

**Walker Chandiook & Co LLP**  
**Chartered Accountants**  
**6<sup>th</sup> Floor, Plot 19A,**  
**Sector 16A, Noida 201301**

## **Statement of Tax Benefits**

To,

The Board of Directors  
**Satin Creditcare Network Limited,**  
1<sup>st</sup> and 3<sup>rd</sup> Floor, Plot No. 97  
KCC House, Sector 44  
Gurugram 122003, Haryana

**Proposed offering of equity shares on right basis (the “Equity Shares” or “Right Issue”) of Satin Creditcare Network Limited (the “Company” or “Issuer”) in accordance with Chapter III of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“SEBI ICDR Regulations”) and Section 62 of the Companies Act, 2013, as amended, read with Rule 13 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended (the “Offer” or the “Proposed Offering”)**

1. This report is issued in accordance with the terms of our engagement letter dated 23 June 2020.
2. The accompanying Statement of Tax Benefits available to the Company and its Shareholders (hereinafter referred to as “the Statement”) under the Income Tax Act, 1961 (read with Income Tax Rules, circulars, notifications) as amended by the Finance Act, 2020 (hereinafter referred to as the “Income Tax Regulations”) has been prepared by the management of the Company in connection with the proposed offering, which we have initialed for identification purposes.

### **Management’s Responsibility**

3. The preparation of this Statement as of the date of our report, which is to be included in the placement documents is the responsibility of the management of the Company and has been approved by the Executive Committee of the Board of Directors of the Company at its meeting held on 23 July 2020 for the purpose set out in paragraph 9 below. 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

### **Auditor’s 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 issued 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’) and the Companies Act 2013 (‘Act’), it is our responsibility to report whether the Statement prepared by the Company, presents, in all material respects, the tax benefits available as of 24 July 2020 to the Company,

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the shareholders of the Company, in accordance with the Income Tax Regulations as at the date of our report.

6. Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Companies Act, 2013 and the ICDR Regulations in connection with the Offering.

**Inherent Limitations**

7. 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 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 his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue.

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.

**Opinion**

8. In our opinion, the Statement prepared by the Company presents, in all material respects, the tax benefits available as of 24 July 2020, to the Company and its shareholders, in accordance with the Income Tax Regulations as at the date of our report.

Considering the matter referred to in paragraph 7 above, we are unable to express any opinion or provide any assurance as to whether:

- (i) The Company or its shareholders will continue to obtain the benefits per the Statement in future; or
- (ii) The conditions prescribed for availing the benefits per the Statement have been/ would be met with.

**Restriction on Use**

9. Our work was performed solely to assist the Company in meeting your responsibilities in relation to the Proposed Offering as mentioned in paragraph 2 above. Our obligations in respect of this report are entirely separate from, and our responsibility and liability is in no way changed by, any other role we may have as auditors of the Company or otherwise. Nothing in this report, nor anything said or done in the course of or in connection with the services that are the subject of this report, will extend any duty of care we may have in our capacity as auditors of the Company.
10. This report has been issued solely at the request of the Company in connection with the Proposed Offering by the Company and this report or its contents thereof may accordingly be used in the corresponding placement document for the purpose of submission to the Stock Exchanges or any other regulatory or statutory authority in relation to the Proposed Offering. This report should not be used, referred to or distributed for any other purpose or any other party without our prior written consent provided however that the book running lead managers engaged for the Proposed Offering

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may be shared with a copy of this certificate. Accordingly, 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 certificate is shown or into whose hands it may come without our prior consent in writing.

For **Walker Chandiok & Co LLP**  
Chartered Accountants  
Firm Registration No. 001076N/N500013

**Sujay Paul**  
Partner  
Membership No: 096314  
UDIN: 20096314AAAET6190

Date: 24 July 2020  
Place: Noida

**Statement of Tax Benefits available to Satin Creditcare Network Limited (the “Company” or “Issuer”) and its Shareholders.**

**I. TAX BENEFITS AVAILABLE TO THE COMPANY UNDER THE INCOME TAX ACT, 1961 (“THE ACT”)**

**1. Section 115BAA: Corporate Tax Rate of 22%**

In accordance with section 115BAA of the Act inserted by the Taxation Law Amendment Act, 2019, domestic companies are entitled to avail a concessional tax rate of 22% (plus applicable surcharge and cess). The option to apply this tax rate is available from FY 2019-20 relevant to AY 2020-21 and the option once exercised shall apply to subsequent assessment years. Further, the reduced rate of 22% is subject to the company not availing any of the following specified tax exemptions/incentives under the Act:

- Deduction u/s 10AA: Tax holiday available to units in a Special Economic Zone;
- Deductions available under the Chapter VI-A except under section 80JJAA and section 80M;
- Deduction u/s 32(1)(iia): Additional Depreciation;
- Deduction u/s 32AD: Investment allowance;
- Deduction u/s 35AD: Deduction for capital expenditure incurred on specified businesses;
- Deduction under certain sub-sections/clauses of Section 35: Expenditure on scientific research.

The total income of the company availing the rate of 22% is required to be computed without set-off of any carried forward loss attributable to any of the exemptions/ incentives mentioned above. A company can exercise its option to apply for this reduced rate in its return of income filed u/s 139(1) of the Act. Further, provisions of MAT under section 115JB of the Act shall not be applicable to companies availing this reduced tax rate, thus any carried forward MAT credit cannot also be claimed.

