

# **M. P. Chitale & Co.**

## **Chartered Accountants**

1/11, Prabhadevi Ind. Estate, 1st Flr., Opp. Siddhivinayak Temple, Veer Savarkar Marg, Prabhadevi, Mumbai - 25 • Tel.: 43474301-03 • Fax : 43474304

**The Board of Directors,**  
**IDFC Asset Management Company Ltd.,**  
6<sup>th</sup> floor, One World Centre,  
Jupiter Mills Compound,  
841, Senapati Bapat Marg,  
Mumbai – 400 013.

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

1. We have been requested by management of IDFC Asset Management Company Limited ('the Company') to certify the contents of Disclosure Document dated December 22, 2021 for portfolio management services of the Company which is prepared by the Company in accordance with the Regulation 22 of Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 ('the SEBI Regulations'). We understand that the Disclosure Document is required to be submitted to the Securities and Exchange Board of India ("the SEBI") and to the clients of the Company.

#### **Management's responsibility**

2. The management of the Company is responsible for the maintenance of the books of account and such other relevant records as prescribed by applicable laws, which includes collecting, collating and validating data and designing, implementing and monitoring of internal controls relevant for the preparation and presentation of Disclosure Document.
3. The Disclosure Document and compliance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 is the responsibility of the management of the Company.

#### **Auditor's responsibility**

4. We have not performed an audit, the objective of which would be expression of an opinion on the financial statements, specified elements, accounts or items thereof, for the purpose of this certificate. Accordingly, we do not express such an opinion.
5. For the purpose of this certificate, we have planned and performed the following procedures to determine whether anything has come to our attention that causes us

to believe that the aforementioned Disclosure Document is not in compliance with the SEBI Regulations.

- a) The list of persons classified as group companies and list of related parties are as per audited financial statements available on the Company website;
- b) The promoters and directors' qualifications, experience, ownership details are as confirmed by the Portfolio Manager and have been accepted without further verification;
- c) We have relied solely on representations provided by the management of the Company and not performed any procedures in relation to penalties or litigations against the Portfolio Manager, as mentioned in the Disclosure Document;
- d) We have reviewed the figures for performance disclosed in the Disclosure Document on the basis of performance data spooled from Wealth Spectrum by the Company;
- e) We have relied solely on representations provided by the management of the Company and not performed any procedures in relation to the investment objectives and policies / investment philosophy;
- f) We have reviewed nature of fees and expenses as per the agreements and representations provided by the Company; and
- g) We have verified the financial figures disclosed in the Disclosure Document with the audited financial statements for the respective years.

### **Conclusion**

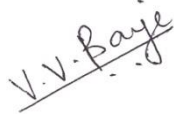
6. Based on the procedures performed as stated above, evidence obtained and information and explanations provided by the Company, nothing has come to our attention that causes us to believe that the Disclosure Document is not, in all material aspects, in compliance with the SEBI Regulations.

Based on our review of attached Disclosure Document, audited annual accounts of the Portfolio Manager and its other group companies and its other relevant records and information furnished by the Portfolio Manager along with representation provided, we certify that the disclosures made in the attached Disclosure Document for Portfolio Management are true, fair and adequate to enable the investors to make a well informed decision.

7. This certificate is issued solely to comply with Regulation 22 of Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 (as amended from time to time) and may not be suitable for any other purpose. Accordingly, our certificate should not

be quoted or referred to in any other document or made available to any other person or persons other than being part of Disclosure Document without our prior written consent. Also, we neither accept nor assume any duty or liability for any other purpose or to any other party to whom our certificate is shown or into whose hands it may come without our prior written consent.

**For M.P. Chitale & Co.**  
**Chartered Accountants**  
**Firm Reg. No. 101851W**

A handwritten signature in black ink, reading "V.V. Barje", written over a horizontal line.

**Vidya Barje**  
**Partner**  
**M. No. 104994**  
**Mumbai, December 22, 2021**  
**UDIN: 21104994AAAVWJ3045**



**IDFC ASSET MANAGEMENT**

**DISCLOSURE DOCUMENT  
FOR DISCRETIONARY PORTFOLIO MANAGEMENT SERVICE**

*(As required under Regulation 22 of SEBI (Portfolio Managers) Regulations, 2020)*

- (i) This Disclosure Document has been filed with the Securities and Exchange Board of India along with the certificate in the specified format in terms of Regulation 22 of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.
- (ii) The purpose of the document is to provide essential information about the Portfolio Services in a manner to assist and enable the investors in making an informed decision before engaging a Portfolio Manager.
- (iii) This Disclosure Document discloses the necessary information about the Portfolio Manager required by an investor before investing and an investor may also be advised to retain the document for future reference.
- (iv) Details of the Principal Officer are as below:

**Name: Mr. Anil Paranjape**

Registered Office:

**IDFC ASSET MANAGEMENT COMPANY LIMITED**

Tower 1, 6<sup>th</sup> Floor, One World Centre

841 Jupiter Mills Compound

Senapati Bapat Marg,

Mumbai 400013

SEBI Registration No.: INP000002064

Phone: +91 22 66289826

Fax: +91 22 24215052

Email [anil.paranjape@idfc.com](mailto:anil.paranjape@idfc.com)

- (v) This Disclosure Document remains in effect until a ‘material change’ occurs. Material changes will be filed with Securities and Exchange Board of India (“SEBI”) and notified to the investors, subject to the applicable Regulations.
- (vi) No person has been authorized to give any information or to make any representations not confirmed in this Disclosure Document in connection with the Services proposed to be provided by the Portfolio Manager, and any information or representations not contained herein must not be relied upon as having been authorized by the Portfolio Manager.

This Disclosure Document is dated December 22, 2021

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## 1. DISCLAIMER

This Disclosure Document has been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, and has been filed with the Securities and Exchange Board of India (SEBI). SEBI has neither approved nor disapproved the document, nor has SEBI certified the accuracy or adequacy of this Disclosure Document.

## 2. DEFINITIONS

For the purposes of this Disclosure Document, except as otherwise expressly provided or as the context or meaning thereof otherwise requires, the following words and expressions shall have the meanings assigned to them respectively hereinafter:

**“Act”** shall mean the Securities and Exchange Board of India Act, 1992 (15 of 1992).

**“Board” or “SEBI”** shall mean the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Act.

**“Business Day”** shall mean a day other than : (i) a Saturday and Sunday (ii) a day on which banks in Mumbai and / Reserve Bank of India (RBI) are closed for business / clearing (iii) a day which is a public holiday and / or a bank holiday (iv) a day on which the Bombay Stock Exchange and / or the National Stock Exchange are closed (v) a day on which the business cannot be transacted because of bandhs, floods, strikes etc. or for any other reason as the Portfolio Manager may prescribe. The Portfolio Manager reserves the right to declare any day as a Business Day or otherwise.

**“Client” or “Investor”** shall mean any person/entity that registers with the Portfolio Manager for availing the Portfolio Management Services and enters into an agreement with the Portfolio Manager.

**“Date of Distribution”** shall mean the date on which entire Portfolio or part thereof is handed over to the Client (including by way of interim disbursements) and no longer forms part of the Portfolio.

**“Depository”** shall mean Depository as defined in the Depositories Act, 1996 (22 of 1996).

**“Disclosure Document”** shall mean this Disclosure Document for the Portfolio Management Services.

**“Discretionary Portfolio Management Services”** shall mean portfolio management services where the Portfolio Manager exercises or may, under a contract relating to portfolio management exercise any degree of discretion as to the investments or management of the Portfolio of securities or the Funds of the Client, as the case may be.

**“Effective Date”** shall mean the date of execution of the PMS Agreement.

**“Fair Market Value”** shall mean the value of the relevant Security(ies) or other asset(s) forming part of the Portfolio as per the last of the six-monthly valuations conducted by an independent agency appointed by the Portfolio Manager, which may include a reputable chartered accountant, property valuer or other consultants based on the principles set out in the PMS Agreement.

**“FPI/s”** shall mean Foreign Portfolio Investors, registered with SEBI under Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended from time to time.

**“Financial year”** shall mean the year starting from 1<sup>st</sup> April of a year and ending on 31<sup>st</sup> March the following year.

**“Funds”** shall mean the moneys placed by the Client with the Portfolio Manager and any accretions thereto.

**“Initial Corpus”** shall mean the value of the Funds brought in by the Client at the time of registering him as a Client with the Portfolio Manager and acceptance of the same by the Portfolio Manager. The Portfolio Manager in its sole discretion may accept such proportion of the total capital commitment as the Initial corpus as agreed between the client and the Portfolio manager subject to the same not being less than Rupees Fifty Lakhs.

**“Investment Advisory Services”** shall mean the services, where the Portfolio Manager advises Clients on investments in general or gives specific advice required by the Clients and agreed upon in the PMS Agreement.

**“Non Discretionary Portfolio Management Services”** shall mean portfolio management services provided in accordance with the directions of the Client.

**“Person”** includes an individual, partnership firm, company (as defined in the Companies Act) a body corporate (as defined in the Companies Act) as amended from time to time, a co-operative society and anybody or organization of individual or persons whether incorporated or not.

**“PMS Agreement”** shall mean the agreement between the Client and the Portfolio Manager for provision of Portfolio Management Services by the Portfolio Manager to that Client and stating therein the terms and conditions on which the Portfolio Manager shall provide such services to that Client.

**“Portfolio”** shall mean all Cash and Securities of the Client that are managed by the Portfolio Manager on the Client’s behalf as per the PMS Agreement.

**“Portfolio Manager”** means IDFC Asset Management Company Limited, a company incorporated under the Companies Act, 1956 and having its registered office at Tower 1, 6<sup>th</sup> Floor, One World Centre, Jupiter Mills Compound, 841 Senapati Bapat Marg, Mumbai 400013 and registered with SEBI as a Portfolio Manager under the Regulations having Registration No. **INP000002064**.

**“Portfolio Management Services”** or **“Services”** shall mean the Discretionary Portfolio Management Services or Non Discretionary Portfolio Management Services or Investment Advisory Services, as the context may require.

**“Regulations”** shall mean the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.

**“Securities”** shall mean the securities in which the Portfolio Manager may from time to time invest for and on behalf of the Client, including securities issued by private companies, and shall include all papers / instruments included within the definition of “security” under the Section 2(h) of the Securities Contract (Regulation) Act, 1956, provided that Securities shall not include any securities which the Portfolio Manager is prohibited from investing in under the Regulations or any other law for the time being in force.

**“SEBI”** means Securities and Exchange Board of India, established under the Securities and Exchange Board of India Act, 1992.

The terms that are used herein and not defined herein, except where the context otherwise so requires, shall have the same meanings as are assigned to them under the Act or the Regulations.



### 3. DESCRIPTION

#### A. HISTORY, PRESENT BUSINESS AND BACKGROUND OF THE PORTFOLIO MANAGER

##### **Background of the Portfolio Manager:**

The portfolio management business was being carried out by IDFC Investment Advisors Limited (IDFC IA), a wholly owned subsidiary of IDFC Asset Management Company Limited (IDFC AMC). As part of the process of rationalising the corporate holding structure within the IDFC Group and bring synergy, IDFC IA has been merged into IDFC AMC, its holding company on June 23, 2015.

Pursuant to the same, the Portfolio Management Business is being undertaken by IDFC Asset Management Company Limited (hereinafter referred to as – the Portfolio Manager).

IDFC AMC (the Portfolio Manager) was originally known as ANZ Grindlays Asset Management Company Private Limited and set up by the Australia and New Zealand Banking Group. It was appointed by ANZ Grindlays Trustee Company Pvt Ltd (Trustee to ANZ Grindlays Mutual Fund) to act as Investment Manager to ANZ Grindlays Mutual Fund vide the Investment Management Agreement dated January 3, 2000.

In 2001, Standard Chartered Bank acquired 75% of the equity share capital and 100% of the preference share capital of ANZ Grindlays Asset Management Company Private Limited. The company was thereafter renamed as Standard Chartered Asset Management Company Private Limited.

On May 30, 2008, IDFC Limited (IDFC) acquired 100% of the equity and preference share capital of Standard Chartered Asset Management Company Private Limited held by Standard Chartered Bank and other minority shareholders. Pursuant to the above acquisition, Standard Chartered Asset Management Company Private Limited was renamed as IDFC Asset Management Company Limited.

On December 9, 2011, IDFC sold 25% of the total issued and paid up equity share capital plus one equity share in IDFC Asset Management Company Limited to Natixis Global Asset Management Asia Pte Ltd (NGAM Asia).

Pursuant to RBI's requirements for banking license, on July 9, 2015, IDFC Ltd. transferred its shareholding in IDFC Asset Management Company Limited to IDFC Financial Holding Company Limited, a Non-Operative Financial Holding Company (NOFHC), which is a wholly owned subsidiary of IDFC Ltd.

IDFC Financial Holding Company Limited acquired the entire shareholding of Natixis Global Asset Management Asia Pte. Ltd., Singapore in the Company during March 2016.

##### **Shareholding pattern of the Portfolio Manager:**

Shareholder(s)	Percentage
IDFC Financial Holding Company Limited/ its nominees	99.956%
Mr. Rajendra Mishra	0.038%
Mr. Anurag Mittal	0.006%

## DIRECTORS OF THE PORTFOLIO MANAGER AND THEIR BACKGROUND IN BRIEF

The following table sets forth current details regarding the Portfolio Manager's Board of Directors:

Name and Age	Background in brief	Other Directorships (As on December 20, 2021)
<b>Ms. Anita Belani (Associate Director)</b>	57 years / Bachelor's Degree in Economics, MBA from XLRI	<p>Ms. Anita Belani is an Associate Director on Board of the Company. Ms. Belani is a seasoned professional with over 30 years experience as a senior business &amp; human capital leader. She is the Co Founder and Partner of Emotionally, a mental wellness company specializing in counseling, therapy &amp; coaching.</p> <p>Ms. Belani is an ICF Accredited Executive Coach and has over 15 years of coaching experience under her belt having coached several C-suite level executives across various sectors.</p> <p>In her previous roles she has been the Operating Partner of the growth PE fund Gaja Capital, Managing Director India for Russell Reynolds Associates and has lead consulting businesses as Country Head India for Right Management and Watson Wyatt. Ms. Belani has previously worked with Sun Microsystems in San Francisco in a strategic global HR position, KPMG in the USA, Jardine Fleming and American Express TRS.</p> <p>Ms. Belani takes keen interest in mentoring startups and is a key member of several angel networks which focus on investing in early stage companies.</p> <p>Other Directorships:</p> <ol style="list-style-type: none"> <li>1. Foseco India Limited</li> <li>2. Redington India Limited</li> <li>3. Eternis Fine Chemicals Limited</li> <li>4. IDFC Financial Holding Company Limited</li> <li>5. Vivriti Capital Private Limited</li> <li>6. IDFC Limited</li> </ol>
<b>Ms. Veena Mankar (Independent Director)</b>	68 years / BA in Economics from Lady Shree Ram College, Delhi and a post-graduation in Business Administration from the Indian Institute of Management, Ahmedabad.	<p>Ms. Veena Mankar is a Banking and Financial Services professional with expertise in trade and structured finance, financing for MSMEs and microfinance. She has over 35 years of experience in financial services with banks and financial institutions and as a strategic consultant. She was appointed on the Board of IDFC Bank as an Independent Director w.e.f July 27, 2015. She is the Founder of three entities under the Swadhaar brand, set up with the objective of promoting financial inclusion, including a non-profit that provides financial literacy training. She is the Chairperson of two of the entities, Swadhaar FinServe Pvt. Ltd, an NBFC-MFI and Swadhaar Information &amp; Management Services</p>

