

**STATEMENT OF SPECIAL TAX BENEFITS**

To,

**The Board of Directors**

**Solara Active Pharma Sciences Limited**

201, Devavrata, Sector 17,  
Vashi, NA Navi Mumbai, Thane – 400703,  
Maharashtra, India

**Choice Capital Advisors Private Limited**

Sunil Patodia Tower, J.B. Nagar,  
Andheri (East), Mumbai, 400 099,  
Maharashtra, India

(Choice Capital Advisors Private Limited referred to as the “**Lead Manager**”)

Dear Sirs,

**Re: Rights issue of equity shares of face value of ₹10 each (“Equity Shares”) of Solara Active Pharma Sciences Limited (“Company” and such offering, the “Issue”).**

We report that the enclosed statement in the **Annexure**, states the possible special tax benefits under direct tax laws i.e. Income tax Rules, 1962 including amendments made by the Finance Act, 2020 (hereinafter referred to as “**IT Act**”), and indirect tax laws i.e. the Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, Customs Act, 1962, Customs Tariff Act, 1975 as amended, the rules and regulations, circulars and notifications issued there under, Foreign Trade Policy presently in force in India, available to the Company and its shareholders. Several of these benefits are dependent on the Company, its shareholders as the case may be, fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company, its shareholders to derive the special tax benefits is dependent upon their fulfilling such conditions, which based on business imperatives the Company and its shareholders faces in the future, the Company and its shareholders may or may not choose to fulfill.

The benefits discussed in the enclosed Statement cover only special tax benefits available to the Company and to the shareholders of the Company and are not exhaustive and also do not cover any general tax benefits available to the Company. Further, any benefits available under any other laws within or outside India have not been examined and covered by this Statement.

<<<this space is intentionally left blank>>>

The benefits discussed in the enclosed **Annexure** are not exhaustive. This 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. Neither are we suggesting nor advising the investor to invest in the Issue based on this statement.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

We also consent to the references to us as “**Experts**” as defined under Section 2(38) of the Companies Act, 2013, read with Section 26(5) of the Companies Act, 2013 to the extent of the certification provided hereunder and included in the Letter of Offer (“**LOF**”) of the Company or in any other documents in connection with the Issue (“**Offer Documents**”).

We hereby give consent to include this statement of special tax benefits in the Offer Documents and in any other material used in connection with the Issue.

We confirm that while providing this certificate, we have complied with the Code of Ethics issued by the Institute of Chartered Accountants of India. 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,’ issued by the ICAI.

This certificate is issued for the sole purpose of the Issue, and can be used, in full or part, for inclusion in the Offer Documents and any other material used in connection with the Issue, and for the submission of this certificate as may be necessary, to any regulatory / statutory authority, recognized stock exchanges, any other authority as may be required and/or for the records to be maintained by the Lead Manager in connection with the Issue and in accordance with applicable law, and for the purpose of any defense the Lead Manager may wish to advance in any claim or proceeding in connection with the contents of the Offer Documents.

<<<this space is intentionally left blank>>>

This certificate may be relied on by the Company, Lead Manager, their affiliates and the Legal Counsel in relation to the Issue.

We undertake to immediately update you, in writing, of any changes in the abovementioned information until the date the Equity Shares issued pursuant to the Issue commence trading on the recognized stock exchanges. In the absence of any such communication, you may assume that there is no change in respect of the matters covered in this certificate until the date the Equity Shares commence trading on the recognized stock exchanges.

Yours faithfully,

**For and on behalf of M/s. Mahesh C Solanki & Co.,**

**Chartered Accountants**

**Firm Registration Number:**006228C

**Name:** Vinay Kumar Jain

**Partner**

**ICAI Membership Number:** 232058

Partner

**UDIN:** 24232058BKCZQU2795

**Date:** 22.04.2024

**Place:** Chennai

**CC:**

**DSK Legal**

1701, One World Centre, Tower 2B,  
Floor 17, 841, Senapati Bapat Marg  
Elphinstone Road, Mumbai 400 013  
Maharashtra, India

(DSK Legal referred to as the “**Legal Counsel**”)

**ANNEXURE**

**STATEMENT OF TAX BENEFITS**

To,

**The Board of Directors**

**Solara Active Pharma Sciences Limited**

201, Devavrata, Sector 17,

Vashi, NA Navi Mumbai, Thane – 400703,

Maharashtra, India

**Re: Rights issue of equity shares of face value of ₹10 each (“Equity Shares”) of Solara Active Pharma Sciences Limited (“Company” and such offering, the “Issue”) pursuant to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“SEBI Regulations”) and the Companies Act, 2013, as amended (the ‘Act’).**