The company is eligible to claim the reduced tax rate of 22% under section 115BAA of the Act effective FY 2019-20 on the following basis:

- The company is not availing any of the aforementioned deductions / exemptions, consequently there are no brought forward losses to this account;
- There is no brought forward MAT credit in the last income tax return filed for FY 2018-19;
- There is no unabsorbed depreciation in the last income tax return filed for FY 2018-19.

The management of the company has decided to opt for the reduced tax rate from FY 2019-20 onwards.

**2. Section 80M: Deduction on inter-corporate dividends**

The Dividend Distribution Tax (‘DDT’) regime under the tax laws was applicable till 31 March 2020 and dividends were not subject to tax in the hands of the shareholders. The Finance Act 2020 abolished DDT with effect from 1 April 2020. It also inserted section 80M of the Act effective 1 April 2020 to eliminate the cascading tax effect in case of inter-corporate dividends by providing a deduction in respect of dividends received by a domestic company, to the extent such dividend is distributed by it on or before the due date. In this case, due date means one month prior to the date for furnishing the return of income under sub-section (1) of section 139 of the Act.

The company has three subsidiaries and should be eligible to claim this deduction in respect of dividends received from the subsidiaries and further distributed to its shareholders subject to conditions of section 80M of the Act.

### **3. Section 80JJAA: Deduction in respect of employment of new employees**

In accordance with and subject to the conditions specified under Section 80JJAA of the Act, a company is entitled to a deduction of an amount equal to 30% of additional employee cost incurred in the course of business in a previous year, for 3 consecutive assessment years including the assessment year relevant to the previous year in which such additional employment cost is incurred. Additional employee cost means the total emoluments paid or payable to additional employees employed in the previous year. The deduction under section 80JJAA would continue to be available to the company even where the company opts for the lower tax rate of 22% under the provisions of section 115BAA (as discussed above).

The company should be eligible to claim this deduction in case it incurs additional employee cost within the meaning of Explanation (i) to sub-section (2) of Section 80JJAA of the Act and satisfies the conditions mentioned in the section.

### **4. Section 80G: Deduction in respect of donations**

According to the provisions of section 80G(1)(ii) of the Act, donations made to specified eligible institutions other than those prescribed under clause (2) of section 80G of the Act, an amount equal to 50% of such aggregate of sums paid shall be allowed as deduction while computing the taxable income.

The company would be eligible to claim deduction under section 80G for FY 2019-20 subject to satisfaction of conditions prescribed, However, with effect from FY 2020-21, this deduction will not be available where the Company opts for the reduced corporate tax rate of 22% (as discussed above).

## **II. TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY UNDER THE INCOME TAX ACT, 1961**

**The following tax benefits are available to the Shareholders under the Income Tax Act, 1961 due to their specified status.**

### **1. Tax benefits available to resident shareholders**

- With the abolition of DDT, dividends are now taxed in the hands of shareholders at applicable rates. However, companies are required to withhold taxes at prescribed rates in certain cases as explained below.
- The dividend income will be subject to tax in the hands of the resident shareholder at the tax rates applicable to the respective recipient.
- Section 194 of the Act casts an obligation on an Indian company to deduct tax at source at the applicable rates in force, while making any distribution or payment of any dividend to a resident exceeding INR 5,000.
- Long term capital gains on transfer on shares on which Securities Transactions Tax has

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been paid will be subject to tax in the hands of shareholders as per the provisions of Section 112A of the Act at 10% (plus applicable surcharge and cess).

- Short term capital gains arising on transfer of shares on which Securities Transactions Tax has been paid will be subject to tax in the hands of shareholders as per the provisions of Section 111A of the Act at 15% (plus applicable surcharge and cess).

**2. Tax benefits available to Non-resident shareholders including FPI's**

- The dividend income will be subject to tax in the hands of the non-residents at the rate of 20% (plus applicable surcharge and cess) as per the provisions of sections 115AD (for FPI's) and 115A (other non-residents) of the Act. The shareholder may choose to be governed by the provisions of Double Taxation Avoidance Agreement, to the extent they are more beneficial.
- The Company is required to withhold taxes while remitting dividend to non-resident shareholders at 20% or the rate prescribed under the Double Taxation Avoidance Agreement, whichever is more beneficial to the shareholder.
- Long term capital gains on transfer on shares on which Securities Transactions Tax has been paid will be subject to tax in the hands of shareholders as per the provisions of Section 112A of the Act at 10% (plus applicable surcharge and cess).
- Short term capital gains arising on transfer of shares on which Securities Transactions Tax has been paid will be subject to tax in the hands of shareholders as per the provisions of Section 111A of the Act at 15% (plus applicable surcharge and cess).

**Notes:**

1. These 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.
2. The 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.
3. The Statement has been prepared on the basis that the shares of the Company are listed on a recognized stock exchange in India.
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.

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

For **Walker Chandiok & Co LLP**  
Chartered Accountants  
Firm Registration No. 001076N/N500013

**Sujay Paul**  
Partner  
Membership No: 096314  
UDIN: 20096314AAAAET6190

Date: 24 July 2020  
Place: Delhi