		<p>Pvt. Ltd., a Business Correspondent. She was also a Director on the Board of Liberty Videocon General Insurance Co. Ltd. She started her career in 1975 with ICICI, the development finance institution in India, and precursor of the present day ICICI Bank, which was followed by commercial banking experience in Dubai. She set up and headed the Indian Representative Office of West LB, a German state-owned bank and thereafter was the founding MD of a Factoring Non-Banking Financial Company, a joint venture of the same Bank with two other financial institutions (including IFC, Washington).</p> <p>She later advised FIM Bank, Malta on their global factoring strategy and assisted in setting up specialised joint ventures in Dubai and Egypt, where she also served as FIM Bank's Nominee Director on the Boards of these joint ventures companies. In the past, she has been on the Governing Board of Sa-Dhan, the Association of Microfinance &amp; Community Development Institutions in India. She is Independent Director on the Board of IDFC Foundation.</p> <p><b>Other Directorships:</b></p> <ol style="list-style-type: none"> <li>1. RBL Finserve Limited</li> <li>2. Swadhar Finaccess</li> <li>3. RBL Bank Limited</li> <li>4. Alicon Castalloy Limited</li> <li>5. IDFC Foundation</li> <li>6. Paisabazaar Marketing and Consulting Private Limited</li> <li>7. PB Fintech Limited</li> <li>8. Swadhaar Information and Management Services Private Limited</li> </ol>
<p>Ms. Ritu Anand <b>(Associate Director)</b></p>	<p>68 years/ Masters degree in Economics from the London School of Economics and Bachelor degree in Arts from Wellesley College, Massachusetts, USA and St. Xavier's College, Mumbai</p>	<p>Ms. Ritu Anand is an Independent Director on the Board of IDFC Limited. She has served as Group Head, Chief Economist and Principal Advisor at IDFC Limited. Ms. Anand has over 35 years of extensive experience in working with financial institutions, multilateral development agencies and government and regulatory authorities in the areas of economics and public policy.</p> <p>She served as Chief Economic Advisor and Deputy Managing Director of State Bank of India. Ms. Anand served as the Lead Economist at World Bank, Washington DC, U.S.A.</p> <p><b>Other Directorships:</b></p> <ol style="list-style-type: none"> <li>1. NIIF Infrastructure Finance Limited</li> <li>2. IDFC Limited</li> </ol>

## **B. PROMOTERS OF THE PORTFOLIO MANAGER, DIRECTORS AND BACKGROUND:**

IDFC Limited is a leading diversified financial institution providing a wide range of financing products and fee-based services with infrastructure as its focus area. The key businesses of IDFC Limited include project finance, principal investments, financial markets and investment banking, broking, advisory services and asset management.

Since 2005, IDFC Limited has built on the vision to be the 'one firm' that looks after the diverse needs of infrastructure development. Whether it is financial intermediation for infrastructure projects and services, adding value through innovative products to the infrastructure value chain or asset maintenance of existing infrastructure projects, IDFC Limited focused on supporting companies to get the best return on investments. IDFC Limited remains actively involved in providing policy advice to the Government of India and the governments of various states in India and regulatory agencies. The company's policy advisory function is independent of its business activities.

In April 2014, the Reserve Bank of India (RBI) granted an in-principle approval to IDFC Limited to set up a new bank in the private sector, as per the RBI Guidelines for Licensing of New Banks in the Private Sector. Subsequently, a Scheme of Arrangement was filed with the Madras High Court for Demerger of Financial Undertaking (the lending business of IDFC) to IDFC Bank. All the requisite approvals were obtained and the Madras High Court approved this Demerger by its Order dated June 25, 2015. IDFC Limited received the banking license/ approval from the Reserve Bank of India to set a bank and has launched the IDFC Bank Limited on October 01, 2015. IDFC Bank comprises three distinct businesses i.e. commercial and wholesale bank, rural bank and personal and business bank. IDFC Bank is promoted by IDFC Limited. The equity shares of IDFC Limited and IDFC Bank Limited are listed on the National Stock Exchange of India Limited and the BSE Limited.

Post demerger of Financing Undertaking of IDFC Limited into IDFC Bank Limited, IDFC Limited is registered as Investment Company (NBFC – IC) with the Reserve Bank of India.

### **DIRECTORS OF IDFC LIMITED AND THEIR BACKGROUND IN BRIEF**

The following table sets forth current details regarding the Portfolio Manager's Board of Directors:

<b>Name and Age</b>	<b>Background in brief</b>
<b>Mr. Sunil Kakar</b>	<p>Mr. Sunil Kakar is the Managing Director &amp; CEO of IDFC Limited. He started his career at Bank of America where he worked for 18 years in various roles, covering Business Planning &amp; Financial Control, Branch Administration and Operations, Market Risk Management, Project Management and Internal Controls. As a CFO from 1996 to 2001, Mr. Kakar spearheaded the Finance function at Bank of America in India. After Bank of America, Mr. Kakar was the CFO at Max New York Life Insurance Company since 2001. He led numerous initiatives including Planning, Investments / Treasury, Finance and Accounting, Budgeting and MIS, Regulatory Reporting and Taxation. As part of the start-up team in Max New York Life, Mr. Kakar was a key part of core group which led the successful development of the insurance business.</p> <p>He joined IDFC in 2011 as the Group Chief Financial Officer and was responsible for Finance &amp; Accounts, Business Planning and Budgeting, Investor Relations, Resource Raising and IT. He was also a member of IDFC Group's Management Committee. After the demerger of IDFC Ltd and IDFC Bank, he moved to the bank as one of the founding members that led the transition of IDFC into a universal bank. He was a member of the Executive Committee of the bank and led Strategic Planning &amp;</p>

	Budgeting, Finance & Accounts and Investor Relations at IDFC Bank. Mr. Kakar holds an MBA in Finance from XLRI and a degree in engineering from IIT Kanpur.
<b>Ms. Ritu Anand</b>	<p>Ms. Ritu Anand has served as Group Head, Chief Economist and Principal Advisor at IDFC Limited. Ms. Anand has over 35 years of extensive experience in working with financial institutions, multilateral development agencies and government and regulatory authorities in the areas of economics and public policy.</p> <p>She served as Chief Economic Advisor and Deputy Managing Director of State Bank of India. Ms. Anand served as the Lead Economist at World Bank, Washington DC, U.S.A.</p> <p>Ms. Anand holds a Masters degree in Economics from the London School of Economics and Bachelor degree in Arts from Wellesley College, Massachusetts and St. Xavier's College, Mumbai.</p>
<b>Mr. Ajay Sondhi</b>	<p>Mr. Ajay Sondhi is CEO of Sentinel Advisors Pte Ltd, Singapore, a boutique business and strategy advisory firm. He has had a long career in banking, and has held several senior leadership roles in the industry in India and overseas. He was most recently MD and Regional Manager for PWM at Goldman Sachs, Singapore. Mr. Sondhi started his career with Citibank India where he rose to become corporate bank and corporate finance head. He subsequently worked with Salomon Brothers Hong Kong, and then moved back to India as Group CEO for Barclays Bank and BZW. He was subsequently Country Head and CEO India for UBS AG, and then went on to become the Vice Chairman and Managing Director for Kotak Mahindra Capital Company.</p> <p>In addition to financial services, Mr Sondhi also has a strong interest in public health and has a number of engagements in the health sciences area. He currently holds an appointment as a Senior Fellow at the Harvard Global Health Institute, Boston. Mr. Sondhi is a Board Director of Maxx Medical Pte. Ltd., Singapore and is also a Board Director of Noora Health, a California based non-profit active in health education. He has previously been an Advisory Board member of Tufts Medical School, Boston, an Independent Director of IDFC Bank, and also of Mahanagar Gas Ltd. Mr Sondhi was a 2017 Fellow, Harvard Advanced Leadership Initiative. He has an MBA in Finance from JBIMS, Mumbai University, and a Bachelor of Arts in Economics (Honors) from St. Stephens College, Delhi University.</p>
<b>Dr. Jaimini Bhagwati</b>	<p>Dr. Jaimini Bhagwati is a former IFS officer, economist and foreign policy expert. He was the high commissioner to the UK and ambassador to the European Union, Belgium and Luxembourg. Dr. Bhagwati has served in senior positions in the Government of India, including in foreign affairs, finance and atomic energy. In his earlier role at the World Bank, he was a specialist in international bond and derivatives markets and was the RBI chair professor at ICRIER. He has published research papers in several books, ICRIER and at the World Bank.</p> <p>Dr. Bhagwati received his PhD in Finance from Tufts University, USA. He did his Master's in Physics from St Stephen's College, Delhi and a Master's in Finance from the Massachusetts Institute of Technology, USA.</p>
<b>Mr. Anil Singhvi</b>	Mr. Singhvi is Chairman of Ican Investments Advisors Pvt Ltd, a Business Consultancy firm. Mr. Singhvi, a Chartered Accountant, has over 35 years of experience in Corporate sector, out of which he spent 22 years with Ambuja Cements Ltd, where he rose from Manager to Managing Director & CEO. He played a defining role in making of Ambuja Cements. In 2012 he founded IIAS (Institutional Investor Advisory Services India Ltd), proxy advisory company for Institutional Investors. This is a pioneering

	<p>effort in India for improving Corporate Governance and accountability of the Corporates. IAS covers over 800 Indian Corporates and advises Investors on the issues of corporate governance and voting. He is advisor to Corporates &amp; Private Equity firms in India. Apart from this, he is also Director on various companies, some of which are Hindustan Construction Co. Ltd, Subex Ltd, Shree Digvijay Cement Co. Ltd, Institutional Investor Advisory Services India Ltd, Steiner AG, Zurich, Greatship (India) Limited, and as a Governing Council member of Foundation for Liberal and Management Education (FLAME University).</p> <p>Mr. Singhvi hold degree of Chartered Accountant from ICAI.</p>
<b>Ms. Anita Belani</b>	<p>Ms. Anita P Belani is a seasoned professional with over 30 years' experience as a senior business &amp; human capital leader.</p> <p>She is the Co-Founder and Partner of Emotionally, a mental wellness company specializing in counseling, therapy &amp; coaching. She is an independent director on the board of Redington India Pvt Ltd, Vivriti Capital Pvt Ltd, Eternis Fine Chemicals &amp; Fosco India Ltd.</p> <p>Anita is an ICF Accredited Executive Coach and has over 15 years of coaching experience under her belt having coached several C-suite level executives across various sectors.</p> <p>In her previous roles she has been the Operating Partner of the growth PE fund Gaja Capital, Managing Director India for Russell Reynolds Associates and has lead consulting businesses as Country Head India for Right Management and Watson Wyatt Anita has previously worked with Sun Microsystems in San Francisco in a strategic global HR position, KPMG in the USA, Jardine Fleming and American Express TRS</p> <p>Anita takes keen interest in mentoring startups and is a key member of several angel networks which focus on investing in early stage companies.</p> <p>Anita did her M.B.A. from XLRI, Jamshedpur and B.A.(Hons) in Economics from Miranda House, University of Delhi</p>

### C. TOP 10 GROUP COMPANIES/FIRMS OF THE PORTFOLIO MANAGER ON TURNOVER BASIS (BASED ON LATEST AUDITED FINANCIAL STATEMENTS)

Based on the latest audited financial statements (March 31, 2021), the top ten group companies / firms of the Portfolio Manager are as follows:

Sr. No.	Name of Company/Firm	Address	Type of activity handled	Nature of interest of Directors	Nature of interest of/in applicant company
1.	IDFC FIRST Bank Limited	KRM Towers, 7th Floor, No. 1 Harrington Road, Chetpet Chennai 600 031	Banking	Mr. Sunil Kakar is a Nominee Director	Group Company of IDFC Limited (promoter and holding 39.98%)

Sr. No.	Name of Company/Firm	Address	Type of activity handled	Nature of interest of Directors	Nature of interest of/in applicant company
2.	IDFC FIRST Bharat Limited	"S.A.N.Complex", No.4, Williams Road, Cantonment, Tiruchirappalli Tiruchirappalli TN 620001I	Micro Finance	-	Group Company of IDFC Limited
3.	IDFC Asset Management Company Limited	6th floor, Tower 1C, 841, One World Center Jupiter Mill, Senapati Bapat Marg Mumbai Mumbai City MH 400013	Asset Management	Mr. Sunil Kakar is a Nominee Director	-
4.	IDFC Financial Holding Company Limited	4th Floor, Capitale Tower, 555 Anna Salai, Thiru Vi Ka Kudiyiruppu, Teynampet Chennai TN 600018	Non-operating Financial holding company	-	Holding company
5.	IDFC Limited	4th Floor, Capitale Tower, 555 Anna Salai, Thiru Vi Ka Kudiyiruppu, Teynampet Chennai TN 600018	NBFC - IC	Mr. Sunil Kakar is MD and CEO	Ultimate holding company
6.	IDFC Alternatives Limited	4th Floor, Capitale Tower, 555 Anna Salai, Thiru Vi Ka Kudiyiruppu, Teynampet Chennai TN 600018	It was a Fund Manager for infrastructure fund management, private equity and real estate fund management businesses.	Mr. Sunil Kakar is a Director	Wholly owned subsidiary Company of IDFC Limited
7.	IDFC Foundation	The Capital Court, 2nd Floor, Olof Palme Marg, Munirka, New Delhi – 110 067.	Company to promote commerce, art, science, religion, charity etc.	Mr. Sunil Kakar is a Director	Wholly owned subsidiary Company of IDFC Limited
8.	IDFC AMC Trustee Company Limited	6th floor, Tower 1C, 841, One World Center, Jupiter Mill, Senapati Bapat Marg Mumbai Mumbai City MH 400013	Trustee of Mutual Fund	Mr. Bipin Gemani is a Nominee Director	Group Company of IDFC Limited
9.	IDFC Trustee Company Limited	4th Floor, Capitale Tower, 555 Anna Salai, Thiru Vi Ka Kudiyiruppu,	Acted as a Trustee to the funds managed by IDFC Alternatives	Mr. Sunil Kakar is a Director	Wholly owned subsidiary Company of

Sr. No.	Name of Company/Firm	Address	Type of activity handled	Nature of interest of Directors	Nature of interest of/in applicant company
		Teynampet Chennai TN 600018	Limited		IDFC Limited
10.	IDFC Projects Ltd	4th Floor, Capitale Tower, 555 Anna Salai, Thiru Vi Ka Kudiyiruppu, Teynampet Chennai TN 600018	It was into business of development of infrastructure projects including roads, highway; bridges, railways, seaports, airports etc	Mr. Sunil Kakar is a Director	Wholly owned subsidiary Company of IDFC Limited

#### **SUBSIDIARIES & JOINT VENTURES OF THE PORTFOLIO MANAGER**

IDFC Asset Management Company Limited has a wholly owned subsidiary – IDFC Investment Managers (Mauritius) Limited. There are no joint ventures of the Portfolio Manager.

Any changes in the current holding structure of Portfolio Manager will be notified to SEBI and the Investors and the Disclosure Document will be modified appropriately.

