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**STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE  
COMPANY, ITS SHAREHOLDERS AND SUBSIDIARY, KAYNES ELECTRONICS  
MANUFACTURING PRIVATE LIMITED UNDER THE APPLICABLE LAWS IN INDIA**

To,

**The Board of Directors,  
Kaynes Technology India Limited  
23-25, Belagola, Food Industrial Estate Metagalli P O,  
Mysuru- 570016  
Karnataka, India**

**Re: Proposed initial public offer of equity shares of face value of Rs.10/- each (the "Equity Shares") of Kaynes Technology India Limited (the "Company" and such offer, the "Offer").**

This report is issued in accordance with the Engagement Letter dated 29 November 2021.

We hereby report that the enclosed Annexure I prepared by the Company, initialed by us and the Company for identification purpose, states the possible special direct tax benefits available to the Company, its Shareholders and its Subsidiary Kaynes Electronics Manufacturing Private Limited (the "Direct Tax Laws"), presently in force in India as on the signing date, which are defined in Annexure I. These possible special tax benefits are dependent on the Company, its Shareholders and its Subsidiary, Kaynes Electronics Manufacturing Private Limited fulfilling the conditions prescribed under the relevant provisions of the Tax Laws. Hence, the ability of the Company, its Shareholders and its Subsidiary, Kaynes Electronics Manufacturing Private Limited to derive these possible special tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives the Company may face in the future and accordingly, the Company, its Shareholders and its Subsidiary, Kaynes Electronics Manufacturing Private Limited may or may not choose to fulfill.

The benefits discussed in the enclosed Annexure II cover the possible special indirect tax benefits available to the Company, its Shareholders and its Subsidiary, Kaynes Electronics Manufacturing Private Limited (the "Indirect Tax Laws" and together with the Direct Tax Laws the "Tax Laws") but does not cover any general tax benefits available to the Company, its Shareholders and its Subsidiary, Kaynes Electronics Manufacturing Private Limited. Further, the preparation of the enclosed Annexure II and its contents is the responsibility of the management of the Company and is not exhaustive. We were informed that the Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing Tax Laws, each investor is

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Chennai : Flat 2-A, Second Floor, Shruthi 3/7, 8th Cross Street, Shastrinagar, Adayar, Chennai - 600 020. Ph.: 044- 24903137 / 45511564



advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the proposed initial public offering of equity shares of the Company comprising a fresh issue of the Equity Shares by the Company and an offer for sale of Equity Shares by certain shareholders particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the possible special tax benefits, which an investor can avail. Neither we are suggesting nor advising the investors to invest money based on this Statement.

We conducted our examination in accordance with the "Guidance Note on Reports or Certificates for Special Purposes (Revised 2016)" (the "Guidance Note") issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

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.

We do not express any opinion or provide any assurance as to whether:

- i) the Company, its Shareholders and its Subsidiary, Kaynes Electronics Manufacturing Private Limited will continue to obtain these possible special tax benefits in future; or
- ii) the conditions prescribed for availing the possible special tax benefits where applicable, have been/ would be met with.

The contents of enclosed Annexures are based on the information, explanation and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

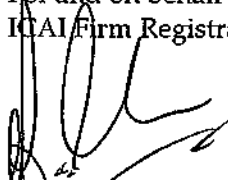
Our views expressed herein are based on the facts and assumptions indicated to us. No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our views are based on the existing provisions of the Tax Laws and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to the Company for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to the Company and any other person in respect of this Statement, except as per applicable law.



We hereby give consent to include this Statement in the Red Herring Prospectus, and the Prospectus, and in any other material used in connection with the proposed Offer. The Statement is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For and on behalf of K.P.Rao & Co, Chartered Accountants  
ICAI Firm Registration No. 003135S



Authorized signatory

Mohan R Lavi

Partner

Membership No.: 029340



UDIN: 22029340BANAXS4324

Place: Mysore

Date: 21<sup>st</sup> October 2022

Encl: As above

**ANNEXURE I**

**ANNEXURE TO THE STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO KAYNES TECHNOLOGY INDIA LIMITED (THE "COMPANY"), ITS SHAREHOLDERS AND ITS SUBSIDIARY, KAYNES ELECTRONICS MANUFACTURING PRIVATE LIMITED**

Outlined below are the possible Special Tax Benefits available to the Company, its Shareholders and its Subsidiary, Kaynes Electronics Manufacturing Private Limited under the Income Tax Act, 1961 presently forced in India. It is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have different interpretation on the benefits, which an investor can avail.