We M/s. Mahesh C Solanki & Co., Chartered Accountants, an Independent Chartered Accountant, hereby confirm that the enclosed Annexure states the possible special tax benefits available to the Company and to the shareholders of the Company under the Income-tax Act, 1961 and Income tax Rules, 1962 including amendments made by Finance Act 2020 (hereinafter referred to as “IT Act”), the Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, Customs Act, 1962, Customs Tariff Act, 1975 as amended, the rules and regulations there under, Foreign Trade Policy, presently in force in India under the respective tax laws of their country as on the signing date, for inclusion in the Letter of Offer (“LOF”) of the Company or in any other documents in connection with the Issue (“Offer Documents”) for the proposed rights issue of the Company to the existing shareholders. These benefits are dependent on the Company or the shareholders of the Company fulfilling the conditions prescribed under the relevant provisions of the Tax Laws. Hence, the ability of the Company or the shareholders of the Company to derive the special tax benefits is dependent upon fulfilling such conditions, which is based on business imperatives the Company may face in the future and accordingly, the Company or the shareholders of the Company may or may not choose to fulfill.

The benefits discussed in the enclosed Statement cover only special tax benefits available to the Company and to the shareholders of the Company and are not exhaustive and also do not cover any general tax benefits available to the Company. Further, any benefits available under any other laws within or outside India have not been examined and covered by this Statement.

Further, the preparation of the enclosed Statement and its contents was the responsibility of the management of the Company. We were informed that this 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 proposed Issue.

We have conducted our examination in accordance with the 'Guidance Note on Reports or Certificates for Special Purposes (Revised 2016)' ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). The Guidance Note requires that we comply with ethical requirements of the Code of Ethics issued by the ICAI.

We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Performs Audits and Reviews of Historical Financial information and Other Assurance and Related Services Engagements.

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

- the Company or the shareholders of the Company will continue to obtain these benefits in future; or
- the conditions prescribed for availing the benefits, where applicable, have been / would be met with.

The contents of the enclosed Statement are based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company. 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 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 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 any other person in respect of this Statement.

<<<this space is intentionally left blank>>>

This statement is solely for your information and not intended for general circulation or publication and is not to be reproduced or used for any other purpose without our prior written consent, other than for inclusion of extracts of this statement in the Offer Documents and submission of this statement to the Securities and Exchange Board of India, the stock exchanges where the Equity Shares of the Company are proposed to be listed, in connection with the proposed Issue, as the case may be.

**For and on behalf of M/s Mahesh C. Solanki & Co.**

**Chartered Accountants**

**Firm Registration Number:** 006228C

**Name:** Vinay Kumar Jain

**Partner**

**ICAI Membership Number:** 232058

**UDIN:** 24232058BKCZQU2795

**Date:** 22.04.2024

**Place:** Chennai

**Encl: As above**

<<<this space is intentionally left blank>>>

**ANNEXURE I**

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

**STATEMENT OF POSSIBLE SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE COMPANY AND TO THE SHAREHOLDERS OF THE COMPANY:**

**I. Special tax benefits available to the Company:**

*1. Claim for additional depreciation under section 32 of the IT Act*

The Company is eligible for additional depreciation at the rate of 20% of the actual cost of specified machinery or plant acquired and installed during the respective year over and above the normal machinery.

*2. Expenditure on scientific research under section 35 of the IT Act*

The Company is engaged in research and development ("R&D") activities and has R&D centre in Chennai, which is recognised by the Department of Scientific and Industrial Research (DSIR). The Company is eligible to claim deduction under section 35(1)(iv) read with section 35(2), of the IT Act, of a sum equal to 100% of any capital expenditure (except expenditure on acquisition of land) on scientific research related to the business carried on by the Company at the aforesaid centres. Where a deduction is allowed under section 35(1)(iv) of the IT Act in respect of expenditure represented wholly or partly by an asset, depreciation under section 32(1)(ii) of the IT Act shall not be allowed in respect of that asset. Subject to the provisions of section 72(2) of the IT Act relating to business loss and section 73(3) of the IT Act relating to speculation loss, the unabsorbed capital expenditure on scientific research (if any) would be deemed to be an expenditure of the following previous year and so on for the succeeding previous years and deduction shall be allowed accordingly.

<<<this space is intentionally left blank>>>

3. *Deduction under the provisions of section 10AA of the IT Act (deduction for units in Special Economic Zone)*

The Company has a unit located in a Special Economic Zone. To promote exports and attract foreign investment, the Government of India introduced Section 10AA under IT Act. However, it became fully functional in 2006 after which tax concessions were offered to specific businesses. On fulfilling certain conditions, Section 10AA of the IT Act allows new businesses or units offering services in Special Economic Zones (SEZs) to enjoy income tax exemption and holidays.

The amount of deduction available under this existing section is as follows:

- 100% of the profit coming from export is entitled to tax deduction for the first 5 consecutive years.
- 50% of the profit coming from export is entitled to tax deduction for the next 5 years.
- Not more than 50% of the profit coming from export is entitled to tax deduction for the next 5 years.