#### **D. DETAILS OF SERVICES BEING OFFERED BY THE PORTFOLIO MANAGER**

The Portfolio Manager broadly offers the following kinds of services:

##### **(a) DISCRETIONARY SERVICES**

Under these services, the choice as well as the timing of the investment decisions rest solely with the Portfolio Manager. The Portfolio Manager may at times and at its own discretion, adhere to the views of the Client pertaining to the investment / disinvestment decisions of the Portfolio. The Portfolio Manager shall have the sole and absolute discretion to invest in respect of the Client's account in any type of security as per the PMS Agreement and make such changes in the investments and invest some or all of the Client's account in such manner and in such markets as it deems fit, subject to the investment objectives and other restrictions laid down in the PMS Agreement and / or in this Disclosure Document. The Client may give informal guidance to customize in relation to the Portfolio. However, the final decision rests with the Portfolio Manager. The securities invested / disinvested by the Portfolio Manager for Clients may differ from one Client to another Client even if they have the same investment objectives / strategies. The funds of each Client shall be managed individually and independently in accordance with the needs of each Client.

The Portfolio Managers' decision (taken in good faith) in deployment of the Clients' fund / corpus is absolute and final and cannot be called in question or be open to review at any time during the currency of the PMS Agreement or any time thereafter except on the ground of mala fide, fraud, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant laws, including any Acts, Rules, and Regulations, guidelines and notifications in force from time to time.



Periodical statements in respect of Client's Portfolio shall be sent to the respective Clients in accordance with the Regulations.

The main features of this service are as follows:

- **Investment decision** – The Portfolio Manager will manage the client's portfolio at his complete discretion and in line with the Client's Investment mandate and SEBI guidelines;
- **Size of Portfolio** – The Client would need to invest / start with a minimum Portfolio of Rs 50 lakhs.
- **Bank and Demat accounts** – The Portfolio Manager shall pool all the assets of the clients together in bank account/s and securities account/s opened in the name of the Portfolio Manager for the sake of convenience but maintain separate client-wise accounts. However, the Portfolio Manager shall assist the client to open a demat account in the client's name and operate the same through a Power of Attorney.

The Portfolio Manager shall act in a fiduciary capacity and as a trustee and agent of the clients' account.

#### **(b) NON – DISCRETIONARY PORTFOLIO MANAGEMENT SERVICE**

Under this service the client directs the Portfolio Manager in making the desired investment transactions and the Portfolio Manager manages and executes transactions based on the Clients Directions. The Portfolio Manager executes the investment instructions and follows up with payments, settlements, custody and other back-office functions. The Portfolio Manager will accept funds from the client and provide the client a comprehensive advisory package designed to help the client in his investment decisions.

The following are the characteristics of this service:

- **Investment decision** – The client will have total discretion to handle his own portfolio.
- **Size of Portfolio** – The Client would need to start with a minimum Portfolio of Rs 50 lakhs.
- **Recommendations / proposals** - Recommendations / proposals will be provided to the Client at a frequency as agreed upon between the client and the Portfolio Manager.
- **Bank and Demat account** – The Portfolio Manager shall pool all the assets of the clients together in bank account/s and securities account/s opened in the name of the Portfolio Manager for the sake of convenience but maintain separate client-wise accounts. However, for listed / unlisted securities the Portfolio Manager shall help the client to open a demat account in the client's name and operate the same through a Power of Attorney.
  - The Portfolio Manager will act only on investor's instructions.
  - The Portfolio Manager will also monitor the portfolio and make suggestions.

At present, the Portfolio Manager does not offer any non-discretionary portfolio management services.

#### **(c) INVESTMENT ADVISORY SERVICES**

Under these services, the Portfolio Manager advises Clients on investments in general and any specific advice required by the Clients and agreed upon in the PMS Agreement. For such services, the Portfolio

Manager charges the Client a fee for services rendered as spelt out in the PMS Agreement. The advice may be either general or specific in nature and may pertain to a particular portfolio.

The Portfolio Manager will advise the Clients on:

- Restructuring existing portfolio
- Timing of fresh investment
- New investment opportunities
- Any other advisory services permitted by SEBI

The Portfolio Manager retains the right to relax the criteria mentioned above on a case to case basis.

The Portfolio Manager may from time to time formulate and offer specific portfolio services to clients. Key features of such portfolio services shall be made available to clients through an addendum which shall form an integral part of the Disclosure Document.

**(d) DIRECT ON-BOARDING OF CLIENTS:**

Pursuant to SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/26 dated February 13, 2020, Clients have an option to enter into PMS agreement with the Portfolio Manager directly, without intermediation of persons engaged in distribution services. At the time of on-boarding of Clients directly, no charges except statutory charges will be levied. This facility is available with effect from July 1, 2020.

#### 4. PENALTIES, PENDING LITIGATIONS OR PROCEEDINGS ETC.

1. All cases of penalties imposed by the Board or the directions issued by the Board under the Act or Rules or Regulations made there under:
  - None
2. The nature of the penalty/ direction
  - Not Applicable
3. Penalties imposed for any economic offence and/or for violation of any securities laws
  - None
4. Any pending material litigation/legal proceedings against the Portfolio Manager/key personnel with separate disclosure regarding pending criminal cases, if any
  - None
5. Any deficiencies in the system and operations of the Portfolio Manager observed by the Board or any regulatory agency.
  - The National Securities Clearing Corporation Ltd. informed that IDFC Equity Fund (Erstwhile known as IDFC Enterprise Equity Fund, a scheme of IDFC Mutual Fund) had an open interest in stock futures segment in one of the securities where the exposure quantity which was in excess of 1% of the free float market capitalization (in terms of shares) and that the exposure was also in excess of 5% of open interest (in terms of number of shares) in all futures and option contracts in the underlying security. In accordance with the NSCCL circular dated June 17, 2003, IDFC Mutual Fund was levied a penalty of Rs. 1 Lakh.
  - The Clearing Corporation of India Limited, Mumbai imposed a penalty on IDFC AMC under CCIL's Bye – Laws, Rules & Regulation on account of short fall in CCIL securities segment margin. The penalty charged to the AMC amounted to approx. Rs 49,000. IDFC AMC has taken adequate steps to ensure that no further breach shall take place
6. 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 there under:
  - None

## 5. SERVICES OFFERED

### A. INVESTMENT PHILOSOPHY, OBJECTIVE AND INVESTMENT APPROACHES

Portfolios managed under Discretionary Services are as follows:

#### A.1. IDFC NEO EQUITY PORTFOLIO

#### INVESTMENT PHILOSOPHY AND OBJECTIVE FOR IDFC NEO EQUITY PORTFOLIO

##### Investment philosophy and objective

The portfolio managers believe that investment management is about to witness a fundamental change with the advent of technology applied to data analysis & research, securities selection and portfolio optimization. Machine learning can play beneficial roles in investment management, especially in applications where there is abundance of data. Pioneering this approach, IDFC AMC launched IDFC NEO Equity Portfolio, an all-weather diversified large and midcap portfolio combining machine learning techniques with portfolio manager expertise. The portfolio will consist of large and mid-capitalised stocks from the S&P BSE 200 index stock universe and can constitute the core long only equity exposures for clients.

##### Investment Strategy

The portfolio will invest in listed stocks that are constituents of BSE 200 index.

##### a. Investment Framework (Basis of Selection of Securities): SCORE

- **Sourcing:** The portfolio manager sources, screens and analyses multiple datasets to identify factors that influence returns of a stock.
- **Cleaning:** The portfolio manager cleans and curates data for analysis to identify potential sources of alpha.
- **Optimum portfolio:** The BSE 200 stocks selected by the portfolio manager post application of requisite filters are entered into the machine which is programmed by the manager to analyse the input data. Machine identifies the right mix of attributes in stocks and then selects the optimal one with the best risk-reward balance. Best stocks (as per the machine output) are then algorithmically assigned weights
- **Risk Management:** Sector and stock level exposure and company specific risks and monitored by the portfolio manager. Ongoing risk management of the portfolio is required to maintain the desired risk-reward balance.
- **Evolution:** The machine continuously learns and keeps evolving to improve its portfolio management ability through improvement in algorithms and including new data.

##### b. Investment Universe and allocation across type of securities:

- **Long-only equities:** The portfolio will take long-only exposures of select BSE 200 stocks. The portfolio is agnostic to any one specific theme or investment style. Long-only equity exposure can go upto 100% of the portfolio value.
- **Units of Mutual Fund Schemes, Money Market Instruments, Fixed Deposits, Cash and Cash Equivalents:** The Portfolio Manager may invest corpus in units of mutual fund schemes, money market instruments, fixed deposits or cash and cash equivalents to meet liquidity and expense requirements. The portfolio intends to keep minimal cash. Cash calls in the portfolios are function of the portfolio manager's macro view and factor model. The allocation to units of mutual fund schemes and money market instruments may range from 0% to 20% but can go beyond 20% basis market conditions and as found suitable by the portfolio manager.

It must be clearly understood that the investment allocation is only indicative and not absolute

and that it can vary substantially depending upon the perception of the Portfolio Manager, the intention being at all times to seek to protect the interests of the Clients.

**c. Investment tenure / rebalancing:**

The portfolio is rebalanced to best capture changes made by the model at a frequency as may deem appropriate by the portfolio manager in the interest of the investors based on the prevailing market conditions. Ideally this will happen when

- data that is used by the algorithm changes,
- market volatility picks up,
- earnings are reported,
- a company specific event takes place like a lawsuit or a earnings warning etc. where risk must be managed in the portfolio.

**d. Benchmark: S&P BSE 200 index**

Availability and quality of data is fundamental to machine learning base investment management. S&P BSE 200 universe consists of companies, data of which is easily available and reliable, and which are widely covered by research analysts.

The Portfolio Manager may from time to time, review the benchmark selection process and make suitable changes as to use of the benchmark, or related to composition of the benchmark, whenever it deems necessary.

**e. Indicative Investment Horizon:**

This portfolio / strategy may be suitable for investors with an investment horizon of 3 to 5 years.

**f. Risk factors associated with Investment Approach:**

IDFC NEO Equity Portfolio mainly intends to invest in equity securities. Equity instruments carry both company specific and market risks and hence no assurance of returns can be made for these investments. While the Portfolio Manager shall take all reasonable steps to invest the Funds in a prudent manner in such instruments, such decisions may not always prove to be profitable or correct. Consequently, the Client shall assume any loss arising from such decisions made by the Portfolio Manager. For more details on risks associated with investing in Portfolio Management Services, please refer to section on 'Risk Factors' provided later in this document.

## **DEBT INVESTMENT PHILOSOPHY**

Debt Investment decisions made by the Portfolio Manager on behalf of its Clients would be based on the following factors:

- Active views on the interest rates and yield curves
- Active duration management
- Credit quality of the Portfolio
- Liquidity of the security
- Any other view taken by the Portfolio Manager from time to time

The Portfolio Manager would endeavour to maintain consistent performance in the Portfolio by maintaining a balance between safety, liquidity and profitability aspects of the Portfolio. They would also endeavour to develop a well-diversified quality Portfolio in order to minimize the credit and liquidity risk. The duration of the debt portfolio would primarily be managed with a view to generate coupon income with minimum interest rate risk. The Portfolio Manager would endeavour to mitigate the risk associated with debt securities by diversification and effective use of hedging techniques.

As per the Regulations, the Portfolio Manager shall not deploy the Clients' Funds in bill discounting, badla financing or for the purpose of lending or placement with corporate or non-corporate bodies.

#### **TRADING IN DERIVATIVES**

The Portfolio Manager may invest in derivatives or any other instrument as may be permitted by SEBI / RBI / such other regulatory authority from time to time.

#### **RESTRICTIONS IMPOSED BY CLIENT**

The Portfolio Manager shall not invest any part of the Portfolio in Securities of companies or bodies corporate in which the Client has specifically restricted investments in terms of the PMS Agreement.

#### **RISK MANAGEMENT**

The Portfolio Manager shall not trade on margin or on a speculative basis on behalf of the Client. All transaction shall be on delivery basis. The Portfolio shall be structured so as to keep risk at acceptable levels. This shall be done through various measures including –

1. Broad diversification of Portfolio.
2. Ongoing review of relevant market, industry, sector and economic parameters.
3. Investing in companies, which have been covered by research

Besides, the asset allocation by the Portfolio Manager would be done keeping in view the investment objective, risk profile and investment horizon of the Client.

#### **B. UTILIZING SERVICES OF GROUP / ASSOCIATE COMPANIES**

The Portfolio Manager may utilize the services of the sponsor, group companies and / or any other subsidiary or associate company of the sponsor established or to be established at a later date, in case such a company is in a position to provide requisite services to the Portfolio Manager. The Portfolio Manager will conduct its business with the aforesaid companies (including their employees or relatives) on commercial terms and on an arm's length basis and at mutually agreed terms and conditions and to the extent permitted under all applicable laws after evaluating the competitiveness of the pricing offered and the services to be provided by them. While entering into such transactions, in accordance with obligations under the Regulations, the Client's interests shall always be paramount.

Subject to applicable laws and regulations from time to time, the Portfolio Manager may invest in permissible securities and instruments issued and distributed by its group / associates / subsidiaries / holding companies including but not limited to units of mutual fund schemes launched by IDFC Mutual Fund and fixed deposits of IDFC FIRST Bank Limited. Such investments generally will not exceed 30% of each investment approach (portfolio) stated earlier in this document.

#### **C. WHERE WILL THE PORTFOLIO(S) INVEST?**

Consistent with the investment objective and strategy, and subject to applicable laws and regulations, the corpus under the Portfolio will be invested in any of (but not exclusively) the following securities:

- Securities listed or traded on a recognized stock exchange
- Money market instruments including Commercial paper, trade bill, treasury bills, certificate of deposits and usance bills
- Units of Mutual Funds through Direct Plan
- Any other securities as specified by SEBI from time to time

Subject to Regulations, the investment pattern may change from time to time, keeping in view market conditions, opportunities and political & economic factors.

It must be clearly understood that the investment patterns are only indicative and not absolute and that they can vary substantially depending upon the perception of the Portfolio Manager, the intention being at all times to seek to protect the interests of the Clients.

## 6. RISK FACTORS

An indicative list of the risks associated with investing through the Services is set out below:

- (i) Securities investments are subject to market and other risks and the Portfolio Manager provides no guarantee or assurance that the objectives set out in the Disclosure Document and/or the PMS Agreement shall be accomplished.
- (ii) The value of the Portfolio may increase or decrease depending upon various market forces and factors affecting the capital markets such as de-listing of Securities, market closure, relatively small number of scrips accounting for large proportion of trading volume. Consequently, the Portfolio Manager provides no assurance of any guaranteed returns on the Portfolio.
- (iii) Past performances of the Portfolio Manager does not indicate its future performance.
- (iv) The Client stands a risk of loss due to lack of adequate external systems for transferring, pricing, accounting and safekeeping or record keeping of Securities. Transfer risk may arise due to the process involved in registering the shares, physical and demat, in the Portfolio Manager's name, while price risk may arise on account of availability of share price from stock exchanges during the day and at the close of the day.
- (v) Investment decisions made by the Portfolio Manager may not always be profitable.
- (vi) Investments made by the Portfolio Manager are subject to risks arising from the investment objective, investment strategy and asset allocation.
- (vii) Not meeting the obligation to make Capital Contributions in terms of the Agreement may have implications as set out in the PMS Agreement and may also impact the profitability of the Portfolio.
- (viii) Different types of securities in which the portfolio would invest (bonds / money market instruments etc.) as given in the this Disclosure Document carry different levels and types of risks. Accordingly the Fund's risk may increase or decrease depending upon its investment pattern. Corporate bonds carry a higher amount of risk than Government securities. Further even among corporate bonds, bonds which are AAA rated are comparatively less risky than bonds which are AA rated.
- (ix) 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. 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.
- (x) Apart from normal credit risk, zero coupon bonds carry an additional risk, unlike bonds that pay interest throughout the period to maturity, zero coupon instruments/deferred interest bonds typically would not realise any cash until maturity. If the issuer defaults, the Portfolio may not



obtain any return on its investment.

