



FOR THE ATTENTION OF SHAREHOLDERS OF MEGHMANI ORGANICS LIMITED

Cost of acquisition in accordance with the provisions of Section 49(2C) and Section 49(2D) of the Income-tax Act, 1961:

For determining the post demerger cost of acquisition of the equity shares of Meghmani Organochem Limited and the cost of equity shares of Meghmani Finechem Limited under the Income Tax Act, 1961 ("Act"), the shareholders are informed to apportion their pre-demerger cost of acquisition of Meghmani Organics Limited's equity shares in the following manner:

Name of the Company	% of cost of acquisition of Meghmani Organics Limited's shares
Meghmani Organochem Limited	93.85%
Meghmani Finechem Limited	06.15%
Total	100.00%

We enclosed herewith detailed notes on 'Cost of acquisition in accordance with the provisions of Section 49(2C) and Section 49(2D) of Income-tax Act, 1961' for ready reference and for the benefit of shareholders.

Thanking You.

Yours faithfully,

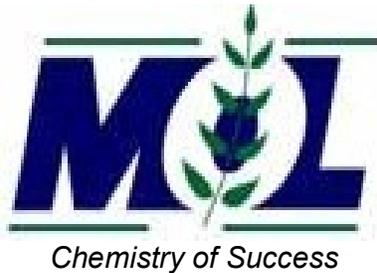
For Meghmani Organochem Limited

Jayesh Patel
Company Secretary

G S Chahal
Chief Financial Officer

Dated 19th July, 2021

Encl: Detailed Notes 'How to calculate the cost of acquisition in accordance with the provisions of Section 49(2C) and Section 49(2D) of the Income-tax Act, 1961



Detailed Notes “How to calculate the Cost of acquisition in accordance with the provisions of Section 49(2C) and Section 49(2D) of the Income-tax Act, 1961”

The Hon'ble National Company Law Tribunal, Ahmedabad, vide its order dated 3 May 2021, has sanctioned the Composite Scheme of Amalgamation and Arrangement under Sections 230-232 of the Companies Act, 2013 among Meghmani Organics Limited (herein after referred to as “Erstwhile MOL”), Meghmani Finechem Limited (herein after referred to as “MFL”) and Meghmani Organochem Limited (will be renamed as Meghmani Organics Limited, hereinafter referred to as “MOL”), and their respective Shareholders and Creditors (“the Scheme”).

Relevant parts of the Scheme

1. Demerger of Demerged Undertaking from Erstwhile MOL

- Pursuant to Part B of the Scheme, the Demerged Undertaking (as defined in the Scheme), of Erstwhile MOL has been transferred to the Resulting Company i.e. MOL, with effect from the Appointed Date i.e. 1 April 2020 on a going concern basis.
- In terms of Part B of the Scheme (Demerger from Erstwhile MOL), MOL is required to issue and allot shares to each member of Erstwhile MOL, whose name is recorded in the register of members and records of Erstwhile MOL, as on the Record Date (defined in the Scheme) i.e. 19 May 2021, in the following ratio –

One equity share of INR 1 each in MOL for every One equity shares of INR 1 each held by equity shareholders in Erstwhile MOL

2. Amalgamation of Erstwhile MOL with MFL

- Further, pursuant to Part D of the Scheme, Erstwhile MOL, post the demerger of the Demerged Undertaking, has been amalgamated into and with the Amalgamated Company, i.e. MFL, with effect

from the Appointed Date i.e. 1 April 2020 and has dissolved without winding up.

- Further, in terms of Part D of the Scheme (Merger of Erstwhile MOL with MFL), MFL is required to issue and allot shares to each member of Erstwhile MOL, whose name is recorded in the register of members and records of Erstwhile MOL, as on the Record Date (defined in the Scheme) i.e. 19 May 2021, in the following ratio –

“Ninety Four equity shares of INR 10 each in MFL for every One Thousand equity shares of INR 1 each held by equity shareholders in Erstwhile MOL”

After the issuance and allotment of the shares by MOL and MFL, these companies will complete the necessary steps to have the equity shares listed on the BSE Limited and National Stock Exchange of India Limited.

We wish to inform the shareholders of Erstwhile MOL, the date of acquisition and mechanism for computing the proportionate cost of acquisition of the equity share(s) of MOL and MFL vis- à-vis the cost of acquisition of the original equity share(s) of Erstwhile MOL for the purpose of computing the capital gain/ loss as per the provisions of the Income Tax Act, 1961 ('the Act').

