

STATEMENT OF SPECIAL TAX BENEFITS

To,
The Board of Directors,
Prabha Energy Limited
12 A, Abhishree Corporate Park,
Ambli Bopal Road, Ambli,
Ahmedabad, 380058

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS, UNDER THE APPLICABLE TAX LAWS IN INDIA

Dear Sir / Madam,

Re: Proposed listing of Equity Shares of ₹ 1 each of Prabha Energy Limited (“the Company”) pursuant to the Scheme of Arrangement being approved by National Company Law Tribunal, Ahmedabad Bench vide its order dated August 30, 2024 read with corrigendum order dated September 11, 2024 (“Scheme”) and upon the Scheme becoming effective from Appointed Date.

1. We hereby report that the accompanying Statement of Possible Special Tax Benefits (hereinafter referred to as “the Statement”) prepared by the Company, states the possible special tax benefits available to the Company, its material subsidiary – Deep Natural Resources Limited and to its shareholders under direct tax and indirect tax laws presently in force in India , including the Income tax Act, 1961 read with Income tax Rules, circulars, notifications issued thereunder and as amended by the Finance Act, 2024 applicable for the Financial Year 2024-25 relevant to the Assessment Year 2025-26 (hereinafter referred to as the “Income Tax Regulations”), the Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, Customs Act, 1962, Customs Tariff Act, 1975, the Foreign Trade (Development and Regulation) Act, 1992 (read with Foreign Trade Policy 2023), Special Economic Zone Act, 2005, including the relevant rules, notifications and circulars issued there under (collectively referred as “Indirect Tax Regulations”) in connection with the Proposed Listing of Equity Shares, which we have initialed for identification purposes presently in force in India.

Management’s Responsibility

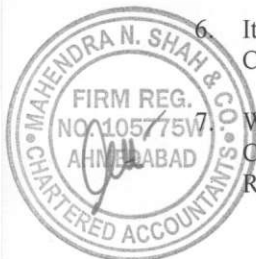
2. The preparation of this Statement as of the date of our report which is to be included in the Draft Information Memorandum / Information Memorandum is the responsibility of the management of the Company.
3. The Management’s responsibility includes designing, implementing, and maintaining internal 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. The Management is also responsible for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities.

Our Responsibility

4. Our work has been carried out in accordance with Standards on Auditing, the ‘Guidance Note on Reports or Certificates for Special Purposes (Revised 2016)’ and other applicable authoritative pronouncements by the Institute of Chartered Accountants of India.
5. Pursuant to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended (the ‘ICDR Regulations’), it is our responsibility to report whether the Statement prepared by the Company, upon the Scheme becoming effective, presents, in all material respects, the possible special tax benefits available to the Company and its shareholders, in accordance with the Income Tax Regulations and Indirect Tax Regulations as at the date of our report.

6. It is imperative to note that we have relied upon a representation from the Management of the Company that the Company has a material subsidiary- Deep Natural Resources Limited.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQ) 1, Quality Control for Firms that Performs Audits and Reviews of Historical Financial information and Other Assurance and Related Services Engagements.



8. Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the ICDR Regulations in connection with the Proposed Listing of Equity Shares.

Inherent Limitations

9. We draw attention to the fact that the Statement includes certain inherent limitations that can influence the reliability of the information.
Several of the benefits mentioned in the accompanying statement are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which may or may not be fulfilled. The benefits discussed in the accompanying statement are not exhaustive.
The Statement is only intended to provide general information to the shareholders 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 shareholder is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Scheme.
Further, we give no assurance that the Revenue Authorities / Courts will concur with our 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. We do not assume responsibility to update the views consequent to such changes.
10. We do not express any opinion or provide any assurance whether:
(i) The Company or the shareholders of the Company will continue to obtain these benefits in future;
(ii) The conditions prescribed for availing the benefits have been/would be met;
(iii) The revenue authorities/courts will concur with the views expressed herein.

Opinion

11. In our opinion, the Statement prepared by the Company presents, in all material respects, the possible special tax benefits available, upon the Scheme becoming effective, to the Company and its shareholders, under the Income Tax Regulations and Indirect Tax Regulations as at the date of our report.