- (xi) **Equity and Equity Related Risks:** Equity instruments carry both company specific and market risks and hence no assurance of returns can be made for these investments. While the Portfolio Manager shall take all reasonable steps to invest the Funds in a prudent manner in such instruments, such decisions may not always prove to be profitable or correct. Consequently, the Client shall assume any loss arising from such decisions made by the Portfolio Manager.
- (xii) **Macro-Economic risks:** Overall economic slowdown, unanticipated corporate performance, environmental or political problems, changes to monetary or fiscal policies, changes in government policies and regulations with regard to industry and exports may have direct or indirect impact on the investments, and consequently the growth of the Portfolio.
- (xiii) **Liquidity Risk:** Liquidity of investments in equity and equity related securities are often restricted by factors such as trading volumes, settlement periods and transfer procedures. If a particular security does not have a market at the time of sale, then the Portfolio may have to bear an impact depending on its exposure to that particular security. While Securities that are listed on a stock exchange generally carry a lower liquidity risk, the ability to sell these investments is limited by overall trading volume on the stock exchange. Money market securities, while fairly liquid, lack a well developed secondary market, which may restrict the selling ability of such securities thereby resulting in a loss to the Portfolio until such securities are finally sold. Even upon termination of the Agreement, the Client may receive illiquid securities and finding a buyer for such Securities may be difficult. Further, different segments of the 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 assets of the Portfolio are un-invested 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 to miss certain investment opportunities.
- (xiv) **Credit Risk:** Debt securities are subject to the risk of the issuer's inability to meet the principal and interest payments on the obligations and may also be subject to the price volatility due to such factors as interest sensitivity, market perception, or the credit worthiness of the issuer and general market risk.
- (xv) **Interest Rate Risk:** It is associated with movements in interest rates, which depend on various factors such as government borrowing, inflation, economic performance etc. The value of investments in Fixed Income Securities will appreciate/depreciate if the interest rates fall/rise. Fixed income investments are subject to the risk of interest rate fluctuations, which may accordingly increase or decrease the rate of return thereon. When interest rates decline, the value of a portfolio of fixed income securities can be expected to rise. Conversely, when interest rate rise, the value of a portfolio of fixed income securities can be expected to decline.
- (xvi) **Basis Risk (Interest - rate movement):** During the life of a floating rate security or a swap, the underlying benchmark index may become less active and may not capture the actual movement in interest rates or at times the benchmark may cease to exist. These types of events may result in loss of value in the portfolio.
- (xvii) **Spread Risk:** In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. However, depending upon the market conditions, the spreads may move adversely or favourably leading to fluctuation in the NAV.

- (xviii) Other Risk: In case of downward movement of interest rates, floating rate debt instruments will give a lower return than fixed rate debt instruments.
- (xix) Risks associated with investing in Unrated Securities: Investing in unrated securities is riskier compared to investing in rated instruments due to non-availability of third party assessment on the repaying capability of the issuer. In addition, unrated securities are more likely to react to general developments affecting the market than rated securities, which react primarily to movements in the general level of interest rates. Unrated securities also tend to be more sensitive to economic conditions than higher rated securities.
- (xx) Risks associated with Investing in Derivatives: 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. As and when the Portfolio trade in the derivatives market there are risk factors and issues concerning the use of derivatives that investors should understand. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the “counter party”) to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Derivatives are leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value. 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.

The specific risk factors arising out of a derivative strategy used by the Portfolio Manager may be as below:

- Lack of opportunity available in the market.
- The risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.

- (xxi) Risk associated with Interest Rate Future
- **Market risk:** Derivatives carry the risk of adverse changes in the market price.
  - **Liquidity risk** – this occurs where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices.
  - **Model Risk** - the risk of mispricing or improper valuation of derivatives.
  - **Basis Risk** – This risk arises when the instrument used as a hedge does not match the movement in the instrument/ underlying asset being hedged. The risks may be inter-related also; for e.g. interest rate movements can affect equity prices, which could influence specific issuer/industry assets.
- (xxii) Risk Associated with investing in Securitized Debt:
- The Portfolio may invest in domestic securitized debt such as asset backed securities (ABS) or mortgage backed securities (MBS). Asset Backed Securities (ABS) are securitized debts where the underlying assets are receivables arising from various loans including automobile loans, personal loans, loans against consumer durables, etc. Mortgage backed securities (MBS) are securitized debts where the underlying assets are receivables arising from loans backed by mortgage of residential / commercial properties. ABS/MBS instruments reflect the undivided interest in the underlying pool of assets and do not represent the obligation of the issuer of ABS/MBS or the originator of the underlying receivables. The ABS/MBS holders have a limited recourse to the extent of credit enhancement provided. If the delinquencies and credit

losses in the underlying pool exceed the credit enhancement provided, ABS/MBS holders will suffer credit losses. ABS/MBS are also normally exposed to a higher level of reinvestment risk as compared to the normal corporate or sovereign debt.

- Different types of Securitised Debts in which the portfolio would invest carry different levels and types of risks. Accordingly, the portfolio's risk may increase or decrease depending upon its investments in Securitised Debts. e.g. AAA securitised bonds will have low Credit Risk than a AA securitised bond. Credit Risk on Securitised Bonds may also depend upon the Originator, if the Bonds are issued with Recourse to Originator. A Bond with Recourse will have a lower Credit Risk than a Bond without Recourse. Underlying Assets in Securitised Debt may be the Receivables from Auto Finance, Credit Cards, Home Loans or any such receipts. Credit risk relating to these types of receivables depends upon various factors including macro-economic factors of these industries and economies. To be more specific, factors like nature and adequacy of property mortgaged against these borrowings, loan agreement, mortgage deed in case of Home Loan, adequacy of documentation in case of Auto Finance and Home Loan, capacity of borrower to meet its obligation on borrowings in case of Credit Cards and intentions of the borrower influence the risks relating to the assets (borrowings) underlying the Securitised Debts. Holders of Securitised Assets may have Low Credit Risk with Diversified Retail Base on Underlying Assets, especially when Securitised Assets are created by High Credit Rated Tranches. Risk profiles of Planned Amortisation Class Tranches (PAC), Principal Only Class Tranches (PO) and Interest Only Class Tranches (IO) will also differ, depending upon the interest rate movement and Speed of Pre-payments. A change in market interest rates/prepayments may not change the absolute amount of receivables for the investors, but affects the reinvestment of the periodic cashflows that the investor receives in the securitised paper.
  - Presently, secondary market for securitised papers is not very liquid. There is no assurance that a deep secondary market will develop for such securities. This could limit the ability of the investor to resell them. Even if a secondary market develops and sales were to take place, these secondary transactions may be at a discount to the initial issue price due to changes in the interest rate structure
  - Securitised transactions are normally backed by pool of receivables and credit enhancement as stipulated by the rating agency, which differ from issue to issue. The Credit Enhancement stipulated represents a limited loss cover to the Investors. These Certificates represent an undivided beneficial interest in the underlying receivables and there is no 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 may get affected if the amount available in the Credit Enhancement facility is not enough to cover the shortfall. On persistent default of an Obligor to repay his obligation, the Seller may repossess and sell the underlying Asset. However, many factors may affect, delay or prevent the repossession of such Asset or the length of time required to realize 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.
- (xxiii) Acts of State, or sovereign action, acts of nature, acts of war, civil disturbance are extraneous factors which can impact the Portfolio.
- (xxiv) The Client stands the risk of total loss of value of an asset which forms part of the Portfolio or its recovery only through an expensive legal process due to various factors which by way of illustration include default or non performance of a third party, investee company's refusal to register a Security due to legal stay or otherwise, disputes raised by third parties.

- (xxv) **Reinvestment Risk:** This risk arises from the uncertainty in the rate at which cash flows from an investment may be reinvested. This is because the bond will pay coupons, which will have to be reinvested. The rate at which the coupons will be reinvested will depend upon prevailing market rates at the time the coupons are received.
- (xxvi) **Non-Diversification Risk:** This risk arises when the Portfolio is not sufficiently diversified by investing in a wide variety of instruments. As mentioned above, the Portfolio Manager will attempt to maintain a diversified Portfolio in order to minimize this risk.
- (xxvii) **Mutual Fund Risk:** This risk arises from investing in units of Mutual funds. Risk factors inherent to equities and debt securities are also applicable to investments in mutual fund units. Further, scheme specific risk factors of each such underlying scheme, including performance of their underlying stocks, derivatives instruments, stock lending, off-shore investments etc., will be applicable in the case of investments in mutual fund units. In addition, events like change in fund manager of the scheme, take over, mergers and other changes in status and constitution of mutual funds, foreclosure of schemes or plans, change in government policies could affect performance of the investment in mutual fund units. Investors may note that they will be bearing recurring expenses of underlying mutual fund scheme in which the Portfolio Manager invests in addition to the portfolio management fee charged by the Portfolio Manager.
- (xxviii) Prospective clients should review / study the Disclosure Document carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial / investment matters and are advised to consult their own professional advisor(s) as to the legal, tax, financial or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale or conversion into money) of Portfolio and to the treatment of income (if any), capitalisation, capital gains, any distribution, and other tax consequences relevant to their Portfolio, acquisition, holding, capitalisation, disposal (sale, transfer or conversion into money) of Portfolio within their jurisdiction of nationality, residence, incorporation, domicile etc. or under the laws of any jurisdiction to which they or any managed funds to be used to purchase/gift portfolio of securities are subject, and also to determine possible legal, tax, financial or other consequences of subscribing / gifting, purchasing or holding portfolio of securities before making an investment.
- (xxix) The Portfolio Manager is neither responsible nor liable for any losses resulting from the Services.
- (xxx) Clients are not being offered any guarantee / assured returns.
- (xxxi) The Clients may not be able to avail of securities transaction tax credit benefit and/or tax deduction at source (TDS) credit and this may result in an increased incidence of tax on the Clients. The Client may incur a higher rate of TDS/ Dividend Distribution Tax in case the investments are aggregated.
- (xxxii) The arrangement of pooling of funds from various Clients and investing them in Securities could be construed as an 'Association of Persons' (AOP) in India under the provisions of the Income-tax Act, 1961 and taxed accordingly.
- (xxxiii) In case of investments in Mutual Fund units, the Client shall bear the recurring expenses of the Portfolio Management Services in addition to the expenses of the underlying mutual fund schemes. Hence, the Client may receive lower pre-tax returns compared to what he may

receive had he invested directly in the underlying mutual fund schemes in the same proportions.

- (xxxiv) After accepting the corpus for management, the Portfolio Manager may not get an opportunity to deploy the same or there may be delay in deployment. In such situation the Clients may suffer opportunity loss.
- (xxxv) Clients will not be permitted to withdraw the funds/Portfolio (unless in accordance with the terms agreed with the Client). In addition, they are not allowed to transfer any of the interests, rights or obligations with regard to the Portfolio except as may be provided in the PMS Agreement and in the Regulations.
- (xxxvi) In case of early termination of the PMS Agreement, where Client Securities are reverted to the Client, additional rights available while the Securities were held as part of the Portfolio that were negotiated by the Portfolio Manager with an investee company or its shareholders may no longer be available to the Client.
- (xxxvii) The Client has perused and understood the disclosures made by the Portfolio Manager in the Disclosure Document.
- (xxxviii) Changes in Applicable Law may impact the performance of the Portfolio.
- (xxxix) The Portfolio Manager and its employees directly involved in investment operations may trade in securities in their personal account which may result in a conflict with transactions in any of the Client's portfolio. However, to mitigate the said conflict in relation to employees, the Portfolio Manager has implemented the Personnel Securities Transaction Guidelines. The employees of the Portfolio Manager are required to abide by the said policy as may be applicable to them. The Portfolio Manager, as a part of treasury management function, may be dealing and investing in various securities including but not limited to equity securities, bonds, units of various categories of Mutual Funds, Money Market Instruments and alternative investment funds etc. The Portfolio Manager has guidelines for managing conflicts of interest in place to achieve and maintain discipline and transparency in all investment activities and to avoid any potential or actual conflict of interests.

## 7. CLIENT REPRESENTATION

### A. Client Representation

Category of Clients	No. Of Clients	Fund Managed (Rs. Cr.)	Discretionary/ Non-Discretionary (if available)	
			Discretionary	Discretionary
<b>As at March 31, 2017</b>				
Associates/group companies	1	404.13	-	1
Others	1	0.15	1	0
<b>Total</b>	<b>2</b>	<b>404.29</b>	<b>1</b>	<b>1</b>
<b>As at March 31, 2018</b>				
Associates/group companies	1	3.03	1	0
Others	12	9.25	12	1
<b>Total</b>	<b>13</b>	<b>12.28</b>	<b>13</b>	<b>1</b>
<b>As at March 31, 2019</b>				
Associates/group companies	1	2.82	1	0
Others	212	81.90	212	0
<b>Total</b>	<b>213</b>	<b>84.72</b>	<b>213</b>	<b>0</b>
<b>As at March 31, 2020</b>				
Associates/group companies	1	2.51	1	0
Others	171	56.39	171	0
<b>Total</b>	<b>172</b>	<b>58.90</b>	<b>172</b>	<b>0</b>
<b>As at March 31, 2021</b>				
Associates/group companies	1	4.04	1	0
Others	135	67.79	135	0
<b>Total</b>	<b>136</b>	<b>71.83</b>	<b>136</b>	<b>0</b>
<b>As at November 30, 2021</b>				
Associates/group companies	1	4.94	1	0
Others	108	62.45	108	0
<b>Total</b>	<b>109</b>	<b>67.39</b>	<b>109</b>	<b>0</b>

### B. Disclosures In Respect Of Transactions With Related Parties, Associates And Group Companies as on March 31, 2021:

#### a) Relationships

##### Ultimate Holding Company

IDFC Limited

##### Holding Company

IDFC Financial Holding Company Limited

##### Subsidiaries

IDFC Investment Managers (Mauritius) Limited

IDFC IEH Tactical Fund (wef February 28, 2019 upto March 16, 2021)

IDFC IEH Conservative Fund (wef October 31, 2019)

**Fellow Subsidiaries**

IDFC AMC Trustee Company Limited  
 IDFC Foundation  
 IDFC Alternatives Limited  
 IDFC Securities Limited (upto June 10, 2020)  
 IDFC Trustee Company Limited  
 IDFC Projects Limited

**Associates**

IDFC FIRST Bank Limited (formerly IDFC Bank Limited)  
 NIIF Infrastructure Finance Limited (Formerly IDFC Infrastructure Finance Limited) (upto March 30, 2020)

**Key Management Personnel:**

Mr. Vishal Kapoor - Chief Executive Officer  
 Mr. Vinod Rai - Chairman Non-executive Director  
 Mr. Sunil Kakar - Director\*  
 Ms. Anita Ramachandran - Independent Director  
 Mr. Vishwavir Saran Das - Independent Director (upto August 12, 2019)  
 Ms. Anita Belani - Independent Director (wef August 13, 2019)

\*No transactions during the year

**b) The following transactions were carried out with the related parties in the ordinary course of business during the period:**

Name of the related party and nature of relationship	Particulars	(Rs. In Crores)	
		April 01, 2020 to March 31, 2021	April 01, 2019 to March 31, 2020
IDFC Limited	Reimbursement of expenses	0.02	0.22
	Shared service cost paid (net of recovery)	-	0.10
	Recovery of expenses / cost of asset	0.08	0.38
IDFC Financial Holding Company Limited	Reimbursement of expenses	#	-
	Shared services cost recovered	-	0.08
IDFC Investment Managers (Mauritius) Limited	Purchase of Equity shares	1.11	0.69
IDFC IEH Tactical Fund	Revenue from management fees	0.14	0.16
	Recovery of other expenses (net)	0.10	0.16
	Distribution received on fund closure	15.42	-
IDFC IEH Conservative Fund	Revenue from management fees	0.39	0.59
	Recovery of other expenses (net)	0.09	0.15
IDFC AMC Trustee Company Limited	Recovery of expenses	0.03	0.12
IDFC Trustee Company Limited	Shared services cost recovered	-	0.01
IDFC Projects Limited	Shared services cost recovered	-	0.01
IDFC Foundation	Recovery of expenses	#	#

Name of the related party and nature of relationship	Particulars	April 01, 2020 to March 31, 2021	April 01, 2019 to March 31, 2020
IDFC Alternatives Limited	Shared services cost recovered	-	0.24
	Recovery of expenses / asset	-	0.04
IDFC Securities Limited	Shared services cost recovered	0.23	3.90
	Recovery of expenses / asset	0.11	0.24
IDFC First Bank Limited (Formerly IDFC Bank Limited)	Reimbursement of deposit/expenses / asset	-	0.05
	Shared service cost paid	-	0.99
	Recovery of expenses / asset	-	0.14
	Interest on fixed deposit	-	#
NIIF Infrastructure Finance Limited (Formerly IDFC Infrastructure Finance Limited)	Shared Services Cost Recovered	-	0.26
	Recovery of expenses	-	#

#Below Rs. 0.01 crores.