4. *Minimum Alternate Tax (“MAT”) credit under section 115JAA of the IT Act*

The Company would be entitled to claim credit for MAT paid under section 115JB of the IT Act in an earlier year. The amount of credit available would be the difference between the tax payable as per the normal provisions of the Income Tax Act and the tax paid under section 115JB of the IT Act for that assessment year. MAT credit is to be allowed for set-off for subsequent assessment year to the extent of difference between MAT paid in an earlier year and the amount of tax payable as per the provisions of the IT Act.

MAT credit is eligible for carry forward and set-off for up to 15 years succeeding the assessment year in which the MAT credit arises.

5. *Concessional rate of tax under Section 115BAA of the IT Act*

Section 115BAA of the IT Act, as inserted vide The Taxation Laws (Amendment) Act, 2019, provides that domestic company can opt to pay tax at a rate of 22% (plus applicable surcharge and education cess) for the financial year 2019-20 onwards, provided the total income of the company



is computed without claiming certain specified deductions or set-off of losses, depreciation etc., and claiming depreciation determined in the prescribed manner. In case a company opts for

section 115BAA of the IT Act, provisions of Minimum Alternate Tax would not be applicable and the MAT credit for the earlier year will not be available for set-off. The option needs to be exercised on or before the due date of filing the income tax return. Option once exercised, cannot be subsequently withdrawn for the same or any other tax year. Further, if the conditions mentioned in section 115BAA of the IT Act are not satisfied in any year, the option exercised shall become invalid in respect of such year and subsequent years, and the other provisions of the Act shall apply as if the option under section 115BAA of the IT Act had not been exercised.

The Company has the option available to it in future to pay tax under section 115BAA of the IT Act.

## II. Special tax benefits available to the shareholders of the Company

1. The Company would be required to deduct tax at source on the dividend paid to the shareholders, at applicable rates based on the provisions of the IT Act. In case of shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, and every artificial juridical person, surcharge would be restricted to 15%, irrespective of the amount of dividend. The shareholders would be eligible to claim the credit of such tax in their return of income.
2. With respect to a domestic corporate shareholder, deduction shall be available under section 80M of the IT Act on fulfilling the conditions detailed in section 80M of the IT Act. The section *inter-alia* 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 of the IT Act.
3. As per Section 112A of the IT Act, long-term capital gains arising from transfer of an equity share shall be taxed at 10% plus applicable surcharge and cess (without indexation) of such capital gains subject to fulfilment of prescribed conditions under the Act. It is worthwhile to note that tax shall be payable where such long-term capital gains exceed ₹1,00,000.
4. As per Section 111A of the IT Act, short term capital gains arising from transfer of a listed equity share, shall be taxed at 15% plus applicable surcharge and cess subject to fulfilment of prescribed conditions under the IT Act.

<<<this space is intentionally left blank>>>

5. In respect of non-resident shareholders, the tax rates and the consequent taxation shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile and subject to entitlement to such treaty benefit.

**Notes:**

1. The benefits in I and II above are as per the current tax law as amended by the Finance Act, 2023.
2. This statement does not discuss any tax consequences in the country outside India of an investment in the shares. The shareholders / investors in the country outside India are advised to consult their own professional advisors regarding possible Income tax consequences that apply to them.
3. Surcharge is to be levied on domestic companies at the rate of 7% where the income exceeds ₹1.00 crore but does not exceed ₹10 crore and at the rate of 12% where the income exceeds ₹10 crore.
4. We note that if the Company opts for concessional income tax rate under section 115BAA of the IT Act, surcharge shall be levied at the rate of 10% irrespective of the amount of total income.
5. Health and Education Cess @ 4% on the tax and surcharge is payable by all category of tax payers.
6. Business losses, arising during the year can be set off against the income under any other head of income, other than income under the head 'salaries'. Balance business loss can be carried forward and set off against business profits for 8 subsequent years. Unabsorbed depreciation, if any, for an assessment year can be carried forward and set off against any source of income in subsequent years as per provisions of the IT Act, however, subject to section 115BAA of the IT Act.

<<<this space is intentionally left blank>>>

7. We note that if the Company opts for concessional tax rate under section 115BAA of the IT Act it will not be allowed to claim any of the following deductions:

- Deduction under the provisions of section 10AA of the IT Act (deduction for units in Special Economic Zone)
- Deduction under clause (ia) of sub-section (1) of section 32 of the IT Act (Additional depreciation)
- Deduction under section 32AD or section 33AB or section 33ABA of the IT Act (Investment allowance in backward areas, Investment deposit account, site restoration fund)
- Deduction under sub-clause (ii) or sub-clause (ia) or sub-clause (iii) of sub-section (1) or subsection(2AA) or sub-section (2AB) of section 35 of the IT Act (Expenditure on scientific research)
- Deduction under section 35AD or section 35CCC of the IT Act (Deduction for specified business, agricultural extension project)
- Deduction under section 35CCD of the IT Act (Expenditure on skill development)
- Deduction under any provisions of Chapter VI-A other than the provisions of section 80JJAA and section 80M of the IT Act;
- 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 of the IT Act, if such loss or depreciation is attributable to any of the deductions referred above.

