

September 10, 2012

Corporate Relationship Department, The Bombay Stock Exchange Ltd P.J. Towers, 1st Floor, Dalal Street, Mumbai - 400 023. <i>Fax No: 22722037/ 39/ 41</i>	National Stock Exchange of India Limited Exchange Plaza Bandra – Kurla Complex, Bandra (East) Mumbai – 400 051 <i>Fax No: 66418125/ 26</i>
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Dear Sir/ Madam,

Re: Intimation under Clause 36 of the Listing Agreement

This is to inform you that today we have received Order/s passed by the Commissioner of Service Tax, Mumbai, which has raised demand aggregating to Rs. 60.46 crores, penalty of same amount and interest at appropriate rate as per provisions of Service Tax Act, on account of Service tax payable on Toll Collected by some of our Subsidiaries viz. Ideal Road Builders Pvt. Ltd, IDAA Infrastructure Pvt. Ltd. and ATR Infrastructure Pvt. Ltd., for FY06-07 to FY10-11.

In these orders, the Service Tax Department has considered these Special Purpose Vehicles (SPVs) as an “Agent” of the NHAI/ State authorities instead of as “Concessionaire” under BOT Contracts and has therefore classified Toll Collection Activity as “Business Auxiliary Service”. The Department may extend this logic to other SPVs and may pass similar orders for other SPVs. In such case, the total demand on account of Service tax payable, for those subsidiaries of IRB, in aggregate, may come to approx. Rs. 230 crore for FY06-07 to FY10-11.

It may be noted that these subsidiaries, being SPVs, are themselves Collecting Toll in their own right in terms of their respective Concession Agreements as “Concessionaires” and not as an “Agent” of either NHAI or any other Authority.

We would like to state that no service tax is payable on toll paid by users of roads, including those constructed by the SPVs under a BOT agreement, as clarified by Ministry of Finance vide their Circular No. 152/3 /2012-ST issued on February 22, 2012 to all Commissioners of Service Tax and other field officers. Following are the relevant extracts from this circular.

“Service tax is not leviable on toll paid by the users of roads, including those roads constructed by a Special Purpose Vehicle (SPV) created under an agreement between National Highway Authority of India (NHAI) or a State Authority and the concessionaire (Public Private Partnership Model, Build-Own/Operate-Transfer arrangement). ‘Tolls’ is a matter enumerated (serial number 59) in List-II (State List), in the Seventh Schedule of the Constitution of India and the same is not covered by any of the taxable services at present. Tolls collected under the PPP model by the SPV is collection on own account and not on behalf of the person who has made the land available for construction of the road.

However, if the SPV engages an independent entity to collect toll from users on its behalf and a part of toll collection is retained by that independent entity as commission or is compensated in any other manner, service tax liability arises on such commission or charges, under the Business Auxiliary Service [section 65(105) (zzb) read with section 65(19) of the Finance Act, 1994].

Further, an SPV formed as a result of agreement between NHAI or State Authority and the concessionaire under the BOT arrangement, cannot be considered as an agent of the NHAI. Renting, leasing or licensing of vacant land by the NHAI or State Authority to an SPV for construction of road and such construction do not attract service tax."

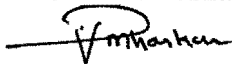
This Circular clearly states that SPVs who themselves collect Toll, without appointing any independent entity for collection, do so on their own account as Concessionaires and not as Agents and therefore do not attract service tax.

In view of the above, we believe that the demand is erroneous. We will therefore file an appeal against these Orders before the competent authority to seek relief.

In any unlikely situation of not getting relief, these SPVs as concessionaire, are entitled to seek reimbursement of the additional cost (Service tax amount, penalty & interest) in terms of the Concession Agreement with NHAI/ the State Authorities, under provisions of "Change in Law" which includes change in interpretation of law also.

This is for your information and record.

For IRB INFRASTRUCTURE DEVELOPERS LIMITED



Virendra D. Mhaikar
Chairman & Managing Director