



STATEMENT OF TAX BENEFITS

To,

The Board of Directors

SHARP CHUCKS AND MACHINES LIMITED

A-12, Industrial Development Colony,
Jalandhar,
Punjab - 144001
India.

Subject: Statement of possible special tax benefits available to Sharp Chucks and Machines Limited ("the Company") and shareholders of the Company under the Direct and Indirect Tax Laws in India.

We, JMR & Associates LLP, Chartered Accountants, the statutory auditors of Sharp Chucks and Machines Limited, hereby report that the accompanying Statement states the possible special tax benefits available to the Company and its shareholders of the Company (hereinafter referred to as "**the Statement**") under the Income Tax Act, 1961 [read with Income Tax Rules, 1962, circulars, notifications issued by the Central Board of Direct Taxes ("CBDT")] as amended by the Finance Act, 2023 presently in force in India (together referred to as the "**Direct Tax Laws**") and the Integrated Goods and Service Tax Act, 2017, the Central Goods and Service Tax Act, 2017, respective State Goods and Service Tax Act, 2017, the Union Territory Goods and Service Tax Act, 2017, (collectively known as "GST Act") & Customs Act, 1962 (read with rules, circulars, notifications) presently in force in India (together referred to as, the "**Indirect Tax Laws**").

Auditor's Responsibility

Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Companies Act, 2013 and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended ("SEBI ICDR Regulations") in connection with the Issue.

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

- a. the Company or its shareholders will continue to obtain these possible special tax benefits in future: or
- b. the conditions prescribed for availing the possible special tax benefits, where applicable, have been / would be met with; and
- c. the revenue authorities / courts will concur with the views expressed herein.

The 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 consultants, with respect to the specific tax implications arising out of their participation in the Initial Public Offer ("Issue") 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 benefits, which an investor can avail. We are neither suggesting nor are we advising the investors to invest money based on this statement.

The benefits discussed in the enclosed Annexure are neither exhaustive nor conclusive. The contents stated in the Annexure are based on the information and explanations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company. 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. We conducted our examination in accordance with the "Guidance Note on Reports or Certificates for Special Purposes (Revised 2019)" ("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.

Inherent Limitations

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.

We shall not be liable to 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 any other person in respect of this statement.

Restriction of use

This certificate is provided solely for the purpose of assisting the addressee Company in discharging its responsibility under the SEBI ICDR for inclusion in the Draft Prospectus ("DP") / Prospectus in connection with the proposed Issue and is not to be used, referred to or distributed for any other purpose without our written consent.

We hereby give consent to include this report and the enclosed Annexure in the DP / Prospectus, prepared in connection with the Issue to be filed by the Company with the Securities and Exchange Board of India and the concerned stock exchanges.

For **JMR & Associates LLP**
Chartered Accountants
(FRN No. 06912W/W100300)

CA Nikesh Jain
Partner
Membership No.114003
UDIN: 23114003BGSCJR1103
Place: Mumbai
Dated: 30.06.2023



ANNEXURE 1:

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY

Outlined below are the possible special tax benefits available to **Sharp Chucks and Machines Limited** under the Income Tax Act, 1961 ("the Act") as amended by the Finance Act, 2023 presently in force in India.

A. Special Direct Tax Benefits available to the Company:

The company follows old tax regime to pay income tax in respect of its total income at a tax rate of 27.82% (basic tax rate including applicable surcharge and health & education cess) subject to satisfaction of certain conditions one of which is if Total Turnover or Gross Receipts during the previous years does not exceed ₹ 400 crores the applicable Income Tax Rate shall be 25%.

In such a case, the Company will be allowed to claim any of the following deductions / exemptions under the Act:

1. Deduction under the provisions of section 10AA of the Act (deduction for units in Special Economic Zone)
2. Deduction under section 32(1)(iia) of the Act (Additional depreciation)
3. Deduction under section 32AD / section 33AB / section 33ABA of the Act (Investment allowance in backward areas, Investment deposit account, site restoration fund)
4. Deduction under sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) or subsection (2AB) of section 35 of the Act (Expenditure on scientific research)
5. Deduction under section 35AD / 35CCC of the Act (Deduction for specified business, agricultural extension project)
6. Deduction under section 35CCD of the Act (Expenditure on skill development)
7. Deduction under any provisions of Chapter VI-A other than the provisions of section 80JJAA of the Act or Section 80M of the Act.
8. Deduction under Section 80LA of the Act other than deduction applicable to a Unit in the IFSC, as referred to in section 80LA(1A) of the Act.
9. Set off of any loss or allowance for unabsorbed depreciation deemed so under section 72A of the Act, if such loss or depreciation is attributable to any of the deductions referred from points (1) to (8) above.