**Outstanding balances:**

(Rs. in crores)

Name of the related party and nature of relationship	Particulars	April 01, 2020 to March 31, 2021	April 01, 2019 to March 31, 2020
IDFC Investment Managers (Mauritius) Limited	Outstanding investments as at year end (net of impairment)	0.82	0.17
IDFC Securities Limited	Outstanding receivable as at year end	-	0.19
IDFC IEH Tactical Fund	Outstanding receivable as at year end	0.45	0.03
	Outstanding investments as at year end	-	20.00
IDFC IEH Conservative Fund	Outstanding receivable as at year end	0.04	0.06
	Outstanding investments as at year end	30.00	30.00
IDFC First Bank Limited (Formerly IDFC Bank Limited)	Current account balance	0.20	0.23
	Current account balance (Investor Education and Awareness)	2.08	0.23
	Interest accrued on term deposits	-	#

#Below Rs. 0.01 crores.



**Key Management Personnel**

(Rs. In Crores)

Name of the related party	Particulars	April 01, 2020 to March 31, 2021	April 01, 2019 to March 31, 2020
Mr. Vishal Kapoor	Short-term employee benefit	5.62	4.77
	Long-term employee benefit	0.37	0.35

**8. FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER**

The following exhibit states the key financial data pertaining to the Portfolio Manager as per the audited financial statements.

(Rs. In Crores)

Summarised Financial Statement Balance Sheet	As on March 31, 2021	As on March 31, 2020
<b>ASSETS</b>		
<b>Financial assets</b>		
Cash and cash equivalents	3.16	4.43
Bank balances other than cash and cash equivalents above	2.55	0.32
Receivables		
(I) Trade receivables	12.67	17.95
Investments	379.83	263.09
Other financial assets	9.03	10.14
<b>Non-financial assets</b>		
Income tax assets (net)	15.85	17.10
Property, plant and equipment	12.40	11.61
Intangible assets	4.56	7.50
Right-of-use assets	28.04	36.40
Deferred tax assets (net)	-	0.66
Other non-financial assets	20.87	32.06
<b>TOTAL</b>	<b>488.96</b>	<b>401.26</b>
<b>LIABILITIES</b>		
<b>Financial liabilities</b>		
Payables		
(I) Trade payables		
(i) total outstanding dues of micro enterprises and small enterprises	0.04	0.25
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	10.11	10.63
(II) Other payables		
(i) total outstanding dues of micro enterprises and small enterprises	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	3.03	0.03

<b>Summarised Financial Statement Balance Sheet</b>	<b>As on March 31, 2021</b>	<b>As on March 31, 2020</b>
Lease liabilities	31.27	38.55
Other financial liabilities	32.27	32.27
<b>Non-financial liabilities</b>		
Income tax liabilities (net)	14.00	9.52
Provisions	1.50	3.12
Deferred tax liabilities (net)	1.43	-
Other non-financial liabilities	15.82	14.27
<b>EQUITY</b>		
Equity share capital	2.68	2.68
Other equity	376.81	289.94
<b>TOTAL</b>	<b>488.96</b>	<b>401.26</b>

(Rs. In crores)

<b>Summarized Financial Statement Profit &amp; Loss A/c</b>	<b>Year ended March 31, 2021</b>	<b>Year ended March 31, 2020</b>
Total Income	371.09	309.54
Total Expenses before Depreciation and Tax	163.28	189.08
Profit / (Loss) before Depreciation and Tax	207.81	120.46
Depreciation	16.82	12.17
Profit / (Loss) Before Tax	190.99	108.29
Provision for Tax	47.96	28.24
Profit/(Loss) After Tax- Prior Period Adjustment	143.03	80.05
Other comprehensive income	0.99	-0.65
Total comprehensive income for the year	144.02	79.40

## 9. PERFORMANCE OF PORTFOLIO MANAGER AS ON NOVEMBER 30, 2021

The following exhibit captures the past performance of the Portfolio Management Services offered by the Portfolio Manager based on Time Weighted Rate of Return considering all cash holdings and investments in liquid fund net of all fees and expenses at scheme level.

Type of services offered	IDFC Neo Equity Portfolio (July 11, 2017 to March 31, 2018)	IDFC Neo Equity Portfolio (April 1, 2018 to March 31, 2019)	IDFC Neo Equity Portfolio (April 1, 2019 to March 31, 2020)	IDFC Neo Equity Portfolio (April 1, 2020 to March 31, 2021)	IDFC Neo Equity Portfolio (April 1, 2021 to November 30, 2021)
	%Return p.a.	%Return p.a.	%Return p.a.	%Return p.a.	%Return p.a.
Discretionary	6.77%	-11.12%	-10.97%	51.46%	19.58%
Performance Indicators	S&P BSE 200	S&P BSE 200	S&P BSE 200	S&P BSE 200	S&P BSE 200
% change	4.06%	10.71%	-26.44%	74.25%	17.42%

## 10. AUDIT OBSERVATIONS (PRECEEDING 3 YEARS)

No adverse material adverse observations from Auditors.

## 11. NATURE OF COSTS AND EXPENSES FOR CLIENTS

The following are indicative types of fees, costs and expenses for Clients availing the Portfolio Management Services. The exact basis of charge relating to each of the following services shall be annexed to the Portfolio Management Agreement and the agreements of each of the services availed at the time of execution of such agreements.

- (a) **One Time Fee / Upfront Fee:** No up-front fee shall be charged to the Client by the Portfolio Manager.
- (b) **Investment Management Fee and Administrative Fee:** The Portfolio Manager shall charge the following type of Fees. Any other tax or levy (including Goods and Services Tax) charged under any law, in respect of the Portfolio Management Services rendered to the Client will be charged to and recovered from the Client's account.
  - i. **Ongoing Management Fee:** An Ongoing management fee up to 7% per annum of the value of the Portfolio. Additional applicable taxes shall be charged on the amount of fees.
  - ii. **Brokerage and transaction costs:** These will be incurred on purchase and sale of Securities. It is clarified that the purchase and sale prices of Securities will be inclusive of the market rates of the Securities, the brokerage charges and related transaction costs, including stamp fees, if any. Brokerage at actuals shall be charged to clients as expense. It is clarified that the aforesaid head is inapplicable to Clients who have availed only Advisory Portfolio Management Services.
  - iii. **Custodian / Accounting Fees:** The Portfolio Manager may appoint suitable custodian-cum-clearing agents, fund accountants, and depository participants for custody of securities and settlement of trades.

HDFC Bank, Kotak Mahindra Bank and Deutsche Bank are the custodians for the portfolios managed by the Portfolio Manager. Further, Kotak Mahindra Bank and Deutsche Bank also

act as Fund Accountants for portfolios managed by the Portfolio Manager.

In the event the Client opts to maintain separate accounts, then in such events account opening charges and other associated expenses shall be charged to the Client's account. It is clarified that the aforesaid head is inapplicable to Clients who have availed only Advisory Portfolio Management Services.

- iv. **Registrar and transfer agent fees:** As may be negotiated by the Portfolio Manager with suitable registrar and transfer agents. Currently these services are provided by Computer Age Management Services Pvt Ltd (CAMS). It is clarified that the aforesaid head is inapplicable to Clients who have availed only Advisory Portfolio Management Services.
- v. **Bank Charges:** As may be applicable. It is clarified that the aforesaid head is inapplicable to Clients who have availed only Advisory Portfolio Management Services.
- vi. **Stamp duty:** As may be applicable.
- vii. **Legal costs and professional fees:** Costs incurred for instituting or defending legal suits, audit fees and other similar charges.
- viii. **Out-of pocket/ incidental expenses:** As may be incurred at actuals by the Portfolio Manager on behalf of the Client.

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. Further, Charges for all transactions in a financial year (Broking, Demat, custody etc.) through self or associates shall be capped at 20% by value per associate (including self) per service. Any charges to self/associate shall not be at rates more than that paid to the non-associates providing the same service.

- (c) **Performance Linked Fee:** Performance Linked fees charged as a percentage of returns above the hurdle rate of return on portfolio. Additional applicable taxes shall be charged on the amount of fees.

Performance fee shall be computed on the basis of high water mark principle over the life of the investment.

**High Water Mark Principle:** High Water Mark shall be the highest value that the portfolio/account has reached. Value of the portfolio for computation of high watermark shall be taken to be the value on the date when performance fees are charged. The portfolio manager shall charge performance based fee only on increase in portfolio value in excess of the previously achieved high water mark.

- (d) **Withdrawal Fees:** In case the funds brought in by the Client is redeemed in partial or in full, a withdrawal fee may be charged and recovered from the client as under:
  - a. In the first year of investment, maximum of 3% of the amount redeemed;
  - b. In the second year of investment, maximum of 2% of the amount redeemed;
  - c. In the third year of investment, maximum of 1% of the amount redeemed;
  - d. After a period of three years from the date of investment, no exit load.

Additional applicable taxes shall be charged on the amount of fees.

- (e) Any other fee permissible under the Regulation and agreed between the Parties from time to

time.

- (f) Any other taxes, duties and fees which may be levied by the Portfolio Manager from time to time for providing the aforesaid services.

The aforesaid fees and structures are subject to such modifications as may be agreed by and between the Portfolio Manager and Clients at the time of execution of the Portfolio Management Agreement based on individual requirements of the Clients.

## 12. TAX IMPLICATIONS FOR CLIENTS

The tax implications described hereinafter are as per the provisions of the Income-tax Act, 1961 (Act) as amended by the Finance Act, 2021 (FA 2021).

It may be noted that the information given hereinafter is only for general information purposes and is based on the advice received by the Portfolio Manager regarding the law and practice currently in force in India. Investors should be aware that the relevant fiscal rules or their interpretation may change or may not be acceptable to the tax authorities. As is the case with any interpretation of any law, there can be no assurance that the tax position prevailing at the time of an investment will be accepted by the tax authorities or will continue to be accepted by them indefinitely.

Further statements with regard to tax benefits mentioned herein below are mere expressions of opinion and are not representations of the Portfolio Manager to induce any investor to invest whether directly from the Portfolio Manager or indirectly from any other persons by the secondary market operations. In view of the above, and since the individual nature of tax consequences may differ in each case on its merits and facts, each Investor is advised to consult his/ her or its own professional tax advisor with respect to the specific tax implications arising out of its participation in the portfolio management product/ option, as an investor.

### A. Treatment of Dividend from Companies and Mutual Funds

Prior to FA 2020, dividend income from shares and units [on which Dividend Distribution Tax('DDT') was paid under sections 115-O or 115-R, as the case may be] was exempt in the hands of the shareholders and unitholders (subject to section 115BBDA). However, post FA 2020, there has been a paradigm shift in taxation of dividend income such that the taxability of dividends would now occur in the hands of the shareholders and unitholders. The broad modalities of dividend taxation are explained below:

#### (i) *Dividend income from shares*

##### a) Taxability for Residents

- As per section 56, dividend income is to be treated as “income from other sources” in the hands of the shareholders. As per section 57, the shareholders can claim a deduction of interest expense to the extent of 20 per cent of dividend income.
- Tax rates as per paragraph F may apply.
- FA 2020 has introduced section 80M which provides that where the income of a domestic company includes any income by way of dividends (from any other domestic company, foreign company or a business trust), then such domestic company can claim a deduction to the extent of the amount of dividend distributed by it on or before the due date<sup>1</sup>.

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<sup>1</sup> Due date for section 80M: One month prior to due date of furnishing income-tax return as per section 139(1).

b) Taxability for Non-residents

- There are two categories of non-resident investors, i.e., Foreign Portfolio Investors (FPIs) and others.
- For FPIs, dividend would be taxed on a gross basis under the applicable domestic tax rate of 20%, plus surcharge as applicable and cess, as per section 115AD.
- For other NR shareholders, the applicable domestic rate is 20%, plus surcharge as applicable and cess, under section 115A.
- Non-residents can avail benefit of their respective tax treaties subject to certain conditions<sup>2</sup>.

(ii) Dividend income from mutual funds:

a) Taxability for Residents

- The taxability and deduction under section 57 is the same as mentioned in point (i)(a) above.
- Tax rates as per paragraph F may apply.
- No deduction under section 80M (i.e. set off of dividend) is available to unitholders.

b) Taxability for Non-residents

- Again, there are two categories of unitholders, i.e., FPIs and others.
- For FPIs, the applicable domestic tax rate is 20%, plus surcharge as applicable and cess, as per provisions of section 115AD.
- As mentioned in the context of dividend from shares, section 115A is a distinct provision with regard to taxation of “dividends” in the hands of non-residents other than FPIs. While there is no doubt that this provision would apply to dividend from shares, it is not clear whether this provision would also extend to income distributed by mutual funds” (or “mutual fund dividend”)<sup>3</sup>. This is because the Act has historically carried separate mention and treatment for “dividends” and “income from mutual funds” in many respects. On the possible basis that mutual fund dividend may not be considered as dividend for the purposes of section 115A, they would be subject to the normal tax rates as applicable to the investor – please refer to tax rates as per paragraph F. However, clarity is needed on the ability to consider mutual fund dividend as dividend for the purposes of section 115A.
- Also, tax treaty benefits can be claimed subject to conditions.

For final tax rates, surcharge rates and TDS rates, please refer paragraphs F, G and I.

## **B. Treatment of Interest on Fixed Income Securities**

<sup>2</sup> The eligibility of the shareholder for tax treaty benefit primarily rests on whether he is the beneficial owner of the dividend and also whether at all its eligibility possibly gets impaired due to the strict rules of Indian GAAR (General Anti Avoidance Rules) and applicable additional limitations on treaty benefits (including implications under MLI amended treaties. Further, the non-resident needs to maintain and furnish relevant documentation as mentioned in the Income-tax Rules 1962 (‘the Rules’).

