

Walker Chandiook & Co LLP

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STATEMENT OF SPECIAL TAX BENEFITS

The Board of Directors
Capillary Technologies India Limited
#360 bearing PID No 101, 360
15th Cross Rd, Sector 4, HSR Layout
Bengaluru, 560102 Karnataka, India

Subject: Statement of special tax benefits ('the Statement') available to Capillary Technologies India Limited ('the Company') and its shareholders prepared in accordance with the requirement under Schedule VI –Part A -Clause (9) (L) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ('the SEBI ICDR Regulations')

This report is issued in accordance with the Engagement Letter dated 30 April 2025.

We hereby report that the enclosed **Annexures II and III** prepared by the Company, initialled by us for identification purpose, states the special tax benefits available to the Company and its shareholders, under direct and indirect taxes (together '**the Tax Laws**'), presently in force in India as on the 28 October 2025 which are defined in **Annexure I**. These special tax benefits are dependent on the Company and its shareholders fulfilling the conditions prescribed under the relevant provisions of the Tax Laws. Hence, the ability of the Company and its shareholders to derive these special tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives the Company may face in the future and accordingly, the Company and its shareholders may or may not choose to fulfil.

The benefits discussed in the enclosed **Annexures II and III** cover the special tax benefits available to the Company and its shareholders and do not cover any general tax benefits available to the Company and its shareholders. Further, the preparation of the enclosed **Annexures II and III** and its contents is the responsibility of the Management of the Company and has been approved by the Board of Directors of the Company at its meeting held on 28 October 2025. We were informed that the Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. Further, the benefits discussed in the Annexures II and III are not exhaustive. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the proposed initial public offering of equity shares of the Company (the 'Proposed 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 special tax benefits, which an investor can avail. Neither we are suggesting nor advising the investors to invest money based on the Statement.

Chartered Accountants

Offices in Ahmedabad, Bengaluru, Chandigarh, Chennai, Dehradun, Goa, Gurugram, Hyderabad, Indore, Kochi, Kolkata, Mumbai, New Delhi, Noida and Pune

Walker Chandiook & Co LLP is registered with limited liability with identification number AAC-2085 and has its registered office at L-41 Connaught Circus, Outer Circle, New Delhi, 110001, India

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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 Chartered Accountants of India.

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 do not express any opinion or provide any assurance as to whether:

1. the Company and its shareholders will continue to obtain these special tax benefits in future; or
2. the conditions prescribed for availing the special tax benefits where applicable, have been/would be met with.

The contents of the enclosed Annexures are based on the information, explanation and representations obtained from the Company, and on the basis of our understanding of the business activities and operations of the Company.

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 its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent 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 the Company and any other person in respect of this Statement, except as per applicable law.

This report is addressed to and is provided to enable the Board of Directors of the Company to include this report in the Red Herring Prospectus and Prospectus prepared in connection with the Proposed Offer to be filed by the Company with the Securities and Exchange Board of India and the concerned stock exchanges and Registrar Of Companies, Karnataka at Bangalore. It is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

Amit Kumar
Partner

Membership No.: 060995
UDIN: 25060995BNUJFP7849

Hyderabad
28 October 2025

Annexure I

List of Direct and Indirect Tax Laws ("Tax Laws")

| S.no | Details of tax laws |
|-------------|--|
| | Direct Tax Laws: |
| 1. | The Income-tax Act, 1961 and Income-tax Rules, 1962 (read with Income Tax Rules, circulars, notifications) as amended by the Finance Act, 2025. |
| | Indirect Tax Laws: |
| 2. | The Central Goods and Services Tax Act, 2017, read with the corresponding rules and regulations |
| 3. | The Integrated Goods and Services Tax Act, 2017, read with the corresponding rules and regulations |
| 4. | The Applicable State Goods and Services Tax Act, 2017, read with the corresponding rules and regulations |
| 5. | The Customs Act, 1962, read with the corresponding rules and regulations |
| 6. | The Customs Tariff Act, 1975, read with the corresponding rules and regulations |
| 7. | The Foreign Trade (Development and Regulation) Act, 1992 (read with Foreign Trade Policy 2023, read with the corresponding rules and regulations |

For and on behalf of Board of Directors of
Capillary Technologies India Limited

Anant Choubey

(Whole-time Director, Chief Financial Officer & Chief Operating Officer)

Bengaluru

28 October 2025



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Annexure - II

Statement of Special Direct Tax Benefits Available to Capillary Technologies India Limited ('the Company') and its Shareholders under the applicable Direct Tax Laws in India - The Income Tax Act, 1961

Outlined below are the special tax benefits available to the Company and its Shareholders under the Income-tax Act, 1961 as amended by the Finance Act, 2025 (herein after referred to as 'the Act') read along with applicable Income-tax Rules 1962, Circulars and Notifications issued thereunder (hereafter referred to as 'Income Tax Regulations') (collectively referred as 'Income Tax Laws'). These special direct tax benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant Income Tax Laws.

