

**STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS  
SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA**

Date: September 28, 2023

The Board of Directors  
**DEE Development Engineers Limited**  
Unit 1, Prithla-Tatarpur Road,  
Village Tatarpur, Dist. Palwal,  
Haryana- 121102, India

Dear Sirs/Madams,

**Sub: Statement of Special Tax Benefits available to DEE Development Engineers Limited and its shareholders under the Indian tax laws**

1. We refer to the proposed issue of equity shares of DEE Development Engineers Limited (the "Company"). We hereby confirm that the enclosed Annexures 1 and 2 (together, the "Annexures"), prepared by the Company which provide the special tax benefits available to the Company and to the shareholders of the Company, under:

- the Income-tax Act, 1961 (the "Act") as amended by the Finance Act 2023, i.e. applicable for the Financial Year 2023-24 relevant to the assessment year 2024-25, presently in force in India;
- the Central Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 / respective State Goods and Services Tax Act (SGST) read with rules, circulars, and notifications ("GST law"), the Customs Act, 1962 and the Customs Tariff Act, 1975 as amended by the Finance Act 2023 applicable for the Financial Year 2023-24 ("Customs law") and Foreign Trade (Development and Regulation) Act, 1992 (read with the Foreign Trade Policy 2015-20 and Foreign Trade Policy 2023 (FTP) and Handbook of Procedures issued thereof, notifications and circulars, each as amended and presently in force in India;

The Act, the GST Act, Customs Act, Tariff Act and Foreign Trade (Development and Regulation) Act, 1992 as defined above, are collectively referred to as the "Relevant Acts".

2. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Relevant Laws. Hence, the ability of the Company and / or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Company faces in the future, the Company or its shareholders may or may not choose to fulfil.
3. The benefits discussed in the enclosed Annexures are not exhaustive and the preparation of the contents stated in the Annexures is the responsibility of the Company's management. We are informed that these Annexures are only intended to provide general information to the investors and are 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 initial public offer through a fresh issue of equity shares of Rs. 10 each by the Company and an offer for sale of equity shares of Rs. 10 each of the Company by certain existing shareholders of the Company (the "Proposed IPO").
4. We do not express any opinion or provide any assurance as to whether:
  - 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 views expressed herein.

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



# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

5. This Statement is issued solely in connection with the Proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose.

**For S.R. Batliboi & Co. LLP**

**Chartered Accountants**

ICAI Firm Registration Number: 301003E/E300005

per Amit Yadav

Partner

Membership Number: 501753

UDIN:

Place of Signature: New Delhi

Date: September 28, 2023



ANNEXURE I

**STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS UNDER THE APPLICABLE TAX LAWS IN INDIA – INCOME TAX ACT, 1961**

Outlined below are the special tax benefits available to Dee Development Engineers Limited (“the Company”) and its Shareholders under the Income-tax Act, 1961 (the “Act”) as amended by the Finance Act, 2023 applicable for the Financial Year 2023-24 relevant to the Assessment Year 2024-25, presently in force in India.

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.

**1. Special tax benefits available to the Company**

Deductions from Gross Total Income - Section 80JJAA of the Act - Deduction in respect of employment of new Employee

Subject to fulfilment of prescribed conditions, the Company is entitled to claim deduction, under the provisions of Section 80JJAA of the Act, of an amount equal to thirty per cent 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.

Lower corporate tax rate under Section 115BAA of the Act

Section 115BAA of the Act has been inserted by the Taxation Laws (Amendment) Act, 2019 (“the Amendment Act, 2019”) w.e.f. assessment year April 1, 2020 granting an option to domestic companies to compute corporate tax at a reduced rate of 25.168% (22% plus surcharge of 10% and cess of 4%), provided such companies do not avail the following deductions/exemptions:

- i) Deduction under the provisions of section 10AA; (deductions in respect of newly established Units in Special Economic Zones);
- ii) Deduction under clause (iia) of sub-section (1) of section 32 (Additional Depreciation);
- iii) Deduction under section 32AD or section 33AB or section 33ABA (Investment allowance in notified backward areas in certain states, Investment deposit account, site restoration fund);
- iv) Deduction under sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or subsection (2AA) or sub-section (2AB) of section 35 (Expenditure on scientific research);
- v) Deduction under section 35AD or section 35CCC (Deduction in respect of expenditure on specified business, expenditure on agricultural extension project);
- vi) Deduction under section 35CCD (Expenditure on skill development project)
- vii) Deduction under any provisions of Chapter VI-A other than the provisions of section 80JJAA or section 80M”;
- viii) without 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 from clause i) to vii) above; and
- ix) without 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 from clause i) to vii) above.

In case a company opts for section 115BAA of the Act, provisions of Minimum Alternate Tax [“MAT”] under section 115JB of the Act would not be applicable and MAT credit of the earlier year(s) will not be available for set-off as clarified by the Central Board of Direct Taxes, through its circular no. 29/2019 dated 2 October 2019.

