DHILLON & ASSOCIATES
CHARTERED ACCOUNTANTS

Statements Of Special Tax Benefits

Statement of Special Tax Benefits Available to S. G. Encon Limited ("The Company") And It's Shareholders Under the Direct and Indirect Tax Laws in India

Dated: September 23, 2026

To,

The Board of Directors
S.G. Encon Limited
Cabin no. 1, Sco 93, Second Floor, Swastik Vihar,
Sector-5, Mansa Devi Complex, Panchkula,
Haryana, India, 134109
(the "**Company**")

and

Marwadi Chandarana Intermediaries Brokers Private Limited
X-Change Plaza, Office No. 1201 to 1205,
12th Floor, Building No. 53E, Zone-5, Road 5E,
GIFT CITY, Gandhinagar, Gujarat, India, 382050

(Marwadi Chandarana Intermediaries Brokers Private Limited is referred to as the "Book Running Lead Manager" or the "BRLM")

Dear Sir/Madam,

Re.: Proposed initial public offering of equity shares of face value of ₹ 10 each (the "Equity Shares") of S.G. Encon Limited ("the Company") through a fresh issue of Equity Shares and Offer for sale of Equity Shares by certain existing shareholders of the Company (the "Offer")

Sub.: Statement of possible Special Tax Benefits available to the Company, its material subsidiaries and its shareholders prepared to comply with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), 2018 as amended (the "SEBI ICDR Regulations) in connection with the proposed initial public offering of equity shared of face value of ₹ 10 each of the Company.

At the request of the Company, we, "**Dhillon & Associates**", Chartered Accountants, **FRN: 002783N**, are the statutory auditors of the Company, appointed in accordance with section 139 of the Companies Act, 2013, as amended. We refer to the proposed initial public offering of the equity shares (the "Issue") of the Company. We enclose herewith the statement (the "Statement") showing the current position of special tax benefits available to the Company and its shareholders, as per the provisions of the Indian direct and indirect tax laws, including the Income-tax Act, 2025 ("2025 Act"), and Income-tax Rules, 2026 ("2026 Rules") (read with applicable circulars and notifications), as amended by the Finance Act 2026, The Central Goods and Services Tax Act, 2017, The Integrated Goods and Services Tax Act, 2017, The Union Territory Goods and Services Act, 2017, The State Goods and Services Tax Act as passed by respective State Governments, Customs Act, 1962 and Customs Tariff Act, 1975 and Foreign Trade Policy 2023, including the rules, regulations, circulars and notifications issued in connection with such tax laws (collectively the "Tax Laws"), for inclusion in the Draft Red Herring Prospectus ("DRHP") and/or in any other material used in connection for the proposed Issue by the Company, as required under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("ICDR Regulations"). The Statement has been prepared by the Company and initialed by us for identification purpose only.

Several of these benefits are dependent on the Company or its shareholders or its material subsidiaries fulfilling the conditions prescribed under the relevant provisions of the direct and indirect taxation laws including the Income-tax Act 1961. Hence, the ability of the Company or its shareholders or its material subsidiaries to derive these direct and indirect tax benefits is dependent upon their fulfilling such conditions.

This statement of possible special tax benefits is required as per Schedule VI (Part A)(9)(L) of the SEBI ICDR Regulations. While the term 'special tax benefits' has not been defined under the SEBI ICDR Regulations, for the purpose of this Statement, it is assumed that with respect to special tax benefits available to the Company, the same would include those benefits as enumerated in the Annexure. Any benefits under the taxation laws other than those specified in Annexure are considered to be general tax benefits and therefore not covered within the ambit of this Statement. Further, any benefits available under any other laws within or outside India, except for those mentioned in the Annexure have not been examined and covered by this statement.

The benefits discussed in the enclosed Annexure are neither exhaustive nor conclusive. The contents stated in the Annexure are based on the information and explanations obtained from the Company. This statement is only intended to provide general information to guide 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 their own tax consultants, with respect to the specific tax implications arising out of their participation in the 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 benefits, which an investor can avail. We are neither suggesting nor are we advising the investors to invest or not to invest money based on this statement.

The contents of the enclosed Annexure are based on the 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. 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 Taxation Laws and their interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes.

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

- The Company or its Shareholders or its material subsidiaries will continue to obtain special tax benefits in future;
- The conditions prescribed for availing the possible special tax benefits where applicable, have been/would be met;
- The revenue authorities/courts will concur with the views expressed herein.

This statement is provided solely for the purpose of assisting the Company in discharging its responsibilities under the SEBI ICDR Regulations.

We hereby give our consent to include this report and the enclosed Annexure regarding the tax benefits available to the Company, its Shareholders, and its material subsidiaries in the DRHP for the proposed initial public offer of equity shares which the Company intends to submit to the Securities and Exchange Board of India and the National Stock Exchange of India Limited and BSE Limited (the "**Stock Exchanges**").

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 Charted Accountants of India.