A. Special Direct Tax Benefits available to the Company

1. Lower corporate tax rate on income of domestic companies – Section 115BAA of the Act

With effect from Assessment Year ('AY') 2020-21 relevant to Financial Year ('FY') 2019-20 a company has an option to pay income tax on its total income at a concessional tax rate of 25.168% (22% plus surcharge of 10% and cess of 4%) under section ('u/s') 115BAA of the Act, provided the company complies with the conditions prescribed u/s 115BAA of the Act.

The following deductions/ exemptions shall not be allowed to a company opting for low tax rates u/s 115BAA of the Act:

- i. Deduction under the provisions of Section 10AA of the Act (deduction for units in Special Economic Zone);
- ii. Deduction under clause (iia) of sub-section (1) of Section 32 of the Act (Additional depreciation);
- iii. Deduction u/s 32AD, Section 33AB or Section 33ABA of the Act (Investment allowance in backward areas, Investment deposit account, site restoration fund);
- iv. Deduction under sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) or subsection (2AB) of Section 35 of the Act (Expenditure on scientific research);
- v. Deduction u/s 35AD or Section 35CCC of the Act (Deduction for specified business, agricultural extension project);
- vi. Deduction u/s 35CCD of the Act (Expenditure on skill development);
- vii. Deduction under any provisions of Chapter VI-A of the Act other than the provisions of Section 80JJAA or Section 80M of the Act;
- viii. Deduction u/s 80LA of the Act other than deduction applicable to a Unit in the International Financial Services Centre, as referred to in sub-section (1A) of Section 80LA of the Act;
- ix. Set off of any loss carried forward or depreciation from any earlier AY(s), if such loss or depreciation is attributable to any of the aforementioned deductions/incentives; and
- x. Set off of any loss or allowance for unabsorbed depreciation deemed so u/s 72A of the Act, if such loss or depreciation is attributable to any of the aforementioned deductions/incentives.



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Further, the provisions of Section 115JB of the Act i.e., Minimum Alternate Tax ('MAT') shall not apply where the company has opted to pay tax u/s 115BAA of the Act, as specified under sub-section (5A) of Section 115JB of the Act. Additionally, the company will not be entitled to utilise any brought forward MAT credit, if any.

A company can exercise the option to apply for the concessional tax rate by filing Form 10IC on or before the due date of filing return of income u/s 139(1) of the Act and such option once exercised shall apply to all subsequent AYs.

Note: The Company has already opted for the beneficial tax regime u/s 115BAA of the Act, and therefore, is eligible for a concessional effective tax rate of 25.168% (including applicable surcharge and health and education cess) subject to fulfilment of above conditions.

2. Deduction in respect of employment of new employees – Section 80JJAA of the Act

As per Section 80JJAA of the Act, where a company is subject to tax audit u/s 44AB of the Act and derives income from business, it shall be allowed to claim a deduction of an amount equal to 30% of additional employee cost incurred in the course of such business in a previous year, for three consecutive AYs including the AY relevant to the previous year in which such additional employment cost is incurred.

The eligibility to claim the deduction is subject to fulfilment of prescribed conditions specified in sub-section (2) of Section 80JJAA of the Act. Further, to claim the aforesaid deduction, it is required to furnish the report of an accountant electronically in Form 10DA containing the particulars of deduction prior to the due date of filing tax audit report as per section 44AB of the Act.

At the time of filing Income tax return for AY 2024-25, the Company has not claimed the afore mentioned deduction and would be eligible to claim the said deduction, subject to fulfilment of prescribed conditions.

3. Deduction in respect of inter-corporate dividends – Section 80M of the Act

As per the provisions of Section 80M of the Act, inserted with effect from AY 2021-22 if a domestic company is in receipt of dividend from any other domestic company or a foreign company or a business trust, in a previous year, it will be allowed to claim a deduction of amount equal to the said dividend, not exceeding the amount of dividend distributed by the company on or before one month prior to due date of furnishing the income-tax return u/s 139(1) of the Act for the relevant previous year.

At the time of filing Income tax return for AY 2024-25, the Company did not claim the aforementioned deduction and would be eligible to claim the said deduction subject to fulfilment of prescribed conditions.



