



NBS & CO.

Chartered Accountants

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STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO DCX SYSTEMS LIMITED (“THE COMPANY”), AND THE SHAREHOLDERS OF THE COMPANY UNDER THE APPLICABLE DIRECT AND INDIRECT TAX LAWS IN INDIA

Date: 20th September, 2022

To

Edelweiss Financial Services Limited (“Edel”)

6th Floor, Edelweiss House

Off CST Road, Kalina

Mumbai – 400 098

Maharashtra, India

Axis Capital Limited (“Axis”)

1st Floor, Axis House

C – 2, Wadia International Centre

P B Marg, Worli

Mumbai – 400 025

Maharashtra, India

Saffron Capital Advisors Private Limited (“Saffron”)

605, Center Point

Andheri Kurla Road, JB Nagar

Andheri East

Mumbai – 400 059

Maharashtra, India

(hereinafter, Edel, Axis and Saffron are collectively referred to as, the “**Book Running Lead Managers**” or the “**BRLMs**”)

and

The Board of Directors

DCX Systems Limited

Plot #29, 30 & 107, Aerospace Space SEZ Park

KIDB Industrial Area, Devenahalli

Bengaluru – 562 110

KARNATAKA, INDIA

SUBJECT: STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY, AND ITS SHAREHOLDERS UNDER THE DIRECT AND INDIRECT TAX LAWS

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Dear Sirs,

We NBS and Co. (Chartered Accountants), the statutory auditors of the Company refer to the proposed initial public offering of equity shares of face value ₹2 ("Equity Shares" and such offering the "Offer"). We enclose herewith the statement (the "Annexure") showing the possible special tax benefits under direct and indirect tax laws presently in force in India available to the Company, and its shareholders, including under the Income Tax Act 1961, the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, Customs Act, 1962, the Customs Tariff Act, 1975 and the Foreign Trade Policy 2015-2020 (collectively the "Taxation Laws"), and the rules, regulations, circulars and notifications issued in connection with the Taxation Laws which are applicable to the assessment year 2023-24 relevant to the financial year 2022-23.

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant Taxation Laws. Hence, the ability of the Company or its shareholders to derive these direct and indirect tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Company and its shareholders face in the future, the Company and its shareholders may or may not choose to fulfill.

The benefits discussed in the enclosed Annexure are neither exhaustive nor conclusive. This statement is only intended to provide general information to guide 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 advised to consult their own tax consultant with respect to specific tax implications arising out of their participation in the Offer. We are neither suggesting nor are we advising any investor to invest in the Offer based on this statement. We do not express any opinion or provide any assurance whether:

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits have been/would be met.

We also consent to the references to us as "Experts" as defined under Section 2(38) of the Companies Act, 2013 (the "CA, 2013"), read with Section 26(5) of the CA, 2013 to the extent of the certification provided hereunder and included in the updated draft red herring prospectus, red herring prospectus, prospectus or in any other documents in connection with the Offer (together, the "Offer Documents").

We hereby give our consent to include this statement of possible special tax benefits along with the Annexure in the Offer Documents.

This certificate is issued for the sole purpose of the Offer, and can be used, in full or part, for inclusion in the Offer Documents, and for the submission of this certificate as may be necessary, to any regulatory / statutory authority, stock exchanges, any other authority as may be required and/or for the records to be maintained by the Book Running Lead Managers in connection with the Offer and in accordance with applicable law, and for the purpose of any defense the Book Running Lead Managers may wish to advance in any claim or proceeding in connection with the contents of the Offer Documents.

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This certificate may be relied on by the Book Running Lead Managers, their affiliates and legal counsel in relation to the Offer.

We undertake to update you in writing of any changes in the abovementioned position until the date the Equity Shares issued pursuant to the Offer commence trading on the stock exchanges. In the absence of any communication from us till the Equity Shares commence trading on the stock exchanges, you may assume that there is no change in respect of the matters covered in this certificate.

LIMITATIONS

Our views expressed in the enclosed Annexure are based on the facts and assumptions indicated above. 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 law and its interpretation, which are subject to change from time to time. Reliance on the Annexure is on the express understanding that we do not assume responsibility towards the investors and third parties who may or may not invest in the proposed Offer relying on the Annexure.

