



Oaklane Capital Management LLP  
Disclosure Document – February 2021

Disclosure Document  
Portfolio Management Services

*Our goal is to treat our investors fairly, and to give them the best chance for investment success.*

**Oaklane Capital Management LLP**  
**Portfolio Management Services**

## DISCLOSURE DOCUMENT

[As required under Regulation 22 of Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020]

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### I. Declaration:

- a) The Disclosure Document (hereinafter referred as the “*Document*”) has been filed with Securities and Exchange Board of India (hereinafter referred as the “*SEBI*”) along with the certificate in the prescribed format in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020;
- b) The Document serves the purpose of providing essential information about the portfolio management services in order to assist and enable the investors in making informed decision for engaging “Oaklane Capital Management LLP” (hereinafter referred as the “*Portfolio Manager*”) as a portfolio manager;
- c) The Document contains the necessary information about the Portfolio Manager, required by an investor before investing. The investor is advised to retain the Document for future reference;
- d) The Investor should carefully read the Document prior to making a decision to avail the portfolio management services and retain the Document for future reference.
- e) The name, phone number, e-mail address of the principal officer as designated by the Portfolio Manager along with the address of the Portfolio Manager are as follows;

Principal Officer	
Name	Kuntal Shah
Address	<b>Corporate Office:</b> North Court, 2nd Floor, Office No. 1, Kalyani Nagar, Pune – 411006.
Phone	<b>+91 20 4121 4014</b>
E-Mail	<a href="mailto:kuntal.shah@oaklanecapital.com">kuntal.shah@oaklanecapital.com</a>
Website	<a href="http://www.oaklanecapital.com">www.oaklanecapital.com</a>

Portfolio Manager	
Name	<b>Oaklane Capital Management LLP</b>
SEBI Registration Number	<b>INP000006624</b> (Portfolio Manager)
Address	<b>Corporate Office:</b> North Court, 2nd Floor, Office No. 1, Kalyani Nagar, Pune – 411006.
Phone	<b>+91 20 4121 4014</b>

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## 1) Disclaimer

- a) Particulars of this Document have been prepared by Oaklane Capital Management LLP in accordance with the SEBI (Portfolio Managers) Regulations, 2020, as amended till date and filed with the SEBI;
- b) This Document has neither been approved or disapproved by the SEBI nor has the SEBI certified the accuracy or adequacy of the contents of the Document;
- c) Pursuant to SEBI (Portfolio Managers) Regulations, 2020, Oaklane Capital Management LLP hereby declares that the Portfolio Management Services rendered in accordance with the contents hereof, are rendered without guaranteeing or assuring, either directly or indirectly, any returns;
- d) Notwithstanding anything contained in the Disclosure Document, the provisions of SEBI (Portfolio Managers) Regulations, 2020 and the circular or guidelines issued from time to time there under shall be applicable;
- e) This Disclosure Document along with certificate in Form C is required to be provided to the Client, prior to entering into an agreement with the client;
- f) Disclosure Document is filed with the SEBI after grant of certificate of registration, before circulating it to any client and whenever any material change including change in the investment approach is effected. In case of material change, the disclosure document shall be filed within 7 working days with SEBI from the date of the change.

## 2) Abbreviations & Definitions

- (a) **“Act”** Means the Securities and Exchange Board of India, Act 1992.
- (b) **“Applicable Laws”** means any applicable Indian statute, law, ordinance, regulation including the SEBI Regulations, rule, order, by law, administrative interpretation, writ, injunction, directive, judgment or decree or other instrument which has a force of law in India, as is in force from time to time.
- (c) **“Application”** means the application made by the Client to the Portfolio Manager for availing the services of Portfolio Management in terms of SEBI (Portfolio Managers) Regulations, 2020, such other applicable regulations and Portfolio Management Services Agreement. Upon execution of the Agreement by the Parties, the Application shall be deemed to form an integral part of the Agreement. Provided that in case of conflict between the contents of the Application and the provisions of the Agreement, the provisions of the Agreement shall prevail.
- (d) **“Assets”** means (i) the Portfolio and/or (ii) the Funds (as the case may be).
- (e) **“Bank Account”** means one or more accounts opened, maintained and operated by the Portfolio Manager with any of the Scheduled Commercial Banks in the name of the Client or the Product (as may be applicable).
- (f) **“Board”** means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act, 1992.
- (g) **“Capital Contribution”** means the amounts and/ or securities contributed by the Client for investments in accordance with the terms of the Agreement from time to time during the Term of agreement.
- (h) **“Chartered Accountant”** means A Chartered Accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act.
- (i) **“Client(s)/ Investor(s)”** means any eligible person / entity that enters into an agreement for availing portfolio management service and related services, either discretionary, non-discretionary or advisory, with the portfolio manager by executing the portfolio management agreement and in terms of SEBI (Portfolio Managers) Regulations, 2020.
- (j) **“Custodian”** means any person who carries on or proposes to carry on the business of providing custodial services and shall be registered with SEBI.
- (k) **“Depository Account”** means one or more account or accounts opened, maintained and operated by the Portfolio Manager with any depository or depository participant registered under the SEBI (Depositories and Participants) Regulations, 1996 in accordance with the agreement entered into with the Client.
- (a) **“Discretionary Portfolio Manager”** means a portfolio manager who under a contract relating to the portfolio management, exercises or may exercise, any degree of discretion as to the

investment of funds or management of the portfolio of securities of the Client, as the case may be.

**(b) “Disclosure Document”** shall mean this disclosure document filed by the Portfolio Manager with the SEBI and as may be amended by the Portfolio Manager from time to time pursuant to the Regulations.

**(c) “Eligible Investors”** means domestic Indian resident individual, non-resident Indian, Foreign Portfolio Investors (FPI), body corporate, partnership firm, trust, society, association of persons, limited liability partnership and such other persons as may be deemed fit by the Portfolio Manager, to be eligible to avail of the services of the Portfolio Manager and as is permitted under the applicable rules and regulations from time to time

**(d) “Financial Year”** shall be the period of 12 months commencing on 1<sup>st</sup> of April and ending on the 31<sup>st</sup> March of the succeeding year.

**(e) “Foreign Institutional Investor (FII)”** shall have the meaning defined under SEBI (Foreign Institutional Investor) Regulations, 1995.

**(f) “Foreign Portfolio Investor (FPI)”** shall have the meaning defined under SEBI (Foreign Portfolio Investors) Regulations, 2019.

**(g) “Funds”** include the monies and securities entrusted by the Client and managed by the Portfolio Manager on behalf of the Client pursuant to this Agreement and includes the monies and/ or securities mentioned in the Application, any monies and/ or securities placed by the Client from time to time with the Portfolio Manager for the purposes of being managed pursuant to the Portfolio Management Agreement, the proceeds of the sale or other realization of the Portfolio and interest, dividends and other monies arising from the Portfolio, so long as the same is managed by the Portfolio Manager.

**(h) “Fair Market Value”** means valuation of the security determined in accordance with the principles of fair valuation’.

**(i) “Goods”** means the goods notified by the Central Government under clause (bc) of Section 2 of the Securities Contract (Regulations) Act, 1956 and forming the underlying of any commodity derivative.

**(j) “Management Fee”** means the management fee payable to the Portfolio Manager in accordance with the terms of the Agreement, SEBI (PMS) Regulations, 2020, guidelines issued thereunder, provisions of Disclosure Document and Portfolio Management Services agreement.

**(k) “Investment Advisory Services”** means non-binding and non-discretionary advisory services and/ or such other related services provided to a Client by Portfolio Manager in terms of agreement executed with the Client in terms of SEBI (PMS) Regulations, 2020 and such circulars and/ or guidelines issued by SEBI from time to time.

**(l) “Investment Approach”** means a broad outlay of the type of securities and permissible instruments to be invested in by the portfolio manager for the Client, taking into account factors specific to clients and securities which shall inter-alia include but not limited to investment objective, description of type of securities, investment horizon and risks associated with the investment approach.

**(m) “Net Asset Value” or “NAV”** means the net asset value of the portfolio which is the sum of (a) the value of the securities in the portfolio of the Client, determined in accordance with the valuation policies of the portfolio manager forming a part of the accounting policies as disclosed herein; and (b) the cash balance to the credit of the Client, less (c) accounts payable by the Client.

**(n) “Discretionary Portfolio Management Services”** shall mean discretionary portfolio management and related services provided by the Portfolio Manager in accordance with the terms and conditions set out in the agreement entered with the Client, the SEBI (PMS) Regulations, 2020 and in accordance with the terms of the Disclosure Document.

**(o) “Non-Discretionary Portfolio Management Services”** means a portfolio management services related services provided by the Portfolio Manager in accordance with the terms and conditions set out in the agreement entered with the Client, the SEBI (PMS) Regulations, 2020 and in accordance with the terms of the Disclosure Document and where the Client/ Investor exercises discretion as to the investment or management of the portfolio of securities or the funds as the case may be.

**(p) “Non-Resident Indian (NRI)”** shall have the meaning defined under Foreign Exchange Management Act, 1999.

**(q) “Performance Fee”** means the performance-linked fee payable to the Portfolio Manager in accordance with the terms of the Portfolio Management Services agreement, this Disclosure Document and SEBI (PMS) Regulations, 2020 and guidelines issued thereunder.

**(r) “Person”** includes an individual, a Hindu Undivided Family, a corporation, a partnership (whether limited or unlimited), a limited liability company, a body of individuals, an association, a proprietorship, a trust, an institutional investor and any other entity or organization whether incorporated or not, whether Indian or foreign, including a government or an agency or instrumentality thereof.

**(a) “Portfolio Manager”** means Oaklane Capital Management LLP (herein after referred to as **“Oaklane LLP”**), which pursuant to a contract with a Client / Investor, acts as a Portfolio Manager in terms of the SEBI (Portfolio Managers) Regulations, 2020, advises client or directs or undertakes on behalf of the Client / Investor (whether as a discretionary Portfolio Manager, non-discretionary Portfolio Manager or advisory or otherwise) the management or administration or providing advisory services for a portfolio of securities or goods and/ or the funds/ model portfolio of the Client / Investor, as the case may be.

**(b) “Portfolio Management Agreement”** (the **“Agreement”**) means the agreement entered or to be entered into between the Client and the portfolio manager for availing the portfolio management services rendered by the portfolio manager in terms of SEBI (Portfolio Managers) Regulations, 2020, whether discretionary, non-discretionary, advisory or otherwise as amended, modified, supplemented or restated from time to time together with all annexures, schedules and exhibits, if any.

**(c) “Portfolio” or “Client Portfolio” or “Model Portfolio”** includes the total holding of all investments, securities and funds belonging to the Client managed by the Portfolio Manager on behalf of the Client pursuant to the Portfolio Management Services Agreement and includes any further Securities and funds that may be placed by the Client with the Portfolio Manager from time

to time, for being managed pursuant to the Agreement, Securities acquired by the Portfolio Manager through investment of Funds and bonus and rights shares in respect of Securities forming part of the Portfolio, so long as the same is managed by the Portfolio Manager.

**(d) “Portfolio Commencement Date”** means the date when the Capital Contribution shall be paid to the Portfolio Manager.

**(e) “Principle Officer”** means an employee of the portfolio manager who has been designated as such by the portfolio manager and is responsible for (a) the decision made by the portfolio manager for the management or administration of portfolio of securities or the funds of the Client, as the case may be and (b) all other operations of the portfolio manager.

**(f) “Principal Stock Exchange”** Principal stock exchange for the purpose of this disclosure document and portfolio management agreement means National Stock Exchange of India Limited

**(g) “Portfolio Management Services (PMS)”** means the portfolio management services whether, discretionary/ non-discretionary/ investment advisory or otherwise provided by the Portfolio Manager in accordance with the terms and conditions set out in the Portfolio Management Agreement entered with its Client/Investor, in accordance with the terms of the disclosure document and in terms of the provisions of the SEBI (Portfolio Managers) Regulations, 2020.

**(h) “PMLA Laws”** means the Prevention of Money Laundering Act, 2002, Prevention of Money-laundering (Maintenance of Records) Rules, 2005, the guidelines/circulars issued by SEBI thereto as amended and modified from time to time.

**(i) “RBI”** mean Reserve Bank of India established under the Reserve Bank of India Act, 1934.

**(j) “Regulations”** means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 (herein after referred as **“SEBI (PMS) Regulations”**) as amended and modified from time to time and including any circulars/notifications issued pursuant thereto.

**(k) “Securities”** include (i) shares, scrip, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated Company or other body corporate; (ia) derivative; (ib) units or any other instrument issued by any collective investment scheme to the investors in such schemes; (ic) security receipt as defined in clause (zg) of Section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; (id) units or any other such instrument issued to the investors under any mutual fund scheme; (ie) any certificate or instrument (by whatever name called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt as the case may be; (ii) Government Securities; (iia) such other instruments as may be declared by the Central Government to be securities (iii) rights or interest in securities as defined under Securities Contract Regulation Act, 1956 provided that securities shall not include any securities which the portfolio manager is prohibited from investing under the SEBI(Portfolio Managers) Regulations, 2020 or any other law for the time being in force.

**(l) “SEBI”** means Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992.

**(m) “SEBI Regulations”** shall mean the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 and such other applicable SEBI regulations as amended and modified from time to time and including any circulars/notifications issued pursuant thereto.

**(n) “Term”** the term of the Agreement as reflected in the respective Portfolio Management Agreement entered with the Client by the Portfolio Manager.

**(o) “Termination Fee”** means the withdrawal charge(s) payable to the Portfolio Manager in accordance with the terms of the PMS Agreement, this Disclosure Document and SEBI (PMS) Regulations, 2020 and guidelines issued thereunder.

- Any term used in this Document but not defined herein (but defined in the Regulations) shall have the same meaning as assigned to them in the Regulations.
- Any references to laws and regulations in this Document shall be deemed to include such laws and regulations as may be amended, revised, updated and/or supplemented from time to time.
- Words importing singular shall include the plural and all reference to masculine gender shall include the feminine gender and vice-versa.

### **3) Description**

#### **(i) History, Present Business and Background of Oaklane Capital Management LLP, the Portfolio Manager**

Oaklane Capital Management LLP (the “*Portfolio Manager*”) was originally established as a limited company under the provisions of the Companies Act, 1956 in the year 1999 and later converted into a limited liability partnership in the year 2011.

Mr. Kuntal Shah who has more than two decades of experience in the field of capital markets and investment management, established the “*Oaklane LLP*”. Mr. Kuntal Shah has discharged duties as an investment manager and senior investment management professional while working with different investment management companies. Now Mr. Kuntal Shah desires to utilise his experience and offer investment management services through portfolio management vehicle duly registered under the SEBI (Portfolio Managers) Regulations, 1993.

Oaklane Capital Management LLP (the “*Portfolio Manager*”) is registered with the Securities and Exchange Board of India (the “*SEBI*”) as a Portfolio Manager, with SEBI registration number as PM/INP000006624. The Portfolio Manager provides services of Discretionary portfolio management, Non-discretionary portfolio management and advisory services in terms of the SEBI (Portfolio Managers) Regulations, 2020.

**(ii) Details of Capital contribution of the “Portfolio Manager”**

<b>Name of Partners of LLP</b>	<b>Capital Contribution (in Rs.)</b>	<b>% Capital Contribution</b>
Kuntal Shah (Designated Partner)	3,37,80,000	98%
Hasmukhlal Shah (Designated Partner)	7,50,000	2%
<b>Total</b>	<b>3,45,30,000</b>	<b>100%</b>

**(iii) Promoters and Designated Partners of the Portfolio Manager and their background**

**Kuntal Shah (Designated Partner)**

Education: Bachelor in Engineering- Industrial Electronics (Pune University)

Address: A5, Ivy Glen, Marigold Complex, Kalyani Nagar, Pune - 411014

Experience: 26 years in capital markets and investment management. He is a founding partner of Oaklane Capital Management LLP and has been a value investor over the past two decades. He has an opportunistic inclination towards value-oriented and risk -controlled approach towards investment. He is passionate about teaching and deliver lectures on key capital market related issues such as derivatives, forensic accounting, taxation and value investing.

In past he has presented lectures at:

- UTI Institute of Capital Markets
- Indian Institute of Management, Ahmedabad;
- Indian Institute of Technology, Mumbai;
- Symbiosis Management Institute, Pune;
- Flame University, Pune;
- Chartered Accountants Institute Mumbai and Pune.

At present he is discharging duties as a Designated Partner of Oaklane Capital Management LLP (the “*Portfolio Manager*”). For the period October 2013 to June 2018, he was associated with Sageone Investment Advisors LLP as Partner and contributed to areas of research, marketing, etc.

He is also a founding partner of Axis Finvest Advisory LLP. Axis Finvest Advisory LLP is an investment manager to SEBI registered Venture Capital Fund, Axis Venture Capital Trust.

Prior to this he was associated with Hermes Securities as Managing Director overlooking investment management across expanded investment arena of asset classes such as distressed debt, private equity and real estate while retaining strong orientation towards listed equities and fixed income. He was part of three-member principal team supported by 20 professionals looking after a large portfolio across various assets. Hermes Securities a registered stock broker with BSE, Inter Connected Stock Exchange of India Limited and Over the Counter Stock Exchange was promoted by Kuntal Shah. The registrations were surrendered/transferred in 2003, 2005.

Prior to this he was associated with Gandhi Securities in Portfolio Management function and advising high net worth clients with focus on listed equities and arbitrage in areas of convertibles, government and corporate debt and close ended mutual funds.

**Details of directorship/ partnership interests and shareholding/ capital contribution as on 06/01/2021**

<b>Name of the Promoter</b>	<b>% Shareholding/ Contribution with the applicant</b>	<b>Director/ Promoter in any other Company</b>	<b>% of Shareholding in other companies</b>
Kuntal Shah (Promoter)	98%	1. AXIS Finvest Advisory LLP (Partner); 2. needl.ai LLP (Partner)	50%  50%

**Hasmukhlal Shah (Designated Partner)**

Education: Inter Science, First Year (Mumbai University)

Experience: 35 Years, he is a founding partner of Oaklane Capital Management LLP. He has discharged his duties as a Purchase Manager while working with Dilkhush Dying and Printing Works, Mumbai. After retirement from Dilkhush Dying and Printing Works he devoted his time to understand the functioning of the capital markets.

Address: 104, 1<sup>st</sup> Floor, Panchsheel, P.M. Shukla Marg, Plot No. 53, C Road, Churchgate, Mumbai-400 020

**Details of directorship/ partnership interests and shareholding/ capital contribution as on 06/01/2021**

<b>Name of the Promoter</b>	<b>% Shareholding/ Contribution with the applicant</b>	<b>Director/ Promoter in any other Company</b>	<b>% of Shareholding in other companies</b>
Hasmukhlal Shah (Promoter)	2%	None	Not applicable

**(iv) Top 10 Group companies/firms of the portfolio manager on turnover**

- a. Axis Finvest Advisory LLP

One of the Partners of the “Portfolio Manager”, Kuntal Shah is also a Partner in Axis Finvest Advisory LLP. Axis Finvest Advisory LLP is an investment manager to SEBI registered Venture Capital Fund, Axis Venture Capital Trust. Axis Venture Capital Trust is not taking new investments since 2010. Axis Venture Capital Trust has monetised last 1 Investment in Private Equity and now initiated the process of winding up the Fund.

b. needl.ai LLP

One of the Partners of the “Portfolio Manager”, Kuntal Shah is also a Partner in needl.ai LLP. needl.ai LLP (*formerly known as idatagenie LLP*) is registered under the Limited Liability Act, 2008 with registration number as AAP-9851 and is engaged in the business of IT and ITeS.