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4. Set-off & Carry Forward of Business Losses

As per the provisions of Section 72 of the Act, where the company has carried forward business loss, the same can be carried forward up to next eight AYs from the AY in which the loss was incurred and can be adjusted only against Income from business or profession.

At the time of filing Income tax return for AY 2024-25, the Company has carried forward business losses to subsequent AYs. The Company shall be eligible to claim the benefit of the same subject to fulfilment of prescribed conditions under Section 79 of the Act.

5. Set-off & carry forward of Unabsorbed Depreciation

As per the provisions of subsection 2 of Section 32 of the Act, where a company does not have sufficient profits or gains for any previous year to cover the depreciation allowance for that year, the remaining unabsorbed depreciation shall be carried forward to subsequent AYs for an indefinite period until it is fully absorbed and set off against future profits of subsequent AYs.

At the time of filing Income tax return for AY 2024-25, the Company has carried forward unabsorbed depreciation to subsequent AYs.

6. Deduction of expenditure in connection with extension of an undertaking - Section 35D of the Act

As per Section 35D of the Act, an assessee is eligible to claim deduction of expenditure, being underwriting commission, brokerage, and charges for drafting, typing, printing and advertisement of the prospectus incurred in connection with expansion of its undertaking upon fulfilment of conditions as laid down under the Act. The deduction u/s 35D of the Act is allowable for an amount equal to one-fifth of such expenditure for each of five successive previous years beginning with the previous year in which the extension of the undertaking is completed. The Company shall be eligible to claim the deduction subject to fulfilment of prescribed conditions.

7. Amortization of expenditure in case of amalgamation or demerger – Section 35DD of the Act

As per Section 35DD of the Act, an assessee, being an Indian company, is eligible to claim deduction of any expenditure incurred wholly and exclusively for the purposes of amalgamation or demerger of an undertaking. The deduction u/s 35DD of the Act is allowable for an amount equal to one-fifth of such expenditure for each of the five successive previous years beginning with the previous year in which the amalgamation or demerger takes place. The Company shall be eligible to claim the deduction subject to fulfilment of prescribed conditions.

8. Tax on Capital Gains

Post the amendments made by Finance (No. 2) Act, 2024, capital gains arising from transfer of long-term capital assets u/s 112A of the Act is to be taxed at the rate of 12.5% plus applicable surcharge and cess, with effect from 23 July 2024 (without the benefit of indexation). Further, it is



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worthwhile to note that tax shall be levied where such aggregate capital gains exceed INR 1,25,000 in a FY.

Short-term capital gains ('STCG') arising from the transfer of listed equity shares, unit of an equity-oriented fund or unit of a business trust covered u/s 111A of the Act is to be taxed at the rate of 20% (plus applicable surcharge and cess). However, STCG arising from short-term capital assets (other than listed equity shares, unit of an equity-oriented fund or unit of a business trust covered u/s 111A of the Act), is to be taxed at the normal tax rate of the company.

B. Special direct tax benefits available to the Shareholders of the Company

1. Taxation of dividend

Dividend income earned by the Shareholders would be taxable in their hands at the applicable tax rates, surcharge, and cess. Further, in the case of a domestic corporate shareholder, deduction u/s 80M of the Act would be available as discussed above. The shareholders would be entitled to take credit for the Tax Deducted at Source on Dividend, by the Company.

2. Taxation of Capital Gains

- Tax on Long-term Capital Gain ('LTCG') – Section 112A

As per the provisions of Section 112A of the Act, LTCGs arising from the transfer of listed equity shares on or after 23 July 2024 on which securities transaction tax ('STT') is paid at the time of acquisition and transfer and fulfilment of other prescribed conditions shall be taxed at 12.5% (plus applicable surcharge and cess). It is worthwhile to note that tax shall be levied where such aggregate capital gains exceed INR 1,25,000 in a FY.

- Tax on STCG – Section 111A

As per the provisions of Section 111A of the Act, STCGs arising from the transfer of equity shares of a Company through a recognized stock exchange on or after 23 July 2024 which is subject to STT at the time of sale, shall be taxed at the rate of 20% (plus applicable surcharge and cess). This is subject to fulfilment of prescribed conditions under the Act.

