- Individuals (BOI), Firm, LLP
- Others (corporate bodies):
  - Company
  - Other than Company

B. Deemed Resident Shareholder – an individual being a citizen of India who is not liable to tax in any other country or territory by reason of domicile, residence or any other criteria of similar nature and has total income other than foreign sourced income exceeding Rs 15 lakh during the tax year.

**C. Non-Resident Shareholders being:**

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

**3. BUYBACK OF SHARES**

Section 115QA of the ITA introduced w.e.f. June 1, 2013 contains provisions for taxation of a domestic company in respect of buy-back of shares (within the meaning of Sec. 68 of the Companies Act, 2013). In effect, the incidence of tax stands shifted completely to the Company and not the recipient of the buyback proceeds.

Before the enactment of Finance Act (No 2), 2019, this section was not applicable to shares listed on a recognized stock exchange. The Finance Act (No 2), 2019 has amended section 115QA of the ITA with effect from 5th July, 2019 extending its provisions to cover distributed income on buy-back of equity shares of a company listed on a recognized stock exchange as well.

As per Section 115QA, listed companies making a public announcement of Buyback of shares on or after 5th July 2019 are required to pay an additional Tax @ 20%, plus Surcharge @ 12%, plus Health & Education Cess @4% on the Distributed Income.

Distributed Income is defined under section 115QA to include Consideration paid by the company on buyback of Shares as reduced by the amount which was received by the company on issue of such shares, determined in the manner specified in Rule 40BB.

The tax on the distributed income by the company shall be treated as the final payment of tax in respect of the said income and no further credit therefor shall be claimed by the company or by





any other person in respect of the amount of tax so paid.

No deduction under any other provision of this Act shall be allowed to the company or a shareholder in respect of the income which has been charged to tax.

Section 10(34A) of the ITA provided for exemption to a shareholder in respect of income arising from buy-back of shares w.e.f. April 1, 2014 (i.e. Assessment year 2014-15). The Finance Act (No. 2), 2019 has also made consequential changes to section 10(34A) of the ITA extending the benefit of exemption of income from buy-back to shareholders in respect of shares listed on recognized stock exchange as well. Thus, the tax implications to the following categories of shareholders are as under:

***A. Resident Shareholders or Deemed Resident Shareholders***

Income arising to the shareholder on account of buy-back of shares as referred to in section 115QA of the ITA is exempt from tax under the provisions of the amended section 10(34A) of the ITA with effect from July 5, 2019.

***B. Non-Resident Shareholders***

While the income arising to the shareholder on account of buy back of shares as referred to in section 115QA of the ITA is exempt from tax under the provisions of the amended section 10(34A) with effect from July 5, 2019 in the hands of a Non-resident as well, the same may be subject to tax in the country of residence of the shareholder as per the provisions of the tax laws of that country. The credit of tax may or may not be allowed to such Non- resident shareholder to be claimed in the country of residence in respect of the buy-back tax paid by the company in view of Sec 115QA (4) and (5) of the ITA. Non-resident shareholders need to consult their tax advisors with regard to availability of such a tax credit.

**4. TAX DEDUCTION AT SOURCE**

Currently, there are no provisions for tax deduction at source in respect of income earned from transfer/ buy-back of shares in case of resident shareholders/ deemed resident shareholders.

Given that income arising on account of the buy-back of shares is exempt from tax under Section 10(34A) of ITA, the same would not be subject to tax deduction at source for non-resident shareholders.





**5. SECURITIES TRANSACTION TAX**

Since the Buyback of shares shall take place through the settlement mechanism of the Stock Exchange, Securities Transaction Tax at 0.1% of the value of the transaction will be applicable.

***Caveat:***

The summary of the tax considerations as above is based on the current provisions of the tax laws of India, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

In view of the specific nature of tax consequences, shareholders who are not tax residents of India are required to consult their tax advisors for the applicable tax and the appropriate course of action that they should take considering the provisions of the relevant Country or State tax law and provisions of DTAA where applicable.

I hereby consent to inclusion of the extracts of this certificate in the Draft Letter of Offer and the Letter of Offer or any other document in relation to the Buyback.

**For M/s Demble Ramani & Co**

**Chartered Accountants**

**FRN 102259W**

**CA Ashok Ramani**

**Partner**

**M. No 030537**

**UDIN: 21030537AAAADI3153**

**Place –Nagpur**

**Date – 22/12/2021**

