



## TATA COMMUNICATIONS LIMITED

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CIN: L64200MH1986PLC039266

Dear Shareholder,

**Sub: Computation of cost of acquisition per share of Tata Communications Limited ("Tata Comm.") and Hemisphere Properties India Limited ("HPIL")**

The Hon'ble Mumbai Bench of the National Company Law Tribunal, has by its Order dated July 12, 2018, approved the scheme of arrangement and reconstruction among Tata Communications Limited ("**Transferor Company/Tata Comm.**") and Hemisphere Properties India Limited ("**Transferee Company/HPIL**") and their respective shareholders and creditors ("**Scheme**"). HPIL, being a 'Government Company', as defined under Section 2(45) of the Companies Act, 2013, had filed its petition seeking sanction to the Scheme, before the Central Government through the Ministry of Corporate Affairs, New Delhi ("MCA"). The MCA, by its order dated August 5, 2019, has also approved the Scheme. The Scheme has become effective on August 7, 2019.

As per the Scheme, with effect from the Appointed Date (as mentioned in the Scheme i.e. March 30, 2018), and upon the Scheme becoming effective, by way of reconstruction and splitting up of the Transferor Company, all the assets and liabilities pertaining to the Surplus Land (as defined in the Scheme) shall stand transferred to and vested in the Transferee Company at their respective book values as appearing in the books of the Transferor Company immediately before the Appointed Date, and shall become the property and an integral part of the Transferee Company.

This intimation for working out the capital gains under the Income-tax Act, 1961(hereinafter referred to as the "**Act**") for the computation of cost of acquisition of shares of Tata Comm. and HPIL should be treated as indicative for guidance purpose only. Tata Comm. disclaims any responsibility for the accuracy or otherwise of the contents of the note and there can be no liability on Tata Comm. if any action is taken by any shareholder solely based on this note. Tata Comm. is not liable for any consequences that arise out of any governmental authority disagreeing with the calculations set out in this note. No officer of Tata Comm. is authorized to provide any clarifications or suggestions to any shareholder in this regard. The cost of acquisition is relevant only in cases where shares were acquired/bought before and held on the record date i.e., September 18, 2019.

The shareholders are advised to seek individual legal and / or tax opinion for calculating the tax liability and tax to be paid. Tax calculations and compliance are individual investor responsibility and neither Tata Comm. nor HPIL take any responsibility for any errors or omissions pertaining to individual investor tax calculations and / or compliances.

**Computation of Cost of Acquisition per share of Tata Comm. and HPIL, post Demerger:**

The Scheme has fulfilled the provisions of section 2 (19AA) and Explanation 5 to Section 2 (19AA) of the Act and hence, the demerger is in compliance with the provisions of the Act.



According to the provisions of section 47 (vi(d)) of the Act, the transaction is not considered as 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 Tata Comm. and HPIL under the Act, the shareholders are advised to apportion their pre-demerger cost of acquisition of Tata Comm.'s shares in the following manner:

<b>Name of the Company</b>	<b>% of Cost of Acquisition of HPIL's Shares</b>
Tata Communications Limited	<b>99.95%</b>
Hemisphere Properties India Limited	<b>0.05%</b>
Total	<b>100.00%</b>

As per the provisions of Section 49(2C) of the Act, the cost of acquisition of shares in the resulting company (HPIL) shall be the amount which bears to the cost of acquisition of shares held in the demerged company (Tata Comm.) the same proportion as the net book value of assets transferred in a demerger bears to the net-worth of the demerged company (Tata Comm.) immediately before such demerger.

As per the provisions of Section 49(2D) of the Act, the cost of acquisition of original shares held by the shareholder in the demerged company (Tata Comm.) shall be deemed to have been reduced by the cost of acquisition of the shares in the resulting company (HPIL) computed as per section 49 (2C) of the Act.

The aforesaid ratio may also be applicable in case of operation of provisions of Section 112A and Section 55(2)(ac) of the Income-tax Act.

For example, if Tata Comm. shares were acquired for Rs. 1000/- per share before demerger, the cost of acquisition of a share in HPIL based on the proportion of net assets / net-worth shall be Rs. 0.5 per share and the cost of acquisition in Tata Comm. will be Rs.999.5 i.e. the cost of original share less cost of acquisition of a share in HPIL which is (Rs. 1000/- less Rs.0.5). Thus, the ratio of cost of acquisition for HPIL shall be 0.05% and Tata Comm. shall be 99.95%.

### **Period of holding**

According to Section 2(42A)(g) of the Act, for reckoning the period of holding of the shares acquired in the Transferee Company (HPIL), on the date of sale, the period for which the shares were held in the demerged company (Tata Comm.) prior to demerger should also be included. **For example**, if a person acquires 1 share of HPIL on September 1, 2018 and based on his holding on the record date i.e. September 18, 2019, he has been allotted 1 share of HPIL on September 19, 2019. If the share is sold in November 2019, 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 1, 2018 and not from the date of allotment i.e. September 19, 2019.

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