

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS

The Board of Directors

Popular Vehicles and Services Limited

Kuttukaran Centre,
Mamangalam,
Cochin - 682 025

Date: 05 February 2024

Subject: Statement of possible special tax benefits (“the Statement”) available to Popular Vehicles and Services Limited (“the Company”), its shareholders and its material subsidiaries prepared in accordance with the requirement under Schedule VI – Part A - Clause (9) (L) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“the ICDR Regulations”)

This report is issued in accordance with the Engagement Letter dated 27 July 2023.

We hereby report that the enclosed Annexure II prepared by the Company, initialed by us for identification purpose, states the possible special tax benefits available to the Company, its shareholders and its material subsidiaries, which is defined in Annexure I (**List of material subsidiaries considered as part of the statement**), under direct and indirect taxes (together “**the Tax Laws**”), presently in force in India as on the signing date, which are defined in Annexure I. These possible special tax benefits are dependent on the Company, its shareholders and its material subsidiaries, fulfilling the conditions prescribed under the relevant provisions of the Tax Laws. Hence, the ability of the Company, its shareholders and its material subsidiaries to derive these possible special tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives the Company and its material subsidiaries may face in the future and accordingly, the Company, its shareholders and its material subsidiaries may or may not choose to fulfill.

The benefits discussed in the enclosed Annexure II cover the possible special tax benefits available to the Company, its shareholders and its material subsidiaries and do not cover any general tax benefits available to the Company, its shareholders and its material subsidiaries. Further, the preparation of the enclosed Annexure II and its contents is the responsibility of the Management of the Company. We were informed that 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 proposed initial public offering of equity shares of the Company (the “**Proposed Offer**”) 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 possible special tax benefits, which an investor can avail. Neither we are suggesting nor advising the investors to invest money based on the Statement.

We 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. The Guidance Note requires that we comply with ethical requirements of 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.

Registered Office:

B S R & Associates (a partnership firm with Registration No. BA69226) converted into B S R & Associates LLP (a Limited Liability Partnership with LLP Registration No. AAB-8182) with effect from October 14, 2013

14th Floor, Central B Wing and North C Wing, Nesco IT Park 4, Nesco Center, Western Express Highway, Goregaon (East), Mumbai - 400063

B S R & Associates LLP

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

- i. the Company, its shareholders and its material subsidiaries will continue to obtain these possible special tax benefits in future; or
- ii. the conditions prescribed for availing the possible special tax benefits where applicable, have been/would be met with.

The contents of the enclosed Annexures are based on the information, explanation and representations obtained from the Company and its Material Subsidiaries, and on the basis of our understanding of the business activities and operations of the Company and its Material Subsidiaries.

We did not verify the special tax benefits available to the list of material subsidiaries given in Annexure I. The Statement of Possible Special Tax Benefits for the list of material subsidiaries given in Annexure I has been verified by auditors of the respective material subsidiaries, whose reports have been furnished to us by the Management, and our opinion, insofar as it relates to the special tax benefits included in respect of such subsidiaries, is based solely on the reports of such other auditors.

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.

We hereby give consent to include this Report in the Red Herring Prospectus ("RHP") and the Prospectus and in any other material used in connection with the Proposed Offer, and it is not to be used, referred to or distributed for any other purpose without our prior written consent.

For B S R & Associates LLP

Chartered Accountants

Firm's Registration No.: 116231W/W-100024



Baby Paul

Partner

Place: Kochi

Date: 05 February 2024

Membership No.: 218255

UDIN: 24218255BKFWEZ1657

ANNEXURE I
LIST OF DIRECT AND INDIRECT TAX LAWS ('TAX LAWS')

Sr. No.	Details of tax laws
1.	Income-tax Act, 1961 and Income-tax Rules, 1962
2.	Central Goods and Services Tax Act, 2017
3.	Integrated Goods and Services Tax Act, 2017
4.	State Goods and Services Tax Act, 2017
5.	Goods and Services Tax legislations as promulgated by various states

LIST OF MATERIAL SUBSIDIARIES CONSIDERED AS PART OF THE STATEMENT (Note 1)

1. Popular Mega Motors (India) Private Limited
2. Vision Motors Private Limited

Note 1: Material subsidiaries identified in accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, includes a subsidiary whose income or net worth in the immediately preceding year (i.e.31 March 2023) exceeds 10% of the consolidated income or consolidated net worth respectively, of the holding company and its subsidiaries in the immediate preceding year.



ANNEXURE II

Statement Of Possible Special Tax Benefits Available To Popular Vehicles and Services Limited ("The Company") and Its Shareholders And Its Material Subsidiaries Under The Applicable Direct And Indirect Taxes ("Tax Laws")

Outlined below are the Possible Special Tax Benefits available to the Company, its shareholders and its material subsidiaries under the Tax Laws. These Possible Special Tax Benefits are dependent on the Company, its shareholders and its material subsidiaries fulfilling the conditions prescribed under the Tax Laws. Hence, the ability of the Company, its shareholders and its material subsidiaries to derive the Possible Special Tax Benefits is dependent upon fulfilling such conditions, which are based on business imperatives it faces in the future, it may or may not choose to fulfill.

