

S S KOTHARI MEHTA
& COMPANY
CHARTERED ACCOUNTANTS

Date: December 13, 2023

To,
The Board of Directors
SIS Limited
Annapoorna Bhawan, Telephone Exchange Road
Kurji, Patna, Bihar – 800 010

DAM Capital Advisors Limited
One BKC, Tower C, 15th Floor.
Unit No. 1511, Bandra Kurla Complex
Bandra (East) Mumbai 400 051
Maharashtra, India
(hereinafter referred to as the “**Manager to the Buyback**”)

Dear Sir/ Madam,

Sub: Proposed buyback of up to 16,36,363 equity shares of face value INR 5 /- each ("Equity Share") of SIS Limited (hereinafter referred as "the Company") at a price of INR 550/- per Equity Share under tender offer route ("Buyback") in accordance with the provisions of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018 ,as amended ("Buyback Regulations").

1. We have been informed by the management of the Company that the board of directors of the Company, pursuant to their meeting held on November 30, 2023, has decided to undertake the Buyback through the tender offer route, in terms of the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018, as amended (“**SEBI Buyback Regulations**”) and the Companies Act, 2013 and the rules made thereunder, each as amended (“**Companies Act**”). We have been requested by the company to provide a note on the Statement of Tax benefits under The Income Tax Act, 1961 for the company and the shareholders on account of buyback of equity shares of the company.
2. The Board of Directors (the “**Board**”) of the Company passed a resolution on November 30, 2023 (the “**Board Meeting**”) to approve the proposal for buyback of equity shares of face value of INR 5 each (the “**Equity Shares**”) of the Company from the equity shareholders/ beneficial owners of Equity Shares (the “**Equity Shareholders**”) of the Company through the tender market route, at a price not exceeding INR 550 per Equity Share (the “**Buyback Price**”) payable in cash, for an aggregate maximum amount up to INR 90,00,00,000 excluding the transaction costs viz. brokerage costs, fees, turnover charges, taxes such as tax on buyback, securities transaction tax and goods and services tax (if any), stamp duty, printing and dispatch expenses, if any, filing fees to Securities and Exchange Board of India (“**SEBI**”) and stock exchanges, advisor/ legal fees, public announcement publication expenses and other incidental and related expenses and charges (the “**Buyback offer Size**”). For the buyback the Company has appointed “**DAM Capital Advisors Limited**” as the Manager to the Buyback.
3. This certificate is issued in accordance with the terms of our engagement letter dated November 29, 2023.

Management’s Responsibility

4. The management of the Company is responsible for, 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 information and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.



S S KOTHARI MEHTA
& COMPANY
CHARTERED ACCOUNTANTS

5. The management of the Company is also responsible for ensuring that the Company complies with all requirements as prescribed under the various laws viz. Companies Act, 2013, Income Tax Act, 1961, SEBI Buyback regulations 2018 etc., as applicable to the proposed transaction of buyback of equity shares.
6. Management is responsible for ensuring that the documents and information maintained and so provided in relation to Proposed Buyback are free material misstatement, whether due to fraud and error.