8. Further, it is also clarified in section 115JB(5A) of the IT Act that if the Company opts for concessional income tax rate under section 115BAA of the IT Act, the provisions of section 115JB of the IT Act regarding Minimum Alternate Tax (MAT) are not applicable. Further, such Company will not be entitled to claim tax credit relating to MAT.
9. The above statement of possible direct tax benefits sets out the provisions of law 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.

## **STATEMENT OF POSSIBLE INDIRECT TAX BENEFITS AVAILABLE TO THE COMPANY AND THE SHAREHOLDERS OF THE COMPANY**

### **I. Special indirect tax benefits available to the Company**

- Exemption and benefits provided as per Section 26 of the Special Economic Zone Act, 2005

The Company has a manufacturing unit which is located under a Special Economic Zone and the following benefits are available to that manufacturing unit.

1. Exemption from any duty of customs, under the Customs Act, 1962 or the Custom Tariff Act, 1975 or any other law for the time being in force, on goods imported into, or service provided in, a Special Economic Zone or a Unit, to carry on the authorized operations by the Developer or entrepreneur;
2. Exemption from any duty of customs, under the Customs Act, 1962 or the Customs Tariff Act, 1975 or any other law for the time being in force, on goods exported from, or services provided, from a Special Economic Zone or from a Unit, to any place outside India;
3. Drawback or such other benefits as may be admissible from time to time on goods brought or services provided from the Domestic Tariff Area into a Special Economic Zone or Unit or services provided in a Special Economic Zone or Unit by the service providers located outside India to carry on the authorized operations by the Developer or entrepreneur;

<<<this space is intentionally left blank>>>

4. Exemption from the levy of Goods and Services Tax under Central Goods and Services Act 2017 (read with Central Goods and Services Tax Rules, circulars, notifications), respective State Goods and Services Tax Act, 2017 (read with respective State Goods and Services Tax Rules, circulars, notifications), Integrated Goods and Services Tax Act, 2017 (read with Integrated Goods and Services Tax Rules, circulars, notifications) on supply of notified goods and/or services if such goods and/or services are meant to carry on the authorized operations by the Developer or entrepreneur.

- Where the company exports its goods, refund benefit under zero rated supply can be availed subject to satisfaction of required conditions.
- Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme is available on export of goods outside India. The benefits of the scheme can be availed by the company on satisfaction of prescribed conditions. The Remission of Duties and Taxes on Exported Products (RoDTEP) scheme was announced by Government of India (GOI) on 14th September 2019 to boost exports by allowing reimbursement of taxes and duties, which are not exempted or refunded under any other scheme in accordance with World Trade Organization (WTO) norms.
- Duty drawback under the Customs Act, 1962 can be availed on satisfaction of conditions mentioned.
- The Company can avail the benefit under the Advance Authorisation Scheme under the Foreign Trade policy. This scheme allows duty free import of inputs, which are physically incorporated in an export product. The inputs imported are exempt from duties like Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-Dumping Duty, Safeguard Duty and Transition Product-Specific Safeguard Duty, Integrated Goods and Services Tax, Compensation Cess, wherever applicable, subject to certain conditions.
- The Company has certain manufacturing units which are Export Oriented Units (EOU). Export Oriented Units have been defined under the Foreign Trade Policy as those units undertaking to export their entire production of goods and services (except permissible sales in Domestic Tariff Area) where the import of inputs will be allowed to be made duty-free if they are physically incorporated in a product which is going to be exported. The inputs imported are exempt from duties like Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-Dumping Duty, Safeguard Duty and Transition Product-Specific Safeguard Duty, Integrated Goods and Services Tax, Compensation Cess, wherever applicable, subject to certain conditions.

## II. Special indirect tax benefits available to Shareholders

- There are no special indirect tax benefits available to the shareholders for investing in the shares of the company.

**Notes:**

1. The above statement of possible indirect tax benefits is based on the provisions of the specified Indirect tax laws thereof prevailing in the country, as on the date of this annexure.
2. The above statement of possible indirect tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences.
3. These benefits are dependent on the Company fulfilling the conditions prescribed under the relevant provisions of the Tax laws.
4. The above statement covers only certain relevant indirect tax law benefits and does not cover benefit under any other law.

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.

*<<<this space is intentionally left blank>>>*