**(vi) Details of the services being offered: Discretionary, Non- Discretionary and Advisory**

The Portfolio Manager provides discretionary, non-discretionary portfolio management services and investment advisory services in terms of SEBI (Portfolio Managers) Regulations, 2020 and guidelines issued thereunder, Portfolio Management Agreement, Disclosure Document. The key features of all the said services are provided as follows:

**1. Discretionary Services:**

Under these services the Portfolio Manager shall have the sole and absolute discretion to invest the Client’s assets in any type of permissible securities as per executed Portfolio Management Agreement and make such changes in the investments and invest some or all of the Client’s funds in such manner and in such markets as it deems fit and would benefit the Client. The Securities invested/disinvested by the Portfolio Manager for the Clients may differ from Client to Client considering the interest and investment suitability of the Client.

The Portfolio Manager will provide Discretionary Portfolio Management Services which shall be in the nature of investment management, and may include the responsibility of managing, renewing and reshuffling the portfolio, buying and selling the securities, keeping safe custody of the securities and monitoring book closures, dividend, bonus, rights etc. and any other benefits that accrues to the Client’s Portfolio, for an agreed fee structure and for a period as described in the PMS agreement from time to time, entirely at the Client’s risk.

The Portfolio Manager’s decision taken in good faith in deployment of the Clients’ assets is absolute and final and cannot be called in question or be open to review at any time during the continuity of the agreement or anytime thereafter except on the ground of malafide intention, fraud, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the provisions of the Portfolio Management Services Agreement and relevant Acts, rules and regulations, guidelines and notifications in force from time to time.

The Portfolio Manager shall be acting in a fiduciary capacity, both, as an agent as well as a trustee, with regard to the Client’s assets and accretions thereto.

**2. Non - Discretionary Services:**

Under the Non-Discretionary Portfolio Management Services, the Client will have complete discretion to decide on the investment (Stock Quantity and Price or amount). Under Non - discretionary portfolio management services the Client/ Investor exercises discretion as to the investment or management of the portfolio of securities or the funds as the case may be. The Portfolio Manager inter-alia manages transaction execution, accounting, recording of corporate benefits, valuation and reporting aspects on behalf of the client entirely at client’s risk.

### 3. Advisory Services

The Portfolio Manager will offer to the Client, non-binding and non-discretionary Advisory, consultancy and related Services in relation to the Client's Account/Portfolio. Under these services, the Portfolio Manager advises the Client on investments in general or any specific advice required by the clients and agreed upon in the client agreement. The Portfolio Manager will render the advice to the client having regard to the client's needs and the environment. For such services, the Portfolio Manager charges the client a fee for services rendered in terms of the client agreement.

#### 4) Penalties, pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by any regulatory authority:

(i)	All cases of penalties imposed by the Board or the directions issued by the Board under the Act or Rules or Regulations made thereunder.	None
(ii)	The nature of the penalty/direction.	Not applicable
(iii)	Penalties/ fines imposed for any economic offence and/ or for violation of any securities laws.	None
(iv)	Any pending material litigation/legal proceedings against the Portfolio Manager/key personnel with separate disclosure regarding pending criminal cases, if any.	None
(v)	Any deficiency in the systems and operations of the Portfolio Manager observed by the SEBI or any regulatory agency.	None
(vi)	Any enquiry/ adjudication proceedings initiated by the Board against the portfolio manager or its directors, principal officer or employee or any person directly or indirectly connected with the portfolio manager or its directors, principal officer or employee, under the Act or Rules or Regulations made thereunder.	None

## 5) Services Offered

Portfolio Manager offers discretionary, non-discretionary portfolio management and advisory services to its clients in terms of SEBI (PMS) Regulations, 2020 and circulars, guidelines issued by SEBI from time to time.

### **Approach 1: Majority investments: consisting of large cap listed equities and equity instruments**

**Investment Objective:** to generate long-term capital growth from an actively managed portfolio of eligible/ permitted securities, for portfolio majority consisting of large cap stocks (equity and equity related instruments).

**Description of types of securities:** Listed equity and equity related instruments.

**Basis of selection of such types of securities as part of the investment approach:** Value based stock selection strategy

**Allocation of portfolio across types of securities:** The strategy seeks to invest majoritily in Equity and Equity-related instruments of large cap companies (i.e. 51% to 100%). However, the strategy has the flexibility to invest in companies across the entire market capitalization spectrum and debt/ money market instruments, considering the best interest of the client (i.e. 0% to 49%).

**Benchmark:** A Blended Benchmark based on the Portfolio Composition.

**Example:** if client portfolio is composed 60% of Large Cap and 40% of Mid Cap securities, a Blended benchmark of Nifty 50 (TRI) and Nifty Mid-cap Index (TRI) based on the portfolio weight will be used as a Benchmark.

This Benchmark has been chosen as a Benchmark for the investment approach as the composition of the aforesaid index is such that it is most suited for comparing performance of the investment approach.

**Indicative tenure or investment horizon:** Medium to Long term

**Risks associated with the investment approach:**

**Equity risk:** is the financial risk involved in holding equity in a particular investment. Equity risk often refers to equity in companies through the purchase of stocks.

**Systematic Risk:** Systematic risk refers to the risk inherent to the entire market or market segment. Systematic risk, also known as “undiversifiable risk,” “volatility” or “market risk,” affects the overall market, not just a particular stock or industry. This type of risk is both unpredictable and impossible to completely avoid. It cannot be mitigated through diversification, only through hedging or by using the correct asset allocation strategy.

**Concentration risk:** Concentration Risk is the potential for a loss in value of an investment portfolio or a financial institution when an individual or group of exposures move together in an unfavourable direction. The implication of concentration risk is that it generates such a significant loss that recovery is unlikely.

**Execution Risk:** The risk that a transaction won't be executed within the range of recent market prices or within the stop order limits that have been set by an investor. Execution risk exists on virtually all financial instruments.

**Market Risk:** Portfolio investment will react to the interest rate movements. The Investor may lose money over short or long period due to fluctuation in portfolio's NAV in response to factors such as economic and political developments, changes in interest rates, inflation and other monetary factors and also movement in prices of underlining investments.

**Interest Rate Risk:** Changes in interest rates will affect the Portfolio's NAV. The prices of securities usually increase as interest rates decline and usually decrease as interest rates rise. The extent of fall or rise in the prices is guided by modified duration, which is a function of the existing coupon, days to maturity and increase or decrease in the level of interest rate. The new level of interest rate is determined by the rate at which the government raises new money and/or the price levels at which the market is already dealing in existing securities. Prices of long-term securities generally fluctuate more in response to interest rate changes than short-term securities. The price risk is low in the case of the floating rate or inflation-linked bonds. The price risk does not exist if the investment is made under a repo agreement. Debt markets, especially in developing markets like India, can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the NAV of the portfolio. *\* to the extent investments are made in debt instruments.*

**Reinvestment Risk:** Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate. *\* to the extent investments are made in debt instruments.*

**Pre-payment Risk:** Certain fixed income securities give an issuer the right to call back its securities before their maturity date, in periods of declining interest rates. The possibility of such prepayment may force the portfolio manager to reinvest the proceeds of such investments in securities offering lower yields, resulting in lower interest income for the portfolio. *\* to the extent investments are made in debt instruments.*

**Credit Risk:** means that the issuer of a security may default on interest payments or even paying back the principal amount on maturity. (i.e. the issuer may be unable to make timely principal and interest payments on the security). Even where no default occurs, the prices of security may go down because the credit rating of an issuer goes down. It must be, however, noted that where the portfolio has invested in Government securities, there is no risk to that extent. *\* to the extent investments are made in debt instruments.*

**Liquidity or Marketability Risk:** this refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market. Trading Volumes, settlement periods and transfer procedures may restrict the liquidity of the investments made by the Scheme. Different segments of the Indian financial markets have different settlement periods and such period may be extended significantly by unforeseen circumstances leading to delays in receipt of proceeds from sale of securities. As liquidity of the investments made by the portfolio could, at times, be restricted by trading volumes and settlement periods, the time taken by the portfolio for redemption of units may be significant in the event of an inordinately large number of redemption

requests or restructuring of the Scheme. *\* to the extent investments are made in debt instruments.*

**Approach 2: Majority investments: consisting of mid cap listed equities and equity instruments**

Investment Objective: to generate long-term capital growth from an actively managed portfolio of eligible/ permitted securities, for portfolio majority consisting of Mid cap stocks (equity and equity related instruments).

**Description of types of securities:** Listed equity and equity related instruments.

**Basis of selection of such types of securities as part of the investment approach:** Value based stock selection strategy

**Allocation of portfolio across types of securities:** The strategy seeks to invest majoritily in Equity and Equity-related instruments of Mid-cap companies. (i.e. 51% to 100%) However, the strategy has the flexibility to invest in companies across the entire market capitalization spectrum and debt/ money market instruments, considering the best interest of the client (i.e. 0% to 49%).

**Benchmark:** A Blended Benchmark based on the Portfolio Composition.

**Example:** if client portfolio is composed 60% of Mid-Cap and 40% of Small-Cap securities, a Blended benchmark of Nifty Mid-cap Index (TRI) and Nifty Small-cap Index (TRI) based on the portfolio weight will be used as a Benchmark.

This Benchmark has been chosen as a Benchmark for the investment approach as the composition of the aforesaid index is such that it is most suited for comparing performance of the investment approach.

**Indicative tenure or investment horizon:** Medium to Long term

**Risks associated with the investment approach:**

**Equity risk:** is the financial risk involved in holding equity in a particular investment. Equity risk often refers to equity in companies through the purchase of stocks.

**Systematic Risk:** Systematic risk refers to the risk inherent to the entire market or market segment. Systematic risk, also known as “undiversifiable risk,” “volatility” or “market risk,” affects the overall market, not just a particular stock or industry. This type of risk is both unpredictable and impossible to completely avoid. It cannot be mitigated through diversification, only through hedging or by using the correct asset allocation strategy.

**Concentration risk:** Concentration Risk is the potential for a loss in value of an investment portfolio or a financial institution when an individual or group of exposures move together in an unfavourable direction. The implication of concentration risk is that it generates such a significant loss that recovery is unlikely.

**Execution Risk:** The risk that a transaction won't be executed within the range of recent market prices or within the stop order limits that have been set by an investor. Execution risk exists on virtually all financial instruments.

**Market Risk:** Portfolio investment will react to the interest rate movements. The Investor may lose money over short or long period due to fluctuation in portfolio's NAV in response to factors such as economic and political developments, changes in interest rates, inflation and other monetary factors and also movement in prices of underlining investments.

**Interest Rate Risk:** Changes in interest rates will affect the Portfolio's NAV. The prices of securities usually increase as interest rates decline and usually decrease as interest rates rise. The extent of fall or rise in the prices is guided by modified duration, which is a function of the existing coupon, days to maturity and increase or decrease in the level of interest rate. The new level of interest rate is determined by the rate at which the government raises new money and/or the price levels at which the market is already dealing in existing securities. Prices of long-term securities generally fluctuate more in response to interest rate changes than short-term securities. The price risk is low in the case of the floating rate or inflation-linked bonds. The price risk does not exist if the investment is made under a repo agreement. Debt markets, especially in developing markets like India, can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the NAV of the portfolio. *\* to the extent investments are made in debt instruments.*

**Reinvestment Risk:** Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate. *\* to the extent investments are made in debt instruments.*

**Pre-payment Risk:** Certain fixed income securities give an issuer the right to call back its securities before their maturity date, in periods of declining interest rates. The possibility of such prepayment may force the portfolio manager to reinvest the proceeds of such investments in securities offering lower yields, resulting in lower interest income for the portfolio. *\* to the extent investments are made in debt instruments.*

**Credit Risk:** means that the issuer of a security may default on interest payments or even paying back the principal amount on maturity. (i.e. the issuer may be unable to make timely principal and interest payments on the security). Even where no default occurs, the prices of security may go down because the credit rating of an issuer goes down. It must be, however, noted that where the portfolio has invested in Government securities, there is no risk to that extent. *\* to the extent investments are made in debt instruments.*

**Liquidity or Marketability Risk:** this refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market. Trading Volumes, settlement periods and transfer procedures may restrict the liquidity of the investments made by the Scheme. Different segments of the Indian financial markets have different settlement periods and such period may be extended significantly by unforeseen circumstances leading to delays in receipt of proceeds from sale of securities. As liquidity of the investments made by the portfolio could, at times, be restricted by trading volumes and settlement periods, the time taken by the portfolio for redemption of units may be significant in the event of an inordinately large number of redemption requests or restructuring of the Scheme. *\* to the extent investments are made in debt instruments.*

### **Approach 3: Majority investments: consisting of small cap listed equities and equity instruments**

Investment Objective: to generate long-term capital growth from an actively managed portfolio of eligible/ permitted securities, for portfolio majority consisting of Small-cap stocks (equity and equity related instruments).

**Description of types of securities:** Listed equity and equity related instruments.

**Basis of selection of such types of securities as part of the investment approach:** Value based stock selection strategy

**Allocation of portfolio across types of securities:** The strategy seeks to invest majoritily in Equity and Equity-related instruments of Small-cap companies (i.e. 51% to 100%). However, the strategy has the flexibility to invest in companies across the entire market capitalization spectrum and debt/ money market instruments, considering the best interest of the client (i.e. 0% to 49%).

**Benchmark:** A Blended Benchmark based on the Portfolio Composition.

**Example:** if client portfolio is composed 60% of Small-Cap and 40% of Large-Cap securities, a Blended benchmark of Nifty Small-cap Index (TRI) and Nifty 50 (TRI) based on the portfolio weight will be used as a Benchmark.

This Benchmark has been chosen as a Benchmark for the investment approach as the composition of the aforesaid index is such that it is most suited for comparing performance of the investment approach.

**Indicative tenure or investment horizon:** Medium to Long term

**Risks associated with the investment approach:**

**Equity risk:** is the financial risk involved in holding equity in a particular investment. Equity risk often refers to equity in companies through the purchase of stocks.

**Systematic Risk:** Systematic risk refers to the risk inherent to the entire market or market segment. Systematic risk, also known as “undiversifiable risk,” “volatility” or “market risk,” affects the overall market, not just a particular stock or industry. This type of risk is both unpredictable and impossible to completely avoid. It cannot be mitigated through diversification, only through hedging or by using the correct asset allocation strategy.

**Concentration risk:** Concentration Risk is the potential for a loss in value of an investment portfolio or a financial institution when an individual or group of exposures move together in an unfavourable direction. The implication of concentration risk is that it generates such a significant loss that recovery is unlikely.

**Execution Risk:** The risk that a transaction won't be executed within the range of recent market prices or within the stop order limits that have been set by an investor. Execution risk exists on virtually all financial instruments.

**Market Risk:** Portfolio investment will react to the interest rate movements. The Investor may lose money over short or long period due to fluctuation in portfolio's NAV in response to factors such as economic and political developments, changes in interest rates, inflation and other monetary factors and also movement in prices of underlining investments.

**Interest Rate Risk:** Changes in interest rates will affect the Portfolio's NAV. The prices of securities usually increase as interest rates decline and usually decrease as interest rates rise. The extent of fall or rise in the prices is guided by modified duration, which is a function of the existing coupon, days to maturity and increase or decrease in the level of interest rate. The new level of interest rate is determined by the rate at which the government raises new money and/or the price levels at which the market is already dealing in existing securities. Prices of long-term securities generally fluctuate more in response to interest rate changes than short-term securities. The price risk is low in the case of the floating rate or inflation-linked bonds. The price risk does not exist if the investment is made under a repo agreement. Debt markets, especially in developing markets like India, can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the NAV of the portfolio. *\* to the extent investments are made in debt instruments.*

**Reinvestment Risk:** Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate. *\* to the extent investments are made in debt instruments.*

**Pre-payment Risk:** Certain fixed income securities give an issuer the right to call back its securities before their maturity date, in periods of declining interest rates. The possibility of such prepayment may force the portfolio manager to reinvest the proceeds of such investments in securities offering lower yields, resulting in lower interest income for the portfolio. *\* to the extent investments are made in debt instruments.*

**Credit Risk:** means that the issuer of a security may default on interest payments or even paying back the principal amount on maturity. (i.e. the issuer may be unable to make timely principal and interest payments on the security). Even where no default occurs, the prices of security may go down because the credit rating of an issuer goes down. It must be, however, noted that where the portfolio has invested in Government securities, there is no risk to that extent. *\* to the extent investments are made in debt instruments.*

**Liquidity or Marketability Risk:** this refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market. Trading Volumes, settlement periods and transfer procedures may restrict the liquidity of the investments made by the Scheme. Different segments of the Indian financial markets have different settlement periods and such period may be extended significantly by unforeseen circumstances leading to delays in receipt of proceeds from sale of securities. As liquidity of the investments made by the portfolio could, at times, be restricted by trading volumes and settlement periods, the time taken by the portfolio for redemption of units may be significant in the event of an inordinately large number of redemption requests or restructuring of the Scheme. *\* to the extent investments are made in debt instruments.*

**Approach 4: Majority investments: consisting of small and mid-cap listed equities and equity instruments**

Investment Objective: to generate long-term capital growth from an actively managed portfolio of eligible/ permitted securities, for portfolio majority consisting of Small-cap and Mid-cap stocks (equity and equity related instruments).

**Description of types of securities:** Listed equity and equity related instruments.

**Basis of selection of such types of securities as part of the investment approach:** Value based stock selection strategy

**Allocation of portfolio across types of securities:** The strategy seeks to invest majoritily in Equity and Equity-related instruments of Small-cap and Mid-cap companies (i.e. 51% to 100%). However, the strategy has the flexibility to invest in companies across the entire market capitalization spectrum and debt/ money market instruments, considering the best interest of the client (i.e. 0% to 49%).

**Benchmark:** A Blended Benchmark based on the Portfolio Composition.

Example: if client portfolio is composed 40% of Mid-Cap, 40% of Small-Cap and 20% of Large-Cap securities, a Blended benchmark of Nifty Small-cap Index (TRI), Nifty Mid-cap Index (TRI) and Nifty 50 (TRI) based on the portfolio weight will be used as a Benchmark.

This Benchmark has been chosen as a Benchmark for the investment approach as the composition of the aforesaid index is such that it is most suited for comparing performance of the investment approach.

