

Auditor's Report on special tax benefits

Date: December 22, 2023

To,

The Board of Directors
BLS E-Services Limited
(formerly known as BLS E-Services Private Limited)
G-4B-1, Extension, Mohan Co-operative Indl. Estate
Mathura Road, New Delhi,
South Delhi - 110044
Delhi, India

Subject : Statement of possible special tax benefits ("the Statement") available to BLS E-Services Limited (formerly known as BLS E-Services Private Limited) ("the Company") and its shareholders 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")

1. This report is issued in accordance with the terms of our agreement dated June 30, 2023.
2. 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 are defined in **Annexure I (List of Material Subsidiaries considered as part of the Statement)**, under
 - a) 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;
 - b) 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, the Customs Act, 1962 ("Customs Act") and the Customs Tariff Act, 1975 ("Tariff Act"), as amended from time to time, Foreign Trade Policy 2015-20 as extended till 31.03.2023 vide Notification No 37/2015-20 dated 29.09.2022. The Foreign Trade Policy, 2023 has been notified Vide Notification No 01/2023 and shall come into force from 01 April 2023.
3. 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 and its shareholders 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 its shareholders may or may not choose to fulfil.



4. 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 and its shareholders. These benefits are dependent on the Company or its material subsidiaries 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 its material subsidiaries 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 its material subsidiaries or the shareholders of the Company may or may not choose to fulfil. The Statement is 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 offer of equity shares of the Company (**the "Proposed Issue"**) 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.
5. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
6. 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.
7. We do not express any opinion or provide any assurance as to whether:
 - a) the Company and its shareholders will continue to obtain these possible special tax benefits in future; or
 - b) the conditions prescribed for availing the possible special tax benefits where applicable, have been/would be met with.
8. The contents of the enclosed Annexures are based on the information, explanation and representations obtained from the Company, and on the basis of our understanding of the business activities and operations of the Company.
9. 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,

**SS KOTHARI MEHTA
& COMPANY**
CHARTERED ACCOUNTANTS

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.

10. We hereby give consent to include this Statement in the Red Herring Prospectus and Prospectus, and in any other material used in connection with the Proposed Issue, and it is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S. S. KOTHARI MEHTA & Co.

Chartered Accountants

Firm Registration No: 000756N



Amit Goel

AMIT GOEL

Partner

Membership No: 500607

Place: New Delhi

Dated: December 22, 2023

UDIN: 24500607BKEIPR6237

Encl: As above

CC:

Legal Counsel to the Issue as to Indian Laws

Dentons Link Legal

Aiwan-e-Ghalib Complex,

Mata Sundri Lane,

New Delhi 110 002, India

Book Running Lead Manager ("BRLM")

Unistone Capital Private Limited

305, A Wing, Dynasty Business Park,

Andheri Kurla Road, Andheri East,

Mumbai - 400059,

Maharashtra, India

**LIST OF MATERIAL SUBSIDIARIES CONSIDERED AS PART OF THE STATEMENT
("Annexure I")**

1. BLS Kendra Private Limited
2. Zero Mass 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 accounting 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.

For BLS E - Services Limited**For S S Kothari Mehta & Co.**
Chartered Accountants
Firm Registration No: 000756N**For BLS E-SERVICES LIMITED**
Director/Authorised Signatory
RAHUL SHARMA
(Chief financial officer)**AMIT GOEL**
Partner
Membership No: 500607

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS AND ITS MATERIAL SUBSIDIARIES ("Annexure II")**A. SPECIAL TAX BENEFITS TO THE COMPANY AND ITS MATERIAL SUBSIDIARIES UNDER THE INCOME TAX ACT, 1961 (THE "ACT")**

The statement of tax benefits outlined below is as per the Act read with Income Tax Rules, circulars, notifications ("Income Tax Law"), as amended from time to time and applicable for as on date of issuance of this statement. These special tax benefits are dependent on the Company fulfilling the conditions prescribed under the Income Tax Law. Hence, the ability of the Company to derive the 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 fulfil.

1. Lower corporate tax rate under Section 115BAA of 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. from FY 2019-20 relevant to 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%) and the option once exercised shall apply to subsequent assessment years. In such a case, the Company may not be allowed to claim any of the following deductions/exemptions:

- (i) Deduction under the provisions of section 10AA (deduction for units in Special Economic Zone)
- (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 backward areas, 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 sub-section (2AA) or sub-section (2AB) of section 35 (Expenditure on scientific research)
- (v) Deduction under section 35AD or section 35CCC (Deduction for specified business, agricultural extension project)
- (vi) Deduction under section 35CCD (Expenditure on skill development)
- (vii) Deduction under any provisions of Chapter VI-A other than the provisions of section 80JJAA or Section 80M
- (viii) 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 from clause (i) to (vii) above,
- (ix) 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 from clause (i) to (vii) above.

