

FOR THE ATTENTION OF SHAREHOLDERS OF NXTDIGITAL LIMITED

Dear Shareholder(s),

The Hon'ble National Company Law Tribunal, Bench at Mumbai ('NCLT') vide its Order dated November 11, 2022 ('the Order') approved the Scheme of Arrangement amongst NXTDIGITAL Limited ['Demerged Company' or 'NDL'] and Hinduja Global Solutions Limited ['Resulting Company' or 'HGS'] and their respective shareholders ("the Scheme") for the demerger of the Digital, Media and Communications Business Undertaking of the Demerged Company.

As per the Scheme, the Digital, Media and Communications Business Undertaking of NDL has been demerged and stands transferred and vested in HGS, on a going concern basis w.e.f. from February 1, 2022, being the Appointed Date. Pursuant to the Order, HGS has issued and allotted, to those shareholders whose names appeared in the register of members of NDL as on the record date i.e. November 23, 2022, 20(Twenty) fully paid up Equity Shares of ₹ 10/- each of HGS for every 63 (Sixty Three) Equity shares of ₹ 10/- each held in NDL.

We wish to inform the shareholders the proportionate cost of acquisition of both Demerged Company and the Resulting Company as per the provisions of section 49 (2C) and 49(2D) of the Income Tax Act, 1961.

Accordingly, the Cost of acquisition of shares of both the Demerged Company and Resulting Company is to be calculated as under:

1.	Cost of acquisition of Resulting Company's shares (HGS)	$\frac{\text{(Cost of acquisition of NDL share} \times \text{Net Book Value of Digital, Media and Communications Business Undertaking of NDL)}}{\text{Net worth of NDL before Demerger}}$
2.	Cost of acquisition of shares Demerged Company (NDL)	Original cost of acquisition of Demerged Company less cost of acquisition of Resulting Company' share.

The ratio of apportionment of cost of acquisition of the original NDL shares pursuant to sections 49(2C) and 49 (2D) of the Income tax Act, 1961, is as under:

Name of the Company	% of total Cost of Acquisition allocated to the Equity Shares
Hinduja Global Solutions Limited	80.68%
NXTDIGITAL Limited	19.32%
Total	100.00%

Accordingly, the cost of acquisition of equity shares allotted in HGS should be 80.68% of the total cost of acquisition of the equity shares held in NDL prior to the Demerger. In this connection, a certificate issued by M/s Manubhai & Shah LLP, Independent Practicing Chartered Accountants is enclosed herewith as **Annexure – A** for your reference please.

The 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 cost of acquisition is otherwise an involved exercise requiring application of Section 55(2)(ac) read with 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. The Company takes no express or implied liability in relation to this guidance.

Thanking you.

Yours faithfully,

For NXTDIGITAL Limited

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ASHISH PANDEY

PANDEY Date: 2022.12.12
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Ashish Pandey

Company Secretary & Compliance Officer

Date: December 12, 2022

Place: Mumbai

Encl: As stated above

To.
The Board of Directors
NXTDIGITAL LIMITED
IN Centre, 49/50, MIDC
12th Road, Andheri (East)
Mumbai – 400 093.

Dear Sir,

Sub: Cost of acquisition of Shares of Hinduja Global Solutions Limited (HGSL) in the hands of shareholders of NXTDIGITAL LIMITED (“NDL”).