This certificate may be relied upon by the Company, the Book Running Lead Manager, and the legal counsel appointed in relation to the Offer. We hereby consent to extracts of, or reference to, this certificate being used in the draft red herring prospectus, red herring prospectus and prospectus or any other documents in connection with the Offer (collectively, the **"Offer Documents**"). We also consent to the submission of this certificate as may be necessary to any regulatory or statutory authority and/or for the records to be maintained by the Book Running Lead Manager in connection with the Offer and in accordance with applicable law. This certificate may be disclosed by the Book Running Lead Manager, if required, (i) by reason of any law, regulation or order of a court or by any governmental or competent regulatory authority, or (ii) in seeking to establish a defense in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.

We have carried out our work on the basis of Restated Financial Statements and other documents, information in the public domain and information made available to us by the Company, which has formed substantial basis for this Statement.

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. We hereby consent to our name and the aforementioned details being included in the Offer Documents and/or consent to the submission of this certificate as may be necessary, to any regulatory/ statutory authority, the Stock Exchanges, any other authority as may be required and/or for the records to be maintained by the BRLMs in connection with the Offer and in accordance with applicable law.



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 Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus, the Preliminary International Wrap/Offering Memorandum, the Abridged Prospectus and any other addendum thereto of the Company to be submitted/filed with the Securities and Exchange Board of India ("**SEBI**"), the Registrar of Companies Haryana at Chandigarh ("**ROC**") and the stock exchanges, or any other material (including in any corporate or investor presentation made by or on behalf of the Company) to be issued in relation to the Offer or in any other documents in connection with the Offer.

All capitalized terms not defined hereinabove shall have the same meaning as defined in the Offer Documents.

LIMITATIONS

Our views expressed in the statement enclosed are based on the facts and assumptions indicated above. 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. Reliance on the statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the proposed Issue relying on the statement. This statement has been prepared solely in connection with the proposed Issue under the ICDR Regulations.

For and on behalf of
Dhillon & Associates
Chartered Accountants
ICAI Firm Registration Number: 002783N



Rajesh Malhotra
(Partner)
Membership No.: 090661
Place: Chandigarh
Date: September 23, 2026
UDIN: 26090661MGIW196215

CC:

Legal Counsel to the Offer

Legacy Law Offices LLP
Legacy House, D-18, Kalkaji,
New Delhi- 110019, India.

Statement of Special Tax Benefits available to S.G. Encon Limited ("The Company") and its Shareholders

Outlined below are the special tax benefits available to the Company and its shareholders under the current Tax Laws. These special tax benefits are dependent on the Company and its shareholders fulfilling the conditions prescribed under the Tax Laws. Hence, the ability of the Company and its shareholders 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 fulfill.

A. Special tax benefits available to the Company under Income-tax Act, 2025 ('2025 Act') and Income-tax Rules, 2026, as amended by the Finance Act 2026, each as amended and read with respective circulars and notifications made thereunder (together referred to as, "Direct Tax Laws")
– As applicable for Tax Year 2026-27.

i. **Lower corporate tax rate under section 200 of the 2025 Act** (corresponding to section 115BAA of the Income-tax Act, 1961)

The Income-tax Act, 2025 continues the optional concessional tax regime for domestic companies through Section 200 of the 2025 Act, which corresponds to erstwhile section 115BAA of the Income-tax Act, 1961("1961 Act"). Section 200 of the 2025 Act provides an option to domestic companies to be taxed at a concessional rate of 22% (plus applicable surcharge and health and education cess), subject to fulfilment of prescribed conditions.

The option was originally introduced by the Taxation Laws (Amendment) Act, 2019 that introduced section 115BAA to the 1961 Act, wherein domestic companies are entitled to avail a concessional tax rate of 22% (plus applicable surcharge and cess) on fulfillment of certain conditions. The option to apply this tax rate was available from Financial Year ('FY') 2019-20 relevant to Assessment Year ('AY') 2020 21 and the option once exercised shall apply to subsequent AYs. The concessional rate is subject to certain conditions while computing the total income. The total income should be computed without availing any of the following prescribed deductions under the provisions of the 2025 Act:

- Section 33(8): Additional Depreciation;
- Section 45(2) or 45(3)(a) or (b) or (c): Expenditure on Scientific research;
- Section 46: Deduction for capital expenditure incurred on specified businesses;
- Section 47(1)(a): Expenditure on agricultural development projects;
- Section 47(1)(b): Expenditure on Skill development projects;
- Section 48: Tea coffee rubber development expenses;
- Section 49: Site restoration expenses;
- Section 144: Tax holiday available to units in a Special Economic Zone;
- Chapter VIII other than provisions of section 146 and section 148;

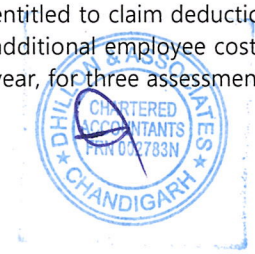
The total income of a company availing the concessional rate of 25.168% (i.e., 22% along with surcharge @10% and health and education cess @4%) is required to be computed without set-off of any carried forward loss or depreciation from any earlier tax year, if such loss or depreciation is attributable to any of the aforesaid deductions/incentives. A company can exercise the option to apply for the concessional tax rate in its return of income filed under section 263 of the 2025 Act. Further, provisions of Minimum Alternate Tax ('MAT') under section 206 of the 2025 Act shall not be applicable to companies availing this reduced tax rate, thus, any carried forward MAT credit also cannot be claimed.

