

**STATEMENT OF SPECIAL TAX BENEFITS****Statement of possible special tax benefits available to the Company and its Shareholders**

To,  
**The Board of Directors**  
**Davangere Sugar Company Limited**  
73/1, P.B. No. 312, Shamanur Road, Davangere, Karnataka, 577004

Dear Sirs,

**Subject: Statement of Possible Special Tax Benefits available to Davangere Sugar Company Limited (“the Company”) and shareholders of the Company under the direct & indirect tax laws.**

We have been requested by the Company to issue a report on the special tax benefits available to the Company and its shareholders attached for inclusion in this Draft Letter of Offer in connection with the proposed rights issue of equity shares of the Company (the “**Issue**”). The Statement has been prepared by the management of the Company and stamped by us for identification purpose only.

The statement showing the current position of special tax benefits available to the Company and the shareholders of the Company as per the provisions of Income- tax Act, 1961 (“**the IT Act**”) and the Central Goods And Services Tax Act, 2017/ Integrated Goods And Services Tax Act, 2017 relevant State Goods and Services Tax Act (“**SGST**”) read with rules, circulars, and notifications (“**GST law**”), the Customs Act, 1962, Customs Tariff Act, 1975 (“**Customs law**”) and Foreign Trade Policy 2015-2020 (“**FTP**”) (herein collectively referred as “**Indirect Tax Laws**”) as amended by Finance Act, 2025, i.e. applicable for the assessment year AY 2026-27 relevant to the financial year 2025-26 for inclusion in the Letter of Offer (“**LOF**”) for the issue of rights shares is annexed herewith.

These possible special tax benefits are dependent on the Company and the shareholders of the Company fulfilling the conditions prescribed under the relevant provisions of the corresponding Tax laws. Hence, the ability of the Company and the shareholders of the Company to derive these possible special tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives, the Company may face in the future and accordingly, the Company and the shareholders of the Company may or may not choose to fulfil. Further, certain tax benefits may be optional, and it would be at the discretion of the Company or the shareholders of the Company to exercise the option by fulfilling the conditions prescribed under the Tax laws.

The benefits discussed in the enclosed statement are neither exhaustive nor conclusive. The contents stated in the Annexure are based on the information and explanations obtained from the Company. 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 the specific tax implications arising out of their participation in the offer. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement.

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

The statement is intended solely for the information and the inclusion in the Letter of Offer in connection with the rights issue of equity shares of the Company and is not be used, referred to or distributed for any other purpose, without our prior consent, provided the below statement of limitation is included in the Offer Letter.

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*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.*

Yours faithfully,

For and on behalf of M/s. D G M S & Co.  
Chartered Accountants  
Firm Registration Number: 0112187W

Name: Hiren J. Maru  
Partner  
ICAI Membership Number: 115279  
Date: 25<sup>th</sup> July 2025  
Place: Mumbai  
UDIN: 25115279BMIQCV2773



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**ANNEXURE TO THE STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO DAVANGERE SUGAR COMPANY LIMITED (“THE COMPANY AND ITS SHAREHOLDERS”)**

The information provided below sets out the possible special direct tax & indirect tax benefits available to the Company and its shareholders 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, under the current tax laws presently in force in India. Several of these benefits are dependent on the Company and its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company and the shareholders of the Company to derive the direct and indirect tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives the Company may face in the future and accordingly, the Company and the shareholders of the Company may or may not choose to fulfil. Further, certain tax benefits may be optional, and it would be at the discretion of the Company or the shareholders of the Company to exercise the option by fulfilling the conditions prescribed under the Tax laws.

The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the shares 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.

The tax benefits stated below are as per the Income tax Act, 1961 (“**IT Act**”) as amended from time to time and applicable for financial year 2025-26 relevant to assessment year 2026- 27 and Indirect Tax Laws as amended from time to time and applicable for financial year 2025-26

**I. Under the IT Act****1. Special tax benefits available to the Company under the Act****a) Lower Corporate Tax Rate under section 115BAA**

A new Section 115BAA has been inserted by the Taxation Laws (Amendment) Act, 2019 (“the Amendment Act 2019”) granting an option to domestic companies to compute corporate tax at a reduced rate of 25.17% (22% plus surcharge of 10% and cess of 4%) from the Financial Year 2019-20, provided such companies do not avail specified exemptions/incentives ( i.e. deduction under section 10AA, 32(1)(ia), 33ABA, 35 (2AB), 80-IA etc.)