1. In the Scheme of Arrangement (“the Scheme”) approved by the Hon’ble National Company Law Tribunal (NCLT), Mumbai Bench, as per order dated 11th November, 2022 between NXT Digital Limited (“NDL” or “the Demerged Company”) and Hinduja Global Solutions Limited (“HGSL” or “the Resulting Company”) and their respective shareholders and creditors, inter alia, the Media, Communication and Broadband and Investment in its subsidiaries herein after referred to as “Media Division” or “Demerged undertaking” of NDL was transferred and vested in HGSL, with effect from the Appointed Date, being 01st February, 2022 as a going concern in accordance with Section 2 (19AA) of the Income Tax Act, 1961 (“the Act”).
2. In terms of the said Scheme, HGSL is required to issue and allot to every member of NDL, holding fully paid-up equity shares in NDL and whose names appear in the Register of Members of NDL on the Record Date i.e., 23rd November, 2022, in the ratio of 20 (Twenty) Equity Share of face value of Rs. 10 each, fully paid up of HGSL for every 63 (Sixty Three) Equity Share of Rs. 10 each, fully paid up, held by such members in NDL based on recommendation of share entitlement ratio certificate issued by KPMG Valuation Services LLP and SSPA & Co Chartered Accountants.

Management’s Responsibility:

3. The preparation of the Statement is the responsibility of the Management of the Company including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Statement and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

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Website : www.msglobal.co.in¹



Practitioner's Responsibility:

4. It is our responsibility to provide reasonable assurance on statement (Annexure 'A') and details given in the statement based on our examination.
5. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
6. 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.
7. Our responsibility is to submit a report on the cost of acquisition of equity shares in HGSL upon demerger, in the hands of the equity shareholders of ND L for the purposes of the Income Tax Act, 1961 ("the Act").

Procedure Followed:

8. Cost of acquisition of shares in HGSL upon demerger is required to be worked out for the purposes of the Act in accordance with the provisions of sub-section (2C) of Section 49 of the Act, which provides as under:

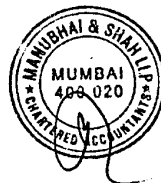
Section 49 (2C).

"The cost of acquisition of the Shares in the resulting company shall be the amount which bears to the cost of acquisition of 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."

The cost of acquisition of the original shares in the demerged company, is worked out in accordance with the provisions of sub-section (2D) of Section 49 of the Act, which provides as under:

Section 49 (2D).

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 as so arrived at under sub-section (2C)."



Explanation to Section 49 reads as under:

“Explanation – For the purposes of this section net worth shall mean the aggregate of the paid up share capital and general reserves as appearing in the books of account of the demerged company immediately before the demerger.”

Hence, the formula prescribed under the Act to calculate the cost of acquisition of shares in resulting company is as Under:

$$\text{Original Cost of acquisition} * \frac{\text{Net Book Value of assets transferred}}{\text{Net worth of demerged company prior to demerger}}$$

The term “Net Book Value of Assets” has not been defined in the Act. In order to understand for the purpose of Section 49(2C) of the Act, reliance has been placed upon ICAI Guidance note on ‘Term used in Financial Statement’ where in term Net Assets has been defined as,

“Net Assets:- The excess of the book value of assets (other than fictitious assets) of an enterprise over its liabilities. This is also referred to as net worth or shareholders’ funds”

Based on the above definition, net book value of assets transferred for the purpose under section 49(2C) has been calculated as under.

Particular	Amount (Rupees in Lakh)
Total Assets Transferred to HGSL	180,696.24
Less: Total Liabilities Transferred	(-) 146,690.54
Net Book Value of Assets Transferred	34,005.70

For the purpose of calculating net worth, Explanation to Section 49(2C) of the Act provides as under:

“Explanation:- For the purposes of this section, "net worth" shall mean the aggregate of the paid up share capital and general reserves as appearing in the books of account of the demerged company immediately before the demerger.”

Accordingly, for the calculation of Net Worth of NDNL before demerger, Total of Share Capital and General Reserves need to be considered. The term General Reserve has not been defined under the Act. Hence reliance has been placed upon ICAI Guidance note on ‘Term used in Financial Statement’ where in term general reserve has been defined as,



“A revenue reserve which is not earmarked for a specific purpose”

Based on the said definition, only those reserve which are revenue in nature and not earmarked for specific purposes are to be considered as general reserve. Accordingly, reserves which are freely available for distribution to share holder may be referred to as general reserve.

