



## Sundaram-Clayton Limited

"Jayalakshmi Estates", 29, Haddows Road, Chennai - 600 006  
Phone : 044 - 8287 2233 Fax : 044 - 2825 7121

### **Circular letter to all shareholders of Sundaram-Clayton Limited (SCL) and WABCO-TVS (INDIA) Limited (WABCO-TVS)**

9<sup>th</sup> June 2008

Dear Shareholder,

Sub : Computation of cost of acquisition per share of SCL and WABCO-TVS.

Ref : Our circular dated 28<sup>th</sup> March 2008 and allotment advice dated 14<sup>th</sup> May 2008 of SCL and WABCO-TVS shares.

We advise the method by which cost of acquisition per share of SCL and WABCO-TVS is computed for purpose of working out capital gains under the Income Tax Act, 1961.

This cost of acquisition is relevant only to cases where shares were acquired / bought before the record date ie., 2<sup>nd</sup> May 2008 ie., prior to demerger in the composite SCL.

We trust this explains the position clearly and would help you to compute the cost of acquisition per share individually for SCL and WABCO-TVS, both after the demerger, if and when such shares are sold attracting capital gains under the Income Tax Act, 1961.

Thanking You,

Yours truly,

For Sundaram-Clayton Limited

V N Venkatanathan

Sr. Vice President (Finance) & Secretary

### **Computation of cost of acquisition per share of Sundaram-Clayton Limited (SCL) and of WABCO-TVS Limited (WABCO-TVS), post demerger**

- The scheme of arrangement between SCL and WABCO-TVS has fulfilled the provisions of Sec 2(19AA) of the Income Tax Act, 1961 (herein after referred to as the Act) and hence is demerger, according to the provisions of the Act.
- According to the provisions of Sec 47 (vid) of the Act, this transaction is not a transfer and hence is not taxable in the hands of the shareholders.



**Cost of acquisition:**

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

**Cost of acquisition of WABCO-TVS share:**

- The net book value of assets of WABCO-TVS as on 01/01/2007 was Rs. 11,995 Lakhs and the net worth of SCL immediately before such demerger was Rs. 33,929 Lakhs. Thus, the proportion of net asset value of resulting company (WABCO-TVS) to the net worth of the demerged company (SCL) immediately before such demerger will be  $11995 / 33929$ , which is 35%. Cost of acquisition of a WABCO-TVS share will be 35% of the total cost of acquisition of the original share in the demerged company (SCL) prior to such demerger.

**Cost of acquisition of SCL share:**

- As per Sec 49(2D) of the Act, cost of acquisition of the original shares held by the shareholder in the demerged company (SCL) shall be deemed to have been reduced by the cost of acquisition of the shares in the resulting company (WABCO-TVS), computed as per Sec 49(2C) of the Act.
- For e.g., If a composite SCL share was acquired for Rs. 100, the cost of acquisition of a share in the resulting company (WABCO-TVS), based on the proportion of net assets / net worth (computed earlier) shall be Rs 35. Thus, the cost of acquisition of a share in the demerged company (SCL) will be the cost of original share less cost of acquisition of a share in the resulting company (WABCO-TVS) which is Rs 100 less Rs 35, i.e. Rs 65.
- For example:

Cost of one share of SCL before demerger	Rs. 100
Cost of one share of WABCO-TVS after demerger	Rs. 35
Cost of one share of SCL after demerger	Rs. 65
Ratio of cost of acquisition of a share between WABCO-TVS and SCL – both after demerger is 35 : 65	

**Period of holding:**

- According to Sec 2(42A)(g) of the Act, for reckoning the period of holding on the date of sale, the period for which the shares were held in the demerged company (SCL) prior to demerger should also be considered. For example, if a person acquires 200 shares of SCL in June 2007, on the record date i.e. 02/05/2008, he will be allotted 200 shares in SCL and 200 shares in WABCO-TVS on the record date i.e. 02/05/2008. If the shares are sold in July 2008, 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. June 2007 and not from the date of allotment on the record date i.e. 02/05/2008.