



Certificate on Possible Special Tax Benefits

Date: August 4, 2023

To:

The Board of Directors
India Shelter Finance Corporation Limited
6th Floor, Plot No. 15
Sector 44, Institutional Area, Gurgaon
Haryana – 122 002, India

ICICI Securities Limited
ICICI Venture House
Appasaheb Marathe Marg, Prabhadevi
Mumbai 400 025
Maharashtra, India

Citigroup Global Markets India Private Limited
1202, 12th Floor
First International Financial Center
G-Block, C54 & 55, Bandra Kurla Complex
Bandra (East), Mumbai 400098
Maharashtra, India

Kotak Mahindra Capital Company Limited
1st Floor, 27 BKC, Plot No. 27
G Block, Bandra Kurla Complex
Bandra (East), Mumbai 400 051
Maharashtra, India

Ambit Private Limited
Ambit House, 449, Senapati Bapat Marg
Lower Parel, Mumbai 400 013
Maharashtra, India

(ICICI Securities Limited, Citigroup Global Markets India Private Limited, Kotak Mahindra Capital Company Limited and Ambit Private Limited who are appointed in relation to the Offer are collectively referred to as the “**Book Running Lead Managers**” or the “**BRLMs**”)

Re: Proposed initial public offering of equity shares of face value of ₹ 5 each (“Equity Shares”) by India Shelter Finance Corporation Limited (the “Company”) comprising a fresh issue of the Equity Shares by the Company and an offer for sale of Equity Shares by certain existing shareholders of the Company (“the Offer for Sale”, and together with the Fresh Issue, the “Offer”)

In connection with the Offer, we have been requested by the Company to verify the statement of possible special 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, 2023, hereinafter referred to as the “**Indian Income Tax Regulations**” presented in **Annexure 1** and under the central goods and services tax act, 2017, the integrated goods and services tax act, 2017 and the applicable state/union territory goods and services tax act, 2017 (“**GST Acts**”) as amended from time to time, as amended by the Finance Act 2023 as presented in **Annexure 2** (together the “**Annexures**”).

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015

Gurgaon Office: 76E, Udyog Vihar Phase IV, Gurgaon -122016 (Haryana)
Phone: 0124-4129900, Fax: 011-4114935, E-mail: gurgaon@trchadha.com
Corporate Office/ Regd. Office: B-30, Connaught Place, Kuthiala Building, New Delhi – 110001
Phone: 43259900, Fax: 43259930, E-mail: delhi@trchadha.com



Management's Responsibility

The preparation of the Statement as of the date of our certificate which is to be included in the draft red herring prospectus, red herring prospectus and prospectus for the Offer is the responsibility of the management of the Company and has been approved by the board of directors of the Company at its meeting held on August 3, 2023. 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.

We have performed the following procedures in this regard:

We have reviewed the enclosed **annexures 1 and 2** (together, the "Annexures"), prepared by the company, which provides the special tax benefits available to the company and to the shareholders of the company as stated in those annexures, as under:

- The Income-tax Act, 1961 (the "Act") as amended by the Finance Act, 2023 applicable for the financial year 23-24 relevant to the assessment year 2024-25, presently in force in India; and
- The central goods and services tax act, 2017, the integrated goods and services tax act, 2017 and the applicable state/union territory goods and services tax act, 2017 ("GST Acts") as amended from time to time, as amended by the Finance Act 2023 applicable for the financial year 2023-24, presently in force in India.

Several of the benefits mentioned in the Statement are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the respective tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits as mentioned in **Annexure 1** is dependent upon fulfilling such conditions by them as prescribed under the Income-tax provisions, which, based on business imperatives the Company faces in the future, the Company or its shareholders may or may not choose to fulfil and may or may not be able to fulfil, which may or may not be fulfilled. The benefits discussed in the Statement are not exhaustive and also do not cover any general tax benefits available to the Company.

The Statement is only intended to provide general information to the investors and 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 Offer.

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 Indian Income Tax Regulations and its interpretation and GST Acts, 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 arising from facts and disclosure in statement of tax benefits determined to have resulted primarily from bad faith or intentional misrepresentation.

We will not be liable to any other person in respect of the Statement.

In our opinion, the Statement prepared by the Company presents, in all material respects, the possible special tax benefits available as on the date of signing of this certificate, to the Company and its shareholders, in accordance with the Indian Income Tax Regulations. However, we cannot 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.

We conducted our examination of the information given in this certificate (including the annexures thereto) in accordance with the 'Guidance Note on Reports or Certificates for Special Purposes (Revised 2016)' ("Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"), as revised from time to time, to obtain a reasonable assurance that such details are in agreement with the books of accounts and other relevant records

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provided to us, in all material respects. The aforesaid Guidance Note requires that we comply with the ethical requirements of the 'Code of Ethics' issued by the ICAI, as revised from time to time.