Auditor's Responsibility

7. The memorandum given by us does not constitute either an audit or a review made in accordance with the provisions of the Companies Act read with the SEBI Buy Back Regulations, 2018 in this regard. The **Annexure** provided herewith is not binding on any regulators and there can be no assurance that the regulators will not take a position contrary to the same. If there is any change in the applicable laws or regulations, the memorandum would necessarily have to be re- evaluated. We shall not be responsible for any financial or other loss that any person may suffer by relying on the memorandum.
8. The memorandum being issued by us is limited to the information provided by the management of the company to ensure that it gives a true and fair summary of the Income Tax provisions related to the Buyback of equity shares in the hands of the Company and the equity shareholders. The memorandum sets out the provisions of the law in a summary manner only and does not purport to be a complete analysis or listing of all potential tax consequences of the disposal of equity shares.
9. The company or other users of the memorandum shall apply their own judgement while relying on it for whatsoever matter. The Firm shall not be liable for any and all losses, claims, damages and liabilities, whatsoever and howsoever caused, incurred, sustained or arising from, or in connection with, any difference of opinion by any person or statutory authority with this working. In view of the particularized nature of the direct tax consequences, the 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.
10. Shareholder, who are non-residents in India, in respect of direct tax consequence (including capital gain tax, if any) in their state of residence, 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.
11. For the purpose of this certificate along with memorandum of summary of direct tax implications on the provisions of buy back we have relied upon the aforesaid documents and information.
12. We conducted our examination in accordance with the Guidance Note on Reports or certificates for Special Purposes ("Guidance Note") issued by the Institute of Chartered Accountants of India and Standards on Auditing specified under Section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate. The Guidance note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
13. 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

14. In connection with the above, based on our examination, we are of the opinion that the attached memorandum [**enclosed herewith as Annexure 1**] provides a reasonable and fair summary of direct tax



S S KOTHARI MEHTA
& COMPANY
CHARTERED ACCOUNTANTS

implications applicable on the Company and the equity shareholders of the Company in respect of Buyback of equity shares by the company.

Use of name and Consent

15. We hereby consent to the references to us as statutory auditor of the Company in the public announcement and the letter of offer, or in any other documents in connection with the Buyback.
16. The following information in relation to us may be disclosed in the public announcement, letter of offer or in any other documents in connection with the Buyback:

Name: S S Kothari Mehta & Co.

Address: Plot no. 68, Okhla Industrial Area, Phase-III, New Delhi-110020

Tel. No.: +91-11-4670 8888

Peer review number: 014441

Peer review valid up to: August 31, 2025

Firm registration number: 000756N

Email: n.aggarwal@sskmin.com

Restriction on use

17. The memorandum may be relied upon by the Company, manager to the Buyback and the legal counsel appointed by the Company in relation to the Buyback. We hereby consent to our name and extracts of or reference to this memorandum, being used in the letter of offer and consent to the submission of this memorandum as may be necessary to any regulatory authority and/ or for the records to be maintained by the Manager to the Buyback in connection with the Buyback and in accordance with the applicable law. Other than the express consent given hereinbefore, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this memorandum is shown or into whose hands it may come without our prior consent in writing.

Yours faithfully,

For and on behalf of **S S Kothari Mehta & Co.**
Chartered Accountants
Firm Registration No: 000756N

Naveen

[Signature]



Naveen Aggarwal

Partner

Membership No.: 094380

UDIN: 23094380BGUNFY5949

Place: New Delhi

Encl: As above

CC:

IndusLaw

2nd Floor, Block D, The MIRA

Mathura Road, Ishwar Nagar

New Delhi 110 065, India

Annexure I

Tax implications to the shareholders under the Buyback Offer made by your Company.

[THE FOLLOWING SUMMARY OF THE TAX CONSIDERATIONS IS BASED ON THE READING OF 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 IMPLICATIONS ON THESE TAX CONSIDERATIONS.

IN VIEW OF THE COMPLEXITY AND THE SUBJECTIVITY INVOLVED IN THE TAX CONSEQUENCES OF A BUY BACK TRANSACTION, ELIGIBLE SHAREHOLDERS ARE REQUIRED TO CONSULT THEIR TAX ADVISORS FOR THE TAX TREATMENT IN THEIR HANDS CONSIDERING THE RELEVANT TAX PROVISIONS, FACTS AND CIRCUMSTANCES OF THEIR CASE.

THE COMPANY DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR OTHERWISE OF THIS TAX SUMMARY AND EXPLICITLY DISOWNS ANY LIABILITY ARISING OUT OF ANY ACTION INCLUDING A TAX POSITION TAKEN BY THE ELIGIBLE SHAREHOLDER BY RELYING ON THIS SUMMARY. THE SUMMARY OF TAX CONSIDERATIONS RELATING TO BUY BACK OF EQUITY SHARES LISTED ON THE STOCK EXCHANGE SET OUT BELOW SHOULD BE TREATED AS INDICATIVE AND FOR GENERAL GUIDANCE PURPOSES ONLY.]