Cost of Acquisition in accordance with Sections 49(2C) and 49(2D) of the Income Tax Act, 1961

It may be noted that the cost of acquisition in the hands of each shareholder will be different and the below mentioned provisions are relevant only in cases where shares of Erstwhile MOL were acquired/ bought before the record date.

Cost of Acquisition of Resulting Company's shares (MOL) [Section 49(2C)]	Original cost of acquisition X net book value of assets transferred by the Demerged Company as on the appointed date Net worth of the Demerged Company immediately before Demerger
Cost of Acquisition of original shares held in Demerged Company (Erstwhile MOL) [Section 49(2D), which would henceforth be the cost of acquisition of MFL shares received by the shareholders of Erstwhile MOL on merger.	Original Cost of Acquisition of shares of the Demerged Company less Cost of Acquisition of Resulting Company's shares (as computed above)

Thus, as on the appointed date, the proportion of net book value of the assets of Erstwhile MOL transferred to MOL vis-à-vis the net worth of Erstwhile MOL immediately before such demerger is 93.85 %.

Further, as informed in preceding paragraphs, please note that, as part of the same Scheme, Erstwhile MOL has been amalgamated into and with MFL, and thus stands dissolved. Accordingly, shareholders holding shares of Erstwhile MOL as on Record Date shall be allotted shares in MFL in the ratio of 94:1000. In line with Section 49(2) of the Act, the cost of acquisition of shares of MFL in the hands of shareholders of Erstwhile MOL, shall be the cost of shares held in Erstwhile MOL, as computed above.

Hence, if you have purchased equity shares of Erstwhile MOL prior to the Record Date, to determine post demerger cost of acquisition for equity shares(s) of Erstwhile MOL (which would henceforth be the cost of acquisition of shares of MFL received by the shareholders of Erstwhile MOL on subsequent merger) and MOL, you are advised to apportion your pre demerger cost of equity shares(s) of Erstwhile MOL in the following manner:

Name of the company	% of Cost of shares of Erstwhile MOL
MOL	93.85%
Erstwhile MOL <i>(which would henceforth be the cost of acquisition of MFL shares received by the shareholders of Erstwhile MOL on merger)</i>	6.15%
Total	100%

For example: A shareholder holds 1000 shares of INR 1 each in Erstwhile MOL before the Record Date i.e. 19 May 2021, and the cost of acquisition of the same is INR 100 per share, such shareholder will continue to hold 1,000 shares in Erstwhile MOL (and henceforth 94 shares in MFL of Rs. 10 each) and will also be allotted 1,000 fully paid up equity shares of INR 1 each of MOL .

Accordingly, the proportionate cost of acquisition post demerger will be as under:

- 1,000 shares of INR 1 each of MOL : INR 93,850 (INR 1,00,000*93.85%)
- 1,000 shares of INR 1 each of Erstwhile MOL *(henceforth 94 shares of MFL of Rs. 10 each received on merger)* : INR 6,150 (INR 1,00,000*6.15%)

Period of holding

As regards the equity share(s) of MOL to be credited to your demat account/ to be received by you, the date of acquisition for the purpose of capital gains/ loss will be the date of acquisition of the original share(s) of Erstwhile MOL for each shareholder as per clause (g) in Explanation 1 to section 2(42A) of the Act. Kindly consult your tax advisors, having regard to the facts of your case.

Further, according to the provisions of Section 47(vi)(d) of the Act, the issue of shares by Resulting Company (MOL) to the shareholders of the Demerged Company / Transferor Company (Erstwhile MOL), pursuant to a Scheme of Arrangement, is not a transfer and hence not taxable in the hands of the shareholder.

We trust this explains the position clearly and would help you to compute the cost of acquisition per share individually for Erstwhile MOL (MFL) and MOL, post demerger, if and when the shares are sold attracting capital gains/loss under the Act. The shareholders are advised to seek a legal opinion, should they feel it is necessary.

This communication is merely for the general guidance of the shareholders and should not be considered as a substitute for any independent opinion that the shareholders may obtain. Determination of the cost of acquisition is otherwise an involved exercise requiring application of Section 55(2ac) and Section 112A of the Income Tax Act, 1961. Shareholders are advised to take necessary professional advice in the matter, as may be needed. The concerned regulatory, statutory or judicial authority, including any assessing officer/ appropriate appellate authority, could take a different view. We take no express or implied liability in relation to this guidance.

Please note that if there is a change, including change having retrospective effect in the statutory laws and regulations, the comments expressed in this communication would necessarily have to be re-evaluated in light of the changes. Meghmani Organics Limited does not take any responsibility of updating this communication in future.