<sup>3</sup> Based on s. 115A, “dividend” would be taxable on gross basis at the rate of 20 percent plus applicable surcharge and cess

Interest income received by any tax payer is taxable as ‘Income from other sources’ at the normal tax rates applicable to the tax payer [refer paragraph E for the tax rates] except with respect to certain interest income arising to FPIs<sup>4</sup> and non-resident Indians (NRI). These exceptions are discussed below:

- (i) As per section 115AD read with section 194LD of the Act, income by way of interest payable on or after 1 June 2013 but before 1 July 2023, as amended by FA 2020, in respect of investment made by an FPI in government securities or rupee denominated bonds of an Indian company shall be taxable at the rate of 5% plus surcharge as applicable and cess, provided that the rate of interest in respect of the bonds does not exceed the rate as may be notified by the Central Government. The Central Government on 29 July 2013 has notified<sup>5</sup> the qualifying rates of interest on rupee denominated bonds of an Indian company as under:
  - In case of bonds issued before 1 July 2010, the rate of interest shall not exceed 500 basis points over the Base Rate of State Bank of India as on 1 July 2010;
  - In case of bonds issued on or after 1 July 2010, the rate of interest shall not exceed 500 basis points over the Base Rate of State Bank of India applicable on the date of issue of the said bonds.
- (ii) Further, as per FA 2020, income by way of interest payable on or after 1 April 2020 but before 1 July 2023, in respect of investment made by the payee in municipal debt securities<sup>6</sup> will be covered under section 194LD and will be taxable at the rate of 5% plus surcharge as applicable and cess.
- (iii) Further, as per section 115AD of the Act, interest received by an FPI [other than the interest referred to in (i) and (ii) above] is chargeable to tax at the rate of 20% plus surcharge as applicable and cess.
- (iv) As per section 115E of the Act, income from investment by an NRI, will be chargeable to tax at the rate of 20% plus surcharge as applicable and cess.
- (v) As per section 115A read with 194LC, income by way of interest payable to a non-resident or a foreign company in respect of monies borrowed by an Indian company in foreign currency from a source outside India on, inter alia, the following transactions is taxable at the rate of 5%, plus surcharge as applicable and cess:
  - on any long-term bond including long-term infrastructure bond on or after the 1 October 2014 but before 1 July 2023;
  - by way of issue of rupee denominated bond before 1 July 2023;

For rate of surcharge and cess, please refer paragraph G.

### **C. Characterisation of Income earned from Transfer/ Sale of Securities**

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<sup>4</sup> The Central Board of Direct Taxes (CBDT), vide Notification No. 9/2014/ F. No. 173/10/2014-(ITA.I) dated 22 January 2014, has clarified that FPIs registered with SEBI under the SEBI (Foreign Portfolio Investors) Regulations, 2014 would be regarded as ‘Foreign Institutional Investors’ as per the Explanation to section 115AD of the Act.

<sup>5</sup> Notification No. 56/2013/F.No.149/81/2013-TPL dated 29 July 2013.

<sup>6</sup> As per the FA 2020, “municipal debt securities” shall have the meaning assigned to it in regulation 2(1)(m) of the SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015’.

Transaction in shares/ securities/ units of mutual fund may be either on the capital account (and chargeable to tax as 'Capital gains' under section 45 of the Act) or on trading account (and chargeable to tax as 'Profits and gains of business or profession' under section 28 of the Act).

The issue of income characterization as above is essentially a question of fact and dependent on various factors. Guidance can be sought from judicial precedents and clarifications issued by the CBDT vide circular/ instructions.

In this regard, CBDT issued Circular No 6 dated 29 February 2016 on the tax treatment of surplus arising from transfer of listed shares/ securities whether capital gains or business income with a view to reduce litigation and uncertainty and in partial modification to earlier CBDT Circulars, the 2016 Circular instructs tax authorities to consider certain guidelines for classifying listed shares/ securities as under:

- Where the taxpayer itself, irrespective of the period of holding of the listed securities treats the gains from sale of such securities as business income, the same should be accepted by the tax authorities.
- Where the taxpayer wishes to treat the gains arising from transfer of listed securities held for a period more than 12 months immediately preceding the date of its transfer as capital gains, the same should not be put to any dispute by the tax authorities.
- In all other cases, the nature of 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 other notifications/ circulars issued by CBDT in this regard.

The CBDT further issued Instruction No.225/12/2016 dated 2 May 2016 clarifying that the income arising from transfer of unlisted shares would be taxable under the head 'Capital Gains', irrespective of period of holding. The Instruction has carved out following situations from its scope:

- When the genuineness of transactions in the unlisted shares is questionable;
- Where the transfer of unlisted shares is related to an issue pertaining to lifting of corporate veil; and
- Where the transfer of unlisted shares is made along with the control and management of underlying business.

The Finance (No.2) Act, 2014 amended the definition of "capital asset" to include any security held by an FPI in accordance with the regulations made under the SEBI, Act 1992. By virtue of the said amendment, any income arising to an FPI on transfer of such security would be characterised as 'Capital gains'.



#### **D. Short-Term and Long-Term Capital Gains on Sale of Securities**

Where investments under the portfolio management services are held by the investor on capital account, then the profit or loss from transfer of securities is taxed as ‘Capital gains’ under section 45 of the Act.

The rate of tax and other tax implications would also vary depending upon whether the capital asset sold is a short-term capital asset or a long-term capital asset.

As per section 2(42A) of the Act, any unlisted securities (other than a unit) [such as unlisted equity/preference shares] and units of a mutual fund (other than an equity oriented fund) shall be considered as a short-term capital asset where the same are held for a period of 36 months or less immediately preceding their date of transfer.

However, a security (other than a unit) listed in a recognized stock exchange in India or a unit of an equity-oriented fund<sup>7</sup>, held for a period of 12 months or less would be termed as a short-term asset.

Further, the shares of a company (not being shares listed in a recognized stock exchange in India), or an immovable property, being land or building or both, shall be considered as short-term capital asset where the same are held for a period of 24 months or less immediately preceding their date of transfer.

All capital assets which are not short-term capital assets are treated as long-term capital assets.

Gains arising from a short-term capital asset are regarded as short-term capital gains and gains arising from long-term capital assets be regarded as long-term capital gains.

As per the provisions of section 48 of the Act, capital gains/ losses are computed by reducing from the sale consideration:

- i. the cost of acquisition of the asset transferred; and
- ii. any expenditure incurred wholly and exclusively in connection with the transfer.

Further, section 48 of the Act provides that in the computation of capital gains, no deduction shall be allowed in respect of STT paid.

Additionally, the status of tax payer (i.e. whether the tax payer is an individual, a corporate, etc.), whether the transfer has been subject to Securities Transaction Tax (STT), the nature of the instrument sold, etc. also impact the rate of tax applicable to capital gains arising from the transfer of a capital asset. Some of these aspects have been discussed below.

#### **Capital gains tax on sale transaction on which STT is chargeable**

STT is a transaction-based tax collected by the stock exchange and is applicable on all transactions effected on the exchange.

The following table provides the details in respect of the rate of STT applicable (as on date) to respective taxable securities transactions (unless mentioned otherwise, the STT is payable by the seller):

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<sup>7</sup> An equity-oriented fund has been defined as:

- a) In case where the fund invests a minimum of 90% of the total proceeds in units of another fund, which is traded on recognized stock exchange, and such other fund also invests a minimum of 90% of its total proceeds in the equity shares of domestic companies listed on a recognized stock exchange; and
- b) In any other case, a minimum of 65% of the total proceeds of such fund is invested in the equity shares of domestic companies listed on a recognized stock exchange.

Nature of Transaction	Payable by	Value on which tax shall be levied	Rates applicable (%)
Delivery based purchase transaction in units of equity-oriented fund entered into in a recognized stock exchange	Purchaser	Value at which units are bought	Nil
Delivery based purchase transaction in equity shares or units of a business trust entered in a recognized stock exchange	Purchaser	Value at which shares/units are bought	0.1
Delivery based sale transaction in equity shares or units of a business trust entered in a recognized stock exchange	Seller	Value at which shares/units are sold	0.1
Delivery based sale transaction in units of equity oriented fund entered into in a recognized stock exchange	Seller	Value at which units are sold	0.001
Non-delivery based sale transaction in equity shares or units of equity-oriented fund or units of a business trust entered in a recognised stock exchange	Seller	Value at which shares/units are sold	0.025
Transaction for sale of futures <sup>8</sup> in securities	Seller	Value at which futures are traded	0.01
Transaction for sale of an option in securities	Seller	The option premium	0.05
Transaction for sale of an option in securities, where the option is exercised	Purchaser	<ul style="list-style-type: none"> <li>The intrinsic value i.e. difference between the settlement price and the strike price</li> </ul>	0.125
Sale of units of an equity-oriented fund to the mutual fund	Seller	Value at which units are sold	0.001
Sale of unlisted equity shares by any holder of such shares under an offer for sale to the public included in an initial public offer and where such shares are subsequently listed on a recognised stock exchange	Seller	Value at which shares are sold	0.2
Sale of unlisted units of a business trust under an offer for sale	Seller	Value at which shares are sold	0.2

### Long-term capital gains

<sup>8</sup> In case of physical settlement, NSE vide its circular dated 30 August 2018 provided following:

- STT of 0.1 percent will be leviable with effect from July 26, 2018;
- STT will be payable by both purchaser (receiver) and seller (giver) of the securities;
- STT will be recovered from the members on those contracts which had expired on July 26 and were settled by way of physical delivery.

Further, as per the Finance (No. 2) Act, 2019, w.e.f. 1 September 2019, in case the option is exercised, STT will be levied on the “intrinsic value”, i.e., the difference between the settlement price and the strike price.

Finance Act 2018 has, with effect from 1 April 2018, withdrawn the exemption on long-term capital gains on sale of specified assets on which STT is chargeable and has introduced new section 112A of the Act.

Under the provisions of new section 112A of the Act, in respect of transfer of specified asset on or after 1 April 2018, tax at the rate of 10 per cent (plus applicable surcharge and cess) shall be levied on long-term capital gains, exceeding Rs 1,00,000, where in case of an equity share in a company, STT has been paid on acquisition and transfer of such capital asset and in a case of a unit of an equity oriented fund or a unit of a business trust, STT has been paid on transfer of such capital asset.

The long-term capital gains are required to be computed without giving effect to the first and second provisos to section 48 of the Act, i.e. benefit of computation of capital gains in foreign currency and indexation in respect of cost of acquisition and improvement.

Further, for the purpose of computing capital gains in relation to a long-term capital asset, being specified asset, acquired before 1 February 2018, the cost of acquisition is deemed to be the higher of:

- The cost of acquisition of such asset; and
- The lower of –
  - (a) the fair market value of the asset; and
  - (b) the full value of consideration received or accruing as a result of the transfer of the asset.

Fair market value has been defined to mean –

i) in a case where the capital asset is listed on any recognized stock exchange, the highest price of the capital asset quoted on such exchange on 31 January 2018. However, where there is no trading in such unit on such exchange on 31 January 2018, the highest price of such capital asset on such exchange on a date immediately preceding the 31 January 2018 when such capital asset was traded on such exchange shall be the fair market value.

ii) in a case where the capital asset is a unit and is not listed on recognized stock exchange, the net asset value of such unit as on 31 January 2018.

iii) in case where the capital asset is an equity share in company which is:

(a) not listed on a recognised stock exchange as on 31 January 2018 but listed on such exchange on the date of transfer;

(b) listed on a recognised stock exchange on the date of transfer and which became the property of the taxpayer in consideration of share which is not listed on such exchange as on 31 January 2018 by way of transaction not regarded as transfer under section 47 of the Act,

an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for financial year 2017-18 bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the first day of April 2001, whichever is later;

As stated above, to avail benefits of section 112A of the Act, equity shares should be subject to STT both at the time of acquisition and transfer of assets. However, to protect certain transactions, the CBDT issued a Notification<sup>9</sup> stating that the condition of chargeability to STT at the time of acquisition, shall not apply to all transactions of acquisitions of equity shares entered into on or after 1 October 2004 other than the specified transactions. The negative list of acquisition provided in the notification is divided into following three categories:

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<sup>9</sup> Notification No. 60/2018/F. No. 370142/9/2017-TPL dated 1 October 2018

- Acquisition of the existing listed equity shares which are not frequently traded on a recognised stock exchange by way of preferential issue (subject to certain exclusions);
- Acquisition of existing listed equity share in a company, not entered through a recognised stock exchange (subject to certain exclusions);
- Acquisition of unlisted equity shares during the period between the delisting and the day immediately preceding the re-listing of such shares of recognised stock exchange

#### 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 and on which STT is chargeable are liable to income-tax at a concessional rate of 15% plus surcharge as applicable and cess.

However, capital gains arising from the transfer of exchange traded derivatives are chargeable to tax at normal rates applicable to the tax payer. Capital gains from transfer of exchange traded derivatives earned by FPIs are chargeable to tax at the rate of 30% plus surcharge as applicable and cess.

In case of individuals and HUFs, where the taxable income as reduced by short-term capital gains is below the maximum amount not chargeable to tax, the short-term capital gains is reduced to the extent of the amount which falls short of the maximum amount not chargeable to tax and only the balance short-term capital gains will be charged at the applicable rate plus cess.

#### **Capital gains tax on sale transaction on which STT is not chargeable**

***For resident individuals, HUFs, partnership firms (including limited liability partnership) and Indian companies***

#### Long-term capital gains

Long-term capital gains earned in respect of a long-term capital asset, is chargeable to tax under section 112 of the Act at the rate of 20% plus surcharge as applicable and cess. Capital gains are computed after taking into account the cost of acquisition as adjusted by the cost inflation index notified by the Central Government (indexed cost) and expenditure incurred wholly and exclusively in connection with such transfer.

In the case of listed securities (other than a unit) or zero-coupon bond (as defined under the Act), a tax payer has an option to apply the concessional rate of 10% plus surcharge as applicable and cess, provided the long-term capital gains are computed without substituting the indexed cost in place of the cost of acquisition. Long-term capital gains arising on sale of units of a mutual fund, specified under section 10(23D), where the transfer is undertaken on or after 11 July 2014, would be taxable at the rate of 20% plus surcharge as applicable and cess.

Further, in case of individuals and HUFs, where taxable income as reduced by long-term capital gains is below the maximum amount not chargeable to tax, the long-term capital gains is reduced to the extent of the amount which falls short of the maximum amount not chargeable to tax and only the balance long-term capital gains will be charged at the rate of 20% or 10% plus surcharge as applicable, and cess.

In the case of capital assets being bonds or debentures (other than capital indexed bonds issued by the Government and sovereign gold bonds issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015), the benefit of indexation is not available.

#### Short-term capital gains

Short-term capital gains earned is chargeable to tax as per the normal rates applicable to the tax payer.

***For non-residents<sup>10</sup>***

*Long-term capital gains*

Under section 112 of the Act, long-term capital gains arising from the transfer of a capital asset, other than unlisted securities, are chargeable to tax at the rate of 20% plus surcharge as applicable and cess. In case of non-resident, capital gains arising from transfer of a capital asset being shares in, or debentures of, an Indian company (other than unlisted securities) shall be computed by converting the cost of acquisition, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer of the capital asset into the same foreign currency as was initially utilised in the purchase of the shares or debentures, and the capital gains so computed in such foreign currency shall be reconverted into Indian currency (hereinafter referred to as FC computation mechanism). Further, the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing or arising from every reinvestment thereafter in, and sale of, shares in, or debentures of, an Indian company.