UNDER THE DIRECT TAX LAWS

A. *Special tax benefits available to the Company*

Lower corporate tax rate under section 115BAA of the Income tax Act, 1961 ('the Act')

A new section 115BAA has been inserted in the Act by the Taxation Laws (Amendment) Act, 2019 ("the Amendment Act, 2019") w.e.f. 1 April 2020 (AY 2020-21). Section 115BAA grants an option to a domestic company to be governed by the section from a particular assessment year. If a company opts for section 115BAA of the Act, it can pay corporate tax at a reduced rate of 25.168% (22% plus surcharge of 10% and education cess of 4%). Section 115BAA of the Act further provides that domestic companies availing the option will not be required to pay Minimum Alternate Tax (MAT) on their 'book profits' under section 115JB of the Act.

However, such a company will no longer be eligible to avail specified exemptions / incentives under the Act and will also need to comply with the other conditions specified in section 115BAA. Also, if a company opts for section 115BAA, the tax credit (under section 115JAA), if any, which it is entitled to on account of MAT paid in earlier years, will no longer be available. Further, it shall not be allowed to claim set-off of any brought forward loss arising to it on account of additional depreciation and other specified incentives.

The Company has decided to opt for the lower corporate tax rate of 25.168% (prescribed under section 115BAA of the Act) with effect from FY 2020-21.

Section 80JJAA of the Act- Deduction in respect of employment of new employees

Subject to the fulfilment of prescribed conditions, the Company is entitled to claim a deduction 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 under section 80JJAA of the Act.

Section 80M of the Act- Deduction in respect of Inter-Corporate Dividends

A new Section 80M has been inserted by the Finance Act, 2020 with effect from 1 April 2020 (Assessment Year (hereinafter referred as "AY") 2021-22) providing for deduction from Gross Total Income of a domestic company, of an amount equal to dividends received by such company from another domestic 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 return of income as prescribed under Section 139(1) of the Act.

Where the Company receives any such dividends 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.



B. Special tax benefits available to Shareholders

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)

C. Special tax benefits available to Material Subsidiaries

Lower corporate tax rate under section 115BAA

A new section 115BAA has been inserted in the Act by the Taxation Laws (Amendment) Act, 2019 ("the Amendment Act, 2019") w.e.f. 01 April 2020 (AY 2020-21). Section 115BAA grants an option to a domestic company to be governed by the section from a particular assessment year. If a company opts for section 115BAA of the Act, it can pay corporate tax at a reduced rate of 25.168% (22% plus surcharge of 10% and education cess of 4%). Section 115BAA of the Act further provides that domestic companies availing the option will not be required to pay Minimum Alternate Tax (MAT) on their 'book profits under section 115JB of the Act.

However, such a company will no longer be eligible to avail specified exemptions / incentives under the Act and will also need to comply with the other conditions specified in section 115BAA. Also, if a company opts for section 115BAA, the tax credit (under section 115JAA), if any, which it is entitled to on account of MAT paid in earlier years, will no longer be available. Further, it shall not be allowed to claim set-off of any brought forward loss arising to it on account of additional depreciation and other specified incentives.

Popular Mega Motors (India) Private Limited has decided to opt for the lower corporate tax rate of 25.168% (prescribed under section 115BAA of the Act) with effect from FY 2019-20.

Vision Motors Private Limited has decided to opt for the lower corporate tax rate of 25.168% (prescribed under section 115BAA of the Act) with effect from FY 2020-21.

D. Section 80JJAA of the Act- Deduction in respect of employment of new employees

Subject to the fulfilment of prescribed conditions, the Company is entitled to claim a deduction 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 under section 80JJAA of the Act.

E. Section 80M of the Act- Deduction in respect of Inter-Corporate Dividends

A new Section 80M has been inserted by the Finance Act, 2020 with effect from 1 April 2020 (Assessment Year (hereinafter referred as "AY") 2021-22) providing for deduction from Gross Total Income of a domestic company, of an amount equal to dividends received by such company from another domestic 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 return of income as prescribed under Section 139(1) of the Act.

Where the Company receives any such dividends 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.

NOTES:

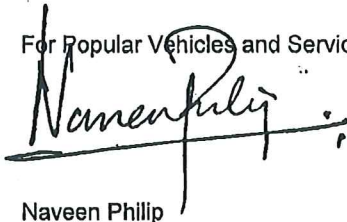
1. The above is as per the current Tax Laws.
2. The above Statement of possible special tax benefits sets out the provisions of Tax Laws in a summary manner only and is not a complete analysis or listing of all the existing and potential tax consequences of the purchase, ownership and disposal of equity shares of the Company.
3. This Statement does not discuss any tax consequences in any country outside India of an investment



in the equity shares of the Company.

4. 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 Taxation Avoidance Agreement ("DTAA"), if any, between India and the country in which the non-resident has fiscal domicile.
5. 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, each investor is advised to consult his or her own tax consultant with respect to the specific tax consequences of his/her investment in the shares of the Company.
6. 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 Popular Vehicles and Services Limited



Naveen Philip

Managing Director

Place: Kochi

Date: 05 February 2024