The Amendment Act, 2019 also provides that domestic companies availing such option will not be required to pay Minimum Alternate Tax (“MAT”) under section 115JB. The CBDT has further issued Circular 29/2019 dated Oct 02, 2019 clarifying that since the MAT provisions under section 115JB itself would not apply where a domestic company exercises option of lower tax rate under section 115BAA, MAT credit would not be available. Corresponding amendment has been inserted under section 115JAA dealing with MAT credit.

**B. Deductions from Gross Total Income****Section 80 JJAA- Deduction in respect of Employment of new employees**

Subject to fulfilment of prescribed conditions, the company is entitled to claim deduction, under the provision of Section 80JJAA of the Act, of an amount equal to thirty percent 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.

**Section 80M-Deduction in respect of inter-corporate dividends**

A new Section 80M has been inserted by the Finance Act, 2020 w.e.f. April 01, 2020 providing for deduction from gross total income of a domestic company, of an amount equal to dividends received by such company from another domestic

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company or a foreign company or a business trust as does not exceed the amount of dividend distributed by it on or before one month prior to the date of filing its tax return as prescribed under Section 139(1) of the Act.

Where the Company received any such dividend during a Financial Year and also, distributes dividend to its shareholders before the aforesaid date, as may be relevant to the said Financial year, it shall be entitled to the deduction under Section 80M of the Act.

## 2. Special tax benefits available to Shareholders

There are no special tax benefits available to the shareholders (other than resident corporate shareholder) of the company.

With respect to a resident corporate shareholder, a new section 80M is inserted in the Finance Act, 2020, to remove the cascading effect of taxes on inter-corporate dividends during financial year 2020-21 and thereafter. The Section provides that where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company or a foreign company or a business trust, there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company or foreign company or business trust as does not exceed the amount of dividend distributed by it on or before the due date. The “due date” means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139.

NOTES:-

- a) The above statement of possible special tax benefits sets out the provisions of Tax Laws in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.
- b) The above statement covers only certain special tax benefits under the Act, read with the relevant rules, circulars and notifications and does not cover any benefit under any other law in force in India. This statement also does not discuss any tax consequences, in the country outside India, of an investment in the shares of an Indian company.
- c) The above statement of possible special tax benefits is as per the current direct tax laws relevant for the assessment year 2026-27. Several of these benefits are dependent on the company or its shareholders fulfilling the conditions prescribed under the relevant provision of the Tax Laws.
- d) In respect of non-residents, the tax rate and consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Taxation Avoidance Agreement, if any, entered into between India and the country in which the non-resident has fiscal domicile.
- e) If the company opts for concessional corporate income tax rate as prescribed under section 115BAA of the Act, it will not be allowed to claim any of the following deductions: -
  - Deduction under the provisions of section 10AA (deduction for units in Special Economic Zone)
  - Deduction under clause (iia) of sub –section (1) of section 32 (Additional Depreciation)
  - Deduction under section 32AD or section 33AB or section 33ABA (Investment allowance in backward areas , Investment deposit account, site restoration fund)
  - Deduction under sub-clause (ii) or sub-clause (iia) or sub clause (iii) of sub-section (1) or sub-section (2AA) or sub-section (2AB) of section 35 (Expenditure on scientific research)
  - Deduction under section 35AD or section 35CCC (deduction for specified business, agricultural extension project)
  - Deduction under section 35CCD (Expenditure on skill development)
  - Deduction under any provisions of Chapter VI-A other than the provisions of section 80JJAA or section 80M
  - No set off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred above
  - No set off of any loss or allowance for unabsorbed depreciation deemed so under section 72A, if such loss or depreciation is attributable to any of the deductions referred above
- f) This statement is intended only to provide general information to the investors and is neither designed nor intended to be substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his or her tax advisor with respect to specific tax consequences of his/her investment in the shares of the Company.

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**II. Under the Indirect Tax Laws****1. Special indirect tax benefits available to the Company**

The Company is not entitled to any special tax benefits under indirect tax laws.

**2. Special indirect tax benefits available to Shareholders**

The Shareholders of the company are not entitled to any special tax benefit under indirect tax laws.

**NOTES:**

1. This statement is intended only 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 tax consequences, each investor is advised to consult his or her tax advisor with respect to specific tax consequences of his/her investment in the shares of the Company.

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. The views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

Yours faithfully,

For and on behalf of M/s. D G M S & Co.  
Chartered Accountants  
Firm Registration Number: 0112187W

Name: Hiren J. Maru  
Partner  
ICAI Membership Number: 115279  
Date: 25<sup>th</sup> July 2025  
Place: Mumbai

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