Further, under section 112 of the Act, long-term capital gains arising from the transfer of a capital asset, being units of a mutual fund, are chargeable to tax at the rate of 20% plus surcharge as applicable and cess; capital gains are computed by taking into account the indexed cost and expenditure incurred wholly and exclusively in connection with such transfer.

Long-term capital gains arising from transfer of a capital asset, being unlisted securities (or shares of a company not being a company in which public are substantially interested) and unlisted units are chargeable to tax at the rate of 10% plus applicable surcharge and education cess. Such long-term capital gains would be calculated without indexation of cost of acquisition and FC computation mechanism.

*Short-term capital gains*

Short-term capital gains earned is chargeable to tax as per the normal rates applicable to the tax payer.

The FC computation mechanism is available to non-resident/ NRI for computing the short-term capital gains arising from the transfer of shares or debentures.

***FPIs***

*Long-term capital gains*

Under section 115AD of the Act, long-term capital gains will be chargeable to tax at the rate of 10% plus surcharge as applicable and cess. Such gains would be calculated without indexation of the cost of acquisition and without FC computation. Further, capital gains under section 112A will be taxable at the rate of 10%, plus surcharge as applicable and cess, on income exceeding Rs. 1 lakh.

*Short-term capital gains*

Short-term capital gains earned will be chargeable to tax at the rate of 30% plus surcharge as applicable and cess. However, capital gains mentioned under section 111A will be chargeable at 15%, plus surcharge as applicable and cess.

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<sup>10</sup> Other than NRIs, who may elect to be covered by the provisions of section 115E of the Act, as regards tax on investment income and long-term capital gains, where beneficial.

For rate of surcharge and cess, please refer paragraph G.

#### **E. Business Income from Purchase and Sale of Securities**

If the investment under the portfolio management services is regarded as “Business/ Trading Asset” then the gain arising there from is taxed as business income. Where income referred to above is treated as business income, the person is eligible for deduction under section 36(1)(xv) of the Act for the amount of STT paid.

#### **F. Tax Rates**

The final tax rates applicable to different categories of taxpayers for the financial year ending 31 March 2022 are given in this section. The rates at which different items of incomes would be subjected to tax deduction at source are given in paragraph I.

##### **Individuals (including NRs)/ HUFs/ Association of Persons/ Body of Individuals**

These categories are taxable on progressive basis, as given below:

Under the ongoing regime, an individual is taxed as under:

Where total income for a tax year (April to March) is less than or equal to Rs 250,000* (the basic exemption limit)	Nil
Where such total income is more than Rs 250,000* but is less than or equal to Rs 500,000	5% of the amount by which the total income exceeds Rs 250,000*
Where such total income is more than Rs 500,000 but is less than or equal to Rs 1,000,000	Rs 12,500 plus 20% of the amount by which the total income exceeds Rs 500,000
Where such total income is more than Rs 1,000,000	Rs 112,500 plus 30% of the amount by which the total income exceeds Rs 1,000,000

\*The basic exemption limit in case of a resident senior citizen (with age of sixty years or more but less than eighty years) is Rs 300,000, in case of resident in India, who is of the age of eighty years or more at any time during the previous year is Rs 500,000.

Further, a tax rebate up to Rs 12,500 per annum would be available for resident individuals with total income of up to Rs 500,000 per annum.

Under the alternate new regime<sup>11</sup> for individuals and HUF w.e.f. FY2020-21:

<sup>11</sup> Section 115BAC. For adopting the new tax regime, most of the deductions/exemptions such as section 80C, 80D, etc. are to be foregone. The aforesaid regime is optional. Accordingly, individuals and HUFs have the option to be taxed under either of the options. The option under new regime once exercised can be changed in subsequent years (not applicable for business income).

Where total income for a tax year (April to March) is less than or equal to Rs 250,000 (the basic exemption limit)	Nil
Where such total income is more than Rs 250,000 but is less than or equal to Rs 500,000	5% of the amount by which the total income exceeds Rs 250,000
Where such total income is more than Rs 500,000 but is less than or equal to Rs 750,000	Rs 12,500 plus 10% of the amount by which the total income exceeds Rs 500,000
Where such total income is more than Rs 750,000 but is less than or equal to Rs 1,000,000	Rs 37,500 plus 15% of the amount by which the total income exceeds Rs 750,000
Where such total income is more than Rs 1,000,000 but is less than or equal to Rs 1,250,000	Rs 75,000 plus 20% of the amount by which the total income exceeds Rs 1,000,000
Where such total income is more than Rs 1,250,000 but is less than or equal to Rs 1,500,000	Rs 125,000 plus 25% of the amount by which the total income exceeds Rs 1,250,000
Where such total income is more than Rs 1,500,000	Rs 187,500 plus 30% of the amount by which the total income exceeds Rs 1,500,000

For rate of surcharge and cess, please refer paragraph G.

#### ***Other categories of investors***

Tax rates for other categories are given below:

Sr. No.	Assessee	% of Income Tax
1	Domestic company (if the company resorts to the new taxation regime provided under the Taxation Laws (Amendment) Act, 2019) – Section 115BAA (Note 1)	22%
2	Domestic company (if the company resorts to the new taxation regime provided under the Taxation Laws (Amendment) Act, 2019) – Section 115BAB (Note 2)	15%
3	Domestic company having turnover/ gross receipt not exceeding INR 400 crore in financial year 2019-20 [if the company does not exercise to adopt the new taxation regime which has the basic tax rate of 22% /15% (as mentioned in sr. no. 2 and 3 above)]	25%
4	Partnership Firms, including Limited Liability Partnerships ('LLPs')	30%
5	Domestic Company (having turnover/gross receipt exceeding INR 400 crore in financial year 2019-20) [if the company does not exercise to adopt the new taxation regime which has the basic tax rate of 22% / 15% (as mentioned in sr. no. 2 and 3 above)]	30%
6	Foreign Company	40%

- **Note 1 : Section 115BAA**

As per section 115BAA, a domestic company can opt for paying tax at a lower rate of 22%, plus surcharge as applicable and cess, subject to prescribed conditions especially such that certain deductions such as section 80G (w.e.f. FY20-21) and exemptions need to be foregone. Further, the provisions of Minimum Alternate Tax will not apply to such companies. The option has to be

exercised before the due date of filing the income-tax return. Once the option is exercised, it cannot be withdrawn subsequently.

• **Note 2 :Section 115BAB**

As per s.115BAB new domestic manufacturing companies, which have been set up and registered on or after 1 October 2019 and commenced manufacturing on or before 31 March 2023, can opt for a lower tax rate of 15%, plus surcharge as applicable and cess, subject to prescribed conditions especially such that certain deductions such as section 80G (w.e.f. FY20-21) and exemptions need to be foregone.

Further, the provisions of Minimum Alternate Tax will not apply to such companies. The option has to be exercised before the due date of filing the income-tax return. Once the option is exercised, it cannot be withdrawn subsequently.

For rate of surcharge and cess, please refer paragraph G.

**G. Surcharge and Cess**

The tax rates mentioned herein would be increased by a surcharge of:

a) For Individuals, HUF, Artificial Juridical Person, AOP or BOI:

Nature of Income	Up to Rs. 50 lakhs	More than Rs. 50 lakhs but upto Rs. 1 crore	More than Rs. 1 crore but less than Rs. 2 crores	More than Rs. 2 crores but up to Rs. 5 crores	More than Rs. 5 crores
1. Short-term capital gain under section 111A; 2. Long-term capital gains under section 112A; 3. Short term or Long-term capital gains under section 115AD(1)(b) 4. Dividend earned by FPIs under section 115AD	NIL	10%	15%	15%	15%
5 Dividend Income <sup>12</sup> – Resident and other Non-residents	NIL	10%	15%	25%	37%
6 Any other Income	NIL	10%	15%	25%	37%

**b) For Firms and LLPs**

12% where total income exceeds Rs. 10,000,000.

<sup>12</sup> The FA 2021 caps the surcharge on "dividend". It appears for this purpose that dividend would mean dividend from equity shares and may not cover dividend from mutual fund schemes/income distributed by mutual funds. This is because the Income-tax Act in several places refers to dividend from equity as "dividend" and dividend from mutual fund as "income distributed by mutual fund". Based on such approach, "mutual fund dividend" may be regarded as "any other income".



**c) For Companies**

Company	Total income upto Rs. 1 crore	Total income exceeds Rs. 1 crore but not Rs. 10 crores	Total income exceeds Rs. 10 crores
Domestic company	NIL	7%	12%
Domestic Company opting for section 115BAA and 115BAB -	10%		
Foreign company	NIL	2%	5%

A health and education cess of 4% by way of would be charged on amount of tax inclusive of the applicable surcharge for all taxpayers.

**H. Losses under the head Capital Gains/ Business Income**

The Act provides for the manner in which the losses under the head ‘Capital gains’ or ‘Profits and gains of business or profession’ are to be set-off and carried forward.

Additionally, the following provisions of the Act provide for non-availability of losses:

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

Further, section 94(8) of the Act provides that, where additional units have been issued to any person without any payment, on the basis of existing units held by such person then the loss on sale of original units shall be ignored for the purpose of computing income chargeable to tax, if the original units were acquired within three months prior to the record date fixed for receipt of additional units and sold within nine months from such record date, and such person continues to hold all or any of the bonus units at the time of sale of original units. However, the loss so ignored shall be considered as cost of acquisition of such additional units held on the date of sale by such person.

**I. Tax Deduction at Source (TDS)**

The Act provides for the manner and rates at which tax is to be withheld with regard to various types of incomes.

- a) Dividend income and income from mutual funds

The FA 2020 has removed the concept of Dividend Distribution Tax (DDT) and accordingly, now dividend income is taxable in the hands of the recipient. The TDS rates in this regard are as under:

Category	Dividend from Companies	Dividend from Mutual Funds
Resident	10% (section 194) <sup>13</sup>	10% (new section 194K <sup>14</sup> )
Non-residents including corporates	20% (section 115A read with 195)	20% (section 196A)
FPI (corporate)*	20% (section 196D)	20% (section 196D)
FPI (non-corporate)*	20% (section 196D)	20% (section 196D)

\* As per FA 2021, an FPI, eligible to claim treaty benefits, would be governed by the provisions of the Act to the extent that they are more beneficial. Accordingly, tax should be withheld as per the provisions of the Act or the provisions of the relevant Double Taxation Avoidance Agreement ('DTAA'), whichever is more beneficial. However, the unit holder will be required to provide appropriate documents to the Companies/Mutual Fund in order to be entitled to a beneficial rate under such DTAA. The implications of the provisions of GAAR and MLI will also need to be evaluated.

b) Income other than dividend:

*Non-residents*

Any person responsible for paying to a non-resident, any income, which is chargeable to tax under the Act, is required to withhold income-tax thereon under the relevant sections of the Act, at the prescribed rates, at the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

Withholding obligations on certain fixed incomes are mentioned in para B above.

With respect to FPIs, section 196D(2) of the Act provides that income-tax is not required to be withheld from any income by way of capital gains, arising from the transfer of shares and units referred to in section 115AD of the Act, payable to the FPIs.

In case of TDS on payments made to non-residents, the tax rates would be increased by applicable surcharge and cess.

Applicable rates of surcharge are as under:

Nature of Income	Up to Rs. 50 lakhs	More than Rs. 50 lakhs but upto Rs. 1 crore	More than Rs. 1 crore but less than Rs. 2 crores	More than Rs. 2 crores but up to Rs. 5 crores	More than Rs. 5 crores	More than Rs. 10 crores

<sup>13</sup> Threshold of Rs. 5,000 is applicable under section 194.

<sup>14</sup> Threshold of Rs. 5,000 is applicable under section 194K.

a) Non-corporates					
<ul style="list-style-type: none"> <li>• Short-term capital gain under section 111A;</li> <li>• Long-term capital gains under section 112A;</li> <li>•</li> </ul>	NIL	10%	15%	15%	15%
<ul style="list-style-type: none"> <li>• Dividend income<sup>15</sup> – FPIs and other non-residents</li> <li>•</li> </ul>	NIL	10%	15%	15%	15%
<ul style="list-style-type: none"> <li>• Any other Income<sup>16</sup></li> </ul>	NIL	10%	15%	25%	37%
b) Corporates	NIL		2% (More than Rs. 1 crore but up to Rs. 10 crores)		5%

The rate of health and education cess is 4%. (applicable on tax plus surcharge).

*Residents*

The applicable rates of TDS are as under:

Income	TDS Rate (%)
Dividend from companies (Section 194)	10%
Dividend from mutual funds (Section 194K)	
Interest on securities (Section 193)	
Capital Gains	NIL

In case of TDS on payments made to residents, the tax rates would not be increased by surcharge and cess.

Where the deductee fails to furnish its PAN/ furnishes an incorrect PAN to the deductor, the deductor will be required to withhold taxes at the rate specified under the Act or the rates in force or 20%, whichever is higher.

Provisions of section 206AA of the Act shall not apply to a non-resident in case of certain payments where conditions prescribed are fulfilled. The CBDT vide Notification dated 24 June 2016 has prescribed those conditions by introducing Rule 37BC to the Income-tax Rules, 1962. As per the said Rule, where the non-resident does not have a PAN, provisions of withholding tax at a higher rate shall not apply on the payments in the nature of interest, royalty, fees for technical

<sup>15</sup> The FA 2021 caps the surcharge on "dividend". It appears for this purpose that dividend would mean dividend from equity shares and may not cover dividend from mutual fund schemes/income distributed by mutual funds. This is because the Income-tax Act in several places refers to dividend from equity as "dividend" and dividend from mutual fund as "income distributed by mutual fund". Based on such approach, "mutual fund dividend" may be regarded as "any other income".

<sup>16</sup> Tax on income from mutual funds is required to be withheld under section 196A. The FA 2020 does not cap the surcharge for withholding under the said section and therefore, super-rich surcharge is applicable.

services, dividend and payments on transfer of any capital asset if the non-resident deductee furnishes the specified details and documents<sup>17</sup> to the deductor..

#### **J. Failure to file return of income**

- FA 2021 has introduced a new section namely section 206AB which requires tax to be deducted at source on any sum payable to a “specified person”, at the higher of the following rates:
  - (i) at twice the rate in force specified in the relevant provisions of the Act; or
  - (ii) at twice the rates in force; or
  - (iii) at the rate of 5%
- This proposed section applies to the provisions of Chapter XVII-B (that is, TDS), other than sections<sup>18</sup> 192, 192A, 194B, 194BB, 194LBC or 194N.
- If the provisions of section 206AA are applicable to a “specified person”, then the tax shall be deducted at higher of the two rates provided in this section and in section 206AA.
- “Specified person” means a person who
  - (i) has not filed the returns of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing return of income under sub-section (1) of section 139 has expired; and
  - (ii) the aggregate of tax deducted at source and tax collected at source in his case is **Rs. 50,000 or more** in each of these two previous years.
- However, the specified person shall not include a non-resident who does not have a permanent establishment in India.

#### **K. Advance Tax Installment Obligations**

It will be the responsibility of the Client to meet the advance tax obligation installments payable on the due dates under the Act.

