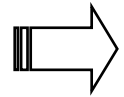
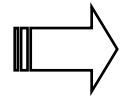

Rane Engine Valves Limited (REVL)
Apportionment of cost of acquisition of shares

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Contents



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Split up of Cost of Acquisition

Background

Split up of cost of Acquisition

Split up of cost of acquisition

- With regard to the Cost of Acquisition of New Shares in Techcons (since renamed as 'Rane Engine Valve Limited'), Section 49(2C) of the Act provides the formula for splitting the original Cost of Acquisition of shares of REVL between New Shares allotted in Techcons (since renamed as 'Rane Engine Valve Limited') and REVL.

An extract of the provisions of Section 49(2C) is reproduced below for your reference:

"...the cost of acquisition of shares in the resulting company shall be the amount which bears to the cost of acquisition of the shares held by the assessee in the demerged company the same proportion as the net book value of the assets transferred in a demerger bears to the net worth of the demerged company immediately before such demerger..."

"...Explanation – for the purpose of this section, net worth shall mean the aggregate of the paid up share capital and general reserves as appearing in the books of accounts of the demerged company immediately before the demerger..."

- With regard to the Cost of Acquisition of Shares in REVL, Section 49(2D) of the Act provides the formula for splitting the original Cost of Acquisition of shares of REVL between New Shares allotted in Techcons since renamed as 'Rane Engine Valve Limited') and REVL.

An extract of the provisions of Section 49(2D) is reproduced below for your reference:

"...the cost of acquisition of the original shares held by the shareholder in the demerged company shall be deemed to have been reduced by the amount so arrived at under sub-section (2C)..."

- On amalgamation, the cost of acquisition of shares in RHL shall be deemed to be the cost of acquisition of shares in the amalgamating company i.e. REVL. Accordingly, cost attributed to shares of REVL upon de-merger shall be deemed to be the cost of acquisition of shares in RHL

Indicative illustration

Computation of cost of acquisition of shares of Techcons (since renamed as 'Rane Engine Valve Limited')

Particulars	Ref	Amount Rs
Shareholder X holding 1000 shares of REVL @ 200 per share	(A)	200,000
Cost of 1000* shares of Techcons on de-merger	(B = A x 84.69%**)	169,373
Cost of 560* shares of RHL on amalgamation	(C = A-B)	30,627

* Based on share exchange ratio specified in the scheme of arrangement

** Refer Annexure for details

Computation of Net-worth of REVL as on March 31, 2007

Particulars	<i>Rs in '000</i>
	REVL
Paid up share capital	51,510
General reserve	685,412
Surplus in profit and loss account	48,211
Securities premium account**	155,532
Capital reserve **	2,772
Capital reserves arising on amalgamation **	2,923
Capital subsidy **	2,281
Export incentive reserve **	1,908
Less: Miscellaneous expenditure**	(4,174)
Net worth as on March 31, 2007	946,375
Net book value of assets transferred by REVL to Techcons	801,451
Ratio of net book value of assets transferred to net-worth of REVL	84.69%

*** The Act is silent on inclusion / deduction of these items in computing net worth . We have been advised that the same can be included based on a logical interpretation of the Act*

Disclaimers

- *The communication is for the benefit of the Shareholders and the Company takes no express or implied liability in providing this guidance.*
- *This presentation only contains a general outline of the tax implications of the specific matter discussed.*
- *Our comments above are restricted to income tax implications and in no way can be considered to be a legal opinion. The document does not discuss any legal or accounting implications that may arise under the proposed transaction.*
- *The cost of acquisition figures have been computed on certain assumptions and hence are indicative in nature*
- *The implications discussed are based on advise received from our consultants and the understanding and interpretation of the legislations as on the date of this presentation i.e. February 25, 2008. If there is a change, including a change having a retrospective effect, in the statutory laws and regulations, the comments expressed in this presentation would necessarily have to be re-evaluated in light of the changes. We do not have responsibility of updating this presentation.*
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