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The option needs to be exercised on or before the due date of filing the tax return in prescribed manner. Option once exercised, cannot be subsequently withdrawn for the same or any other tax year.

The Company has adopted the said tax rate with effect from Financial Year 2019-20 (i.e. Assessment Year 2020-21). Such option once exercised shall apply to subsequent assessment years.

## 2. Special tax benefits available to the Shareholders of the Company

- 2.1. Dividend income earned by the shareholders would be taxable in their hands at the applicable rates. However, in case of domestic corporate shareholders, deduction under Section 80M of the Act would be available on fulfilling the conditions (as discussed above).

Section 80M eliminates 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 one month before the due date of filing return of income for such year. The Company shall continue to be entitled for this deduction even if it opts for the benefit of lower rate of tax under section 115BAA of the Act as discussed at para 1 above.

Further, in case of shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person, surcharge on such tax would be restricted to 15%, irrespective of the amount of total income.

- 2.2. As per section 2(42A) of the Act, if the period of holding of a security (other than a unit) listed on a recognised stock exchange in India or a unit of the Unit Trust of India or a unit of an equity-oriented fund or a zero-coupon bond is more than 12 months, it will be considered a long-term capital asset. With respect to immovable property (being land or building or both) and shares of a company not being listed on a recognized stock exchange, the determinative period of holding shall be more than 24 months for it to be regarded as long-term capital asset. With respect to other assets including a unit of a mutual fund other than equity oriented mutual fund or unit of a business trust, the determinative period of holding is more than 36 months for it to be regarded as long-term capital asset. Asset not considered as long-term capital asset shall be regarded as short-term capital assets.

Income arising from transfer of shares of the Company held for more than 12 months and subject to securities transaction tax, shall be considered as long-term capital assets. The shares which are not considered as long-term capital assets shall be considered as short-term capital assets.

- 2.3. Section 112A of the Act provides for concessional tax rate of 10% (plus applicable surcharge and cess) on long-term capital gains (exceeding Rs. 1,00,000) arising from the transfer of equity shares or units of an equity-oriented fund or units of a business trust, if Security Transaction Tax ('STT') has been paid on both acquisition and transfer of such shares / units and subject to fulfilment of other prescribed conditions (including Notification No.60/2018/F.No.370142/9/2017-TPL dated 1 October 2018). The benefit of foreign currency exchange difference and indexation, as provided under the first and second proviso to section 48 of the Act, shall not be applicable for computing long-term capital gains taxable under section 112A of the Act.
- 2.4. Section 112 of the Act provides for taxation of long-term capital gains, resulting on transfer of inter-alia, listed shares of the company (other than those covered under section 112A), which shall be lower of the following:
- 20% (plus applicable surcharge and cess) with indexation benefit; or
  - 10% (plus applicable surcharge and cess) without indexation benefit
- 2.5. As per the provisions of section 111A of the Act, short-term capital gains arising from transfer of equity shares in the Company through a recognized stock exchange and subject to STT shall be taxable at a concessional rate of 15% (plus applicable surcharge and cess, if any).

In accordance with, and subject to the conditions including ownership of not more than one residential house the date of transfer (other than the new residential house referred hereinafter) and to the extent specified in section 54F of the Act, long term capital gains arising on transfer of the shares of the company shall be exempt from capital gains under section 54F, if the net sale consideration is utilised, within a period of one year before, or two years after the date of transfer, for the purchase of a new residential house, or is utilised for construction of a residential house within three years. If the whole of the net sale consideration is not so utilized, the exemption shall be allowed on a pro rata basis.



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- 2.6 In respect of non-resident shareholders, the tax rates and the consequent taxation shall be further subject to benefits, if any, available under the applicable Double Taxation Avoidance Agreement read with the provisions of Multilateral Instruments, if any, between India and the country in which the non-resident has fiscal domicile.

As per the CBDT Notification No. 03/2022 dated 16 July 2022, every non-resident holding a PAN in India who desires to obtain the benefit of treaty is required to furnish Form 10F electronically.

- 2.7 Where the gains arising on transfer of shares of the Company are included in the business income of a shareholder and assessable under the head "Profits and Gains of Business or Profession" and such transfer is subjected to STT, then such STT shall be a deductible expense from the business income as per the provisions of section 36(1)(xv) of the Act.
- 2.8 As regards the shareholders that are Mutual Funds, under section 10(23D) of the Act, any income earned by a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992, or a Mutual Fund set up by a public sector bank or a public financial institution, or a Mutual Fund authorised by the Reserve Bank of India would be exempt from income-tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

Except for the above, the Shareholders of the Company are not entitled to any other special tax benefits under the Act.