Further, it was clarified by CBDT vide Circular No. 29/ 2019 dated 2 October 2019 that if the Company opts for concessional income tax rate under section 115BAA, the provisions of section 115JB regarding Minimum Alternate Tax (MAT) are not applicable. Further, such Company will not be entitled to claim tax credit relating to MAT.

In this regard, the Company and its material subsidiaries has opted to be covered under the provisions of Section 115BAA of the Act and would be eligible for a reduced tax rate of 22% (25.168% along with surcharge and health and education cess) from AY 2020-21.

B. Special tax benefits available to the Shareholders of the Company

1. Dividend Taxation:

With respect to a resident corporate shareholder, deduction under section 80M of the Act is available to the extent of dividend received or distributed by the shareholder, whichever is lower from the shareholder's gross total income computed in accordance with the provisions of the Act.

With respect to non-resident shareholder, the provision of the Agreement for Avoidance of Double Taxation (tax treaty) entered by the Government of India with the country of residence of the non-resident shareholder will be applicable to the extent more beneficial to the non-resident. Accordingly, non-resident shareholder may, subject to conditions, be subject to tax at a concessional rate for divided income, if any, provided under the relevant tax treaty.

2. Shareholders may be subject to India taxes on the capital gains arising out of the sale of Right Shares and Right Entitlements ('REs')

As per section 112A of the Act, long-term capital gains (exceeding Rs. 1 lakhs) from sale of equity shares of a company listed on a recognized stock exchange is taxable at the rate of 10% (plus surcharge and cess) provided securities transaction tax ('STT') is paid on acquisition as well as transfer, while continuing to exempt the unrealized capital gains earned upto 31 January 2018. Long term capital gains to be taxed at aforesaid 10% without indexation benefit and without foreign currency fluctuation benefit. Further, as per section 111A of the Act, short term capital gain (i.e. where the period of holding of shares is 12 months or less) on sale of aforesaid shares is taxable at the rate of 15%. STT will be levied on and collected by a recognized stock exchange on which such equity shares are transacted.

In case of transfer of shares where capital gains are not covered under section 112A and 111A above, long term capital gain is taxable at the rate of 20% with indexation (inflation adjustment) or 10% without indexation whichever is more beneficial. The aforesaid exemption of INR 1 lakhs shall not be available in such case. Short term capital gain arising in case of transfer of shares which are not chargeable to STT is taxable at applicable slab rates to individuals and in case of corporate shareholder at the applicable corporate tax rate.

In respect of REs, it is possible for the shareholders to either sell such REs, exercise REs or let the REs relapse. Therefore, REs being a separate 'security' traded on a stock exchange may be subject to short term capital gains on transfer.

As per section 115E of the Act, long term capital gains arising to non-resident Indian from transfer of shares in an Indian company which the shareholder has acquired in convertible foreign exchange shall be taxed at the rate of 10% subject to fulfilment of prescribed conditions under the Act.

As per section 115A of the Act, dividend income earned by a non-resident (not being a company) or by a foreign company, shall be taxed at the rate of 20% subject to fulfilment of prescribed conditions under the Act.

Notes:

1. This Annexure is as per the Income-tax Act, 1961 as amended by the Finance Act, 2023 read with relevant rules, circulars and notifications applicable for the Financial Year 2023-24 relevant to the Assessment Year 2024-25, presently in force in India.
2. 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.
3. The Statement has been prepared on the basis that the shares of the Company will be listed on a recognized stock exchange in India.
4. 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.
5. This Statement does not discuss any tax consequences in any country outside India of an investment in the equity shares of the Company. The shareholders / investors in any country outside India are advised to consult their own professional advisors regarding possible income tax consequences that apply to them under the laws of such jurisdiction.
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.

C. SPECIAL TAX BENEFITS TO THE COMPANY AND ITS MATERIAL SUBSIDIARIES UNDER INDIRECT TAX LAWS**1. Special tax benefits available to the Company and its material subsidiaries**

There are no special indirect tax benefits available to the Company or its material subsidiaries.

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

There are no special indirect tax benefits available to the shareholders of the Company.

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. The shareholders / investors in any country outside India are advised to consult their own professional advisors regarding possible income tax consequences that apply to them under the laws of such jurisdiction.

For BLS E - Services Limited**For S S Kothari Mehta & Co.**
Chartered Accountants
Firm Registration No: 000756N**For BLS E-SERVICES LIMITED****Director/Authorised Signatory**
RAHUL SHARMA
(Chief financial officer)**AMIT GOEL**
Partner
Membership No: 500607**BLS E-SERVICES LIMITED** (Erstwhile BLS E-Services Private Limited)

Corporate Office : Plot No. 865, Udyog Vihar, Phase -V, Gurugram, Haryana -122016

Regd. Office : G-48-3, Extension Mohan Co-operative Indl. Estate, Mathura Road, New Delhi - 110044 (India)

☎ : cs@blsservices.com ☎ : +91-11-45795002 ☎ : +91-11-23755264

CIN - U74999DL2016PLC298207