Indicative tenure or investment horizon: Medium to Long term

Risks associated with the investment approach:

**Equity risk:** is the financial risk involved in holding equity in a particular investment. Equity risk often refers to equity in companies through the purchase of stocks.

**Systematic Risk:** Systematic risk refers to the risk inherent to the entire market or market segment. Systematic risk, also known as “undiversifiable risk,” “volatility” or “market risk,” affects the overall market, not just a particular stock or industry. This type of risk is both unpredictable and impossible to completely avoid. It cannot be mitigated through diversification, only through hedging or by using the correct asset allocation strategy.

**Concentration risk:** Concentration Risk is the potential for a loss in value of an investment portfolio or a financial institution when an individual or group of exposures move together in an unfavourable direction. The implication of concentration risk is that it generates such a significant loss that recovery is unlikely.

**Execution Risk:** The risk that a transaction won't be executed within the range of recent market prices or within the stop order limits that have been set by an investor. Execution risk exists on virtually all financial instruments.

**Market Risk:** Portfolio investment will react to the interest rate movements. The Investor may lose money over short or long period due to fluctuation in portfolio's NAV in response to factors such as economic and political developments, changes in interest rates, inflation and other monetary factors and also movement in prices of underlining investments.

**Interest Rate Risk:** Changes in interest rates will affect the Portfolio's NAV. The prices of securities usually increase as interest rates decline and usually decrease as interest rates rise. The extent of fall or rise in the prices is guided by modified duration, which is a function of the existing coupon, days to maturity and increase or decrease in the level of interest rate. The new level of interest rate is determined by the rate at which the government raises new money and/or the price levels at which the market is already dealing in existing securities. Prices of long-term securities generally fluctuate more in response to interest rate changes than short-term securities. The price risk is low in the case of the floating rate or inflation-linked bonds. The price risk does not exist if the investment is made under a repo agreement. Debt markets, especially in developing markets like India, can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the NAV of the portfolio. *\* to the extent investments are made in debt instruments.*

**Reinvestment Risk:** Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate. *\* to the extent investments are made in debt instruments.*

**Pre-payment Risk:** Certain fixed income securities give an issuer the right to call back its securities before their maturity date, in periods of declining interest rates. The possibility of such prepayment may force the portfolio manager to reinvest the proceeds of such investments in securities offering lower yields, resulting in lower interest income for the portfolio. *\* to the extent investments are made in debt instruments.*

**Credit Risk:** means that the issuer of a security may default on interest payments or even paying back the principal amount on maturity. (i.e. the issuer may be unable to make timely principal and interest payments on the security). Even where no default occurs, the prices of security may go down because the credit rating of an issuer goes down. It must be, however, noted that where the portfolio has invested in Government securities, there is no risk to that extent. *\* to the extent investments are made in debt instruments.*

**Liquidity or Marketability Risk:** this refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market. Trading Volumes, settlement periods and transfer procedures may restrict the liquidity of the investments made by the Scheme. Different segments of the Indian financial markets have different settlement periods and such period may be extended significantly by unforeseen circumstances leading to delays in receipt of proceeds from sale of securities. As liquidity of the investments made by the portfolio could, at times, be restricted by trading volumes and settlement periods, the time taken by the portfolio for redemption of units may be significant in the event of an inordinately large number of redemption requests or restructuring of the Scheme. *\* to the extent investments are made in debt instruments.*

**Approach 5: Majority investments: consisting of Large-cap, small and mid-cap listed equities and equity instruments (Flexi-cap)**

Investment Objective: to generate long-term capital growth from an actively managed portfolio of eligible/ permitted securities, for portfolio majority consisting of Large-cap, Small-cap and Mid-cap stocks (equity and equity related instruments).

**Description of types of securities:** Listed equity and equity related instruments.

**Basis of selection of such types of securities as part of the investment approach:** Value based stock selection strategy

**Allocation of portfolio across types of securities:** The strategy seeks to invest majoritily in Equity and Equity-related instruments of Large-cap, Mid-cap and Small-cap companies (i.e. 51% to 100%). However, the strategy has the flexibility to invest in companies across the entire market capitalization spectrum and debt/ money market instruments, considering the best interest of the client (i.e. 0% to 49%).

**Benchmark:** A Blended Benchmark based on the Portfolio Composition.

Example: if client portfolio is composed 40% of Large-Cap, 40% of Mid-Cap and 20% of Small -Cap securities, a Blended benchmark of Nifty 50 Index (TRI), Nifty Mid-cap Index (TRI) and Nifty Small-cap Index (TRI) based on the portfolio weight will be used as a Benchmark.

This Benchmark has been chosen as a Benchmark for the investment approach as the composition of the aforesaid index is such that it is most suited for comparing performance of the investment approach.

**Indicative tenure or investment horizon:** Medium to Long term

**Risks associated with the investment approach:**

**Equity risk:** is the financial risk involved in holding equity in a particular investment. Equity risk often refers to equity in companies through the purchase of stocks.

**Systematic Risk:** Systematic risk refers to the risk inherent to the entire market or market segment. Systematic risk, also known as “undiversifiable risk,” “volatility” or “market risk,” affects the overall market, not just a particular stock or industry. This type of risk is both unpredictable and impossible to completely avoid. It cannot be mitigated through diversification, only through hedging or by using the correct asset allocation strategy.

**Concentration risk:** Concentration Risk is the potential for a loss in value of an investment portfolio or a financial institution when an individual or group of exposures move together in an unfavourable direction. The implication of concentration risk is that it generates such a significant loss that recovery is unlikely.

**Execution Risk:** The risk that a transaction won't be executed within the range of recent market prices or within the stop order limits that have been set by an investor. Execution risk exists on virtually all financial instruments.

**Market Risk:** Portfolio investment will react to the interest rate movements. The Investor may lose money over short or long period due to fluctuation in portfolio's NAV in response to factors such as economic and political developments, changes in interest rates, inflation and other monetary factors and also movement in prices of underlining investments.

**Interest Rate Risk:** Changes in interest rates will affect the Portfolio's NAV. The prices of securities usually increase as interest rates decline and usually decrease as interest rates rise. The extent of fall or rise in the prices is guided by modified duration, which is a function of the existing coupon, days to maturity and increase or decrease in the level of interest rate. The new level of interest rate is determined by the rate at which the government raises new money and/or the price levels at which the market is already dealing in existing securities. Prices of long-term securities generally fluctuate more in response to interest rate changes than short-term securities. The price risk is low in the case of the floating rate or inflation-linked bonds. The price risk does not exist if the investment is made under a repo agreement. Debt markets, especially in developing markets like India, can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the NAV of the portfolio. *\* to the extent investments are made in debt instruments.*

**Reinvestment Risk:** Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate. *\* to the extent investments are made in debt instruments.*

**Pre-payment Risk:** Certain fixed income securities give an issuer the right to call back its securities before their maturity date, in periods of declining interest rates. The possibility of such prepayment may force the portfolio manager to reinvest the proceeds of such investments in securities offering lower yields, resulting in lower interest income for the portfolio. *\* to the extent investments are made in debt instruments.*

**Credit Risk:** means that the issuer of a security may default on interest payments or even paying back the principal amount on maturity. (i.e. the issuer may be unable to make timely principal and interest payments on the security). Even where no default occurs, the prices of security may go down because the credit rating of an issuer goes down. It must be, however, noted that where the portfolio has invested in Government securities, there is no risk to that extent. *\* to the extent investments are made in debt instruments.*

**Liquidity or Marketability Risk:** this refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market. Trading Volumes, settlement periods and transfer procedures may restrict the liquidity of the investments made by the Scheme. Different segments of the Indian financial markets have different settlement periods and such period may be extended significantly by unforeseen circumstances leading to delays in receipt of proceeds from sale of securities. As liquidity of the investments made by the portfolio could, at times, be restricted by trading volumes and settlement periods, the time taken by the portfolio for redemption of units may be significant in the event of an inordinately large number of redemption requests or restructuring of the Scheme. *\* to the extent investments are made in debt instruments.*

**Approach 6: Majority investments: consisting of liquid mutual funds, short-term debt funds, money market mutual funds, and other debt securities/ funds**

Investment Objective: to generate optimal returns consistent with moderate levels of risk and liquidity by investing majoritily in debt securities, mutual funds and money market securities for portfolio majority consisting of debt and money market securities/ instruments

Description of types of securities: liquid mutual funds, short-term debt funds, money market mutual funds, and other debt securities.

Basis of selection of such types of securities as part of the investment approach: To generate optimal returns consistent with moderate levels of risk and liquidity by investing majoritily in debt securities and money market securities (i.e. 51% to 100%). However, the strategy has the flexibility to invest in equity and equity related instruments, considering the best interest of the client (i.e. 0% to 49%).

Allocation of portfolio across types of securities:

Benchmark: A Blended Benchmark based on the Portfolio Composition.

Example: if client portfolio is composed 70% of debt, liquid, money market mutual fund units and 30% of Large-Cap securities, a Blended benchmark of CRISIL Liquid Fund (TRI) and Nifty 50 Index (TRI) based on the portfolio weight will be used as a Benchmark.

This Benchmark has been chosen as a Benchmark for the investment approach as the composition of the aforesaid index is such that it is most suited for comparing performance of the investment approach.

Indicative tenure or investment horizon: Medium to Long term

Risks associated with the investment approach:

**Equity risk:** is the financial risk involved in holding equity in a particular investment. Equity risk often refers to equity in companies through the purchase of stocks. \*

**Systematic Risk:** Systematic risk refers to the risk inherent to the entire market or market segment. Systematic risk, also known as “undiversifiable risk,” “volatility” or “market risk,” affects the overall market, not just a particular stock or industry. This type of risk is both unpredictable and impossible to completely avoid. It cannot be mitigated through diversification, only through hedging or by using the correct asset allocation strategy.\*

**Concentration risk:** Concentration Risk is the potential for a loss in value of an investment portfolio or a financial institution when an individual or group of exposures move together in an unfavourable direction. The implication of concentration risk is that it generates such a significant loss that recovery is unlikely.\*

**Execution Risk:** The risk that a transaction won't be executed within the range of recent market prices or within the stop order limits that have been set by an investor. Execution risk exists on virtually all financial instruments. \*

**Market Risk:** Portfolio investment will react to the interest rate movements. The Investor may lose money over short or long period due to fluctuation in portfolio's NAV in response to factors such as economic and political developments, changes in interest rates, inflation and other monetary factors and also movement in prices of underlining investments.\*

**\* to the extent investments are made in equity instruments.**

**Interest Rate Risk:** Changes in interest rates will affect the Portfolio's NAV. The prices of securities usually increase as interest rates decline and usually decrease as interest rates rise. The extent of fall or rise in the prices is guided by modified duration, which is a function of the existing coupon, days to maturity and increase or decrease in the level of interest rate. The new level of interest rate is determined by the rate at which the government raises new money and/or the price levels at which the market is already dealing in existing securities. Prices of long-term securities generally fluctuate more in response to interest rate changes than short-term securities. The price risk is low in the case of the floating rate or inflation-linked bonds. The price risk does not exist if the investment is made under a repo agreement. Debt markets, especially in developing markets like India, can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the NAV of the portfolio.

**Reinvestment Risk:** Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.

**Pre-payment Risk:** Certain fixed income securities give an issuer the right to call back its securities before their maturity date, in periods of declining interest rates. The possibility of such prepayment may force the portfolio manager to reinvest the proceeds of such investments in securities offering lower yields, resulting in lower interest income for the portfolio.

**Credit Risk:** means that the issuer of a security may default on interest payments or even paying back the principal amount on maturity. (i.e. the issuer may be unable to make timely principal and interest payments on the security). Even where no default occurs, the prices of security may go down because the credit rating of an issuer goes down. It must be, however, noted that where the portfolio has invested in Government securities, there is no risk to that extent.

**Liquidity or Marketability Risk:** this refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market. Trading Volumes, settlement periods and transfer procedures may restrict the liquidity of the investments made by the Scheme. Different segments of the Indian financial markets have different settlement periods and such period may be extended significantly by unforeseen circumstances leading to delays in receipt of proceeds from sale of securities. As liquidity of the investments made by the portfolio could, at times, be restricted by trading volumes and settlement periods, the time taken by the portfolio for redemption of units may be significant in the event of an inordinately large number of redemption requests or restructuring of the Scheme.

### **Approach 7: Bespoke investment approach**

The portfolio and composition of securities forming part of the portfolio under this approach will be tailor made to suit client risk profile, investment horizon and other suitability considerations and best interest of the client at any given time.

**Investment Objective:** to generate long-term capital growth, optimal returns consistent with moderate levels of risk and liquidity from an actively managed portfolio of eligible/ permitted securities. Portfolio shall consist of equity and equity related instruments and debt instruments, including mutual fund units.

**Description of types of securities:** Listed equity, equity related instruments and debt instruments, including mutual fund units.

**Basis of selection of such types of securities as part of the investment approach:** Value based security selection strategy

**Allocation of portfolio across types of securities:** The strategy seeks to invest across the entire market capitalization spectrum, including equity, equity related instruments, debt/ money market instruments, mutual fund units, all other permissible securities, considering the best interest of the client (0 to 100%).

**Benchmark:**

- (a) While the portfolio consists more than 80% of equity and equity related instruments: Nifty 500 (TRI) will be used as the Benchmark.
- (b) While the portfolio consists more than 80% of debt instruments: CRISIL Liquid Fund TRI will be used as the Benchmark.
- (c) In a situation other than above (a) or (b): Blended benchmark of Nifty 500 (TRI) and CRISIL Liquid Fund TRI will be used as the Benchmark.

Benchmark: A Blended Benchmark based on the Portfolio Composition.

This Benchmark has been chosen as a Benchmark for the investment approach as the composition of the aforesaid index is such that it is most suited for comparing performance of the investment approach.

**Indicative tenure or investment horizon:** Medium to Long term

**Risks associated with the investment approach:**

**Equity risk:** is the financial risk involved in holding equity in a particular investment. Equity risk often refers to equity in companies through the purchase of stocks.\*

**Systematic Risk:** Systematic risk refers to the risk inherent to the entire market or market segment. Systematic risk, also known as “undiversifiable risk,” “volatility” or “market risk,” affects the overall market, not just a particular stock or industry. This type of risk is both unpredictable and impossible to completely avoid. It cannot be mitigated through diversification, only through hedging or by using the correct asset allocation strategy.\*

**Concentration risk:** Concentration Risk is the potential for a loss in value of an investment portfolio or a financial institution when an individual or group of exposures move together in an unfavourable direction. The implication of concentration risk is that it generates such a significant loss that recovery is unlikely.\*

**Execution Risk:** The risk that a transaction won't be executed within the range of recent market prices or within the stop order limits that have been set by an investor. Execution risk exists on virtually all financial instruments. \*

**Market Risk:** Portfolio investment will react to the interest rate movements. The Investor may lose money over short or long period due to fluctuation in portfolio's NAV in response to factors such as economic and political developments, changes in interest rates, inflation and other monetary factors and also movement in prices of underlining investments.\*

**\* to the extent investments are made in equity instruments.**

**Interest Rate Risk:** Changes in interest rates will affect the Portfolio's NAV. The prices of securities usually increase as interest rates decline and usually decrease as interest rates rise. The extent of fall or rise in the prices is guided by modified duration, which is a function of the existing coupon, days to maturity and increase or decrease in the level of interest rate. The new level of interest rate is determined by the rate at which the government raises new money and/or the price levels at which the market is already dealing in existing securities. Prices of long-term securities generally fluctuate more in response to interest rate changes than short-term securities. The price risk is low in the case of the floating rate or inflation-linked bonds. The price risk does not exist if the investment is made under a repo agreement. Debt markets, especially in developing markets like India, can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the NAV of the portfolio. #

**Reinvestment Risk:** Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate. #

**Pre-payment Risk:** Certain fixed income securities give an issuer the right to call back its securities before their maturity date, in periods of declining interest rates. The possibility of such prepayment may force the portfolio manager to reinvest the proceeds of such investments in securities offering lower yields, resulting in lower interest income for the portfolio. #

**Credit Risk:** means that the issuer of a security may default on interest payments or even paying back the principal amount on maturity. (i.e. the issuer may be unable to make timely principal and interest payments on the security). Even where no default occurs, the prices of security may go down because the credit rating of an issuer goes down. It must be, however, noted that where the portfolio has invested in Government securities, there is no risk to that extent. #

**Liquidity or Marketability Risk:** this refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market. Trading Volumes, settlement periods and transfer procedures may restrict the liquidity of the investments made by the Scheme. Different segments of the Indian financial markets have different settlement periods and such period may be extended significantly by unforeseen circumstances leading to delays in receipt of proceeds from sale of securities. As liquidity of the investments made by the portfolio could, at

times, be restricted by trading volumes and settlement periods, the time taken by the portfolio for redemption of units may be significant in the event of an inordinately large number of redemption requests or restructuring of the Scheme. #

**# to the extent investments are made in debt instruments.**

**(i) Past Performance**

Client should note that past performance of the portfolio manager does not indicate its future performance. The Portfolio Manager has no previous experience/track record in the field of portfolio management services and has obtained a certificate of registration to function as a portfolio manager in April 2019.

**Investment in associate(s)/ group company(ies)/ entity(ies):** as a policy the “portfolio manager” will not invest in any associate(s)/ group company(ies)/ entity(ies).

**(ii) Minimum Portfolio Size:**

Regulation 23(2) of the SEBI (Portfolio Managers) Regulations, 2020 prohibits the Portfolio Manager from accepting from a client, funds or securities worth less than Rs. 50,00,000 (Rupees Fifty Lacs).

Oaklane Capital Management LLP currently provides portfolio management services to eligible investors at a minimum account size of Rs. 50,00,000/- (Rs. Fifty Lakhs).

The Client can either give a Cheque of a requisite amount or the securities having a minimum market value of a requisite amount, on the day, the Portfolio Management Agreement is signed. Alternatively, the assigned portfolio can be a mix of cash and securities having a minimum total value of a requisite amount.

**(iii) Direct on-boarding of clients**

As on the date of this disclosure document, portfolio manager has not engaged services of any distributor(s). In future if portfolio manager engages services of any distributor(s), disclosure document will be updated suitably. The Portfolio Manager shall also ensure that any person or entity involved in the distribution of its services is carrying out the distribution activities in compliance with these regulations and circulars issued thereunder from time to time.

The Portfolio Manager provides an option to the clients to be on-boarded directly, without intermediation of persons engaged in distribution services. At the time of on boarding of clients directly, no charges except statutory charges shall be levied.”

## 6. General Risk factors

The following are the risks envisaged by the Portfolio Manager and the Investors should consider same as described in this Disclosure Document. The Risk disclosures mentioned are only the estimates and could be materially different from what actually occurs in the future.