**Notes:**

1. This Annexure sets out the only the special tax benefits available to the Company, and its shareholders under the Income-tax Act, 1961 (the "Act") as amended by the Finance Act, 2023 applicable for the Financial Year 2023-24 relevant to the Assessment Year 2024-25, 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. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws.
4. 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.
5. 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.
6. 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.

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Date: September 28, 2023



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ANNEXURE 2

**STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY AND SHAREHOLDERS OF THE COMPANY UNDER THE APPLICABLE LAWS IN INDIA – OTHERS**

Outlined below are the possible special tax benefits available to the Company and its Shareholders under the Central Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 / respective State Goods and Services Tax Act (SGST) read with rules, circulars, and notifications (“GST law”), the Customs Act, 1962 and the Customs Tariff Act, 1975 as amended by the Finance Act 2023 applicable for the Financial Year 2023-24 (“Customs law”) and Foreign Trade (Development and Regulation) Act, 1992 (read with the Foreign Trade Policy 2015-20 and Foreign Trade Policy 2023 (FTP) and Handbook of Procedures issued thereof, notifications and circulars, each as amended and presently in force in India (herein collectively referred as “Indirect Tax Laws”)

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

- a) **Benefits under the GST Law-** Under the GST regime, supplies of goods or services which qualify as ‘export’ of goods or services are zero-rated which can be supplied either with or without payment of Integrated Goods and Services Tax (IGST) subject to fulfilment of conditions prescribed. The exporter has the option to either undertake exports under cover of a Bond/ Letter of Undertaking (LUT) without payment of IGST and claim refund of accumulated input tax credit subject to fulfilment of conditions prescribed for export or the exporter may export with payment of IGST and claim refund of IGST paid on such exports as per the provisions of Section 54 of Central Goods and Services Tax Act, 2017. Thus, the Integrated Goods and Service Tax Act, 2017 permits a supplier undertaking zero rated supplies (which will include the supplier making supplies to SEZ) to claim refund of tax paid on exports as IGST (by undertaking exports on payment of tax using ITC) or export without payment of tax by executing a Bond/ LUT and claim refund of related ITC of taxes paid on inputs and input services used in making zero rated supplies.
- b) **Benefits of Duty Drawback scheme under Section 75 of Customs Act,1962-**As per Section 75 of the Customs Act, the Central Government is empowered to allow duty drawback on export of goods, where the imported materials are used in the manufacture of such goods. The Company avails duty drawback benefit equal to or less than the duty paid, as applicable, on imported material when it undertakes export of goods.
- c) **Benefit under Export Promotion Capital Goods Scheme (EPCG)-**The objective of the Export Promotion Capital Goods (EPCG) Scheme is to facilitate import of capital goods for producing quality goods and services and enhance manufacturing competitiveness. EPCG Scheme allows import of capital goods that are used in pre-production, production and post-production without the payment of customs duty. The benefit under the scheme is subject to an export value equivalent to 6 times of duty saved on the importation of such capital goods within 6 years from the date of issuance of the authorization. EPCG scheme covers manufacturer exporters with or without supporting manufacturer(s), merchant exporters tied to supporting manufacturer(s) and service providers.
- d) **Benefits under Asia Pacific Trade Agreement (APTA)-** Currently, APTA is a goods only agreement. Therefore, the goods covered under APTA can be imported under tariff preferences provided the rules of origin are satisfied. The APTA is based on margin of preference (MOP) which means that the customs duty is reduced by a specific percentage and company is taking benefit of this.
- e) **Benefits of Remission of Duties and Taxes on Export Products (“RoDTEP”) Scheme under The Foreign Trade (Development and Regulation) Act, 1992 (read with Foreign Trade Policy 2015-** The Government of India by making amendment in the Foreign Trade Policy 2015-20 vide DGFT Notification No. 19/2015-20 dated 17.08.2021 introduced this scheme with the objective of refunding the un-refunded duties/taxes/levies at the Central, State, and Local level borne on the exported goods including prior stage cumulative indirect taxes on goods and services used in the production and distribution of the exported product. The Company avails RoDTEP benefit as notified, on exported products



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2 Special tax benefits available to the Shareholders of the Company

Shareholders of the Company are not eligible to special tax benefits under the provisions of the 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), The Foreign Trade (Development and Regulation) Act, 1992 (read with Foreign Trade Policy 2015-20), Customs Act, 1962 (read with Custom Rules, circulars, notifications), Customs Tariff Act, 1975 (read with Custom Tariff Rules, circulars, notifications)

Notes:

- a) These special tax benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Indirect Tax Regulations. 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.
- b) The special 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 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.
- c) The Statement has been prepared on the basis that the shares of the Company are listed on a recognized stock exchange in India and the Company will be issuing equity shares.
- d) 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.
  - iii. The revenue authorities / courts will concur with the view expressed herein.
- e) The above views are basis the provisions of law, their interpretation and applicability as on date, which may be subject to change from time to time.

Place: Palwal  
Date: September 28, 2023