Further, 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', as revised from time to time.

This certificate may be relied on by the Company, the BRLMs and their legal counsels, appointed in relation to the Offer.

We undertake to update you of any change in the above-mentioned position on obtaining or becoming aware of any relevant information, until the Equity shares of the company issued pursuant to the Offer commence trading on the stock exchanges. In the absence of any such communication from us, the above information should be considered as updated information until the Equity Shares commence trading on the stock exchanges, pursuant to the Offer.

All capitalized terms used herein and not specifically defined shall have the meaning ascribed to them in the Offer Documents.

We hereby consent to this certificate being disclosed by the BRLMs, if required (i) by reason of any law, regulation or order of a court or by any governmental or competent regulatory authority, or (ii) in seeking to establish a defence in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.

We hereby consent to the aforementioned details being included in the Offer Documents and submission of this certificate as may be necessary, to any regulatory authority and/or for the records to be maintained by the BRLMs in connection with the Offer and in accordance with applicable law.

Our report is made solely to the Company's management and BRLMs for the purpose as set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items specified above and does not extend to any financial statements of the Company, taken as a whole. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Yours Sincerely,

For **T R Chadha & Co LLP**
Chartered Accountants
ICAI Firm Registration No: 006711N/N500028

Aashish Gupta
Partner
Membership No. 097343
Certificate No.014544
UDIN: 23097343BGQJOL8352
Place: Gurugram

Encl: As above



CC:

Legal Counsel to the Book Running Lead Managers

Cyril Amarchand Mangaldas
3rd Floor, Prestige Falcon Towers
19, Brunton Road
Off M.G. Road, Bengaluru 560 025
Karnataka, India

Legal Counsel to the Company

Shardul Amarchand Mangaldas & Co
Amarchand Towers
216, Okhla Industrial Estate Phase III
New Delhi 110 020

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ANNEXURE 1

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

The information provided below sets out the possible special tax benefits available to the Company and to shareholders of the Company 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 of the Company, under the current tax laws presently in force in India. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfil. We do not express any opinion or provide any assurance as to whether the Company or its shareholders will continue to obtain these benefits in future. 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 securities, 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.

Direct Taxation

A. Special tax benefits available to the Company under the Income tax Act, 1961 (read with Income Tax Rules, circulars, notifications) as amended by the Finance Act, 2023 (the “IT Act”)

1. Deduction under section 36 (1) (viii) of the IT Act

As per section 36(1)(viii) of the IT Act, a housing finance company (“HFC”) (being a public company formed or registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes) is allowed a deduction of an amount not exceeding 20% of the profits derived from eligible business computed under the head “Profits and gains of business or profession” (before making any deduction under the said clause (viii)) carried to any special reserve created and maintained by the HFC.

The term ‘eligible business’ means the business of providing long-term finance for the construction or purchase of houses in India for residential purposes. Provided that where the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid-up share capital and of the general reserves of the specified entity, no allowance under section 36(1)(viii) shall be made in respect of such excess.

2. Deduction under section 36 (1) (viiia) of the IT Act

The Company is entitled to accelerated deduction in respect of bad and doubtful debts up to the limit specified under section 36(1) (viiia) of the IT Act in computing its income under the head “Profits and gains of business or profession”, to the extent of five per cent (5%) of the total income (computed before making any deduction under this clause and Chapter VI-A), and subject to satisfaction of prescribed conditions.

As per section 36(1)(vii) of the IT Act, where the Company has claimed deduction under section 36(1)(viiia) of the Act, then the subsequent claim of deduction of actual bad debts under section 36(1)(vii) of the IT Act shall be reduced to the extent of deduction already claimed under section 36(1)(viiia) of the IT Act.

Further, as per section 41(4) of the IT Act, where any deduction has been claimed by the Company in respect

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Registered office – 6th Floor, Plot No 15, Institutional Area, Sector 44, Gurgaon, Haryana-122002

CIN: U65922HR1998PL042782, Phone No +91-124-4131807

E-mail: customer.care@indiashelter.in, Website: www.indiashelter.in

of a bad debt under Section 36(1)(vii) of the IT Act, then any amount subsequently recovered on any such debt is greater than the difference between such debt and the amount so allowed as a deduction under section 36(1)(vii) of the IT Act, the excess shall be deemed to be business income of the year in which it is recovered.