**STATEMENT OF POSSIBLE SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE COMPANY, TO THE SHAREHOLDERS OF THE COMPANY AND ITS SUBSIDIARY, KAYNES ELECTRONICS MANUFACTURING PRIVATE LIMITED**

**Under the Income Tax Act, 1961 ('the Act')**

**1. Special tax benefits available to the Company under the Act**

**Section 80JJAA of the Act: Deduction in respect of employment of new employee-**In accordance with and subject to the conditions specified under Section 80JJAA of the Act, a company is entitled to a deduction of an amount equal to 30% of additional employee cost incurred in the course of business in a previous year, for 3 consecutive assessment years including the assessment year relevant to the previous year in which such additional employment cost is incurred.

Additional employee cost means the total emoluments paid or payable to additional employees employed in the previous year. The deduction under section 80JJAA would continue to be available to the company even where the company opts for the lower tax rate of 22% under the provisions of section 115BAA (as discussed above).

The company should be eligible to claim this deduction in case it incurs additional employee cost within the meaning of Explanation (i) to sub-section (2) of Section 80JJAA of the Act and satisfies the conditions mentioned in the section.

**2. General tax benefits available to the Company**

**a) Section 115BAA of the Act: Corporate Tax Rate of 22%**

- Section 115BAA, as inserted vide The Taxation Laws (Amendment) Act, 2019, provides that domestic company can opt for a rate of 22% (plus



applicable surcharge and education cess) for the financial year 2019-20 onwards, provided the total income of the company is computed without claiming certain specified deductions or set-off of losses, depreciation etc., and claiming depreciation determined in the prescribed manner.

- In case a company opts for section 115BAA, provisions of Minimum Alternate Tax would not be applicable and earlier year MAT credit will not be available for set - off.
- The options needs to be exercised on or before the due date of filing the income tax return. Option once exercised, cannot be subsequently withdrawn for the same or any other tax year.

Further, if the conditions mentioned in section 115BAA are not satisfied in any year, the option exercised shall become invalid in respect of such year and subsequent years, and the other provisions of the Act shall apply as if the option under section 115BAA had not been exercised.

- The company has represented to us that they will opt for section 115BAA of the Act for AY 2022-23.

**b) Section 32 of the Act Depreciation Allowance**

- As per section 32(1) of the Act, the Company can claim depreciation allowance at the prescribed rates in respect of its tangible and intangible assets.

**c) Section 36(1)(vii) of the Act Allowance of bad debts written off**

Under section 36(1)(vii), any bad debt or part thereof which has been written off as irrecoverable in the books of accounts is allowable as deduction for computing the income under the head "Profit and gains of business or profession", subject to the fulfilment of the conditions as specified in section 36(2) read with section 36(1)(vii) of the Act

**d) Taxation on dividend income**

According to the Finance Act, 2020 any income by way of dividends or income from equity shares are now taxable in the hands of shareholder at the applicable rate and the domestic company or specified company are not required to pay any dividend distribution tax ("DDT") w.e.f. 01.04.2020.

**e) Taxability of income from capital gains**

As per section 2(42A) of the Act, if the period of holding of a security (other than a unit)



listed on a recognised stock exchange in India or a unit of the Unit Trust of India or a unit of an equity-oriented fund or a zero-coupon bond is more than 12 months, it will be considered a long-term capital asset as per section 2(29A) of the Act. With respect to immovable property (being land or building or both) and shares of a company not being listed on a recognised stock exchange, the determinative period of holding shall be more than 24 months for it to be regarded as long-term capital asset. With respect to other assets including a unit of a mutual fund other than equity oriented mutual fund or unit of a business trust, the determinative period of holding is more than 36 months for it to be regarded as long-term capital asset. Asset not considered as long-term capital asset shall be regarded as short-term capital assets

As per the provisions of section 112(1)(d) of the Act, gains arising on the transfer of long-term capital assets shall be chargeable to tax at the rate of 20% (plus applicable surcharge and cess). However, as per the proviso to section 112 of the Act, the tax on long term capital gains resulting on transfer of listed securities (other than those covered under section 112A) and Zero-Coupon Bonds shall be the lower of the following:

- a. 20% (plus applicable surcharge and cess) with indexation benefit; or
- b. 10% (plus applicable surcharge and cess) without indexation benefit

The short-term capital gains are chargeable to tax at a normal tax rate (plus applicable surcharge and cess).

As per section 70 read with section 74 of the Act, short term capital loss arising during an year is allowed to be set-off against short term capital gains as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent eight assessment years. Long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent eight assessment years.

### **3. Special tax benefits available to the Shareholders under the Act**

There are no special tax benefits available to the Shareholders under the Tax Laws.

### **4. General tax benefits available to the Shareholders**

#### **a) Exemption on Dividend Income received from Indian Company**

Dividend income earned on shares of the Company will be taxable in the hands of Shareholders as to such shareholder. The shareholder is eligible to claim deduction of interest expense wholly and exclusively incurred for earning of such dividend income under section 57 of the Act. However, such deduction is restricted to 20 per cent of dividend received.



Further, in case of a shareholder being a company, deduction in respect of dividends received from the Company shall be available under section 80M of the Act, to the extent such dividend is distributed by it on or before the specified due date.

**b) Taxability of gain/ loss arising from sale of shares of the Company:**

The characterisation of gains/ losses, arising from sale of shares, as capital gains or business income would depend on the nature of holding in the hands of the shareholder and various other factors.

**i. Taxability under the head 'capital gains'**

Income arising from transfer of shares of the Company held for more than 12 months and subject to securities transaction tax, shall be considered as long-term capital assets. The shares which are not considered as long-term capital assets shall be considered as short-term capital assets.

Section 112A of the Act provides for concessional rate of 10% (plus applicable surcharge and cess) on long term capital gains (exceeding Rs. 1,00,000) arising from equity shares of the Company, if STT has been paid on both acquisition and transfer of such shares. The benefit of indexation under the second proviso to section 48 of the Act shall not be applicable for computing long term capital gains taxable under section 112A of the Act.

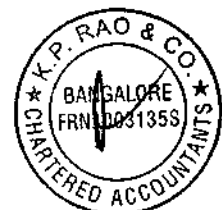
As per section 112 of the Act, the tax on long term capital gains resulting on transfer of listed shares of the Company (other than those covered under section 112A) shall be the lower of the following:

- a. 20% (plus applicable surcharge and cess) with indexation benefit; or
- b. 10% (plus applicable surcharge and cess) without indexation benefit

As per the provisions of section 111A of the Act, short term capital gain arising from transfer of equity share in the Company through a recognized stock exchange and subject to STT shall be taxable at a concessional rate of 15% (plus applicable surcharge and cess if any).

As per section 70 read with section 74 of the Act, short term capital loss arising during a year is allowed to be set-off against short term capital gains as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent eight assessment years. Long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent eight assessment years.

**ii. Taxability under the head 'income from business and profession':**



Where the gains arising on the transfer of shares of the Company are included in the business income of a shareholder and assessable under the head "Profits and Gains from Business or Profession" and on such transfer is subjected to STT, then such STT shall be a deductible expense from the business income as per the provisions of section 36(1)(xv) of the Act.

**For non-resident shareholders being Foreign Portfolio Investors ('FPIs') / Foreign Institutional Investors ('FIIs')**

**a) Taxability of dividend income from shares of the Company**

Dividend income earned on shares of the Company will be taxable in the hands of shareholders as 'income from other sources' at tax rate applicable to such shareholder.