### I. Standard risk factors:

- (a) securities investments are subject to market risks and there is no assurance or guarantee that the objective of the investments will be achieved;
- (b) past performance of the portfolio manager does not indicate its future performance;
- (c) investment in Portfolio Management Services involve investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal;
- (d) as the price / value / interest rates of the securities in which the investments are made, fluctuates, the value of Client's investment may go up or down depending on the various factors and forces affecting the capital markets and money markets;
- (e) the Portfolio Management Services do not guarantee or assure any returns;
- (f) The investments made by the Portfolio Manager are subject to risks arising from the investment objective, investment strategy, investment approach and asset allocation;
- (g) Equity and equity related instruments are by nature volatile and prone to price fluctuations. The investor may lose money over short or long period in response to factors such as economic and political developments, changes in interest rates, market movements and over longer period during market downturn;
- (h) the Portfolio Manager has no previous experience/track record in the field of portfolio management services and has obtained a license to function as a portfolio manager in April 2019;
- (i) The Portfolio Manager has received registration as a Portfolio Manager, under the SEBI (Portfolio Managers) Regulations, 2019 in April 2019 and has not yet commenced with the PMS business. Therefore, there are no transactions of purchase and sale of securities by portfolio manager and its employees who are directly involved in investment operations having conflict of interest with the transactions in any of the client's portfolio.
- (j) There are no transactions giving rise to conflict of interest related to services offered by group companies or associates of the portfolio manager.

### Risks factors associated with investing in equities and equity related instruments

- (a) Equity shares and equity related instruments are volatile and prone to price fluctuations on a daily basis. Investments in equity shares and equity related instruments involve a degree of risk and the Clients/Investors should not invest unless they can afford to take the risks;
- (b) Securities, which are not quoted on the stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risk, in comparison to securities that are listed on the exchanges. Investment in such securities may lead to increase in the portfolio risk;
- (c) While securities that are listed on the stock exchange carry lower liquidity risk, the ability to sell these investments is limited by the overall trading volume on the stock exchanges and may lead to the Portfolio incurring losses till the security is finally sold.
- (d) The liquidity of investments made by portfolio manager may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the portfolio manager to make purchases due to settlement problems could cause the portfolio manager to miss certain investment opportunities.

Similarly, the inability to sell securities held in the portfolio may result, at times, in potential losses to the portfolio, should there be a subsequent decline in the value of securities held in the portfolio.

- (e) Mid Cap and Small Cap Companies are generally less liquid in terms of trading volumes on stock exchanges. Risk to the portfolio may increase in proportion to the investment made in Mid Cap and Small Cap Companies. Non-diversification of portfolio will lead to increased chances of loss to portfolio.

### **Risks factors associated with investing in fixed income securities**

- (a) The Net Asset Value (NAV) of the portfolio, to the extent invested in Debt and Money Market instruments and other fixed income securities will be affected by changes in the general level of interest rates. The NAV of the portfolio is expected to increase from a fall in interest rates while it would be adversely affected by an increase in the level of interest rates;
- (b) Money market instruments, while fairly liquid, lack a well-developed secondary market, which may restrict the selling ability of the portfolio and may lead to the portfolio incurring losses till the security is finally sold;
- (c) Investments in money market instruments involve credit risk commensurate with short term rating of the issuers;
- (d) Investment in Debt instruments are subject to varying degree of credit risk or default (i.e. the risk of an issuer's inability to meet interest or principal payments on its obligations) or any other issues, which may have their credit ratings downgraded. Changes in financial conditions of an issuer, changes in economic and political conditions in general, or changes in economic or and political conditions specific to an issuer, all of which are factors that may have an adverse impact on an issuer's credit quality and security values. This may increase the risk of the portfolio;
- (e) Government securities where a fixed return is offered run price-risk like any other fixed income security. Generally, when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates. The new level of interest rate is determined by the rates at which government raises new money and/or the price levels at which the market is already dealing in existing securities. The price-risk is not unique to Government Securities. It exists for all fixed income securities. However, Government Securities are unique in the sense that their credit risk generally remains zero. Therefore, their prices are influenced only by movement in interest rates in the financial system;
- (f) Different types of fixed income securities carry different levels and types of risk. Accordingly, the risk to the portfolio investment may increase or decrease depending upon its investment pattern. e.g. corporate bonds carry a higher level of risk than Government securities. Further even among corporate bonds, AAA rated bonds are comparatively less risky than AA rated bonds;
- (g) As zero-coupon securities do not provide periodic interest payments to the holder of the security, these securities are more sensitive to changes in interest rates and are subject to issuer default risk. Therefore, the interest rate risk of zero-coupon securities is higher. The portfolio manager may choose to invest in zero coupon securities that offer attractive yields. This may increase the risk of the portfolio. Zero coupon or deep discount bonds are debt obligations that do not entitle the holder to any periodic payment of interest prior to maturity or a specified date when the securities begin paying current interest and therefore, are generally issued and traded at a discount to their face values. The discount depends on the time remaining until maturity or the date when securities begin paying current interest. It also varies depending on the prevailing interest rates, liquidity of the security and the perceived credit risk of the Issuer.

The market prices of zero-coupon securities are generally more volatile than the market prices of securities that pay interest periodically;

- (h) Settlement risk: Different segments of Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. Delays or other problems in settlement of transactions could result in temporary periods when the portfolio assets are uninvested, and no return is earned thereon. The inability of the portfolio manager to make intended securities purchases, due to settlement problems, could cause the portfolio manager to miss certain investment opportunities. Similarly, the inability to sell securities held in the portfolio, due to the absence of a well-developed and liquid secondary market for debt securities, may result at times in potential losses to the client's portfolio in the event of a subsequent decline in the value of securities held in the client's portfolio;
- (i) In the event of large redemption requests, leading to an asset-liability mismatch and therefore, requiring the portfolio manager to make a distress sale of the securities leading to realignment of the portfolio and consequently resulting in investment in lower yield instruments.

### **Risk factors associated with investing in derivatives**

- (a) The Portfolio Manager, on behalf of the client may use various derivative products, from time to time, in an attempt to protect the value of the portfolio and enhance Client's return. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but of the derivative itself. Other risks include, the risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices;
- (b) derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the portfolio manager to identify such opportunities. Identification and execution of the strategies to be pursued by the portfolio manager involve uncertainty and decision of portfolio manager may not always be profitable. No assurance can be given that the portfolio manager will be able to identify or execute such strategies;
- (c) the risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments;
- (d) credit risk: the credit risk in derivative transaction is the risk that the counter party will default on its obligations and is generally low, as there is no exchange of principal amounts in a derivative transaction;
- (e) market risk: market movements may adversely affect the pricing and settlement of derivatives;
- (f) illiquidity risk: this is the risk that a derivative cannot be sold or purchased quickly enough at a fair price, due to lack of liquidity in the market;
- (g) additional risk viz. basis risk associated with imperfect hedging using Interest Rate Futures (IRF): The imperfect correlation between the prices of securities in the portfolio and the IRF contract used to hedge part of the portfolio leads to basis risk. Thus, the loss on the portfolio may not exactly match the gain from the hedge position entered using the IRF.

### **Risk factors associated with the securities lending**

- (a) As with other modes of extensions of credit, there are risks inherent to securities lending, including the risk of failure of the other party, in this case the approved intermediary, to comply with the terms of the agreement entered into between the lender of securities i.e. the Portfolio Manager and the approved intermediary. Such failure can result in the possible loss

of rights to the collateral put up by the borrower of the securities, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of any corporate benefits accruing to the lender from the securities deposited with the approved intermediary. Further, the Portfolio Manager shall not lend the securities otherwise than the Securities Lending and Borrowing mechanism made available by the stock exchanges, in terms of the applicable SEBI guidelines and approval of the Client;

### **Risks factors associated with investing in securitised debt**

- (a) **Limited Liquidity & Price Risk:** There is no assurance that a deep secondary market will develop for the Certificates. This could limit the ability of the portfolio manager to resell them;
- (b) **Limited Recourse, Delinquency and Credit Risk:** The Credit Enhancement stipulated represents a limited loss cover to the Investors. These Certificates represent an undivided beneficial interest in the underlying receivables and do not represent an obligation of either the Issuer or the Seller or the originator, or the parent or any affiliate of the Seller, Issuer and Originator. No financial recourse is available to the Certificate Holders against the Investors' Representative. Delinquencies and credit losses may cause depletion of the amount available under the Credit Enhancement and thereby the Investor Payouts to the Certificate Holders may get affected if the amount available in the Credit Enhancement facility is not enough to cover the shortfall. On persistent default of the Obligor to repay his obligation, the Servicer may repossess and sell the Asset. However, many factors may affect, delay or prevent the repossession of such Asset or the length of time required to realise the sale proceeds on such sales. In addition, the price at which such Asset may be sold may be lower than the amount due from that Obligor.
- (c) **Risk of Co-mingling:** With respect to the Certificates, the Servicer will deposit all payments received from the Obligors into the Collection Account. However, there could be a time gap between collection by a Servicer and depositing the same into the Collection account especially considering that some of the collections may be in the form of cash. In this interim period, collections from the Loan Agreements may not be segregated from other funds of originator. If originator in its capacity as Servicer fails to remit such funds due to Investors, the Investors may be exposed to a potential loss.

### **Management and Operational risks**

**Reliance on the Portfolio Manager:** the success of the PMS (Portfolio Management Services) will depend to a large extent upon the ability of the Portfolio Manager to source, select, complete and realize appropriate investments and also reviewing the appropriate investment proposals.

### **Other general risks in relation to investment in Securities:**

- (a) The in-specie distribution of the Securities by the Portfolio Manager upon termination or liquidation of the Client Portfolio could consist of such Securities for which there may not be a readily available public market. Further, in certain cases the Portfolio Manager may not be able transfer any of the interests, rights or obligations with respect to certain Securities which are subject to lock-in period which can be statutory in nature or otherwise. If an in-specie distribution is received by the Clients from the Portfolio Manager, the Clients may have restrictions on disposal of assets so distributed and consequently may not be able to realize full value of these assets;

- (b) Some of the Companies/ entities in which the Portfolio Manager will invest may get their Securities listed with the stock exchange after the investment by the Portfolio Manager. In connection with such listing, the Portfolio Manager may be required to agree not to dispose of its investment in the such security for such period as may be prescribed under the Applicable Law, or there may be certain investments made by the Portfolio Manager which are subject to a statutory period of non-disposal and hence Portfolio Manager may not be able to dispose of such investments prior to completion of such prescribed regulatory tenures and hence may result in illiquidity;
- (c) Portfolio investment made by the Portfolio Manager is subject to risks associated with non-diversification of the portfolio, application of certain investment strategy and asset allocation which may not generate desired results;
- (d) The Portfolio Manager may also invest in companies/ entities which are new or recently established or are investment vehicles like mutual funds/trusts/venture capital funds. Such investments may present greater opportunities for growth but also carry a greater risk than is usually associated with investments in listed securities or in the securities of established companies, which often have a historical record of performance;
- (e) An investment with the Portfolio Manager is not intended as a complete investment program. If the Portfolio Manager's strategies are not successful or it is unable to implement its strategies effectively, its clients could lose some or all of their capital.

#### **Portfolio-related Risks**

- (a) Identification of Appropriate Investments: the success of the PMS as a whole depends on the identification and availability of suitable investment opportunities. The availability of investment opportunities will be subject to market conditions, prevailing regulatory conditions in India where the Portfolio Manager will invest, and other factors outside the control of the Portfolio Manager. Therefore, there can be no assurance that appropriate investments will be available to, or identified or selected by, the Portfolio Manager;
- (b) Change in Regulation: any change in the regulations and/or other applicable laws or any new direction of SEBI or other regulatory authority may adversely impact the operation of the PMS;
- (c) Political, economic and social risks: political instability or changes in the Government could adversely affect economic conditions in India generally and the Portfolio Manager's business in particular. The companies in which portfolio investment is made may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India;
- (d) Inflation Risk: inflation and rapid fluctuations in inflation rates have had, and may have, negative effects on the economy and securities market of the India. International crude oil prices and interest rates will have an important influence on whether economic growth targets in India will be met. Any sharp increase in interest rates and commodity prices, such as crude oil prices, could reactivate inflationary pressures on the Indian economy and negatively affect the medium-term economic outlook of India;
- (e) Tax risks: changes in state and central taxes and other levies in India may have an adverse effect on the cost of operating. The Government of India, State Governments and other local authorities in India impose various taxes, duties and other levies that could affect the performance of the "companies" in which investment is/are made by the Portfolio Manager. Increase in these taxes, duties or levies, or the imposition of new taxes, duties or levies in the future may have a material adverse effect on the profitability of the Client's Portfolio. Furthermore, the tax laws in relation to the Client Portfolio are subject to change, and tax

liabilities could be incurred by Clients as a result of such changes.

**7) Client Representation:**

(i) The Portfolio Manager has no previous experience/track record in the field of portfolio management services and has obtained a certificate of registration to function as a portfolio manager in April 2019 and has not yet commenced its operations, therefore has no record of representing any persons/entities in the capacity of a portfolio manager.

**8) Names of related parties and its relationships with the portfolio manager**

**Associate companies/ entities**

(I) Axis Finvest Advisory LLP

Axis Finvest Advisory LLP is an investment manager to SEBI registered Venture Capital Fund, Axis Venture Capital Trust. Axis Venture Capital Trust is not taking new investments since 2010. Axis Venture Capital Trust has monetised last 1 Investment in Private Equity and now initiated the process of winding up the Fund.

(II) needl.ai LLP

needl.ai LLP (*formerly known as idatagenie LLP*) is registered under the Limited Liability Act, 2008 with registration number as AAP-9851 and is engaged in the business of IT and ITeS.

**9) Details in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India.**

Following are the details of related party transactions for the financial year ended on March 31, 2020, in terms of audited annual accounts.

Name of Related Party	Relationship	Nature of Transaction	Amount (INR)
Kuntal Shah	Partner	Rent	7,20,000
Hasmukhlal Shah	Partner	Rent	10,80,000

The Portfolio Manager has obtained a certificate of registration to function as a portfolio manager in April 2019.

**10) The Financial Performance of Portfolio Manager**

*(Amount in INR)*

Financial Year	Income	Expenditure	Profit Before Tax	Profit/(Loss) After Tax
Ended on March 31, 2020	9,97,442	1,73,69,368	(1,63,71,926)	(1,63,71,926)
Ended on March 31, 2019	1,33,73,141	1,02,55,013	31,18,128	31,18,128
Ended on March 31, 2018	42,03,446	5,77,111	36,26,334	36,26,334

### **11) Portfolio Management performance of the portfolio manager for the last three years**

The Portfolio Manager has received registration as a Portfolio Manager, under the SEBI (Portfolio Managers) Regulations, 1993 in April 2019. The Portfolio Manager has not yet commenced its operations. The Portfolio Manager has no previous experience/track record in the field of portfolio management services.

As and when reportable data is available on portfolio management performance of the portfolio manager, the same shall be provided for the last three years, and in case of discretionary portfolio manager disclosure of performance indicators shall be calculated using 'Time Weighted Rate of Return' method in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020 and in terms of provisions of SEBI Circular no. SEBI/HO/IMD/DF1/CIR/P/2020/26 dated February 13, 2020.

### **12) Audit observations**

Portfolio Manager has received SEBI registration in April 2019. Portfolio Manager has not yet commenced its operations. Accordingly, there are no audit observations in relation to portfolio management activities in terms of SEBI (PMS) Regulations, 2020.

### **13) Nature of expenses**

The following are the general broad types of costs and expenses chargeable to the Clients availing the services of the Portfolio Manager. However, the exact nature of expenses relating to each of the following services are provided in detail in the Portfolio Management Services Agreement in respect of each of the services provided. The expenses incurred shall be directly debited on actual expense incurred basis to the Client's Portfolio as and when the same becomes due for payment.

- I. Investment management and advisory fees;

The management fee relates to the portfolio management services offered to the Clients. Fees charged to client may be a fixed fee or a return-based fee or a combination of both in terms of SEBI (PMS) Regulations. The fees shall be charged as agreed between the Client and the Portfolio Manager.

#### **The fee to be charges to the Client may be a combination of the following;**

- a. certain percentage of Asset Under Management/ advise ("*AUM*");
- b. performance-based fee;
- c. fixed flat fee for Asset Under Management /advisory/ consultancy services provided in terms of SEBI (PMS) Regulations 2020;
- d. a combination of above.

However, in case of additional investments and / or partial withdrawals during the financial year, the fees shall be calculated on pro rata basis considering the number of days for which such investments are managed. The Portfolio Manager shall raise invoice for Fees, either as certain percentage of AUM or fixed fee for consultancy services on quarterly basis and for Performance based fees on Yearly basis. Early withdrawals from the Portfolio may attract an early termination/ exit fee in terms of applicable provisions of SEBI (PMS) Regulations and as stated herein below on the amount withdrawn.

Fee schedule for portfolio management services:

<b>Nature of Fees</b>	<b>Option A Fixed Fee as % of AUM</b>	<b>Option B Fixed fee (non- AUM based)</b>	<b>Option C Performance Fee</b>	<b>Option D: Combination of Option A, B, C</b>
Portfolio Management Service- <b>Advisory</b>	Fixed fee up to 5% based on as agreed in the PMS agreement of Asset Under Management based on the daily average NAV for the period under consideration.	Fixed fee as agreed between the Client and the Portfolio Manager and which is in compliance with SEBI (PMS) Regulations, 2020 and guidelines issued thereunder.	Performance fee upto 20% after crossing Hurdle Rate of 5% as on 31 <sup>st</sup> March. Computed as per applicable regulations and guidelines.	Combination of Option A, Option B, Option C as mutually agreed and documented by the Client and Portfolio Manager, from time to time.
Portfolio Management Service- <b>Discretionary</b>				
Portfolio Management Service- <b>Non-Discretionary</b>			=	
Frequency of charging fees	Fixed fee (as a % of AUM) will be charged on accrual basis for each quarter	Fixed flat fee will be charged either on monthly/ quarterly/ yearly basis as mutually agreed.	Performance fee will be charged on accrual basis for the financial year ended on 31 <sup>st</sup> March. Fees will be charged on annual basis.	Based on the Combination selected by the Client.
<b><u>Fees will be charged only after rendering the services in terms of PMS agreement.</u></b>				
<b><u>Note: fees to be charged to the PMS Client can be in terms of option (A),(B), (C) or (D) as provided herein above or as provided in the PMS agreement and subject to the provisions of SEBI (PMS) Regulations, 2020 and guidelines issued thereunder and agreed and consented by the Client from time to time.</u></b>				

**Goods and Services tax and statutory levies would be levied separately as per the prevailing rates from time to time.**

II. Early Termination fee/ Exit fee (*applicable for discretionary portfolio management services*):

In the event of termination of the Agreement before completion of specified period, as provided in the

Nature of Expenses, from the Portfolio Commencement Date, then notwithstanding anything to the contrary, the Portfolio Manager shall be entitled to charge Performance Fee in accordance with provisions of the Disclosure Document, SEBI (PMS) Regulations, 2020 and guidelines issued thereunder and Portfolio Management Services Agreement. Portfolio Manager has the discretion to charge the early termination/ exit fee as follows;

Termination of PMS agreement before 365 days from the execution date	2% of NAV of portfolio withdrawn
Termination of PMS agreement after 365 days but on or before 730 from the execution date	1% of NAV of portfolio withdrawn
Termination of PMS agreement after 730 days but on or before 1095 from the execution date	0.5% of NAV of portfolio withdrawn
Termination of PMS agreement after 1095 days	Nil

- III. The Portfolio Manager shall receive mutually agreed Portfolio Management Fees for its services, and reimbursement of all cost and expenses
- IV. All the charges relating to custody and transfer of shares, bonds and units, and/or disbursement made in respect of the investments (and/or disbursement) made under this Agreement and/or any other charges in respect of the investment, Depository/Custodian fee, Registrars and Transfer Agents' fees, Brokerage, Transaction Costs and other Services, brokerage and other charges like stamp duty, transaction cost and statutory levies such as service tax, securities transaction tax, turnover fees and such other levies as may be imposed from time to time in relation to portfolio shall be charged at actual to the Client subject the ceiling(s) provided in the SEBI (PMS) Regulations, 2020.
- V. Depository/Custodian fee: will be charged at actuals subject to regulatory provisions.
- VI. Registrars and Transfer Agents' and related fees: will be charged at actuals subject to regulatory provisions.
- VII. Audit Fees, Certification and professional charges: Charges payable for out sourced professional services like accounting, auditing, taxation and legal services etc. for documentation, notarizations, certifications, attestations required by bankers or regulatory authorities including legal fees etc. would be recovered.
- VIII. Any other incidental or ancillary expenses: All other costs, expenses, charges, levies, duties, administrative, statutory, revenue levies and other incidental costs, fees, expenses not specifically covered above, shall be charged at actual to the Client subject the ceiling(s) provided in the SEBI (PMS) Regulations, 2020 shall be charged at actuals subject to regulatory provisions and guidelines issued thereunder from time to time.