3. Concessional corporate tax rates - Section 115BAA of the IT Act

The Taxation Laws (Amendment) Act, 2019 introduced section 115BAA wherein domestic companies are entitled to avail a concessional tax rate of 22% (plus applicable surcharge and cess) on fulfilment of certain conditions. The option to apply this tax rate is available from Financial Year ('FY') 2019-20 relevant to Assessment Year ('AY') 2020-21 and the option once exercised shall apply to subsequent AYs. The concessional rate is subject to a company not availing any of the following deductions under the provisions of the IT Act:

- Section 10AA: Tax holiday available to units in a Special Economic Zone.
- Section 32(1)(iia): Additional depreciation;
- Section 32AD: Investment allowance.
- Section 33AB/33ABA: Tea coffee rubber development expenses/site restoration expenses
- Section 35(1)/35(2AA)/ 35(2AB): Expenditure on scientific research.
- Section 35AD: Deduction for capital expenditure incurred on specified businesses.
- Section 35CCC/35CCD: expenditure on agricultural extension /skill development.
- Chapter VI-A except for the provisions of section 80JJAA and section 80M.

The total income of a company availing the concessional rate of 25.17% (i.e. 22% along with surcharge and health and education cess) is required to be computed without set-off of any carried forward loss and depreciation attributable to any of the aforesaid deductions/incentives.

A company can exercise the option to apply for the concessional tax rate in its return of income filed under section 139(1) of the IT Act. Further, provisions of Minimum Alternate Tax ('MAT') under section 115JB of the IT Act shall not be applicable to companies availing this reduced tax rate, thus, any carried forward MAT credit also cannot be claimed.

The provisions do not specify any limitation/condition on account of turnover, nature of business or date of incorporation for opting for the concessional tax rate. Accordingly, all existing as well as new domestic companies are eligible to avail this concessional rate of tax.

The Company has already opted for the concessional tax rate benefit for the FY 2019-20 relevant to the AY 2020-21 as mentioned in the Section 115BAA for which declaration in Form 10-IC has already been filed with the income tax authority.

4. Deductions in respect of employment of new employees –Section 80JJAA of the IT Act

As per Section 80JJAA of the IT Act, where a company is subject to tax audit under section 44AB of the IT Act and derives income from business, it shall be allowed to claim a deduction of an amount equal to 30% of additional employee cost incurred in the course of such 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.

The eligibility to claim the deduction is subject to fulfilment of prescribed conditions specified in subsection (2) of section 80JJAA of the IT Act.

B. Special tax benefits available to the shareholders of the Company under the IT Act.

There are no special tax benefits available to the shareholders of the Company under the IT Act.

Notes:

1. This Annexure sets out only the possible special tax benefits available to the Company and the shareholders under the Indian Income Tax Regulations presently in force in India.
2. This Annexure covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law.
3. This Annexure is as per the current direct tax laws relevant for the assessment year 2024-2025. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws.
4. Though benefit of section 80JJAA as mentioned above is also available to assessee other than housing finance companies, however same has been covered in the Annexure as the Company has claimed the same in earlier years.
5. This Annexure 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/her own tax advisor with respect to specific tax arising out of their participation in the Proposed IPO.
6. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Tax Avoidance Agreement(s), if any, between India and the country in which the non-resident has fiscal domicile.
7. These comments are based upon the provisions of the specified direct tax laws, and judicial interpretation thereof prevailing in India, as on the date of this Annexure.
8. No assurance is provided that the revenue authorities/courts will concur with the views expressed herein. Our 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.

For and on behalf of
INDIA SHELTER FINANCE CORPORATION LIMITED

Ashish Gupta
Chief Financial Officer

Annexure 2

Indirect Taxation

The Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, each as amended (collectively, the “Indirect Tax Regulations”)

There are no special tax benefits available to the Company or Shareholders of the Company under the Indirect Tax Regulations

Notes:

1. This Annexure sets out only the possible special tax benefits available to the Company and its Shareholders under the Central Goods and Services Tax Act, 2017 and respective State/Union Territory Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 (“GST Act”), as amended by the Finance Act 2023, i.e., applicable for the Financial Year 2023-24, presently in force in India.
2. This Annexure 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, 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 Proposed IPO.
3. Our comments are based on our understanding of the specific activities carried out by the Company from April 1, 2022 till the date of this Annexure as per the information provided to us. Any variation in the understanding could require our comments to be suitably modified.
4. This annexure covers only indirect tax laws benefits other than the specific compliance provisions prescribed in relevant laws for a Housing finance company.
5. This annexure does not cover any income tax law benefits or benefit under any other law.
6. These comments are based upon the provisions of the specified Indirect tax laws, and judicial interpretation thereof prevailing in the country, as on the date of this Annexure.
7. 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 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.

For and on behalf of
INDIA SHELTER FINANCE CORPORATION LIMITED

Ashish Gupta
Chief Financial Officer