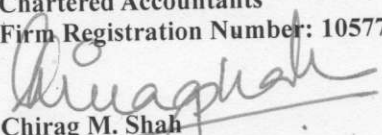
Restriction on Use

12. This report has been issued solely at the request of the Company in connection with the Proposed Listing of Equity Shares by the Company and this report or its content thereof may accordingly be used in the corresponding document for the purpose of submission to the Stock Exchanges or any other regulatory or statutory authority in relation to the Proposed Listing of Equity Shares. This report shall not be used, referred to or distributed for any other purpose or to any other party without our written permission.

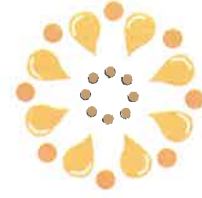
Limitation

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.

For and on behalf of
M/s Mahendra N. Shah & Co.
Chartered Accountants
Firm Registration Number: 105775W


Chirag M. Shah
Partner
Memb. No. 045706
UDIN: 24045706BKAKLO3164
Date: November 22, 2024
Place: Ahmedabad





ANNEXURE I

STATEMENT OF SPECIAL DIRECT TAX BENEFITS AVAILABLE TO PRABHA ENERGY LIMITED (THE "COMPANY"), ITS MATERIAL SUBSIDIARY DEEP NATURAL RESOURCES LIMITED AND ITS SHAREHOLDERS UNDER THE INCOME TAX ACT, 1961

Outlined below are the special tax benefits available to the Company, its material subsidiary Deep Natural Resources Limited and its Shareholders under the Income-tax Act, 1961 (the "Act") read with Income Tax Rules, circulars, notifications issued thereunder and as amended by the Finance Act, 2024 applicable for the Financial Year 2024-25 relevant to the Assessment Year 2025-26 (hereinafter referred to as the "Income Tax Regulations"), presently in force in India.

This Annexure covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefits under any other law.

A. Special tax benefits available to the Company

Corporate rate of tax

The tax rate structure has been divided into 2 regimes for corporate taxpayers — while the old regime remains as it is, wherein corporate income is taxed at 30%/25% respectively; the new regime provides for a lower tax rate of 22% as discussed in the later paragraphs.

The surcharge on Income tax is 7%, if the total income exceeds Rs.1 Crore and, 12% if the total income exceeds Rs.10 crores under the old tax regime. The said surcharge is levied at 10% if the Company has opted for the new tax regime. Health & Education cess (H&EC) is 4% on tax and surcharge, both under the old and new tax regime. Minimum Alternate Tax ("MAT") is imposed at 15% (plus the surcharge and H&EC) on the adjusted book profits of Companies whose tax liability under normal provisions of Act is less than 15% of their book profits. Corporate taxpayers who have opted for the new tax regime with reduced tax rate have been exempted from provisions of MAT.

Dividend Income

Any income by way of dividends referred to in Section 115-O (3) of the Act (i.e. dividends declared, distributed or paid by domestic companies on or after April 1, 2020) received on the investment made by Investor/ Shareholders in the Company is taxable in the hands of Investors/ Shareholders and the Company is not required to pay dividend distribution tax on the same. However, such dividend payments by the Company would be subject to withholding tax provisions as per the Act.

Domestic Companies to pay tax on Dividends received

Domestic Companies to pay tax on Dividends received from Domestic Companies, LLPs, Trusts, etc. to pay tax on dividends received under Income from other sources as per the tax rate applicable to such entities

• However, if the recipient domestic company distributes dividend to another person on or before 1 month prior to the due date of furnishing the return of income, then such original recipient will get deduction to



the extent of dividend so distributed as per section 80M of the Act.

- Only interest expense is allowed as a deduction up to 20% of the dividend income.

B. Special tax benefits available to the Shareholders

Dividend Income

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). Further, in case of shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person, surcharge on such tax would be restricted to 15%, irrespective of the amount of total income.

Taxability of gain/ loss arising from sale of shares

Long-term capital gain

Under section 10(38) of the Act, LTCG up to 31 March 2018 arising to a shareholder on transfer of equity shares would be exempt from tax where the sale transaction has been entered into on a recognised stock exchange of India and is chargeable to STT.