**b) Taxability of gain/ loss arising from sale of shares of the Company**

As per section 2(14) of the Act, transfer of any shares/ securities (other than those held as stock in trade) being invested in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 shall be deemed to be treated as Capital Gains.

Income arising from transfer of shares of the Company held for more than 12 months and subject to securities transaction tax, shall be considered as long-term capital assets. The shares which are not considered as long-term capital assets shall be considered as short-term capital assets.

Section 115AD read with section 112A of the Act provides for concessional rate of 10% (plus applicable surcharge and cess) on long term capital gains (exceeding Rs. 1,00,000) arising from equity shares of the Company, if STT has been paid on both acquisition and transfer of such shares. The benefit of indexation under the second proviso to section 48 of the Act shall not be applicable for computing long term capital gains taxable under section 112A of the Act.

As per section 115AD of the Act, the tax on long term capital gains resulting on transfer of listed shares of the Company (other than those covered under section 112A) shall be 10% (plus applicable surcharge and cess) without indexation benefit.

Under section 115AD(1)(ii) of the Act, income by way of short term capital gains arising to the FPI/ FII on transfer of shares of the Company shall be chargeable at the rate of 15% (plus applicable surcharge and cess) if such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT.

As per section 70 read with section 74 of the Act, short term capital loss arising during a year is allowed to be set-off against short term capital gains as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off





against any capital gains arising during subsequent eight assessment years. Long term capital loss arising during a year is allowed to be set-off only against long term

capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent eight assessment years.

Under the provisions of section 90(2) of the Act, a non-resident will be governed by the provisions of the country of tax residence of the FII/ FPI or the provisions of the Act, to the extent they are more beneficial to the FII/ FPI.

**For non-resident Shareholders, other than FIIs/ FPIs**

**a) Taxability of dividend income from shares of the Company**

Dividend income earned on shares of the Company will be taxable in the hands of shareholders as 'income from other sources' at tax rate applicable to such shareholder. The shareholder is eligible to claim deduction of interest expense wholly and exclusively incurred for earning of such dividend income under section 57 of the Act. However, such deduction is restricted to 20 per cent of dividend received.

**b) Taxability of gain/ loss arising from sale of shares of the Company**

**a. Taxability under the head 'capital gains'**

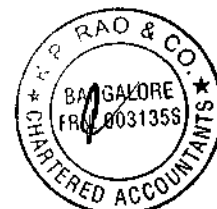
Income arising from transfer of shares of the Company held for more than 12 months and subject to securities transaction tax, shall be considered as long-term capital assets. The shares which are not considered as long-term capital assets shall be considered as short-term capital assets.

Section 112A of the Act provides for concessional rate of 10% (plus applicable surcharge and cess) on long term capital gains (exceeding Rs. 1,00,000) arising from equity shares of the Company, if STT has been paid on both acquisition and transfer of such shares. The benefit of indexation under the second proviso to section 48 of the Act shall not be applicable for computing long term capital gains taxable under section 112A of the Act.

As per section 112 of the Act, the tax on long term capital gains resulting on transfer of listed shares of the Company (other than those covered under section 112A) shall be the lower of the following:

- a. 20% (plus applicable surcharge and cess) with indexation benefit; or
- b. 10% (plus applicable surcharge and cess) without indexation benefit

As per the provisions of section 111A of the Act, short term capital gain arising from transfer of equity share in the Company through a recognized stock exchange and subject to STT shall be taxable at a concessional rate of 15% (plus applicable surcharge and cess if any).



As per section 70 read with section 74 of the Act, short term capital loss arising during a year is allowed to be set-off against short term capital gains as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent eight assessment years. Long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent eight assessment years.

**b. Taxability under the head 'income from business and profession'**

Where the gains arising on the transfer of shares of the Company are included in the business income of transfer is subjected to STT, then such STT shall be a deductible expense from the business income as per the provisions of section 36(1)(xv) of the Act.

Under the provisions of section 90(2) of the Act, a non-resident will be governed by the provisions of the Double Tax Avoidance Agreement ('DTAA') between India and the country of tax residence of the non-resident or the provisions of the Act, to the extent they are more beneficial to the non-resident.

