

STATEMENT OF SPECIAL TAX BENEFITS

To,
The Board of Directors
Avasara Finance Limited
Bandra Hill View CHS, (3rd Floor), 85,
Hill Road, Opp. Yoko Sizzlers, Bandra (W),
Mumbai, Maharashtra, India, 400050

Statement of possible special Tax Benefits available to M/s. Avasara Finance Limited (the 'Company') and its shareholders and in connection with the proposed rights issue of equity shares of face value of Rs. 10 each (the 'Issue')

Dear Sir/Madam

1. This statement is issued in accordance with the terms of our Engagement Letter dated 23rd October 2025 with M/s. Avasara Finance Limited in the context of the Issue in accordance with Chapter III of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the "SEBI ICDR Regulations") and applicable provisions of the Companies Act, 2013, as amended (the "Companies Act").
2. We, M/s. P. B. Shetty & Co. LLP, Chartered Accountants, the statutory auditors of the company hereby report that the enclosed Annexure prepared by the Company, states the possible special tax benefits available to the Company and its shareholders under the Income-tax Act, 1961 (the "Act") and the Income-tax Rules, 1962 (the "Rules") as amended, including the relevant rules and regulations, circulars and notifications issued thereunder presently in force in India.
3. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant statutory provisions of the Act or the Rules. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon 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.

Management's Responsibilities:

1. The preparation of the Annexure stating the possible special tax benefits available to Company or its shareholders in India as per the provisions of the Act and including the rules, regulations, circulars and notifications as presently in force is the responsibility of the management of the Company including the maintenance of all accounting and other relevant supporting records and documents.
2. The preparation of the accompanying statements, being accurate, complete, and free from misstatement is the responsibility of the management of the Company including the preparation and maintenance of all accounting and other relevant supporting records and documents.
3. The Management is also responsible for ensuring that the Company complies with the relevant requirements of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended and the Companies Act, 2013 in connection with the Issue and provides all relevant information that is complete, accurate and timely instructions or information relevant to the engagement.

Auditor's Responsibilities:

4. We conducted our examination of the accompanying Annexure 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.

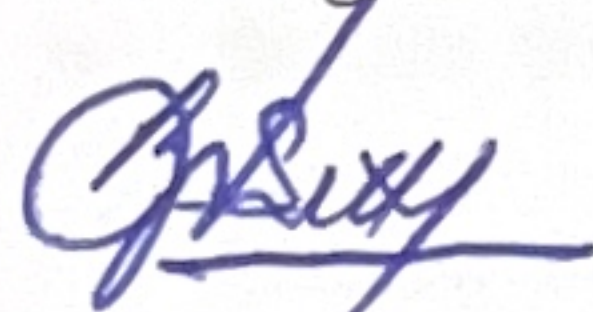


5. We confirm that while providing this report, we have complied with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI"). We also have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, 'Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements,' issued by the ICAI.
6. The benefits discussed in the enclosed Annexure cover only special benefits available to the Company and its shareholders and are not exhaustive to cover any general tax benefits available to the Company and its shareholders. Further, the preparation of the Annexure and its contents is the responsibility of management of the Company. We are informed that 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 and changing tax laws, each investor is advised to consult with his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue by the Company. Neither are we suggesting nor are we advising the investor to invest in the Issue based on this statement.
10. 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 the future; or
- (ii) the conditions prescribed for availing of the benefits have been / would be met.

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

11. 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 their interpretation, which are subject to change from time to time. We do not assume responsibility to update this Annexure consequently 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 Annexure, except under applicable law.
12. This report is issued for the sole purpose of the Issue 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 the purpose stated above. We, however, hereby, consent to this statement being used in the letter of offer and in any other material used in connection with the Issue and submission of this statement to the Securities and Exchange Board of India, the stock exchanges where the equity shares of the Company are listed, Registrar of Companies, Maharashtra situated in Mumbai in connection with the Issue, as the case may be.
13. We undertake to immediately update you, in writing, of any changes in the abovementioned information until the date the equity shares are issued. 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 are issued.