3. Taxation in case of non-resident shareholders

- The first proviso to Section 48 of the Act entitles a non-resident to factor in the effects of exchange rate fluctuation while computing the capital gains in the manner prescribed in the Income tax regulations, where the shares are purchased in foreign currency. Further, as per the third proviso to Section 48 of the Act, the benefits of first proviso [i.e., effects of exchange rate fluctuation to Non-resident] are not available in case of long-term capital gain on sale of listed equity shares or a unit of an equity-oriented fund or a unit of a business trust u/s 112A of the Act.
- As per section 115A of the Act, dividend income earned by a non-resident (not being a company) or by a foreign company, shall be taxed at the rate of 20% (plus applicable surcharge and cess) subject to fulfilment of prescribed conditions under the Act.
- Section 90(2) of the Act entitles a non-resident shareholder to be governed by the beneficial



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provisions under the Double Taxation Avoidance Agreement ('DTAA'), if any, executed between India and the country of resident of the shareholder, in accordance with and subject to fulfilment of conditions as laid out in the section.

- Any income by way of capital gains/ dividends accruing to non-residents may be subject to withholding tax per the provisions of the Act or under the relevant DTAA, whichever is beneficial to such non-resident. However, where such non-residents have obtained a lower withholding tax certificate from the tax authorities, the withholding tax rate would be as per the said certificate. The non-resident shareholders may be able to avail credit of any taxes paid in India, in their respective country of residence, subject to local laws of that country in which such shareholder is resident.

4. Capping on surcharge rate:

The surcharge payable by shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person, ranges from 0% to 37% based on their respective total income and subject to provisions of 115BAA of the Act. However, the surcharge on dividend and capital gains would be restricted to 15%, irrespective of the quantum of dividend and capital gains.

Notes:

1. These special direct tax benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Income Tax Regulations. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company or its shareholders may or may not choose to fulfil.
2. The special direct tax benefits discussed in the statement are not exhaustive and is only intended to provide general information to the investors and hence, 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 his or her or their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.
3. The Statement has been prepared on the basis that the shares of the Company are proposed to be listed on a recognized stock exchange in India.
4. The Statement is prepared on the basis of information available with the Management of the Company and there is no assurance that:
 - i. the Company or its shareholders will continue to obtain these benefits in future;
 - ii. the conditions prescribed for availing the benefits have been/ would be met with; and
 - iii. the revenue authorities/courts will concur with the view expressed herein.
5. In respect of non-resident shareholders, the tax rates and consequent taxation will be further subject to any benefits available under the relevant DTAA's, if any, between India and the country in which the non-resident has fiscal domicile.



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6. The above 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.
7. The above Statement of Special Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership, and disposal of shares.

For and on behalf of Board of Directors of
Capillary Technologies India Limited

Anant Choubey

(Whole-time Director, Chief Financial Officer & Chief Operating Officer)

Bengaluru
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Annexure III

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS UNDER THE APPLICABLE INDIRECT TAX REGULATIONS IN INDIA

Benefits available to **Capillary Technologies India Limited ('the Company')**, and the shareholders of the Company under the Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, Customs Act, 1962, Customs Tariff Act, 1975 as amended read with the rules and regulations under each of these statutes, the Foreign Trade (Development and Regulation) Act, 1992 (read with Foreign Trade Policy 2023 (collectively referred to as "Indirect Tax Regulations") read with Rules, Circulars and Notifications are as under:

A. Special tax benefits available to the Company under the Indirect Tax Regulations in India

1. Benefits under the Central Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017 (read with relevant Rules prescribed thereunder)

Under the Goods and Services Tax ("GST") regime, "Zero rated supply" means any of the following supplies of goods or services or both, namely:—

- (a) export of goods or services or both; or
- (b) supply of goods or services or both for authorised operations to a Special Economic Zone developer or a Special Economic Zone unit.

Hence, the Company has availed the benefit of supply of services under Bond/ Letter of Undertaking (LUT) without payment of GST.

B. Special tax benefits available to the Shareholders of the Company

There are no special tax benefits available to shareholders for investing in the shares of the Company.

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Notes:

1. The special tax benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Indirect Tax Regulations. Hence, the ability of the Company or its shareholders to derive the tax benefits depends upon fulfilling such conditions, which based on the business imperatives the Company or its shareholders may or may not choose to fulfil.
2. The special tax benefits discussed in the Statement are not exhaustive and are intended to provide general information to the investors and hence, 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 his or her own tax consultant with respect to the specific tax implications.
3. The Statement has been prepared on the basis that the shares of the Company are to be listed on a recognized stock exchange in India and the Company will be issuing equity shares.
4. The Statement is prepared on the basis of information available with the Management of the Company and there is no assurance that:
 - i. The Company or its shareholders will continue to obtain these benefits in future
 - ii. The conditions prescribed for availing the benefits have been/ would be met with; and
 - iii. The revenue authorities / courts will concur with the view expressed herein.
5. The above views are based on the provisions of law, their interpretation and applicability as on date, which may be subject to change from time to time.

For and on behalf of the Board of Directors of
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