

To,

Board of Directors,
Shriram Piston & Rings Limited
3rd Floor, Himalaya House
23, Kasturba Gandhi Marg
New Delhi – 110001, India

AND

Edelweiss Financial Services Limited
6th Floor, Edelweiss House
Off. C.S.T Road
Kalina, Mumbai - 400 098
Maharashtra, India

(the “**Manager to the Buyback**”)

Subject: Buyback of not exceeding 3,50,000 equity shares of face value of ₹ 10 each (“Equity Shares”) by Shriram Pistons & Rings Limited (the “SPR/ the Company” and such buyback of equity shares the “Buyback”)

Scope & Purpose

1. This Certificate is issued in accordance with the terms of the engagement letter dated 26th July 2021 wherein Shriram Piston & Rings Limited (hereinafter referred to as SPR/ the Company) having its Registered office at 3rd Floor, Himalaya House 23, Kasturba Gandhi Marg New Delhi – 110001, India (Permanent Account No. **AAACS0229G**) has engaged B.R. GUPTA & Co., Chartered Accountants (BRG/the Firm), to issue a certificate along with memorandum of the summary of direct tax implications for the Company and the shareholders on account of buyback of equity shares of the Company.

Management’s Responsibility

1. It is the responsibility of the management of the Company to record and maintain all information and documents relevant to the aforesaid proposed transaction of buyback of equity shares. The management has represented that the documents and information maintained by it are free from material misstatement, whether due to fraud or error. For the purpose of this certificate along with memorandum of the summary of direct tax implications on the provisions of buyback we have relied upon the aforesaid documents and information.
2. It is the responsibility of management of the company to promptly inform BRG, in writing in case of any changes to the above information until the completion of the Buyback. In the absence of any such communication to us, the above information should be considered as updated information until the completion of the Buyback.



3. It is the responsibility of the management of the company to comply with the all the requirements as prescribed under the various laws viz. Companies Act, 2013, Income Tax Act, 1961, SEBI Buy Back Regulations 2018 etc., as applicable to the proposed transaction of buyback of equity shares.
4. BRG shall not be held liable in case there is any change in the law, regulations, judicial and administrative interpretations with regard to the buyback of shares subsequent to issue of this certificate. In case of any errors / omissions / mistakes or any position taken or if there is anything contained in or omitted from this certificate the entire onus in this regard shall lie upon SPR.

Practitioner's Responsibility

1. We have been informed that the board of directors of the Company, pursuant to their meeting held on 30th July 2021 have decided to undertake the Buyback through the tender offer process, at a price of Rs.1020 per Equity Share, under Section 68 of the Companies Act, 2013 as amended and in terms of the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018 (“**SEBI Buyback Regulations**”).
2. The memorandum given by us does not constitute either an audit or a review made in accordance with the provisions of 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. The Firm or its Partners shall not be responsible for any financial or other loss that the any person may suffer by relying on the memorandum.
3. The Company or other users of the memorandum shall apply their own judgment 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.
4. 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 maybe given by their respective tax officers in their case, and the appropriate course of action that they should take.
5. Shareholders, 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.
6. The memorandum being issued by BRG 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 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.



7. 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.
8. 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.
9. We will not undertake responsibility in any way whatsoever to any person in respect of any errors in this certificate arising from any incorrect information provided to us.

Opinion

1. 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 implications applicable on the Company and on the equity shareholders of the Company in respect of buyback of equity shares by the Company,.


Restriction on Use

1. This 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 draft letter of offer, the letter of offer and other documents, as required, in connection with the Buyback. We also 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.

For B.R. Gupta Co,

Chartered Accountants

Firm’s Registration Number: 008352N



(Deepak Agarwal)

Partner

Membership Number: 073696

UDIN: 21073696AAAABZ9834



Place of Signature: New Delhi

Date: 31.07.2021

MEMORANDUM

General

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").

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. 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 shares of the Company would be "situated" 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.

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.

Income Tax Provisions in respect of Buyback of Equity Shares listed on Recognized Stock Exchange

a. As per Section 115QA of ITA, listed companies making a public announcement of Buyback of shares on or after 5th July, 2019 are required to pay an additional 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.

b. 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.



c. 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.

d. As the said income has been charged to tax at company level, it shall be exempt in the hands of shareholders under section 10(34A) of the ITA. Accordingly, income arising in the hands of the shareholder (whether resident or non-resident) on buyback of equity shares shall be exempt from tax in India irrespective of the characterization of the shares, i.e., whether long term or short term or held as investment or stock-in-trade under sub-clause (34A) of Section 10 of the ITA. In case of Non Resident Shareholders, the same may be subject to tax in the country of residence of the shareholder as per the provisions of the tax laws of that country. 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 Sec 115QA (4) and (5) of the ITA. Non-resident shareholders need to consult their tax advisors with regard to availability of such tax credit.

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 u/s 10(34A) of the ITA, the same would not be subject to TDS for Non-Resident Shareholders.

Securities transaction tax on account of buyback of shares

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.