The Finance Act, 2018 has terminated the exemption granted under section 10(38) of the Act to LTCG arising on transfer of listed equity shares or units of equity oriented mutual funds or units of business trusts by introduction of section 112A in the Act and provided that long-term capital gains arising from transfer of long-term capital asset referred to in section 112A of the Act will be liable to tax at the rate of 12.50% on such capital gain exceeding Rs. 1.25 lakh for transfers taking place on or after 23rd Day of July, 2024.

As per section 112A of the Act, the concessional rate of 12.50% (plus applicable surcharge and health and education cess) shall be available only if STT has been paid on both acquisition and transfer of equity shares and STT has been paid on transfer in case of units of equity-oriented mutual funds or units of business trust. As per section 112A(4) of the Act, the Central Government by notification in the official gazette shall specify the modes of acquisition of equity shares which shall be exempt from the condition of payment of STT. The CBDT came out with the final notification, dated 01 October 2018, identical to draft notification, barring few additions. The final notification has specified that the requirement to pay STT will not apply to (1) share acquisitions undertaken prior to October 1, 2004, (2) share acquisitions undertaken on or after October 1, 2004, subject to certain exceptions.

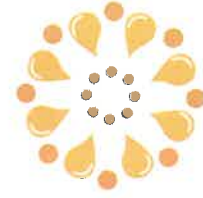
LTCG arising from transfer of capital assets on which STT is not paid and other than those covered by section 112A, will be taxable at 12.50%. For individuals, Hindu Undivided Family (HUF), AOP and BOI, the rate of surcharge is capped at 15%.

Short-term capital gain

As per section 111A of the Act, STCG arising on transfer of equity share or units of an equity-oriented fund or units of a business trust would be taxable at a rate of 20% (plus applicable surcharge and health and education cess) where such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT. Further, as per second proviso to section 111A of the Act, the requirement of a transfer being chargeable to STT is not applicable to:

- Transactions undertaken on a recognized stock exchange located in International Financial Services Centre; and
- The consideration for such transactions is payable in foreign currency.





ANNEXURE II

ANNEXURE TO THE STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS UNDER THE APPLICABLE INDIRECT TAX LAWS IN INDIA

Benefits available to the company and the Shareholders of the Company under the Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, Goods and Services Tax (Compensation to States) Act, 2017, Custom Act, 1962, customs Tariff Act, 1975 as amended, including the relevant rules, notifications and circulars issued there under, the Foreign Trade (Development and Regulation) Act, 1992 (read with Foreign Trade Policy 2015-20) are as under (collectively referred to as "Indirect Tax Regulations").

1. Special tax benefits available to the Company under the Indirect Tax Laws

There are no special indirect tax benefits available to the Company.

2. Special Tax Benefits available to the Shareholders of the Company under the Indirect Tax Laws

The shareholders of the Company are not required to discharge any GST on transaction in securities of the Company. Securities are excluded from the definition of Goods as defined u/s 2(52) of the Central Goods and Services Tax Act, 2017 as well from the definition of Services as defined u/s 2(102) of the Central Goods and Services Tax Act, 2017.

Apart from above, the shareholders of the Company are not eligible to special tax benefits under the provisions of the Customs Tariff Act, 1975 and/or Central Goods Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, respective Union Territory Goods and Services Tax Act, 2017 respective State Goods and Services Tax Act, 2017, Goods and Services Tax (Compensation to States) Act, 2017 including the relevant rules, notifications and circulars issued there under as well as the Foreign Trade (Development and Regulation) Act, 1992 (read with Foreign Trade Policy 2015-20).

NOTE:

1. These special tax benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Indirect Tax Regulations. 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.
2. 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 a 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.



3. 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.
4. 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.
5. The above views are basis the existing provisions of law and its interpretation, which are subject to change from time to time.

For Prabha Energy Limited
(Formerly known as Prabha Energy Private Limited)



Shail Manoj Savla
Managing Director
DIN: 08763064



Place: Ahmedabad
Date: 20/11/2024