- IX. Custody Fee: Custody fee will be charged on the portfolio value. In addition such other charges as are related to operations of custody account(s) in terms of PMS agreement will be charged at actuals subject to regulatory provisions.
- X. Fund Accounting: Fund Accounting fee will be charged on the portfolio value. In addition such other charges as are related to operations of custody account(s) in terms of PMS agreement will be charged at actuals subject to regulatory provisions.
- XI. Operating expenses excluding brokerage, over and above the fees charged for Portfolio Management Service, shall not exceed 0.50% per annum of the client's average daily Assets under Management (AUM)
- XII. Direct On-boarding Charges; The Portfolio Manager provides an option to the clients to be on-boarded directly, without intermediation of persons engaged in distribution services. At the time of on-boarding of clients directly, no charges except statutory charges shall be levied by the Portfolio Manager.
- XIII. No advance fees will be charged for any services rendered under the terms of PMS agreement.
- XIV. All the expenses charged to the client shall at all the time be in terms and within the limits as prescribed in SEBI (PMS) Regulations, 2020 and SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2020/26 dated February 13, 2020.
- XV. All applicable taxes (including Goods and Service Tax) and levies, if any (together with surcharge and additional surcharge, as may be applicable) leviable on such fixed and Performance Fee, shall be charged to the Client Portfolio.
- XVI. In terms of SEBI regulations and/ or guidelines, Portfolio Manager shall never charge up-front fees to the clients, either directly or indirectly.

**The above is only a general idea of Portfolio Manager's standard fee arrangements and other fees and cost to be paid by the Client in terms of the Portfolio Management Service Agreement and in some cases, Portfolio Manager may negotiate the fees with the individual clients. In particular, Portfolio Manager may agree to charge individual client(s), management fees, and advisory fee according to a rate schedule that is different from the schedule set forth above. To the extent that fees are negotiated, as indicated above, some clients may pay more, or less, than the other clients for the same management and/ or advisory services. The Client has the discretion to select different options/ combination of fees to be charged for the services rendered under Portfolio Management Agreement. Actual Fees to be charged shall be provided and documented in the PMS Agreement to be signed between the Portfolio Manager and the Client. The Portfolio Manager shall ensure that fees charged to the Client shall at all the times is in compliance with the provisions of SEBI (PMS) Regulations, 2020 and guidelines issued thereunder.**

## 14. TAXATION

### TAX IMPLICATIONS FOR CLIENTS.

The information set out below outlines the tax implications based on relevant provisions of the Indian Income-tax Act, 1961 (**“the Act”**) as amended by the Finance Act, 2020 and Chapter VII of the Finance (No. 2) Act, 2004 (**“Securities Transactions Tax Act”/“STT”**).

#### 14.1 General

Investment in securities is subject to the provisions of the Income Tax Act. Special reference needs to be made in respect of provisions related to capital gains, business income and all other provisions of the Act. Interest and dividend would be subject to tax as per the provisions of the Act. Client owns the liability for his Taxation.

The General Information stated below is based on the general understanding of direct tax laws in force in India as of the date of the Disclosure Document and is provided only for general information to the Client only vis-à-vis the investments made through the Portfolio Management Services. This information gives the income tax implications in respect of the securities are/will be held for the purpose of investments. In case the securities are held as stock-in-trade, the income tax treatment will substantially vary and the issue whether the investments are held as capital asset or stock-in-trade needs to be examined on a case to case basis. There is no guarantee that the tax position prevailing as on the date of the Disclosure Document/the date of making investment in the Portfolio Management Services shall endure indefinitely or accepted by the tax authorities. Further, the statements with regard to benefits mentioned below are expressions of views and not representations of the Portfolio Manager to induce any client, prospective or existing, to invest in the Portfolio Management Services. Tax implications of any judicial pronouncements/Double Tax Avoidance Treaties, etc. are not explained herein. The Client should not treat the contents of this section of the Disclosure Document as advice relating to legal, taxation, investment or any other matter. In view of the individual nature of tax consequence on the income, capital gains or otherwise, arising from investments, each Client is advised to consult his / her / its tax advisor with respect to the specific tax consequences to him / her / it of participation in the portfolio management services. The Portfolio Manager shall not be responsible for assisting in or completing the fulfillment of the client's tax obligations.

In case of foreign investors, the taxation of income will be governed by the provisions of the Income Tax Act read with the provisions of the applicable tax treaty i.e. Double Tax Avoidance Agreement (**“DTAA”**), if any. As per Section 90(2) of the Act, the provisions of the Act would apply to the extent they are more beneficial than the provisions of the DTAA.

All the Tax Rates contained in this clause are applicable for the financial year 2020-21 , in accordance with Finance Act, 2020.

## **14.2 Resident and Non- Resident Taxation**

### **14.2.1 Resident Taxation**

A resident investor will be subject to income tax on his / her global income. In the case of a resident but not ordinarily resident, any income which accrues/ arises outside India will not be subject to tax in India, unless it is derived from a business/ profession controlled from India.

A Hindu undivided family (HUF), firm or other association of persons is said to be resident in India in any previous year unless where the control and management of its affairs is situated wholly outside India during the year under consideration.

A Company is said to be a resident in India in the previous year if (i) it is an Indian Company; or (ii) its place of effective management is situated in India.

Every other person is said to be resident in India during the year under consideration except where the control and management of affairs is situated wholly outside India. The Finance Act 2020 has amended the minimum period of stay to qualify as a Resident of India from 182 to 120 days during the relevant financial year, in case of an individual who is a citizen of India or a person of Indian origin (PIO), who comes on a visit to India from financial year 2020-21 onwards and having total income (other than income from foreign sources) exceeding INR 15 lakh. Such a person would be treated as 'Resident but Not Ordinarily Resident' (RNOR) if his aggregate stay during the relevant financial year is less than 182 days. Further, Indian citizen who is not subject to tax in any other country by reason of his domicile, residence or any other criterion of similar nature would be deemed to be a resident of India only if such person has total income (other than income from foreign sources) exceeding INR 15 lakh and consequentially, subject to tax on his global income in India. Such a person, who is deemed to be a resident of India under this provision, would be treated as RNOR. It is clarified that the term 'income from foreign sources' would mean income which accrues or arises outside India, except income derived from a business controlled in or a profession set up in India. It is further clarified that this provision is not intended to tax those Indian citizens who are bonafide workers in other countries.

In addition to the above two categories of individual/HUF, who becomes deemed resident of India, other Individual/HUF shall be said to be RNOR in India in a financial year, if the individual or manager of the HUF is non-resident in India in 9 out of 10 financial years or his stay in India is less than 730 days during the preceding 7 financial years .

## 14.2.2 Non-resident Taxation

A non-resident investor would be subject to taxation in India if he derives (a) Indian-sourced income; or (b) if any income is received / deemed to be received in India; or (c) if any income has accrued / deemed to have accrued to him in India in terms of the provisions of the Act.

Section 6 of the Act was amended by the Finance Act, 2015 to provide that a foreign company should be treated as a tax resident in India if its place of effective management ('POEM') is in India in that year. The Finance Act, 2016 provided that the said amended provisions are effective from 1 April 2017. POEM has been defined to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.

The CBDT had vide its Circular dated 24 January 2017, issued guiding principles for determination of POEM of a Company ('POEM Guidelines'). The POEM Guidelines lays down emphasis on POEM concept being 'substance over form' and further provides that place where the management decisions are taken would be more important than the place where the decisions are implemented for determining POEM. The CBDT had vide circular dated 23 February 2017, clarified that provisions of Sec 6(3)(ii) relating to POEM would not apply to companies having turnover or gross receipts less than or equal to INR 50 crore during the Financial Year.

## 14.3 Multilateral Convention to implement Tax Treaty related measures to prevent Base Erosion and Profit Shifting

The Organisation of Economic Co-operation and Development ('OECD') released the Multilateral Convention to implement DTAA related measures to prevent Base Erosion and Profit Shifting ("MLI"). The MLI, amongst others, includes a "principal purpose test"; wherein DTAA benefits can be denied if one of the principal purpose of an arrangement or a transaction was to, directly or indirectly, obtain tax benefit. India has been an active participant in the entire discussion and its involvement in the BEPS project has been intensive. In a ceremony held in Paris on 7 June 2017, various countries including India, signed the MLIs. The Union Cabinet of India issued a press release dated 12 June 2019 approving the ratification of the MLI to implement tax treaty related measures to prevent BEPS. The application of MLI to a DTAA is dependent on ratification as well as positions adopted by both the countries signing a DTAA. India had ratified and deposited the MLI on 25 June 2019, as a result of which the MLI has come into force for India on 1 October 2019. Article 6 of the MLI provides for modification of the Covered Tax Agreements (i.e. DTAA covered by MLI) to include the intention of eliminating double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance including treaty shopping arrangements. Consequently, the Finance Act, 2020 has made amendment in Section 90 to that effect that DTAA should not create opportunities for non-taxation or reduced taxation

including through treaty shopping in order to align the purpose of DTAA's with the MLI with effect from 1 April 2020.

#### 14.4 Tax deduction at source

In the case of Non-residents, any income received or accrues or arises; or deemed to be received or accrue or arise to him in India is subject to the provisions of tax deduction at source under the Act. The authorized dealer is obliged and responsible to make sure that all such relevant compliances are made while making any payment or remittances from India to such non-residents. Also, if any tax is required to be withheld on account of any future legislation, the Portfolio Manager shall be obliged to act in accordance with the regulatory requirements in this regard.

Non-residents without PAN or tax residency certificate of the country of his residence are currently subjected to a higher rate of TDS.

#### 14.5 Advance tax installment obligations

It shall be the Client's responsibility to meet the obligation on account of advance tax installments payable on the due dates under the Act. The provisions related to payment of advance tax shall not apply to an individual resident in India, who does not have any income chargeable under the head "Profit and gains of business or profession"; and is of the age of sixty years or more at any time during the relevant financial year.

#### 14.6 Securities Transaction Tax

Securities Transaction Tax ("STT") is applicable on transactions of purchase or sale of equity shares in a company or Exchange Traded fund ("ETF") or a derivative or units of Equity Oriented Fund or units of Business Trust entered into on a recognized stock exchange and sale of units of Equity Oriented Fund to the Mutual Fund.

The STT rates as applicable are given in the following table:

Transaction	Rates	Payable by
Purchase/ Sale of equity shares (delivery based) or a unit of business trust	0.1%	Purchaser / Seller
Purchase of units of equity oriented mutual fund (delivery based)	Nil	NA
Sale of units of equity oriented mutual fund (delivery based)	0.001%	Seller
Sale of equity shares, units of business trusts, units of equity oriented mutual fund (non delivery based)	0.025%	Seller
Sale of an option in securities	0.017%	Seller
Sale of an option in securities, where option is exercised	0.125%	Purchaser
Sale of a futures in securities	0.01%	Seller

Sale of unit of an equity-oriented fund to the Mutual Fund	0.001%	Seller
Sale of unlisted equity shares and units of business trust under an initial offer	0.2%	Seller
Sale of unlisted units of a business trust which were acquired in consideration of a transfer referred to in clause (xvii) of section 47 of the Act, under an offer for sale to the public included in an initial offer and where such units are subsequently listed on a recognized stock exchange.	0.2%	Seller

#### 14.7 Characterization of Income on transfer of securities of companies.

Income arising from purchase and sale of securities can give rise to capital gains or business income in the hands of the investor. The issue of characterization of income is relevant as the income tax computation and rates differ in the two situations.

The characterization is essentially a question of fact and depends on whether the shares are held as business/trading assets or as capital assets.

The Central Board of Direct Taxes (“CBDT”) has issued a circular which deals with listed shares/ securities which states that:

- Where the assessee opts to treat the listed shares/ securities as stock-in-trade, the income arising from the transfer of such listed shares/ securities would be treated as business income.
- If the assessed desires to treat the gains arising from transfer of listed shares/ securities held for a period of more than 12 months as capital gains, the same shall not be put to dispute by the Assessing Officer.

Further the CBDT has also issued a clarification for unlisted shares stating that the income arising from transfer of unlisted shares would be considered under the head ‘capital gain’, irrespective of period of holding. It is, however, clarified that the above would not be necessarily applied in the situations where:

- the genuineness of transactions in unlisted shares itself is questionable; or
- the transfer of unlisted shares is related to an issue pertaining to lifting of corporate veil; or
- the transfer of unlisted shares is made along with the control and management of underlying business and the Assessing Officer would take appropriate view in such situations.

Further, in cases not following within the purview of the above circulars, the nature of the transaction (i.e. whether the same is in the nature of capital gains or business income) shall

continue to be decided keeping in view the certain points and principles laid down by the judicial precedents and earlier CBDT circulars.

Based on the earlier CBDT circulars and judicial decisions, following are the key factors and principles which need to be considered while determining the nature of assets as above

- Motive for the purchase of shares.
- Frequency of transactions and the length of period of holding of the shares
- Treatment of the shares and profit or loss on their sale in the accounts of the assessee.
- Source of funds out of which the shares were acquired – borrowed or own.
- Existence of an object clause permitting trading in shares – relevant only in the case of corporate bodies.
- Acquisition of the shares – from primary market or secondary market.
- Infrastructure employed for the share transactions by the client including the appointment of managers, etc.

The issue of income characterization as above is essentially a question of fact and dependent on whether the shares are held as Business / Trading assets or on Capital Account.

Any single factor discussed above in isolation cannot be conclusive to determine the exact nature of the shares. All factors and principles need to be construed harmoniously. Further, the background of the investor (Professional vs. a trader in shares) would also be a relevant factor in determining the nature of the shares.

CBDT has clarified that, it is possible for a tax payer to have two portfolios, i.e., an investment portfolio comprising of securities which are to be treated as capital assets and a trading portfolio comprising of stock-in-trade which are to be treated as trading assets. Where an assessee has two portfolios, the assessee may have income under both heads i.e., capital gains as well as business income.

In view of the above, the profits or gains arising from transaction in securities could be taxed either as “Profits or Gains of Business or Profession” under section 28 of the Act or as “Capital Gains” under section 45 of the Act.

As per CBDT Circular No.6/2016 dated 29February 2016 regarding taxability of surplus on sale of listed shares and securities, it states that:

- a) Where the assessee itself, irrespective of the period of holding the listed shares and securities, opts to treat them as stock-in-trade, the income arising from transfer of such shares/securities would be treated as its business income
- b) In respect of listed shares and securities held for a period of more than 12 months immediately preceding the date of its transfer, if the assessee desires to treat the income arising from the transfer thereof as Capital Gain, the same shall not be put to dispute by the

Assessing Officer. However, this stand, once taken by the assessee in a particular Assessment Year, shall remain applicable in subsequent Assessment Years also and the taxpayers shall not be allowed to adopt a different/contrary stand in this regard in subsequent years.

It should also be noted that in the context of portfolio management services there has been litigation in the past on the characterization of income and judicial precedents have taken positions based on facts of each case.

#### **14.8 TAX IMPLICATIONS WHERE TRANSACTION IN SECURITIES ARE IN THE NATURE OF INVESTMENTS**

Where investment under Portfolio Management Services is treated as investment, the gain or loss from transfer of securities shall be taxed as Capital Gains under section 45 of the Act.

The Finance Act, 2020 has amended the provisions relating to taxation of dividend income. The dividend distribution tax (DDT) [has now been abolished on dividend declared, distributed or paid by domestic companies or income on units distributed by mutual funds with effect from 1 April 2020. Tax on dividend distributed by domestic companies and income from units of mutual funds will be borne by the recipient of dividend/income at respective slab rates or fixed rate, as the case may be. To avoid double taxation of dividend, dividend received by a domestic company from another domestic company or specified foreign company or business trust will not be taxable in the hands of first domestic company, provided such receipt of dividend does not exceed the amount of dividend distributed by the first mentioned domestic company one month prior to the due date of filing a return under Section 139(1). In the case of a resident shareholder, withholding tax of 10% will be levied on dividends declared/paid by domestic company whereas in the case of a non-resident shareholder, withholding tax at the rate of 20% or the rates that are specified in the DTAA, whichever is beneficial to him, would apply. Further, the minimum threshold for applicability of withholding tax on dividend payments to the resident shareholder during the financial year will be INR 5,000.

As per the amendment made to section 115QA of the Act, by the Finance (No.2) Act, 2019 w.e.f. 05 July 2019, even the companies listed on recognized stock exchanges have to pay tax on distributed income included in the buyback of shares at the rate of 20% on such distributed income. Consequently, the amount received by the shareholders on buy back of shares will be exempt under section 10(34A) of the Act in the hands of the shareholder.

#### **14.9 LONG TERM CAPITAL GAINS**

As per the earlier provisions under section 10(38), Long Term Capital Gains on sale of Equity Shares in a company or units of Equity Oriented Fund are exempt from income tax provided such transactions are entered on a recognized stock exchange or such units are sold to the Mutual Fund and such transactions are chargeable to ST. However, the Finance Act 2018 amended the said provision by imposing tax on Long Term Capital Gains exceeding INR 1

lakh at the rate of 10%, without allowing any indexation benefit. However, all gains up to 31 January 2018 will be exempt from such tax.

Further, withholding tax on distributed income by equity oriented mutual funds would be 10%. The CBDT has clarified that the proposal of 10% withholding tax as per the Finance Act, 2020 will be applicable only on dividend payment by mutual funds and not on gain arising out of redemption of units.

### **Exemption does not Apply**

In respect of capital gains not exempted under section 10(38), the provisions for taxation of long-term capital gains for different categories of assessee and depending upon the period for which the securities are held, are explained hereunder:

<b>Sr. No</b>	<b>Securities</b>	<b>Period of Holding</b>	<b>Characterization</b>
1	Listed Securities (other than Units) and units of equity oriented Mutual Funds	More than twelve (12) months	Long-term Capital Asset
		Twelve (12) months or less	Short-term Capital Asset
2	Unlisted shares of a company	More than twenty-four (24) months	Long-term Capital Asset
		Twenty-four (24) or less	Short-term Capital Asset
3	Other securities	More than Thirty-six (36) months	Long-term Capital Asset
		Thirty-six (36) months or less	Short-term Capital Asset

#### **14.9.1 For Resident Indians**

Long-term Capital Gains in respect of capital asset (other than listed securities and units of equity oriented mutual funds) will be chargeable under section 112 of the Act at the rate of 20% plus applicable surcharge and education cess, as applicable. Capital gains would be computed after taking into account cost of acquisition as adjusted by Cost Inflation Index notified by the Central Government and expenditure incurred wholly & exclusively in connection with such transfer.

In case where taxable income as reduced by long term capital gains is below the exemption limit, the long-term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be charged at the flat rate of 20% plus applicable surcharge and education cess, as may be applicable.

As per Finance Act, 2017, the base year for indexation purpose has been shifted from 1981 to 2001 to calculate the cost of acquisition or to take fair market value of the asset as on that date. Further, it provides that cost of acquisition of an asset acquired before 1 April 2001 shall be allowed to be taken as fair market value as on 1 April 2001.

#### **14.9.2 For Non-resident Indians**

Under section 115E of the Act ,

- (i) any income from investment or income from long-term capital gains of an asset other than specified asset as defined in Section 115C (Specified Assets include shares of Indian Company, Debentures and deposits in an Indian Company which is not a private company and securities issued by Central Government or such other securities as notified by Central Government ) is chargeable at the rate of 20% plus applicable surcharge and cess.
- (ii) Income by way long-term capital gains is chargeable at the rate of 10% plus applicable surcharge and cess.

Long term capital gains arising to a non-resident from transfer of unlisted securities or shares of a company, not being a company in which the public are substantially interested, subject to 10% tax (without benefit of indexation and foreign currency fluctuation).

#### **14.9.3 Tax on Long Term Gain in Certain Cases:**

Under section 112A of the Act, long-term capital gains on transfer of (i) listed equity shares on which STT has been paid both at the time of acquisition and sale of such shares; or (ii) units of equity oriented mutual fund or business trust on which STT has been paid on transfer; shall be chargeable to tax at the rate of 10% on such long-term gains exceeding one lakh rupees. However, all gains up to 31st January, 2018 will be exempt from such tax.

In case of Individual or HUF being a resident, where the taxable income as reduced by long term capital gains is below the exemption limit, the long-term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be charged at the flat rate of 10% plus cess, as may be applicable.

The Taxation Laws (Amendment) Ordinance, 2019 dated 20<sup>th</sup> September 2019 provided that in case where the total income includes any income chargeable under Section 111A and Section 112A of the Income Tax Act, the rate of surcharge on the amount of income-tax deducted in respect of that part of income shall not exceed 15% for an individual, HUF, AOP, BOI and Artificial Judiciary Person.

The condition with respect to STT shall not apply to transfers undertaken on a recognized stock exchange located in any International Financial Services Centre and where the

consideration for such transfer is received or receivable in foreign currency.

#### **14.10 Short Term Capital Gains**

Section 111A of the Act provides that short-term capital gains arising on sale of Equity Shares of a company or units of Equity Oriented Fund or units of a business trust entered on a recognized stock exchange and on sale of units of Equity Oriented Fund to the Mutual Fund are chargeable to income tax at a concessional rate of 15% plus applicable surcharge and cess, provided such transactions are entered on a recognized stock exchange and are chargeable to STT. However, the above shall not be applicable to transaction undertaken on a recognized stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in foreign currency. Further, Section 48 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing Capital Gains. In respect of capital gains not chargeable under Section 111A, the provisions for taxation of short-term capital gains for different categories of assesses are explained hereunder:

Short Term Capital Gains in respect of shares of a company (listed on a recognized stock exchange), units of Mutual Fund, units of Business Trust and any other listed securities held for a period of not more than 12 months and share of a company (not being a share listed in a recognized stock exchange) held for a period of not more than 24 months is added to the total income, total income including short-term capital gains is chargeable to tax as per the relevant slab rates.

The Taxation Laws (Amendment) Ordinance, 2019 dated 20 September 2019, provided that in case where the total income includes any income chargeable under Section 111A and Section 112A of the Income Tax Act, the rate of surcharge on the amount of income-tax deducted in respect of that part of income shall not exceed 15% for an individual, HUF, AOP, BOI and Artificial Judiciary Person.

#### **14.11 PROFITS AND GAINS OF BUSINESS OR PROFESSION**

**14.11.1** If the investment under the Portfolio Management Services is regarded as “Business / Trading Asset” then the gain / loss arising there from is likely to be taxed as income from business as per slab rates i.e. in the case of resident individual and HUF and at the rate of 30% or 25% or 22% plus applicable surcharge and cess, (as the case may be, in case of resident other than individual and HUF (as the case may be) and also for non-residents other than a foreign company (assuming the highest slab rate for individual). It shall be taxable at the rate of 40% (plus applicable surcharge and cess) in case of a foreign company. The above rates would be subject to availability of benefits under the DTAA, if any in case of non-resident assessee.

**14.11.2** Interest income arising on securities could be characterized as ‘Income from Other Sources’ or ‘business income’ depending on facts of the case. Any expenses incurred to earn such interest income should be available as deduction, subject to the provisions of the Act.

**14.11.3** Earlier, as per section 40(a)(ib) of the Act, any sum paid on account of STT will not be allowed as deduction in computing the income under the head “Profit and gains of business or profession” However, this provision was applicable only up to assessment year 2008-09. With effect from April 1, 2009, the said clause has been deleted. From the assessment year 2009-10, where income referred to above is treated as Business Income, the person is eligible for deduction u/s 36(1)(xv), for the amount of STT paid.

## **14.12 TAX RATES**

Rates of taxation for the Financial Year 2020-21 are given below:

### **Individuals, HUF, AOP & BOI:**

<b>Total Income</b>	<b>Tax Rate (Without Surcharge)</b>
Up to INR 2,50,000	Nil
INR 2,50,001 - 5,00,000	5%
INR 5,00,001 - 10,00,000	20%
INR 10,00,001 onwards	30%

### **Resident Individual whose age is 60 years or more but less than 80 years:**

<b>Total Income</b>	<b>Tax Rate (Without Surcharge)</b>
Up to INR 3,00,000	Nil
INR 3,00,001 - 5,00,000	5%
INR 5,00,001 - 10,00,000	20%
INR 10,00,001 onwards	30%

### **Resident Individual whose age is 80 years or more:**

<b>Total Income</b>	<b>Tax Rate (Without Surcharge)</b>
Up to INR 5,00,000	Nil
INR 5,00,001 - 10,00,000	20%
INR 10,00,001 onwards	30%

**Note 1** - Finance Act, 2019 provides a rebate of lower of actual tax liability or INR 12,500 (against earlier rebate of INR 2,500) in case of individuals having total income of less than INR 5 lakh (against earlier total income of INR 3.5 lakh).

**Note 2** – The above tax rates are further to be increased by Health and Education cess of 4% (As amended by Finance Act 2018) and Surcharge wherever applicable.

**Note 3** – (i) The amount of income-tax shall be increased by a surcharge at the rate of 10% of such tax, where total income exceeds INR 15 lakh but does not exceed INR 1 crore. However, the surcharge shall be subject to marginal relief (where income exceeds INR 50 lakh, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 50 lakh by more than the amount of income that exceeds INR 50 lakh).

ii) The amount of income-tax shall be increased by a surcharge at the rate of 15% of such tax, where total income exceeds INR 1 crore but doesn't exceed INR 2 crore. However, the surcharge shall be subject to marginal relief (where income exceeds INR 1 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 1 crore by more than the amount of income that exceeds INR 1 crore).

iii) The amount of income-tax shall be increased by a surcharge at the rate of 25% of such tax, where total income exceeds INR 1 crore but doesn't exceed INR 5 crore. However, the surcharge shall be subject to marginal relief (where income exceeds INR 2 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 2 crore by more than the amount of income that exceeds INR 2 crore).

iv) The amount of income-tax shall be increased by a surcharge at the rate of 37% of such tax, where total income INR 5 crore. However, the surcharge shall be subject to marginal relief (where income exceeds INR 5 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 5 crore by more than the amount of income that exceeds INR 5 crore).

The enhanced surcharge of 25% levied on the total taxable income exceeding INR 2 crore but upto INR 5 crore and 37% levied on the total taxable income exceeding INR 5 crore would not apply on the dividend income (included in the total taxable income) from FY 2020-21 and onwards.

The Finance Act, 2020 has simplified tax regime for individual and HUF with effect from financial year 2020-21 whereby individuals and HUF ('specified persons') can opt for a lower rate of tax (simplified regime tax rates as given below) if they forego certain exemptions and deductions and comply with certain conditions. This option can be exercised only once by the specified persons having business/professional income and once exercised it will remain same for the subsequent years as well.

<b>Aggregate Income (INR)</b>	<b>Simplified Regime tax rates (%)</b>
0 – 2,50,000	NIL
2,50,000– 5,00,000	5
5,00,000 – 7,50,000	10
7,50,000 – 10,00,000	15
10,00,000– 12,50,000	20
12,50,000– 15,00,000	25
Above 15,00,000	30

Alternate Minimum Tax will no longer be applicable if the option under the simplified tax regime is exercised.

**Partnership Firm (Including LLP's):**

A partnership firm (including LLP) is taxable at 30%.

**Note 1** - The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds INR 1 crore. However, the surcharge shall be subject to marginal relief (where income exceeds INR 1 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 1 crore by more than the amount of income that exceeds INR 1 crore).

**Note 2**- Health and Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge

**Local Authority:**

A local authority is taxable at 30%.

**Note - 1:** The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds INR 1 crore. However, the surcharge shall be subject to marginal relief (where income exceeds INR 1 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 1 crore by more than the amount of income that exceeds INR 1 crore ).

**Note - 2:** The amount of income-tax and the applicable surcharge shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge.

**Domestic Company:**

For the assessment year 2019-20, a domestic company is taxable at 30%. However, the tax rate would be 25% if turnover or gross receipt of the company does not exceed INR 250 crore in the previous year 2016-17.

For the assessment year 2020-21, a domestic company is taxable at 30%. However, the tax rate would be 25% if turnover or gross receipt of the company does not exceed INR 400 crore in the previous year 2017-18.

**Note - 1:** The amount of income-tax shall be increased by a surcharge at the rate of 7% of such tax, where total income exceeds one crore rupees but not exceeding INR 10 crore and at the rate of 12% of such tax, where total income exceeds INR 10 crore . However, the surcharge shall be subject to marginal relief, which shall be as under:

(i) Where income exceeds INR 1 crore but not exceeding INR 10 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 1 crore by more than the amount of income that exceeds INR 1 crore.

(ii) Where income exceeds INR 10 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 10 crore by more than the amount of income that exceeds INR 10 crore.

**Note - 2:** The amount of income-tax and the applicable surcharge shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge.

As per the The Taxation Laws (Amendment) Act, 2019 Domestic companies which do not avail tax incentives have an option to pay income tax at the rate of 22%. New domestic manufacturing companies incorporated on or after 01 October 2019 and commencing their production on or before 31 March 2023 have an option to pay lower income tax at the rate of 15%. Surcharge applicable to domestic companies opting for a lower base tax rate of 15%/22%:

Aggregate income	Surcharge for domestic company (%)	Surcharge for companies opting for 15%/22%
Income exceeding INR 1 crore but not exceeding INR 10 crores	7	10
Income exceeding INR 10 crores	12	

**Foreign Company:**

<b>Sr. No</b>	<b>Nature of Income Tax</b>	<b>Tax Rate</b>
1.	Royalty received from Government or an Indian concern in pursuance of an agreement made with the Indian concern after March 31, 1961, but before April 1, 1976, or fees for rendering technical services in pursuance of an agreement made after February 29, 1964 but before April 1, 1976 and where such agreement has, in either case, been approved by the Central Government	50%
2.	Any other income	40%

**Note -1:** The amount of income-tax shall be increased by a surcharge at the rate of 2% of such tax, where total income exceeds INR 1 crore but not exceeding INR 10 crore and at the rate of 5% of such tax, where total income exceeds INR 10 crore. However, the surcharge shall be subject to marginal relief, which shall be as under:

(i) Where income exceeds INR 1 crore but not exceeding INR 10 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 1 crore by more than the amount of income that exceeds INR 1 crore.

(ii) Where income exceeds INR 10 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 10 crore by more than the amount of income that exceeds INR 10 crore.

**Note - 2:** The amount of income-tax and the applicable surcharge shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge.

**Co-operative Society:**

Co-operative societies shall be taxed at the following rates:

<b>Sr. No</b>	<b>Taxable income</b>	<b>Tax Rate</b>
1.	Up to Rs. 10,000	10%
2.	Rs. 10,000 to Rs. 20,000	20%
3.	Above Rs. 20,000	30%

**Note - 1:** The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds INR 1 crore. However, the surcharge shall be subject to marginal relief (where income exceeds INR 1 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 1 crore by more than the amount of income that exceeds INR 1 crore).

**Note - 2:** The amount of income-tax and the applicable surcharge shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge.

The Finance Act, 2020, has made amendment in tax rate for Co-operative societies with effect from the financial year 2020-21 where they can opt for the reduced rate of tax at 22% and reduced surcharge of 10% and health and education cess of 4% (effective rate of tax of 25.168%) provided they comply with the prescribed conditions.

#### **14.13 LOSSES UNDER THE HEAD BUSINESS INCOME**

In terms of section 70 read with section 74 of the Act, short term capital loss arising during a year can be set-off against short term as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during the subsequent 8 assessment years. A long-term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during the subsequent 8 assessment years.

#### **14.14 DIVIDEND STRIPPING**

According to section 94(7) of the Act, if any person buys or acquires units within a period of three months prior to the record date fixed for declaration of dividend or distribution of income and sells or transfers the same within a period of nine months from such record date, then capital losses arising from such sale to the extent of income received or receivable on such units, which are exempt under the Act, will be ignored for the purpose of computing his income chargeable to tax.

The Finance Act, 2020 has abolished DDT and tax dividend income in the hands of shareholders in respect of dividend declared, distributed or paid on or after 1 April 2020 and therefore, in such cases the provisions of section 94(7) would not apply.

#### **14.15 BONUS STRIPPING**

Where any person buys or acquires any units of a mutual fund or the Unit Trust of India within a period of three months prior to the record date (i.e., the date that may be fixed by a Mutual Fund or the Administrator of the specified undertaking or the specified company, for the purposes of entitlement of the holder of the units to receive additional unit without any consideration) and such person is allotted additional units (without any payment) on the basis

of holding of the aforesaid units on the record date, and if such person sells or transfers all or any of the original units within a period of nine months after the record date while continuing to hold all or any of the additional units, then any loss arising to him on account of such purchase and sale of all or any of the units would be ignored for the purpose of computing his income chargeable to tax. Further, the loss so ignored would be deemed to be the cost of acquisition of such additional units as are held by him on the date of sale or transfer of original units.

## **Special Provisions relating to avoidance of tax**

### **14.16 General Anti Avoidance Rule**

General Anti Avoidance Rule ('GAAR') provisions have been introduced in Chapter X-A of the IT Act (effective from Financial Year beginning on 1 April 2017), which provides that an arrangement whose main purpose is to obtain tax benefit and which also satisfies at least one of the four specified test as mentioned below, can be declared as an 'impermissible avoidance arrangement'.

- (a) Arrangement creates rights or obligations, which are not ordinarily created between persons dealing at arm's length price;
- (b) Arrangement directly or indirectly results in the misuse or abuse of the provisions of the IT Act;
- (c) Arrangement lacks commercial substance or is deemed to lack commercial substance in whole or in part; or
- (d) Arrangement is entered into, or carried out, by means, or in a manner, which are not ordinarily employed by bonafide purposes.

The GAAR provisions would override the provisions of a Tax Treaty in cases where GAAR is invoked. The necessary procedures for application of GAAR and conditions under which it should not apply, have been enumerated in Rules 10U to 10UC of the IT Rules. The IT Rules provide that GAAR should not be invoked unless the tax benefit in the relevant year does not exceed INR 30 million

On 27 January 2017, the CBDT has issued clarifications on implementation of GAAR provisions in response to various queries received from the stakeholders and industry associations. Some of the important clarifications issued are as under:

- (a) Where tax avoidance is sufficiently addressed by the Limitation of Benefit Clause ('LOB') in a Tax Treaty, GAAR should not be invoked.
- (b) GAAR should not be invoked merely on the ground that the entity is located in a tax efficient jurisdiction.
- (c) GAAR is with respect to an arrangement or part of the arrangement and limit of INR 30 million cannot be read in respect of a single taxpayer only.

### **14.17 FATCA and CRS Guidelines**

According to the Inter-Governmental Agreement read with the Foreign Account Tax Compliance Act (FATCA) provisions and the Common Reporting Standards (CRS), financial institutions in India are

required to report tax information about US account holders and other account holders to the Indian Government. The Indian Government has enacted rules relating to FATCA and CRS reporting in India. A statement is required to be provided online in Form 61B for every calendar year by 31 May. The Reporting Financial Institution is expected to maintain and report the following information with respect to each reportable account:

- (a) the name, address, taxpayer identification number ['TIN' (assigned in the country of residence)] and date and place of birth ['DOB' and 'POB' (in the case of an individual)];
- (b) where an entity has one or more controlling persons that are reportable persons:
  - (i) the name and address of the entity, TIN assigned to the entity by the country of its residence; and
  - (ii) the name, address, DOB, POB of each such controlling person and TIN assigned to such controlling person by the country of his residence;
- (d) account number (or functional equivalent in the absence of an account number);
- (e) account balance or value (including, in the case of a cash value insurance contract or annuity contract, the cash value or surrender value) at the end of the relevant calendar year;
- (f) the total gross amount paid or credited to the account holder with respect to the account during the relevant calendar year; and
- (g) in case of any account held by a non-participating financial institution ('NRFI'), for the calendar years 2015 and 2016, the name of NRFI and aggregate amount of such payments.

Further, it also provides for specific guidelines for conducting due diligence of reportable accounts, viz. US reportable accounts and other reportable accounts (i.e. under CRS).

#### **14.18 Multilateral Convention to implement Tax Treaty related measures to prevent Base Erosion and Profit Shifting**

The Organisation of Economic Co-operation and Development ('OECD') released the Multilateral Convention to implement Tax Treaty related measures to prevent Base Erosion and Profit Shifting ('MLI'). The MLI, amongst others, includes a "principal purpose test", wherein Tax Treaty benefits can be denied if one of the principal purposes of an arrangement or a transaction was to, directly or indirectly, obtain tax benefit. The MLI has also expanded the scope of permanent establishment to include agent (excluding an independent agent) playing principal role, leading to routine conclusion of contracts without material modification. For this purpose, an agent is not considered independent if it acts exclusively or almost exclusively on behalf of one or more closely related enterprises. India has been an active participant in the entire discussion and its involvement in the BEPS project has been intensive. In a ceremony held in Paris on 7 June 2017, various countries including India, signed the MLI.

**Disclaimer:** The tax information provided above is generic in nature and not a tax advise by any means and the actual tax implications for each client could vary substantially from what is mentioned above, depending on residential status, the facts and circumstances of each case. The Client would therefore be best advised to consult his or her tax advisor/consultant for appropriate advice on the tax treatment of his/her/its income or loss and the expenses incurred by him/her/it as a result of his investment as offered by the Portfolio Manager.

## 15) Accounting policies

Separate Accounts for each client shall be maintained on accrual basis as per the applicable guidelines. Following key accounting policies shall be followed:

- i. All investments will be marked to market;
- ii. In determining the holding cost of investments and the gains or loss on sale of investments, the 'first in first out' method shall be followed;
- iii. The cost of investments acquired or purchased would include stamp charges and such other charge(s), customarily included in the broker's contract note. Brokerage at the actual will be charged as an expense to the Client/ Investor.
- iv. Accounting norms prevalent in the portfolio management services industry and as may be prescribed/applicable from time to time shall be applied;
- v. Income Recognition for Equity & Fixed Income Product: Dividend income shall be recognized on the ex-dividend date. Interest income on bank balances held with the bank is recognize on cash basis. Interest income on fixed income securities is recognized on accrual basis. Profit or loss on sale of investments shall be recognized on the trade dates on first- in –first – out basis;

### **Portfolio Management/ Investment Advice Fees**

Accounting for Portfolio Management/ Investment Advice Fees (for discretionary/ non-discretionary/ advisory portfolio management services):

- a. Fixed fee (as a % of AUM) will be charged on accrual basis for each quarter. This fee is computed based on the average of daily Net Asset Value for the period;
- b. Fixed flat fee will be charged either on monthly/ quarterly/ yearly basis as mutually agreed;
- c. Performance fee will be charged on accrual basis for the financial year ended on 31st March. Fees will be charged on annual basis. Performance fee is charged subject to hurdle rate. For computation of performance fee, NAV as on the last calendar day i.e. 31<sup>st</sup> March will be taken into consideration;

The management fee computed as above will be debited to the Client's account, managed by the Portfolio Manager for and on behalf the Client. In the event of any deposit or withdrawal, the Portfolio Manager calculates its fees by separating into separate periods the portion of the billing period occurring before the event and the portion of the billing period following it, and then calculating fees for each period pro rata based on the number of days in the given period and the market value of the account at the end of the period.

For the non-binding & non-discretionary PMS Advisory Services, the Portfolio Manager shall provide to the Clients the details of charges and fees payable by the Client in terms of the PMS agreement. The Portfolio Manager shall raise an invoice for the portfolio management/ investment advice and submit the same to the Client. The Client is required to make payment of the fees in terms of the PMS agreement.

Fees, either fixed fee (*AUM based fee or flat fee/non-AUM based fee*) or performance based fee or combination of any of these options, shall at all the times be in terms of the provisions of the SEBI (PMS) Regulations, 2020, guidelines issued thereunder and the PMS agreement executed with the Client.

## **Exit Load**

Exit load will be charged in terms of the Portfolio Management Agreement. Exit load will be charged based on the Net Asset Value (NAV) of the Portfolio of the Client on the date of termination of the Portfolio Management Agreement or date of partial withdrawal as the case may be.

Investor needs to note that partial redemption/ withdrawal may result in charging of the exit load. Charging of exit load will be based on the holding period of the investment and for computation of exit load FIFO system will be adopted.

**Brokerage:** Brokerage at the actual will be charged as an expense to the Client/ Investor.

Dividend income earned by the Portfolio shall be recognized, on ex-date for the client. For investments, which are not quoted on the stock exchange, dividend income would be recognized on the date of declaration of dividend.

In respect of all interest-bearing investments (other than Bank fixed deposit receipt), income shall be accrued on the day-to-day basis as it is earned. Therefore, when such investments are purchased, interest paid for the period from the last interest due date up to the date of purchase should not be treated as a cost of purchase but shall be debited to Interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale must not be treated as an addition to sale value but shall be credited to Interest Recoverable Account.

Bonus shares to which the portfolio becomes entitled shall be recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Accordingly, date of recognition of bonus shares is construed as date of acquisition for the purpose of computing short term/ long –term capital gain. Similarly, rights entitlements shall be recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-right basis.

In cases of corporate action like stock split, date of acquisition is construed as date on which such stock starts trading at the split face value for the purpose of computing short term/long term gain.

The cost of investments acquired or purchased shall be added with stamp charges and any charge customarily included in the broker's bought note. Brokerage at the actual will be charged as an expense to the Client/ Investor.

In case of corpus received in form of stock, the same is accounted for in PMS books one day before the date of activation of the client account and is valued at the closing price of the stock on the day before the date of activation of the client account. Accordingly, the date of activation of the account as aforesaid shall be construed as the date of acquisition and the cost as stated above is considered as cost of acquisition for the purpose of computing gains/ returns.

In case of corpus redeemed in form of stock, the same is accounted for in the portfolio accounts on the date on which the stock debited to the depository account at the value being closing price of the stock on the day of such debit. Accordingly, date of debit as aforesaid shall be construed as date of sale and value as stated above is considered as sale consideration for the purpose of computing gains / returns.

Derivative transactions are marked to market on daily basis.

Private equity/Pre IPO-placements will be valued at cost or at a last deal publicly available price at which company has placed shares to other investors till it is listed.

The accounting policies and standards as outlined above are subject to changes made from time to time. The Changes to accounting policies as stated above will be effected in case of change in regulation, market practices and applicable accounting policies. In order to safeguard the interest of the investors and to ensure fair treatment of the investors, the Portfolio Manager may apply the ‘principle of fair valuation’.

## **16. Valuation Policy**

### **(A) Equity**

#### **Traded Securities**

Following are the criteria for valuation of listed stocks;

- (a) Closing prices of National Stock Exchange (NSE) of India shall be used for valuing the listed equity portfolio.
- (b) For stocks that are not traded on the NSE, the Bombay Stock Exchange (BSE) closing prices will be used.
- (c) When on a particular valuation day, a security has not been traded on the selected stock exchange the value at which it is traded on another stock exchange is used.
- (d) When a security is not traded on any of the stock exchanges on a particular valuation day, it should be valued based on the last available closing price on the selected stock exchange or any other stock exchange provided such date is not more than 30 days prior to the valuation day.

#### **Valuation Criteria for Thinly and Non-Traded Securities**

If the equity and equity related securities are not traded on NSE or BSE stock exchange for a period of thirty days prior to the valuation date or it is thinly traded security as per SEBI guideline norms of trading less than 50,000 shares in a month or where the trading value is less than Rs. 5 lakhs in a month, then it should be valued as per the norms given below:

- (a) Both the thinly traded and non-traded securities will be valued at fair value as determined in good faith by the firm.
- (b) For the purpose of valuation of non-traded and thinly traded securities, the following principles will be adopted.
- (c) The value as per the net worth value per share and the capital earning value calculated as per the below methods shall be averaged and further discounted by 10% for illiquidity so as to arrive at the fair value per share.

**Method: 1**

Net Worth per share = [Share capital + reserves (excluding revaluation reserves) - Miscellaneous expenditure and Debit Balance in P&L A/c] / No. of Paid of shares

*The net worth shall be calculated based on the latest available Balance sheet.*

**Method: 2**

- (a) Average capitalization rate (P/E ratio) for the industry based upon either NSE or BSE data (which should be followed consistently and changes, if any noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the industry average P/E shall be taken as capitalization rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.
- (b) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earning.
- (c) In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.

**Suspended Securities**

- (a) If the equity is suspended up to 30 days, then the last reported closing price would be taken for valuation of that security.
- (b) If the equity is suspended for more than 30 days, then the fair valuation of Non-Traded /Thinly traded security would be applied.

**Unlisted Securities**

Unlisted securities will be valued at fair market value-based price at which a most recent transaction has taken place in such securities or valued at fair value as determined in good faith by the firm. These guidelines are similar to the guidelines for non-traded or thinly traded securities.

**Mutual Fund Unit**

Mutual fund units will be valued at the same day NAV as available on the Fund's website. If the same day NAV is not available, it will be valued at latest available NAV.

**Exchange Traded Fund (ETF)**

ETFs shall be valued at closing prices available on the stock exchange. If the said prices are not available, the latest NAV of the Fund will be considered.

**Warrants**

In case the warrants are traded separately, they would be valued as per the valuation guidelines applicable to equity shares.

In case the warrants are not traded, the warrants can be valued at the Price of the underlying equity shares reduced by the amount which would be payable on exercise of the warrant. Appropriate illiquidity discount shall be provided. If the amount payable on exercise of the warrants is higher than the value of the share, the value of the warrants should be taken as zero.

## **Compulsorily Convertible Debentures (CCD)**

Traded CCDs would be valued based on the closing market price reported on the exchange. If traded price is not available for the security to be valued, then it would be valued as per the following methods;

(i) Ascertain:

- (a)** The number of shares to be received after conversion;
- (b)** Whether the shares would be entitled for dividend on a pari passu basis for dividend on conversion;
- (c)** The rate of last declared dividend;
- (d)** Whether the shares are presently traded or non-traded/thinly traded;
- (e)** Market rate of shares on the date of valuation

(ii) In case the shares to be received, on the date of valuation, are thinly traded / non-traded, then, these shares to be received on conversion are to be valued as thinly traded / non-traded shares as stated above.

(iii) In case the shares to be received on conversion are not non-traded or thinly traded on the date of valuation and would be traded pari passu for dividend on conversion:

- (a)** Number of shares to be received on conversion, per convertible debenture, multiplied by the present market rate
- (b)** Determine the discount for non-tradability of the shares on the date of valuation. (This discount should be determined in advance and to be used uniformly for all the convertible securities. Rate of discount should be documented and approved by the investment manager.)  
Value = (a)\*market rate [1-(b)]

(iv) In case the shares to be received on conversion are not non-traded or thinly traded on the date of valuation but would not be traded pari passu for dividend on conversion:

- (a)** Number of shares to be received on conversion, per convertible debenture, multiplied by the present market rate;
- (b)** Arrive at the market value of the shares on the date of valuation by reducing the amount of last paid dividend;
- (c)** Determine the discount for non-tradability of the shares on the date of valuation.

(This discount should be determined in advance and to be used uniformly for all the convertible securities. Rate of discount should be documented and approved by the investment manager) Value = (a)\*{b- [1- (c)]}

In case of optionally convertible debentures, values must be determined assuming that the option will be exercised and also assuming that the option will not be exercised.

- (a)** If the option rests with the issuer, the lower of the two values shall be taken as the valuation of the optionally convertible portion, and;
- (b)** If the option rests with the investor, the higher of the two values shall be taken.

## Valuation of Non - Convertible Debentures (NCD)

Traded NCDs would be valued based on the closing market price reported in the exchange. If traded prices are not available and/or does not represent fair valuation, then the security would be valued based on following formulae;

$$(V_0) = I(PVIFA_{k_d,n}) + F(PVIF_{k_d,n})$$

*Where,*

$V_0$  = Intrinsic Value of the NCD

$P_0$  = Present Value of the NCD

I = Annual interest payable on NCD

F = Principal amount repayable on the maturity

n = Maturity period of the NCD

$k_d$  = Required rate of return

## Valuation of Shares on De-merger and Other Corporate Action Events Demerger

(a) Both the shares are traded immediately on de-merger:

In this case both the shares are valued at respective traded prices.

(b) Shares of only one company continued to be traded on de-merger

The cost of demerged entity will be bifurcated between 2 companies based on demerger ratio. The price of shares, which is listed and traded after demerger, will be valued at that price. The price of shares which is not listed will be valued at price arrived at by computing the difference in price between last traded price before demerger less the traded price of shares which is traded post demerger. It will also be ensured that total market value of both securities added together post de merger is equivalent to the pre-demerger market value. This will be followed till 30 days. Post that if the prices are not available, then it will be valued based on fair price.

(c) Both the shares are not traded on de-merger:

Shares of de-merged companies are to be valued at the pre-demerger value up to a period of 30 days from the date of de-merger. The total cost value of shares post demerger should be bifurcated in the demerger ratio and should be equivalent to the pre-demerger cost. The market price also will be bifurcated in same manner till both the companies are listed and traded post demerger. If post 30 days the prices are not available then it will be valued based on fair price.

In case of any other type of capital corporate action event, the same shall be valued at fair price on case-to-case basis.

## Non-Traded/Thinly Traded Rights Entitlements

- (a) Where right entitlements are not traded and it is decided not to subscribe the rights, the right entitlements have to be valued at zero.
- (b) Where right entitlements are not subscribed to but are to be renounced, and where renouncements are being traded, the right entitlements have to be valued at traded renunciation value.

(c) Valuations of non-traded/thinly traded/Unlisted rights entitlement, SEBI Regulations have explained this with the help of following formula and the security will be valued accordingly:

$V_r = (P_{ex} - P_{of})$  Where in  
 $V_r$  = Value of Rights  
 $P_{ex}$  = Ex-right price  
 $P_{of}$  = Rights offer price

Where the rights are not treated pari passu with the existing shares (or resultant share is not an equity share), suitable adjustment should be made to the value of rights.

In case the Rights Offer Price is greater than the ex-rights price, the value of the rights share is to be taken as zero.

### **Valuation for special trading session**

In India the stock markets are open for trading even on certain public holidays but only for certain hours of that day (1 hour), and not for the full working hours (from IST 9:00 am to 3:30 pm, 6 hrs 30 minutes) of a normal trading day. On the Diwali holiday (a popular festival in India) the Indian stock markets are open for-what is called as-Muhurat (auspicious) trading for 1 hour (as compared to a normal working day of 6 hours 30 minutes).

During the special trading sessions (such as the Muhurat Trading), trading volumes at the stock exchanges are generally, just a fraction of the Average Daily Trading Volumes, usually witnessed on a normal trading day. Due to lack of adequate volume, closing prices of securities traded on special trading session are not the true representative of the stock prices.

Therefore, for valuation of client's portfolio, the following method will be adopted:

**Equity Securities:** Securities will be valued as per closing prices of the full day trading session immediately prior to the special trading session. For the purpose of arriving at the securities holdings, trades executed on the special trading session would be considered into the next valuation day.

### **Valuation of Partly Paid-up Equity Shares**

If the partly paid-up equity shares are traded in market separately then the same shall be valued at traded price (like any other equity instrument). If the same is not traded separately then partly paid equity shares shall be valued at underlying equity shares price as reduced by the balance call money payable with illiquidity discount as suggested by investment manager.

If the said partly paid equity shares are not traded for more than 30 days, the same shall be valued as per valuation norms given for non-traded shares with necessary illiquidity discount.

### **Fixed Income Product**

- a) Investments will generally be valued based upon the value assigned by an exchange or platform on which such investment is traded or reported. In case, the investments are not traded /reported on the exchange/platform on the day of valuation, the Portfolio Manager may use the valuation as provided by an acceptable independent third-party service provider or in terms of applicable accounting and valuation rules.

Investment in new type of securities / assets other than mentioned in this policy shall be made only after establishment of the valuation methodologies for such securities / assets.

### **Audit**

Portfolio Manager shall maintain separate client-wise portfolio accounts. Portfolio Manager shall get client's Portfolio Account, duly audited annually by an independent Chartered Accountant appointed by Portfolio Manager and thereon a copy of the Audit Report shall be provided to the client. It is clarified that the aforesaid provision is not applicable to client who has availed only Advisory Portfolio Management Services. It is to be noted that in term of provisions of SEBI circular no. SEBI/HO/IMD/DF1/P/2020/26 dated February 13, 2020, the firm-level performance data of portfolio manager shall be audited annually and applicable reporting/ certification shall be completed in terms of provisions of the said circular. Portfolio Manager shall ensure compliance with provisions related to audit as is/ are provided in SEBI (PMS) Regulations, 2020, circulars and guidelines issued by SEBI from time to time.

If any client intends to get these transactions audited at his end such appointment of an independent Chartered Accountant will be at the cost of the client and Portfolio Manager shall be entitled to a copy of the Audit Report. It is clarified that the aforesaid is not applicable to client who has availed only Advisory Portfolio Management Services.

### **Conflict of Interest**

The Portfolio Manager does not engage in any other financial services such as broking, custodianship etc.

As a Portfolio manager, we act as agent for the clients, making investment decisions in financial markets on clients' behalf. Confidence in the integrity of manager when acting on behalf of customers is central to the relationship of trust and this means that when making investment decisions, we as portfolio manager must always act in customers' best interests and put customers' interests ahead of our own. Similarly, we as portfolio manager must treat all our clients fairly. In general, being a standalone asset manager, we do not derive ancillary benefits from servicing clients via brokerage or commission etc. or have interest in broker/counterparty selection, fair allocation & participation in investment opportunities etc. which could hurt interest of our clients.

However, clients/ investors should take note of some possible conflicts of interest and potential conflicts of interest instance as provided herein below;

- a. The Portfolio Manager and/or any of the Relevant Parties may act as an investment manager/advisor to other clients/alternative investment funds/ Foreign Portfolio Investors (FPI)/entities under its advisory/portfolio management business by identifying, evaluating and recommending investments to its clients. Any conflict arising out of such relationships would be managed by the Portfolio Manager subject to Applicable Laws and SEBI Regulations.

- b. The Portfolio Manager and/or any of the Relevant Parties can act as an investment manager/advisor to any of the Investee Company/ies, charge fee for the services rendered to them, provide broad range of financial services, from time to time and earn fee in addition to the fee charged to the Client under this Agreement. Any conflict arising out of any such relationships would be managed by the Portfolio Manager subject to Applicable Law and SEBI Regulations.

Conflict of interest would be inherent between the activities of the Portfolio Manager, Investee Company/ies and the Relevant Parties. It is intended for such conflicts to be managed primarily by complying with the Applicable Laws, acting in good faith to develop equitable resolutions of known conflicts and developing policies to reduce the possibilities of such conflict. The Portfolio Manager shall ensure fair treatment to all its clients in case of conflicts of interest.

### **Execution of Transactions**

The Portfolio Manager has appointed custodian in terms of the SEBI (PMS) Regulations, 2020. Portfolio manager shall individually and independently manage the funds of each client in accordance with the needs of the client and in terms of applicable SEBI (PMS) Regulations, 2020. Portfolio manager has appointed a custodian in respect of securities managed or administered by it. In terms of SEBI (PMS) Regulations, 2020 appointment of custodian is not applicable in case where portfolio manager provides only advisory services. Generally, the purchase and sale operations shall be operated on “pooled” basis for Investors. The Portfolio Manager may also decide to execute purchase and sale transactions on “non-pool basis”. The Portfolio Manager may at its discretion ordinarily purchase or sell Securities in aggregate for economy of scale and thereafter inter-se allocate the same amongst its client on pro-rata basis under pooled custodian method. The allocation of trades shall be carried out in terms of the SEBI (Portfolio Managers) Regulations, 2020 and guidelines and/ or directions issued by the SEBI from time to time. The portfolio manager shall segregate each client’s funds and portfolio of securities and keep them separately from his own funds and securities and be responsible for safekeeping of clients' funds and securities. Provisions related to safekeeping of clients’ funds will not be applicable for advisory clients.

In case of NRI Clients all buying and selling would be done through non-pooled custodian basis using client’s PAN number and STT would be reflected in their individual name.

Additionally, through Portfolio Management Agreement the investor shall provide a Power of Attorney authorizing the Portfolio Manager to carry out all his/her/its investment decisions and discharge all other obligations in terms of the SEBI (Portfolio Managers) Regulations, 2020 and Portfolio Management Agreement and take fees and pay statutory dues and obligations in due course of regulatory and market requirements. Additionally, through Portfolio Management Agreement the investor shall provide a Power of Attorney authorizing the custodian to keep custody of assets and execute trade as advised by portfolio manager from time to time and take fees and pay statutory dues and obligations in due course of regulatory and market requirements.

## 17) Investor services

The Portfolio Manager seeks to provide the portfolio clients a high standard of service. The Client servicing essentially involves the following;

- (a) reporting portfolio actions and client statement of accounts at pre-defined frequency;
- (b) attending to and addressing any client query in a time bound manner;
- (c) ensuring portfolio reviews at predefined frequency.

### **Name, address and telephone number of the investor relation officer who shall attend to the investor queries and complaints:**

Name	Ankit Shah
Address	2 <sup>nd</sup> Floor, North Court, Opposite Joggers Park, Kalyani Nagar, Pune – 411006.
Contact No	+91 020 4121 4014
Email id	<a href="mailto:ankit.shah@oaklanecapital.com">ankit.shah@oaklanecapital.com</a>

### **Grievance redressal and dispute settlement mechanism:**

All clients are advised to send their complaints at the email id designated for receiving client complaints i.e. [ankit.shah@oaklanecapital.com](mailto:ankit.shah@oaklanecapital.com)

For any queries/clarifications and for timely and prompt redressal of grievances, the Clients may contact the above-mentioned executive of the Portfolio Manager.

As a part of the firm's clients' grievance redressal and dispute settlement mechanism, all the disputes arising in connection with the client Services Agreement shall, to the extent possible be settled amicably by prompt negotiations at the earliest.

In the event of failure to settle the disputes by mutual negotiations, it may be referred to and finally resolved by arbitration in accordance with and subject to the provisions of the Arbitration and Conciliation Act, 1996 or any statutory modification or re-enactment thereof for the time being in force or any other arbitration law or rules of arbitration as mentioned in the Portfolio Management Agreement.

The place of arbitration shall be Mumbai, India unless specified otherwise in the Portfolio Management Agreement and be conducted in English language. Any dispute arising out of or in relation to this Agreement shall be submitted to arbitration by parties to this agreement under the provisions of Arbitration and Conciliation Act, 1996. The arbitration shall be before three arbitrators, with each Party entitled to appoint an arbitrator and the third arbitrator being the presiding arbitrator appointed by the two arbitrators. Each Party will bear the expenses / costs incurred by it in appointing the arbitrator and for the arbitration proceedings. Further, the cost of appointing the presiding arbitrator will be borne equally by both the parties. Such arbitration proceedings shall be held at Mumbai, India and the language of the arbitration shall be English.

Without prejudice to anything stated above, the Client can also register the grievance/complaint through SCORES (SEBI Complaints Redress System), post which SEBI may forward the complaint to the Portfolio Manager and the Portfolio Manager will suitably address the same. SCORES platform is accessible at <https://scores.gov.in/scores/Welcome.html>

## **SEBI Compliant Redressal System (SCORE):**

SEBI has set up a centralized web-based complaint redress system (SCORE) for easy retrieval and tracking of complaints of the investors.

Clients may also lodge and follow up the complaints and track the status of the complaint from anywhere through SCORE by visiting <https://scores.gov.in/scores/Welcome.html> Portfolio Manager will receive and redress the complaints lodged against it by any of its client in accordance with the procedure prescribed by the SEBI in this regard.

## **18) General**

### **(a) Prevention of Money Laundering**

Prevention of Money Laundering Act, 2002 ('PML Act') came into effect from July 1, 2005 vide Notification No. GSR 436(E) dated July 1, 2005 issued by Department of Revenue, Ministry of Finance, Government of India. Further, SEBI vide its circular No. ISD/CIR/RR/AML/1/06 dated January 18, 2006 and Master Circular dated December 31, 2010 Guidelines on Identification of Beneficial Ownership' under Circular no. CIR/MIRSD/2/2013 dated January 24, 2013, Circular no. CIR/MIRSD/ 13 /2013 dated December 26, 2013 on know your client requirements, Circular no. CIR/MIRSD/120 /2016 dated November 10, 2016 on uploading of KYC details with Central KYC Records Registry has mandated that all intermediaries including Portfolio Managers should formulate and implement a proper policy framework as per the guidelines on anti-money laundering measures, identification of beneficial owner, uniform KYC process, uploading of client KYC with central KYC registry and also adopt a "Know Your Customer" (KYC) policy. The intermediaries may, according to their requirements specify additional disclosures to be made by Clients for the purpose of identifying, monitoring and reporting incidents of money laundering and suspicious transactions undertaken by Clients. SEBI has further issued circular no. ISD/CIR/RR/AML/2/06 dated March 20, 2006 advising all intermediaries to take necessary steps to ensure compliance with the requirement of section 12 of the PML Act requiring *inter alia* maintenance and preservation of records and reporting of information relating to cash and suspicious transactions to Financial Intelligence Unit-India (FIU-IND). SEBI has further strengthened the KYC and client risk assessment requirements under its circular no. CIR/MIRSD/1/2014 dated March 12, 2014 and circular no. SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019. The PMLA, Prevention of Money-laundering (Maintenance of Records) Rules, 2005 as amended and modified from time to time, the guidelines/circulars issued by SEBI thereto, as amended from time to time, are hereinafter collectively referred to as 'PML Laws'.

The Client(s), including guardian(s) where Client is a minor, should ensure that the amount invested through the services offered by the Portfolio Manager is through legitimate sources only and does not involve and is not designed for the purpose of any contravention or evasion of the provisions of the Income Tax Act, 1961, PML Laws, Prevention of Corruption Act, 1988 and/or any other applicable law in force and also any laws enacted by the Government of India from time to time or any rules, regulations, notifications or directions issued there under.

To ensure appropriate identification of the Client(s) under its KYC policy and with a view to monitor transactions in order to prevent money laundering, the Portfolio Manager (itself or through its nominated agency as permissible under Applicable Laws) reserves the right to seek information, and/or obtain and retain documentation for establishing the identity of the investor, proof of residence, source of funds, etc. The Client agrees to provide all information and submit to the Portfolio Manager, or its agent, all documents as may be required to verify the Client's identity and comply with its KYC and PML laws. The Portfolio Manager may re-verify identity and obtain any additional information for this purpose, including through the use of third-party databases, personal visits, or any other means as may

be required for the Portfolio Manager to satisfy itself of the investor's identity, address and other personal information.

The Client(s) and their attorney(ies), if any, shall produce reliable, independent source documents such as photographs, certified copies of ration card/passport/driving license/PAN card, etc. and/or such other documents or produce such information as may be required by the Portfolio Manager from time to time for verification of the personal details of the Client(s) including *inter alia* identity, residential address(es), occupation and financial information. The Portfolio Manager shall also, after application of appropriate due diligence measures, have absolute discretion to report any transactions to FIU-IND (and any other competent authorities and self-regulating bodies) that it believes are suspicious in nature within the purview of the PML Laws and/or on account of deficiencies in the documentation provided by the Client(s) and the Portfolio Manager shall have no obligation to advise Client(s) of such reporting. The KYC documentation requirements shall also be complied with by the persons becoming the Client by virtue of operation of law e.g. transmission, etc.

The Portfolio Manager will not seek fresh KYC from the Clients who are already KRA compliant and the ones who are not KRA compliant, the information will be procured by the Portfolio Manager and uploaded.

The KYC requirements shall also be applicable for all joint holders, legal representatives, legal heirs, nominees of the Client. The KYC documentation requirements shall also be complied with by the person(s) becoming beneficial owner of the account by virtue of operation of law for e.g. transmission cases and nominees/legal heirs on the death of the Client. In case of minor Client, KYC documentation requirements shall be complied by the Client on attaining the "major" status.

The Portfolio Manager, its partners, employees, agents and service providers shall not be liable in any manner for any claims arising whatsoever on account of freezing the client account/rejection of any application or mandatory repayment/returning of funds due to non-compliance with the provisions of the PML Laws and KYC policy and/or where the Portfolio Manager believes that transaction is suspicious in nature within the purview of the PML Laws and/or for reporting the same to FIU-IND.

The Portfolio Manager shall, after the end of each accounting period, furnish to the Board copies of the balance sheet, profit and loss account and such other documents as are mentioned in any of the regulations under this chapter for any other preceding five accounting years when required by the Board.

#### **(b) Custody of funds and securities**

The Portfolio Manager shall keep the funds of the Client in a separate bank account, with a Scheduled Commercial Bank, segregated from the accounts of Portfolio Manager's other clients or, at its discretion, along with the funds of other clients in the PMS subject to the requirements laid down under SEBI Regulations and use the same for the purpose of the purchase and sale of Securities allowed in this Agreement and for payment of allowable expenses/fees and for the purposes set out in this Agreement. The Portfolio Manager shall not use funds of the Client for the benefit of any other clients. Books of Accounts of the Client shall be segregated from the accounts of all the other clients of the Portfolio Manager and shall be maintained separately.

Securities belonging to the Client shall be held in the demat/ custody account of the Client. The Portfolio Manager shall not derive any direct or indirect benefit out of the Client's funds and Securities.

### **(c) Transaction in Securities**

Portfolio Manager shall observe applicable investment restrictions in terms of the SEBI (Portfolio Managers) Regulations, 2020, such other applicable SEBI regulations and guidelines issued by the SEBI from time to time. The Portfolio Manager will also observe investment restrictions if any imposed by RBI. Portfolio Manager is also subject to investment restrictions stated in the Portfolio Management Service Agreement.

The Portfolio Manager will not borrow funds or securities on behalf of the Client. The Portfolio Manager is permitted to participate in Securities Lending and Borrowing platform in terms of applicable rules and regulation and on the platform made available by a stock exchange. Additional written authorisation if any required for participating in Securities Lending and Borrowing, the same shall be taken from the Client.

For discretionary portfolio management services, portfolio manager shall invest funds of his clients in the securities listed or traded on a recognized stock exchange, money market instruments, units of Mutual Funds and other securities as specified by Board from time to time, on behalf of their clients. Explanation: "money market instruments" includes commercial paper, trade bill, treasury bills, certificate of deposit and usance bills.

For portfolio manager offering non-discretionary or advisory services to clients may invest or provide advice for investment up to 25% of the assets under management of such clients in unlisted securities, in addition to the securities permitted for discretionary portfolio management.

The portfolio manager while investing in units of Mutual Funds through direct plan shall not charge any kind of distribution related fees to the client.

The portfolio manager shall not invest the clients' funds in the portfolio managed or administered by another portfolio manager. The portfolio manager shall not invest client's fund based on the advice of any other entity.

The portfolio manager shall not hold the securities belonging to the portfolio account, in its own name on behalf of its clients either by virtue of contract with clients or otherwise.

The money or securities accepted by the portfolio manager shall not be invested or managed by the portfolio manager except in terms of the agreement between the portfolio manager and the client and only in terms of the provisions of the SEBI (PMS) Regulations, 2020 and guidelines issued thereunder.

The portfolio manager shall not execute off market transfers in client's account except: (a) for settlement of the clients' own trades; (b) for providing margin/ collateral for clients' own positions; (c) for dealing in unlisted securities in accordance with the regulations; (d) with specific consent of the client for each transaction; (e) for any other reason specified by the Board from time to time.

### **(d) Maintenance of books of accounts, records, etc**

Portfolio Manager shall maintain books of accounts pertaining to its portfolio management services in terms of SEBI (PMS) Regulations, 2020 and guidelines issued by SEBI from time to time.

### **(e) Accounts and audit**

Portfolio Manager shall ensure compliance with the provisions of accounts and audit pertaining to its portfolio management services in terms of SEBI (PMS) Regulations, 2020, circulars and guidelines issued by SEBI from time to time.

### **(f) Reports to be furnished to clients**

Portfolio Manager shall ensure compliance with the provisions related to reports to be furnished to

clients pertaining to its portfolio management services in terms of SEBI (PMS) Regulations, 2020, circulars and guidelines issued by SEBI from time to time. Reports provided to the Client shall include: (a) the composition and the value of the portfolio, description of securities and goods, number of securities, value of each security held in the portfolio, units of goods, value of goods, cash balance and aggregate value of the portfolio as on the date of report; (b) transactions undertaken during the period of report including date of transaction and details of purchases and sales; (c) beneficial interest received during that period in the form of interest, dividend, bonus shares, rights shares, etc; (d) expenses incurred in managing the portfolio of the client; (e) details of risk foreseen by the portfolio manager and the risk relating to the securities recommended by the portfolio manager for investment or disinvestment; (f) default in payment of coupons or any other default in payments in the underlying debt security and downgrading to default rating by the rating agencies, if any; (g) details of commission paid to distributor(s) for the particular client and such other details as are required to be provided to the Client in terms of SEBI (PMS) Regulations, 2020, circulars and guidelines issued by SEBI from time to time.

The client shall have the right to obtain details of his portfolio from the portfolio managers.

**(g) Code of Conduct**

Portfolio manager shall ensure compliance with code of conduct as provided in SEBI (PMS) Regulations, 2020, circulars and guidelines issued by SEBI from time to time.

**(h) Client Information**

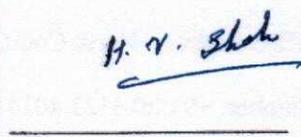
The Portfolio Manager shall presume that the identity of the Client and the information disclosed by the Client is true and correct. It will also be presumed that the funds invested by the Client through the services of the Portfolio Manager come from legitimate sources / manner and the investor is duly entitled to invest the said funds.

Where the funds invested are for the benefit of a person (beneficiary) other than the person in whose name the investments are made and/or registered, the Client shall provide an undertaking that the Client is holding the funds/Securities in his name is legally authorised/entitled to invest the said funds through the services of the Portfolio Manager, for the benefit of the beneficiaries.

Notwithstanding anything contained in this document, the provisions of the SEBI (Portfolio Managers) Regulations, 2020, PML Laws and the guidelines issued there under shall be applicable and be complied with by the Portfolio Manager. Clients/Investors are advised to read this document carefully before entering into an Agreement with the Portfolio Manager.

In terms of applicable SEBI (Portfolio Managers) Regulations, 2020 a copy of disclosure document along-with required certification will be provided to each of the client prior to entering into an agreement with the client.

For and on behalf of Oaklane Capital Management LLP (the "Portfolio Manager")

<b>Mr. Kuntal Shah</b> (Designated Partner)	: 
<b>Mr. Hasmukhlal Shah</b> (Designated Partner)	: 

Place: Pune

Dated: February 06, 2021

**Form - C**

**Securities and Exchange Board of India (Portfolio Managers) Regulations 2020, (Regulation 22)**

Name of the Portfolio Manager: Oaklane Capital Management LLP

Corporate Office Address: North Court, 2<sup>nd</sup> Floor, Office No. 1, Kalyani Nagar, Pune – 411 006

Telephone Number: +91 20 4121 4014

Fax Number: +91 20 4122 4768

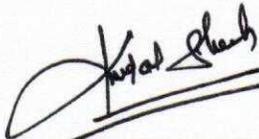
Email: [ankit.shah@oaklanecapital.com](mailto:ankit.shah@oaklanecapital.com)

Website: [www.oaklanecapital.com](http://www.oaklanecapital.com)

We confirm that,

- I. The Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by the Board from time to time;
- II. The disclosures made in the Disclosure Document are true, fair and adequate to enable the investors to make a well-informed decision regarding entrusting the management of the portfolio to us / investment in the Portfolio Management;
- III. The Disclosure Document has been duly certified by Ms. Pradnya Shende for S Panse & Co LLP, Chartered Accountants (Membership Number: 172845) with office address as 9 Three View Society, Veer Savarkar Marg, Mumbai – 400025, an independent Chartered Accountant on February 06, 2021. (*enclosed here is a copy of chartered accountants' certificate to the effect that the disclosures made in Disclosure Document are true, fair and adequate to enable the investors to make a well-informed decision*)

**For and on behalf of Oaklane Capital Management LLP**



**(Kuntal Shah)**  
**Principal Officer and Designated Partner**

**Date: February 06, 2021**

Place: Pune

North Court, 2<sup>nd</sup> Floor, Office No. 1,  
Kalyani Nagar, Pune – 411 006

[www.oaklanecapital.com](http://www.oaklanecapital.com)

LLP Registration Number: AAA- 6130

# S Panse & Co LLP

"formerly S. Panse & Co."

Chartered Accountants

9, Three View Society, Veer Savarkar Marg, Mumbai - 400 025. India. Tel / Fax : 2437 0483 / 84 Email: [admin@panse.in](mailto:admin@panse.in)

## CERTIFICATE

In the matter of: **OAKLANE CAPITAL MANAGEMENT LLP**

North Court, 2nd Floor, Office No. 1,  
Kalyani Nagar, Pune – 411006.

On the basis of verification of Disclosure Document as required by the SEBI (Portfolio Managers) Regulations, 2020 and other documents, records, audited Financial Statements as on March 31, 2020 of Oaklane Capital Management LLP and the information and explanation given to us, it is confirmed that:

The disclosure made in the Disclosure Document dated February 06, 2021, copy attached herewith, as required by the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and the directives issued by SEBI from time to time are true, fair and adequate to enable the investors to make a well-informed decision.


**Pradnya Shende**

**Partner**

**Membership No. 172845**

**For & behalf on**

**S Panse & Co LLP**

Chartered Accountants

FRN No: 113470W/W100591

UDIN: 21172845AAAAAQ5342

Place: Mumbai

Date: February 06, 2021