In the Balance sheet extract of NDL, before demerger, following reserves are appearing:

1. Capital Reserve (Debit Balance)
2. Security Premium
3. General Reserve
4. Retained Earning
5. Reserve for equity instrument through other comprehensive income (OCI)

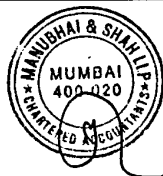
In calculation of General Reserve as per above explanation, Debit balance of Capital Reserve has been adjusted against Security Premium and Retained Earning. Reserve for equity instrument through other comprehensive income (OCI), being notional gain, has been excluded.

On the basis of above analysis, the Net worth immediately prior to the demerger has been calculated as under

Particular	Amount (Rupees in Lakh)
Equity capital	3,367.17
General Reserve	38,780.06
Net Worth	42,147.23

Accordingly, The cost of acquisition of equity shares in Hinduja Global Solution Limited (HGSL) received by the equity shareholders of NXT Digital Limited (NDL), under the above referred Scheme, for the purposes of sub-section (2C) of Section 49 of the Income Tax Act 1961 shall be 80.68% of the original cost of acquisition of Shares in NDL is as shown below:

Name of the Company	% of Cost of Acquisition of NDL's equity shares
HGSL	80.68%
NDL	19.32%
Total	100.00%



Conclusion:

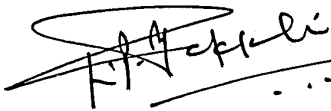
9. On the basis of our examination of the special purpose unaudited condensed financials as on 31st January, 2022 of NDL produced before us for verification and an overall review, as above, and the information and explanations given to us, we report that the Statement attached herewith in Annexure "A" (stamped and initialed by us for identification purpose only) is in agreement with records of the Company as produced before us for our examination.

Restriction on Use

10. No assurance is given that the revenue authorities / the courts will concur with the views expressed herein. Our views are based solely on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume the responsibility to update the view consequent to such changes. We will not be liable to any other person in respect of this statement. Shareholders are advised to consult their own consultations to understand specific tax implications, in their respective cases.
11. This Report has been prepared at the request of the management of NXT Digital Limited to determine the cost of acquisition of the shares allotted to the shareholders of NDL pursuant to demerger, in terms of section 49(2C) & 49 (2D) of the Income Tax Act, 1961 and shall not use for any other purpose without our prior written consent.

**FOR MANUBHAI & SHAH LLP
CHARTERED ACCOUNTANTS
FRN. No.: 106041W/W100136**

Mumbai, 12th November 2022





**CA Laxminarayan P. Yekkali
PARTNER
Membership No.: 114753**

UDIN:- 22114753BDNOLN9207

Annexure A

The cost of acquisition of equity shares in Hinduja Global Solution Limited (HGSL) received by the equity shareholders of NXTDigital Limited (NDL), under the above referred Scheme, for the purposes of sub-section (2C) of Section 49 of the Income Tax Act 1961 shall be 80.68% of the original cost of acquisition of Shares in NDL as shown in the table below:

Name of the Company	% of Cost of Acquisition of NDL's equity shares
HGSL	80.68%
NDL	19.32%
Total	100.00%

Formula prescribed under the Act to calculate the cost of acquisition of shares in resulting company is as Under:

$$\text{Original Cost of acquisition} * \frac{\text{Net Book Value of assets transferred}}{\text{Net worth of demerged company prior to demerger}}$$

Net book value of assets of NDL transferred for the purpose under section 49(2C) has been calculated as under.

Particular	Amount (Rupees in Lakh)
Total Assets Transferred to HGSL	180,696.24
Less: Total Liabilities Transferred	146,690.54
Net Book Value of Assets Transferred	34,005.70

Net worth of NDL immediately prior to the demerger has been calculated as under

Particular	Amount (Rupees in Lakh)
Equity capital	3,367.17
General Reserve	38,780.06
Net Worth	42,147.23

For NXT Digital Limited



Chief Financial Officer



for Identification Purpose
UDIN: 22114753 BDNOLN9207



(Formerly known as Hinduja Ventures Limited)

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