For P. B. SHETTY & CO. LLP
Chartered Accountants
Firm registration number – 110102W/101056



Brijesh Shetty
Partner
Membership number - 131490
UDIN: 25131490BMIQRB4501
Mumbai – 23-10-2025



ANNEXURE TO THE STATEMENT OF POSSIBLE SPECIAL INCOME-TAX BENEFITS AVAILABLE TO AVASARA FINANCE LIMITED ('COMPANY') AND ITS SHAREHOLDERS UNDER THE APPLICABLE INCOME-TAX LAWS IN INDIA

Outlined below are the possible Special tax benefits available to the Company and its shareholders under the direct tax laws in force in India. These benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the special tax benefits depends upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfil.

Special tax benefits available to the Company under Income tax Act, 1961 (the 'Act')

1. Section 115BAA has been inserted by the Taxation Laws (Amendment) Act, 2019 ("the Amendment Act, 2019") w.e.f. April 1, 2020 i.e. AY 2020-21 granting an option to domestic companies to avail benefit of concessional tax rate of 25.168% (22% plus surcharge of 10% and cess of 4%), provided such companies do not avail specified exemptions/deductions and comply with other conditions specified in section 115BAA.

Further, Sub-section 5A of Section 115JB of the Act provides that domestic companies exercising option u/s 115BAA will not be required to pay Minimum Alternate Tax ("MAT") on its book profits. The Central Board of Direct Taxes (CBDT) has issued Circular No. 29/2019 dated October 02, 2019, clarifying that carried forward MAT credit will not be available with the Company since the MAT provisions under section 115JB itself would not be applicable. The Company has exercised the above-mentioned option u/s 115BAA of the Act.

2. Under section 36(1)(vii) of the Act, the amount of any bad debts, or part thereof, written off as irrecoverable in the accounts of the Company for the previous year are allowable as deduction. The deduction is limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts account including provisions made towards rural advances made under section 36(1)(viia) of the Act.

Where a deduction has been allowed in respect of a bad debt or part thereof under the provisions of section 36(1)(vii), then, if any amount is subsequently recovered, the said amount is deemed to be profits and gains of business or profession and is taxable accordingly to the extent it exceeds the deduction earlier allowed.

Under section 36(1)(viia) of the Act, in respect of any provision made for bad and doubtful debts, the Company is entitled to a deduction for an amount not exceeding five percent of the total income (computed before making any deduction under this clause and Chapter VI-A).

3. Section 80JJAA-Deduction in respect of employment of new employees

As per section 80JJAA of the Act, the Company is entitled to claim a deduction of an amount equal to thirty percent 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. The eligibility to claim the deduction is subject to fulfilment of prescribed conditions specified in sub-section (2) of section 80JJAA of the Act.

The Company will be eligible to claim the above deduction even if it opts for concessional tax rate under section 115BAA of the Act.

4. Section 80M-Deduction in respect of Inter Corporate Dividends

Section 80M is inserted in the Finance Act, 2020 w.e.f. 1st April 2021, which 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.

5. The Company is eligible to claim depreciation on tangible and intangible assets, including additional depreciation under Section 32(1)(ia) if it satisfies the conditions.

The Company will be eligible to claim the above deduction even if it opts for concessional tax rate under section 115BAA of the Act.

Special tax benefits available to the Shareholders of the Company under the Act

There is no special direct tax benefit available to the shareholders of the Company for investing in the shares of the Company. However, such shareholders shall be liable to concessional tax rates which are in the nature of general tax benefits on certain incomes available to equity shareholders under the provisions of the Act.

Notes:

1. This statement does not discuss any tax consequences in the country outside India of an investment in the Equity Shares. The subscribers of the Equity Shares in the country other than India are urged to consult their own professional advisers regarding possible income tax consequences that apply to them.
2. The above statement covers only above-mentioned special tax laws benefits and does not cover any general direct tax law benefits or benefit under any other law.
3. This statement does not cover analysis of provisions of Chapter X-A of the Act dealing with General Anti-Avoidance Rules and provisions of Multilateral Instruments
4. This statement is only intended to provide general information to the investors and is neither exhaustive or comprehensive nor designed or intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her or their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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.