**FOR NBS AND CO.
Chartered Accountants
Firm's Registration No: 110100W**

**Pradeep Shetty
Partner
Place: Mumbai
Date: 20th September, 2022
UDIN: 22046940ATJLWB4648**

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ANNEXURE TO THE STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO DCX SYSTEMS LIMITED ("THE COMPANY"), AND ITS SHAREHOLDERS

The information provided below sets out the possible special tax benefits available to the Company, and the shareholders of the Company in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of equity shares of the Company, under the current tax laws presently in force. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on commercial imperatives a shareholder faces, may or may not choose to fulfill. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to specific tax implications arising out of their participation in the issue. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement. The statement below covers only relevant special direct and indirect tax law benefits and does not cover benefits under any other law.

INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX CONSULTANT WITH RESPECT TO THE TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN THEIR PARTICULAR SITUATION.

I. STATEMENT OF POSSIBLE SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS.

UNDER THE INCOME TAX ACT, 1961 (THE ACT)

Sec 10AA:

The company is eligible to claim deduction under section 10AA from the total income computed in the manner provided in the section. The company commenced claiming exemption from the financial year 2019-20. The company is eligible to claim this tax benefit for a period of fifteen years from the financial year 2019-

80JJAA: DEDUCTION IN RESPECT OF EMPLOYMENT OF NEW EMPLOYEES:

Subject to the fulfillment of prescribed conditions, the Company is entitled to claim deduction of an amount equal to thirty per cent of additional employee cost (relating to specified category of employees) incurred in the course of business in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided under section 80JJAA of the Act. This deduction is available to the company:

1. Special direct tax benefits available to Shareholders

1. Special tax benefits available to the shareholders of the Company under the Act

(a) To Resident taxpayer

- Dividend income earned by the shareholders would be taxable in their hands at the applicable rates. However, in case of domestic corporate shareholders, deduction under Section 80M of the Act would be available on fulfilling the conditions (as discussed above).

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- Section 112A of the Act provides for concessional tax rate of 10% (plus applicable surcharge and cess) on long-term capital gains (exceeding Rs. 1,00,000) arising from the transfer of equity shares or units of an equity-oriented fund or units of a business trust if Security Transaction Tax ('STT') has been paid on both acquisition and transfer of such shares / units and subject to fulfilment of other prescribed conditions (including Notification No. 60/2018/F.No.370142/9/2017-TPL dated 1 October 2018). The benefit of foreign currency exchange difference and indexation, as provided under the first and 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.
- Section 112 of the Act provides for taxation of long-term capital gains, resulting on transfer of *inter-alia*, listed shares of the company (other than those covered under section 112A), which shall be lower of the following:
 - 20% (plus applicable surcharge and cess) with indexation benefit; or
 - 10% (plus applicable surcharge and cess) without indexation benefit
- As per the provisions of section 111A of the Act, short-term capital gains arising from transfer of equity shares 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).
- Where the gains arising on transfer of shares of the company are included in the business income of a shareholder and assessable under the head "Profits and Gains of Business or Profession" and 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.

(b) Non-Resident taxpayer

As per provisions of Section 90(2) of the Act, non-resident shareholders can opt to be taxed in India as per the provisions of the Act or the double taxation avoidance agreement entered into by the Government of India with the country of residence of the non-resident shareholder, whichever is more beneficial.

Notes:

1. The special tax benefits discussed in the Statement sets out only the special tax benefits available to the Company or its shareholders under the Act, and does not cover any benefit under any other law in force in India. This statement does not discuss any tax consequences in any country outside India.
2. These special tax benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Act. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company or its shareholders may or may not choose to fulfil.
3. The special tax benefits discussed in the Statement are not exhaustive and is only intended to provide general information to the investors and hence, 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 advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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4. The Statement has been prepared on the basis that the shares of the Company are listed on a recognized stock exchange in India and the Company will be issuing shares.
5. The Statement is prepared on the basis of information available with the Management of the Company and there is no assurance that:
 - i. the Company or its shareholders will continue to obtain these benefits in future;
 - ii. the conditions prescribed for availing the benefits have been/ would be met with; and
 - iii. the revenue authorities/courts will concur with the view expressed herein.

II. STATEMENT OF POSSIBLE INDIRECT TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

2. Special tax benefits available to the Company

SEZ Units are free to import from the domestic sources without paying any duty and GST on capital goods, raw materials, consumables, spare, packing materials, office equipment, DG sets, etc. for implementation of their project in the zone without any license or specific approval.

NOTES:

The above statement of possible indirect tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences.