

## Reliance Capital Limited

Registered Office: H Block, 1<sup>st</sup> Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai 400 710

Dear Shareholder,

### **Sub.: Computation of Cost of acquisition per share of Reliance Capital Limited ("RCap") and Reliance Home Finance Limited ("RHFL")**

The Hon'ble National Company Law Tribunal, Mumbai Bench, has by its Order dated August 10, 2017, sanctioned the Scheme of Arrangement between Reliance Capital Limited ("RCap" or "the Demerged Company") and Reliance Home Finance Limited ("RHFL" or "the Resulting Company") and their respective shareholders and creditors ("Scheme"). The Scheme became effective on September 5, 2017.

As per the Scheme, the assets & liabilities relating to Real Estate Lending Business of RCap have been transferred to RHFL at book value, as standing in the books of RCap as on the opening hours of business on April 1, 2017 (Appointed Date).

This intimation is issued to inform the shareholders the method by which the cost of acquisition per share of RCap and RHFL is computed for the purpose of working out the capital gains under the Income-tax Act, 1961 (hereinafter referred to as the "Act").

The cost of acquisition is relevant only in cases where shares were acquired / bought before and held on the record date i.e. September 6, 2017.

We trust this explains the position clearly and would help you to compute the cost of acquisition per share individually for RCap and RHFL, both after Demerger, if and when the shares are sold attracting capital gains under the Act. The shareholders are advised to seek legal opinion, should they feel it necessary.

#### **Computation of Cost of Acquisition per share of RCap and RHFL, post Demerger.**

The Scheme has fulfilled the provisions of section 2(19AA) of the Act and hence Demerger is according to the provisions of the Act.

According to the provisions of section 47(vii) of the Act, this transaction is not a transfer and hence is not taxable in the hands of the shareholders.

#### **Cost of Acquisition**

For the purpose of determining the Post Demerger Cost of Acquisition of Equity Shares of RCap and RHFL under the Act, the Shareholders are advised to apportion their pre-demerger cost of acquisition of RCap's shares in the following manner:

Name of the Company	% of Cost of Acquisition of RHFL's Shares
RCap	98.563
RHFL	1.437
Total	100.000

As per the provisions of section 49(2C) of the Act, the cost of acquisition of shares in the Resulting Company (RHFL) shall be the amount which bears to the cost of acquisition of shares held in the Demerged Company (RCap) the same proportion as the net book value of assets transferred in a demerger bears to the Net worth of the Demerged Company (RCap) immediately before such Demerger.

As per the provisions of section 49(2D) of the Act, cost of acquisition of the original shares held by the shareholder in the Demerged Company (RCap) shall be deemed to have been reduced by the cost of acquisition of the shares in the Resulting Company (RHFL) computed as per section 49(2C) of the Act.

For example, if RCap shares were acquired for Rs.1000/- per share before Demerger, the cost of acquisition of a share in RHFL based on the proportion of net assets / net worth shall be Rs.14.37 per share and the cost of acquisition in RCap will be Rs.985.63/- i.e., the cost of original share less cost of acquisition of a share in RHFL which is (Rs.1000/- less Rs.14.37). Thus, the ratio of cost of acquisition for RHFL shall be 1.437% and RCap shall be 98.563%.

#### **Period of holding**

According to section 2(42A)(g) of the Act, for reckoning period of holding on the date of sale, the period for which the shares were held in the Demerged Company (RCap) prior to Demerger should also be included. For example, if a person acquires 1 share of RCap in September 2016 and based on his holding on the record date i.e., September 6, 2017, he has been allotted 1 share in RHFL on September 7, 2017. If the share is sold in November 2017, the period of holding, for determining whether it is a short-term capital asset or a long-term capital asset, should be considered from the date of original purchase i.e. September 2016 and not from the date of allotment i.e. September 7, 2017.