The provisions do not specify any limitation/condition on account of turnover, nature of business or date of incorporation for opting for the concessional tax rate. Accordingly, all existing as well as new domestic companies are eligible to avail this concessional rate of tax.

The Company has opted to apply the above concessional tax regime.

ii. **Deduction in respect of employment of new employees – Section 146 of the 2025 Act** (corresponding to section 80JJAA of the 1961 Act)

Subject to fulfilment of prescribed conditions specified in subsection (3) of Section 146 of the 2025 Act, the Company is entitled to claim deduction, under the provisions of Section 146 of the 2025 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.

The Company has opted to apply the above concessional tax regime.

iii. **Deduction in respect of inter-corporate dividends – Section 148 of the 2025 Act** (corresponding to section 80M of the 1961 Act)

Up to 31st March, 2020, any dividend paid to a shareholder by a company was liable to Dividend Distribution Tax ("DDT"), and the recipient shareholder was exempt from tax. Pursuant to the amendment made by the Finance Act, 2020, DDT stands abolished and dividend received by a shareholder on or after 1st April, 2020 is liable to tax in the hands of the shareholder. The Company is required to deduct Tax Deducted at Source ("TDS") at applicable rate specified under the 2025 Act read with applicable Double Taxation Avoidance Agreement (if any).

With respect to a resident corporate shareholder, a section 80M was inserted in the 1961 Act (i.e. Sec 148 of the 2025 Act) to remove the cascading effect of taxes on inter-corporate dividends. 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 263 of the 2025 Act.

The 2025 Act retains the mechanism to avoid cascading taxation on inter-corporate dividends through Section 148 of the 2025 Act.

However, the Company has not availed any benefit under the above section.

B. Special tax benefits available to Shareholders under Direct Tax Laws:

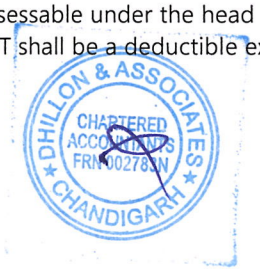
i. Dividend income earned by the shareholders would be taxable in their hands at the applicable rates. However, in case of domestic corporate shareholders, deduction under Section 148 of the 2025 Act would be available on fulfilling the conditions (as discussed above). Further, in case of shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person, surcharge would be restricted to 15%, irrespective of the amount of dividend. The shareholders would be eligible to claim the credit of taxes withheld on such income at the applicable rates, in their return of income.

ii. As per Section 198 of the 2025 Act, long-term capital gains arising from transfer of an equity share, or a unit of an equity-oriented fund or a unit of a business trust shall be taxed at 12.50% (without indexation) of such capital gains (plus applicable surcharge and health and education cess) subject to fulfilment of prescribed conditions under the 2025 Act as well as per Notification No. 60/2018/F. No.370142/9/2017-TPL dated 1 October 2018. It is worthwhile to note that tax shall be levied only where such capital gains exceed INR 1,25,000.

iii. As per Section 196 of the 2025 Act, short term capital gains arising from transfer of an equity share, or a unit of an equity-oriented fund or a unit of a business trust shall be taxed at 20% (plus applicable surcharge and health and education cess) subject to fulfilment of prescribed conditions under the 2025 Act.

iv. In respect of non-resident shareholders, the tax rates and the consequent taxation shall be subject to any benefits available under the 2025 Act, read with 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. Further, the non-resident shareholders may be eligible to claim the foreign tax credit, based on the provisions of the tax laws of the country of which the shareholder is the resident.

v. 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 from 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 32(k) of the 2025 Act.



vi. As regards the shareholders that are Mutual Funds, as per S No. 20 and 21 of Schedule VII of the 2025 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.

vii. Resident as well as non-resident buyers should independently evaluate their obligations to withhold tax on transaction involving sale of shares by the shareholders of the Company in light of the provisions of S No. 8(ii) of table to section 393(1) / section 393(2) and other provisions of the 2025 Act.

C. Special tax benefits available to the Company under Indirect Tax Laws

The Statement of tax benefits enumerated below is per the Central Goods and Services Tax Act, 2017 ('CGST Act'), the Integrated Goods and Services Tax Act, 2017 ('IGST Act'), the Union Territory Goods and Services Tax Act, 2017 ('UTGST Act'), respective State Goods and Services Tax Act, 2017 ('SGST Act') (all these legislations collectively referred to as 'GST Legislation'), the Customs Act, 1962, the Customs Tariff Act, 1975 and Foreign Trade Policy 2023 (collectively referred to as "Indirect Tax") as amended from time to time.

There are no tax benefits available to the Company under GST legislation.

D. Special tax benefits available to Shareholders under Indirect Tax Laws

There are no special indirect tax benefits available to shareholders of the Company by virtue of their investment in the Company.

NOTES:

1. The above Statement is as per the current Tax Laws prevalent as on date.

2. The above Statement 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 income tax consequences that apply to them under the laws of such jurisdiction.