#### **L. Minimum Alternate Tax**

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- <sup>17</sup> (i) Name, e-mail id, contact number;  
 (ii) Address in the country or specified territory outside India of which the deductee is a resident;  
 (iii) A certificate of his being resident in any country or specified territory outside India from the Government of that country or specified territory if the law of that country or specified territory provides for issuance of such certificate;  
 (iv) Tax Identification Number of the deductee in the country or specified territory of his residence and in case no such number is available, then a unique number on the basis of which the deductee is identified by the Government of that country or the specified territory of which he claims to be a resident

- <sup>18</sup> Section 192 – TDS on Salary  
 Section 192A – TDS on accumulated PF balance due to employee  
 Section 194B – TDS on winnings from lottery/crossword puzzle  
 Section 194BB – TDS on winnings from horse race  
 Section 194LBC – TDS on income from investment in securitization trust  
 Section 194N – TDS on Payment of certain amounts in cash

Section 115JB(1) of the Act provides that, if the tax payable by a company on the total income computed as per the provisions of the Act is less than 15%<sup>19</sup> of its 'book profit', then notwithstanding anything contained in any other provision of the Act, the 'book profit' shall be deemed to be the total income of the tax payer, and the amount of tax payable shall be the amount of income-tax at the rate of 15% (plus applicable surcharge and education cess) on such total income. This tax prescribed on book profits under section 115JB is commonly referred to as Minimum Alternate Tax (MAT).

Section 115JB(2) of the Act further provides that, every company shall, for the purposes of section 115JB of the Act, prepare its profit and loss account in accordance with Schedule III of the Indian Companies Act, 2013. Further, Explanation 1 to section 115JB(2) of the Act prescribes certain additions to/ deductions from the net profit/ loss to determine the 'book profit' within the meaning of section 115JB of the Act.

Further, a tax credit is allowed to be carried forward for fifteen years immediately succeeding the assessment year in which tax credit becomes allowable. The tax credit can be set-off in a year when the tax becomes payable on the total income in accordance with the regular provisions of the Act and not under MAT.

MAT provisions will not apply to a domestic company which has exercised the option under section 115BAA or section 115BAB (please refer section E for more details).

The amount of income accruing or arising to a foreign company from capital gains arising on transactions in securities or interest, royalty, or fees for technical services or dividend chargeable to tax at the rates specified in Chapter XII of the Act, shall be excluded from the purview of MAT, if such income is credited to the Profit and Loss Account and the income-tax payable thereon in accordance with the provisions of the Act (other than the MAT provisions), is at a rate less than the MAT rate of 15%. Also, the corresponding expenses shall also be excluded while computing MAT.

Further, the provisions of MAT shall not be applicable to a foreign company if:

- The taxpayer is a resident of a country/ specified territory with which the Government of India (GOI)/ specified association has a Double Taxation Avoidance Agreement (DTAA) and the taxpayer does not have a permanent establishment (PE) in India; or
- The tax payer is a resident with which the GOI/ specified association does not have a DTAA and the taxpayer is not required to seek registration under any law for the time being in force relating to companies.

The Foreign Tax Credit (FTC) claimed against MAT liability which exceeds the FTC that would have been allowable while computing income under normal provisions, would be ignored while computing tax credit under MAT.

### **M. Benefit of Double Taxation Avoidance Agreement**

As per the provisions of section 90(2) of the Act, in determining the taxability of a non-resident, the provisions of the relevant DTAA or the Act, whichever are more beneficial shall apply. Accordingly, if the investor is a resident of country with which India has entered into a DTAA, the provisions of the DTAA or of the Act, whichever are more beneficial to the investor, shall apply.

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<sup>19</sup> MAT rate of 15% is applicable with effect from 1 April 2020 i.e. for the financial year 2019-20

Section 90(4) of the IT Act, provides that a tax payer, not being a resident, to whom a DTAA applies, shall not be entitled to claim any relief under such DTAA unless a certificate of it being a resident in any country outside India is obtained by it from the Government of that country.

Further, section 90(5), provides that the tax payer referred to in section 90(4) of the Act, shall also provide such other documents and information, as may be prescribed. In this connection, on 1 August 2013, the CBDT issued a Notification substituting Rule 21AB of the Income-tax Rules, 1962 (Rules) and prescribing the format of information to be provided under section 90(5) of the Act, i.e. in Form No 10F.

A tax payer would be required to furnish Form No 10F, where the required information<sup>20</sup> is not explicitly mentioned in the aforementioned certificate of residency; in which case, the Notification additionally requires the tax payer to keep and maintain such documents as are necessary to substantiate the information provided.

### 13. ACCOUNTING POLICIES

The following Accounting policy will be applied for the Portfolio of Clients:

- (a) Investments in listed equity and debt instruments will be valued at the closing market prices on the National Stock Exchange (“NSE”). If the Securities are not traded on the NSE on the valuation day, the closing price of the Security on the Bombay Stock Exchange will be used for valuation of Securities. In case of the securities that are not traded on the valuation date, the last available traded price shall be used for the valuation of securities provided such closing price is not exceeding a period of 30 calendar days. If the security is not traded beyond 30 calendar days, it will be valued by arriving at a fair value / price based on justification from the Fund Manager and after considering relevant factors on case to case basis. Such fair valuation shall be approved by the Investment Committee. Notwithstanding the above, the Portfolio Manager may, at its discretion, consider fair valuation methodologies for arriving at the value of securities, if it is of the opinion that events such as open offers, takeovers, mergers, impairment of assets due to default in principal / interest liabilities of the Issuer company, significant rating downgrades etc may have occurred since the publication of the last market price of the security.
- (b) Investments in units of mutual funds shall be valued at the NAV of the previous day or at the last available NAV declared for the relevant Scheme on the date of valuation report.
- (c) Unlisted Securities/investments received as corporate actions will be valued at cost till the same are priced at Fair Market Value. Such fair value may be determined by an agency appointed by the Portfolio Manager, on periodic basis (at least half yearly).
- (d) Realised gains/losses will be calculated by applying the First In First Out principle.
- (e) Unrealized gains/losses are the differences, between the current market value/Net Asset Value and the historical cost of the Securities.
- (f) Dividends on shares will be accounted on ex-dividend date and dividends on units in mutual funds will be accounted on receipt of information from the mutual fund house and interest,

<sup>20</sup> Status (individual, company, firm etc.) of the tax payer; Nationality (in case of an individual) or country or specified territory of incorporation or registration (in case of others); Tax payer's tax identification number in the country or specified territory of residence (In case there is no such number, then, a unique number on the basis of which the person is identified by the Government of the country or the specified territory of which the tax payer claims to be a resident); Period for which the residential status, as mentioned in the certificate of residence is applicable; and Address of the tax payer in the country or specified territory outside India, during the period for which the certificate is applicable.

stock lending fees earned etc., will be accounted on accrual basis. The interest on debt instruments will be accounted on accrual basis.

- (g) In respect of all interest-bearing investments, income must be accrued on a 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 upto the date of purchase will not be treated as a cost of purchase but will be debited to Interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date upto the date of sale will not be treated as an addition to sale value but will be credited to Interest Recoverable Account.
- (h) Transactions for purchase or sale of investments will be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction should be recorded, in the event of a purchase, as of the date on which the portfolio obtains an enforceable obligation to pay the price or, in the event of a sale, when the portfolio obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.
- (i) Bonus entitlements are recognized as investments on ex-bonus date. Right entitlements are recognized as investments on ex-right date.
- (j) Cost of Investments: As per Income Tax Act for the purpose of capital gain/loss calculation, the cost of investment will include brokerage charges and related transaction costs, including any stamp duty fees.
- (k) The Portfolio Manager and the Client can adopt any specific norms or methodology for valuation of investments or accounting the same as may be mutually agreed between them on a case to case basis.

## 14. INVESTOR SERVICES

### (a) Contact information

The investor queries and complaints can be addressed to:

**MR. ANIL PARANJAPE**  
**IDFC ASSET MANAGEMENT COMPANY LIMITED**  
Tower 1, 6<sup>th</sup> floor, One World Centre, Jupiter Mills Compound,  
841 Senapati Bapat Marg, Mumbai 400013  
Tel: / 66289999 (Board Line)  
Fax: +91 22 24215051/52/53  
Email: [investor.services@idfc.com](mailto:investor.services@idfc.com)

The official mentioned above will ensure prompt investor services. The Portfolio Manager will ensure that this official is invested with the necessary authority, independence and the wherewithal to handle investor complaints.

In case the grievances or complaints are not resolved, investors may lodge their complaints on SEBI SCORES portal i.e. [www.scores.gov.in](http://www.scores.gov.in).

### (b) Grievance redressal and dispute settlement mechanism

The Portfolio Manager will endeavour to address all complaints regarding service deficiencies or causes for grievance, for whatever reason, in a reasonable manner and time. If the Investor remains dissatisfied with the remedies offered or the stand taken by the Portfolio Manager, the Investor and the Portfolio Manager shall abide by the following mechanisms.

Any dispute amongst the Portfolio Manager and the Client during the subsistence of the PMS Agreement or thereafter, arising out of or in connection with the PMS Agreement, including without limitation in relation to the validity, interpretation, implementation or alleged material breach of any provision of the PMS Agreement or regarding a question in relation to the PMS Agreement, including without limitation the question as to whether the termination of the PMS Agreement by one of the Portfolio Manager and the Client hereto has been legitimate, the Portfolio Manager and the Client shall endeavour to settle such dispute amicably within fifteen (15) working days.

If the Portfolio Manager and the Client fail to resolve the dispute in the manner set out above within fifteen (15) working days from the date of commencement of negotiations, the dispute shall be referred to arbitration of a sole arbitrator to be appointed by the Portfolio Manager and the Client and in case the Portfolio Manager and the Client are unable to agree upon the appointment of the sole arbitrator for a period of fifteen (15) days from days of closure of negotiation to a panel of three (3) arbitrators with each of the Portfolio Manager and the Client nominating one (1) arbitrator (and notifying the other within fifteen (15) days of such appointment) and the arbitrators so appointed appointing one (1) arbitrator. The place of Arbitration shall be Mumbai. The arbitration proceeding shall be governed by the Arbitration and Conciliation Act, 1996 and shall be in English language. The arbitrator /arbitral panel shall also decide on the costs of the arbitration proceedings. The courts of Mumbai, India shall have exclusive jurisdiction in respect of the arbitration.

The arbitrator's/arbitral panel's award shall be substantiated in writing and the Portfolio Manager and the Client shall submit to the arbitrator's/arbitral panel's award which shall be enforceable in any competent court of law. The arbitral award shall be final and binding on the Portfolio Manager and the Client, and the Portfolio Manager and the Client agree to be bound thereby and to act accordingly.



## **15. PREVENTION OF MONEY LAUNDERING**

The Portfolio Manager is committed to adhere to the requirements specified under the Prevention of Money Laundering Act, 2002 and any amendments thereto by the Securities and Exchange Board of India (SEBI). The Clients including guardians (in case of minors) shall ensure that the investments made by them are through legitimate sources only and do not involve or are not designated for the purpose of money laundering or any contravention or evasion of the requirements specified under any rules, laws and regulations specified by the Government of India or any other statutory body / entity.

The Portfolio Manager reserves the right to seek appropriate information / documents from the Clients, conduct an “In-person verification” etc with the purpose of complying with its regulatory obligations. For the purpose the Portfolio Manager could record the telephonic calls of the Client, retain documents and information etc. including details for establishing the identity of the Investor, proof of residence, source of funds etc. The Portfolio Manager may also undertake field visits, verify information through third party databases etc. In case a Client refuses / fails / delays in providing the information sought by the Portfolio Manager, the Portfolio Manager retains the right to freeze the accounts of the Client, reject any transaction request, effect mandatory repayment / return assets etc. The decision of the Portfolio Manager in this regard, shall be final.

## **16. NOMINATION FACILITY**

The Portfolio Manager will provide an option to the Client to nominate up to three persons in whom all the rights and benefits of the Portfolio shall vest in the event of his / her death. Where the Investments are held by more than one person jointly, the joint holders may together nominate up to three persons in whom all the rights shall vest in the event of the death of all the joint holders.

The Nomination facility extended under the Portfolio Management Services is in accordance with SEBI instructions and subject to other applicable laws. The single / joint/ surviving holders can subsequently write requesting for a Nomination Form in order to nominate any person to receive the benefits of the Portfolio upon his / her / their death, subject to completion of necessary formalities. By provision of this facility the Portfolio Manager is not in any way attempting to grant any rights other than those granted by law to the nominee(s). A nomination in respect of the portfolio does not create an interest in the property after the death of the Client. The nominee(s) shall receive the Portfolio only as an agent and trustee for the legal heirs or legatees as the case may be. It is hereby clarified that the nominees(s) under the nomination facility provided herein shall not necessarily acquire any title or beneficial interest in the property by virtue of this nomination. Further, if either the Portfolio Managers incur any loss whatsoever arising out of any litigation or harm that it may suffer in relation to the nomination, they will be entitled to be indemnified absolutely from the deceased holders estate. Upon the demise of the holder, the benefits of the Portfolio would be transmitted in favour of the Nominee subject to the Nominee executing suitable indemnities in favour of the Portfolio Manager and necessary documentation to the satisfaction of the Portfolio Manager.

Clients are advised to read the instructions carefully before nominating.

The Portfolio Manager can call for such documents from the Nominee as deemed necessary.

## **17. GENERAL**

The Portfolio Manager and the Client can mutually agree to be bound by specific terms through a written two-way agreement between themselves in addition to the standard agreement for Portfolio Management Services.

Actions / inactions, deeds, decisions etc. undertaken by the Portfolio Manager, in good faith with reference to the instructions of the Client, based on the information from the Client / understanding of the Portfolio Manager will constitute good and full discharge of the obligations of the Portfolio Manager. Submission of documents / information by Clients shall be full and final proof of the non-individual Client's authority to invest and the Portfolio Manager shall not be responsible for any defects / deficiencies in the document / information.

**For IDFC Asset Management Company Limited**

**Sd/-  
Director**

**Sd/-  
Director**

Date: December 22, 2021  
Place: Mumbai

**FORM C**

**SECURITIES AND EXCHANGE BOARD OF INDIA (PORTFOLIO MANAGERS)  
REGULATIONS 2020  
(Regulation 22)**

**IDFC ASSET MANAGEMENT COMPANY LIMITED**  
Tower 1, 6<sup>th</sup> Floor, One World Centre, Jupiter Mills Compound,  
841 Senapati Bapat Marg, Mumbai 400013  
Tel: + 91-22-43422719/ 66289999  
Email: [anil.paranjape@idfc.com](mailto:anil.paranjape@idfc.com)

We confirm that:

1. 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.
2. the disclosures made in the Disclosure Document are true, fair and adequate to enable the investors to make a well informed decisions regarding entrusting the management of the portfolio to us / investment through the Portfolio Manager.
3. the Disclosure Document has been duly certified by M/s M.P. Chitale & Co., Chartered Accountants (registration no. 101851W), an independent chartered accountant, having office at 1/11, Prabhadevi Ind. Estate, 1st Floor, opposite Siddhivinayak Temple, Veer Savarkar Marg, Prabhadevi, Mumbai - 400025 Phone: - 022-43474301/02/03. Enclosed is a copy of the chartered accountants' certificate dated December 22, 2021 to the effect that the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision.

**For IDFC ASSET MANAGEMENT COMPANY LIMITED**



**Anil Paranjape  
Principal Officer**

Date: December 22, 2021  
Place: Mumbai