1. GENERAL:

- 1.1 The Indian tax year runs from April 1 to March 31. The 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").
- 1.2 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.
- 1.3 In case of shares of a Company, the source of income from shares would depend on the 'situs' of the shares. As per 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 "situs" of the shares of the Company would be in India and any gains arising to a non-resident on transfer of such shares should be taxable in India under the ITA subject to any specific exemption in this regard. Further, the non-resident can avail the beneficial tax treatment prescribed under the relevant Double Tax 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 non-resident shareholder is tax resident subject to satisfaction of the relevant conditions including non-applicability of General Anti-Avoidance Rule ("GAAR") and providing and maintaining necessary information and documents as prescribed under the ITA as well as satisfying the relevant conditions under the respective DTAA including anti-abuse measures under the MLI, if applicable.
- 1.4 The summary of direct tax implications on buyback of equity shares listed on the stock exchanges in India is set out below. All references to equity shares in this memorandum refer to equity shares listed on the stock exchanges in India unless stated otherwise. The residential status of an assessee would be determined in terms of Section 6 of the ITA.



2. CLASSIFICATION OF SHAREHOLDERS

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

- a. Resident Shareholders being:
- i. Individuals, Hindu Undivided Family (HUF), Association of Persons (AOP) and Body of Individuals (BOI), Firm, LLP
 - ii. 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:
- i. Non-Resident Indians (NRIs)
 - ii. Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs)
 - iii. Others:
 - Company
 - Other than Company

3. INCOME TAX PROVISIONS IN RESPECT OF BUY BACK OF SHARES LISTED ON THE RECOGNISED STOCK EXCHANGE

- 3.1 As per Section 115QA of ITA, listed companies making a public announcement of Buyback of shares on or after July 5, 2019 are required to pay an additional Income tax @ 20%, plus surcharge @ 12% plus Health & Education Cess @ 4% on the "distributed income".

Distributed income is defined in explanation to Section 115QA(1) 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 of the Income Tax Rules, 1962.

- 3.2 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 thereof shall be claimed by the company or by any other person in respect of the amount of tax so paid.
- 3.3 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 buyback 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 equity shares as referred to in section 115QA of the ITA is exempt from tax under the provisions of section 10(34A) of the IT Act with effect from July 5, 2019 (as amended).

b. Non-Resident Shareholders

The income arising to the shareholder on account of buy-back of equity shares as referred to in section 115QA of the ITA is exempt from tax under the provisions of the section 10(34A) with effect from July 5, 2019 (as amended) in the hands of a Non-resident as well, the same may be subject to tax in the shareholder as per the provisions of the tax laws of country of residence. 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 subsection (4) and (5) of Section 115QA of the ITA. Non-resident shareholders need to consult their tax advisors with regard to availability of such a tax credit in their home country.

Since Section 115QA overrules the entire ITA, the provisions of Section 46A i.e. capital gain on purchase by company of its own shares or securities, shall not apply in respect of buy back of shares.

4. TAX DEDUCTION AT SOURCE ("TDS")

Since there is no provision regarding the TDS in case of Buyback, Company is not required to deduct any tax at source on consideration payable to Resident Shareholders. Further, given that the consequential income would be exempt from tax in the hands of shareholders under Section 10(34A) of the ITA, the same would not be subject to TDS for Non - Resident Shareholders as well.

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

The above note on taxation sets out the provisions of law in a summary manner only and does not purport to be a complete analysis or listing of all potential tax consequences of the disposal of equity shares. This note is neither binding on any regulators nor can there be any assurance that they will not take a position contrary to the comments mentioned herein. 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 solely 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 as set out above.

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.