As per Section 115JB, every taxpayer being a company is liable to pay MAT, if the Income-tax (including surcharge and cess) payable on the total income, computed as per the provisions of the Income-tax Act in respect of any year is less than 18.50% of its book-profit including surcharge (SC) and health & education cess. Additionally, Company shall be entitled to claim tax credit relating to MAT.



B. Special Indirect Tax Benefits available to the Company:

Export of goods under the Goods and Services Tax ('GST') law

GST law inter-alia allows export of goods at zero rate on fulfilment of certain conditions. Exporters can either export goods without payment of IGST under Bond/ Letter of Undertaking (LUT) and claim refund of accumulated Input tax credit ('ITC') or export goods with payment of IGST and subsequently claim refund thereof of the IGST paid as per the provisions of Section 54 of Central Goods and Services Tax Act, 2017. Going forward, with effect from a date to be noted the refund of tax paid on export of goods/ services would be available only to notified taxpayers. However, refund of tax paid on inputs and input services used in export would continue to be available as before.

Notes:

- i. These special tax benefits are dependent on the Company fulfilling the conditions prescribed under the relevant provisions of the Direct & Indirect Tax Regulations. Hence, the ability of the Company to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfil.*
- ii. 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.*
- iii. 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 equity shares.*
- iv. The Statement is prepared on the basis of information available with the Management of the Company and there is no assurance that:*
 - The Company will continue to obtain these benefits in future;*
 - The conditions prescribed for availing the benefits have been/ would be met with; and*
 - The revenue authorities / courts will concur with the view expressed herein.*
- v. The above views are basis the provisions of law, their interpretation and applicability as on date, which may be subject to change from time to time and that department may take a view contrary to that indicated above.*



ANNEXURE 2:

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY

A. Special Direct Tax Benefits available to the Shareholders of the Company:

1. Taxability of dividend income:

- 1.1 Dividend income earned by the shareholders would be taxable in their hands at the applicable rates. The maximum surcharge applicable to shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person would be 15% (plus applicable surcharge and education cess), irrespective of the amount of dividend.
- 1.2 Further, the shareholders would be entitled to take credit of the Tax Deducted at Source by the Company against the taxes payable by them on dividend income.
- 1.3 In case of domestic corporate shareholders, deduction under Section 80M of the Act, would be available to the extent of dividend distributed to its shareholders, on fulfilling certain conditions.
- 1.4 In case of non-resident shareholders, as per Section 115A of the Act, tax on dividend income earned by a non-resident or a foreign company shall be taxable at rate of 20% on gross basis.

2. Taxability of Capital Gains:

- 2.1 Capital assets are to be categorized into short-term capital assets and long-term capital assets based on the period of holding.
- 2.2 Long Term Capital Gains means capital gains arising on transfer of equity shares listed on a recognized stock exchange in India, held for more than 12 months, immediately preceding the date of transfer.
- 2.3 Short Term Capital Gains means capital gains arising from the transfer of equity shares listed on a recognized stock exchange in India held for 12 months or less, immediately preceding the date of transfer.
- 2.4 As per Section 111A of the Act, short term capital gains arising to the resident shareholder from the sale of equity share or a unit of an equity-oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax ("STT"), will be taxable at the rate of 15% (plus applicable surcharge and education cess). Other short term capital gains shall be taxable as per normal tax rates applicable to the assessee.
- 2.5 As per Section 112A of the Act, the long-term capital gains arising from sale of listed equity share, or a unit of an equity-oriented fund or a unit of a business trust (where STT is paid) exceeding INR 1,00,000 shall be chargeable to tax at the rate of 10% (plus applicable surcharge and education cess).



B. Special Indirect Tax Benefits available to the Shareholders of the Company:

No special tax benefits are available to the Shareholders of the Company under the Indirect Tax Regulations.

Notes:

- i. *These special tax benefits are dependent on the shareholders of the Company fulfilling the conditions prescribed under the relevant provisions of the Direct & Indirect Tax Regulations. Hence, the ability of the shareholders of the Company to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfil.*
- ii. *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.*
- iii. *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 equity shares.*
- iv. *The Statement is prepared on the basis of information available with the Management of the Company and there is no assurance that:*
 - *The shareholders of the Company will continue to obtain these benefits in future;*
 - *The conditions prescribed for availing the benefits have been/ would be met with; and*
 - *The revenue authorities / courts will concur with the view expressed herein.*
- v. *The above views are basis the provisions of law, their interpretation and applicability as on date, which may be subject to change from time to time and that department may take a view contrary to that indicated above.*
- vi. *For the purpose of reporting here, we have not considered the general tax benefits available to the Company or shareholders under the Indirect Tax regulations.*