As per Explanation 4 to section 115JB(2), the provisions of section 115JB shall not be applicable to a foreign company if the foreign company is a resident of a country having DTAA with India and such foreign company does not have a permanent establishment within the definition of the term in the relevant DTAA, or the foreign company is a resident of a country which does not have a DTAA with India and such foreign company is not required to seek registration under section 592 of the Companies Act 1956 or section 380 of the Companies Act 2013.

**5. Special Tax Benefits available to Kaynes Electronics Manufacturing Private Limited**

**a) Section 115BAB of the Act.**

KEMPL is eligible for deduction under Section 115BAB of the Income Tax Act. As per Section 115BAB, the income-tax payable in respect of the total income of a person, being a domestic company, for any previous year relevant to the assessment year beginning on or after the 1st day of April, 2020, shall, at the option of such person, be computed at the rate of fifteen per cent, if the conditions contained in the Section are satisfied.

**Detailed terms and conditions for Section 115BAB:**

- Companies to be set up and registered on or after 1 October 2019 and has commenced manufacturing on or before 31 March 2024
- It should not be formed by splitting up or reconstruction of an existing business
- It does not use second-hand plant/machinery, except in certain prescribed scenarios
- It does not use any building that was previously used as a hotel or a convention centre



- It will not be allowed to claim deductions/incentives as listed in section 115BAA above
- Transactions between such domestic company and person closely connected shall be subject to transfer pricing
- Option to avail concessional tax regime is to be exercised on or before the due date for furnishing the Company's first return of income. The option once exercised cannot be subsequently withdrawn
- An eligible manufacturing company availing concessional tax regime under section 115BA (i.e. 25% tax rate) is permitted to withdraw from that regime and avail the concessional tax regime under section 115BAB.

**NOTES:**

1. The above is as per the current Tax Laws.
2. The above Statement of possible special tax benefits sets out the provisions of Tax Laws in a summary manner only and is not a complete analysis or listing of all the existing and potential tax consequences of the purchase, ownership and disposal of equity shares of the Company.
3. This Statement does not discuss any tax consequences in any country outside India of an investment in the equity shares of the Company. The shareholders / investors in any country outside India are advised to consult their own professional advisors regarding possible income tax consequences that apply to them under the laws of such jurisdiction.



**ANNEXURE II**

**ANNEXURE TO THE STATEMENT OF POSSIBLE SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE COMPANY, TO THE SHAREHOLDERS OF THE COMPANY AND ITS SUBSIDIARY, KAYNES ELECTRONICS MANUFACTURING PRIVATE LIMITED**

**INDIRECT TAXATION**

Outlined below are the special tax benefits available to the Company, its Shareholders and its Subsidiary, Kaynes Electronics Manufacturing Private Limited under The Central Goods and Services Tax Act, 2017 ("CGST Act"), the Integrated Goods and Services Tax Act, 2017 ("IGST Act"), the Union Territory Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017 (read with respective State Goods and Services Tax Rules, circulars, notifications), the Customs Act, 1962 and the Customs Tariff Act, 1975, the Foreign Trade (Development and Regulation) Act, 1992 (read with the Foreign Trade Policy 2015-2020 ("FTP") (collectively referred to as "Indirect tax").

**1. Special tax benefits available to the Company**

As per a Customs Notification issued in 25/2002 CUS dated 01.03.2002 and its amendments, the Company is eligible for a concessional rate of duty.

Certain machineries if utilised for manufacture of specified finished goods, are eligible for import with Basic Customs Duty concession of 50%/100%. Some of the machinery imported/proposed to be imported are eligible for this benefit on Customs Duty after following IGCRD (Import of Goods at Concessional Rate of Duty) Rules, 2017. Note that such concession is only on Basic Customs Duty.

**2. Special Tax Benefits available to the Shareholders of the Company**

There are no special tax benefits available to the shareholders of the Company.

**3. Special tax benefits available to Kaynes Electronics Manufacturing Private Limited**

Nil

