

ALPHAMINE INVESTMENT MANAGEMENT PRIVATE LIMITED

DISCLOSURE DOCUMENT

I. DECLARATION

- a) The purpose of the Disclosure Document is to provide essential information about the portfolio services in a manner to assist and enable the investors in making informed decision for engaging “Alphamine Investment Management Private Limited (IFSC Branch)” (hereinafter referred as the “**Portfolio Manager**”) as the portfolio manager.
- b) The Document contains the necessary information about the Portfolio Manager required by an investor before investing, and the investor may also be advised to retain the Document for future reference.
- c) The name, phone number, e-mail address of the principal officer as designated by the Portfolio Manager along with the address of the Portfolio Manager is as follows:

PRINCIPAL OFFICER	PORTFOLIO MANAGER
Name : Ankur Moondan	Alphamine Investment Management Private Limited [IFSC Branch]
E-Mail : compliance.in@alphamineim.com	GIFT City Branch Address: Unit No. 1128 B, 11th Floor, Signature, 13 B, Unit Zone-1 GIFT SEZ, Gandhinagar-382355. Registered Office Address: Unit No.12, A-05, 13 Floor, Parinee Crescenzo, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051, Maharashtra.

II. INDEX

Sr.No.	Particulars	Page No.
1	Disclaimer	3
2	Definitions	3
3	Description	5
4	Penalties, pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by any regulatory authority	7
5	Services Offered	7
6	Risk factors	8
7	Client Representation & performance of Portfolio Manager	16
8	The Financial Performance of Portfolio Manager (based on audited financial statements)	17
9	Audit Observations for preceding three years	17
10	Nature of expenses	17
11	Taxation	18
12	Accounting Policies	36
13	Investor Services	37
14	General	38
15	Annexure I	40

III. CONTENTS

1. Disclaimer

- a) Particulars of this Document have been prepared in accordance with International Financial Services Centres Authority (Fund Management) Regulations, 2022 as amended till date.
- b) This Document has neither been approved nor disapproved by International Financial Services Centres Authority (IFSCA) nor has IFSCA certified the accuracy or adequacy of the contents of the Document.

2. Definitions

In this Document, the following words and expressions shall have the meaning specified herein, unless the context otherwise requires:

- (a) **Agreement:** means the portfolio management services agreement entered between the Portfolio Manager and the Client/Investor, as amended, modified, supplemented or restated from time to time together with all annexures, schedules and exhibits, if any.
- (b) **Applicable Laws:** means any applicable statute, law, ordinance, regulation including the IFSC Regulations, rule, order, bye-law, administrative interpretation, writ, injunction, directive, judgment or decree or other instrument which has a force of law in IFSC, as is in force from time to time.
- (c) **Capital Contribution:** means the sum of money or Securities or combination thereof, contributed by the Client for investments in accordance with the terms of the Regulations and this Agreement from time to time during the Term.
- (d) **Capital Market Regulations:** means IFSCA (Capital Market Intermediaries) Regulations, 2021.
- (e) **Client / Investor:** means such person(s) whose money or portfolio is advised or directed or managed by the Portfolio Manager and is specified in Schedule I of the Agreement.
- (f) **Custodian:** means one or more custodian appointed by the Portfolio Manager, from time to time, for maintaining custody of funds and/or Securities of the Client.
- (g) **Disclosure Document or Document:** means this document issued to the Client as required under the Regulations and as may be amended by the Portfolio Manager from time to time.
- (h) **Eligible Investor:** means individuals, company, body corporate, partnership firm, association of persons, limited liability partnership, trust, hindu undivided family including Multi Family Office and such other persons as the Portfolio Manager may determine in accordance with the Regulations, to be eligible to avail of the services of the Portfolio Manager from time to time under the PMS.
- (i) **Exit Load:** means the withdrawal charge/s payable to the Portfolio Manager in accordance with the terms of the Agreement and this Document.

- (j) **Fund Management Regulations:** means International Financial Services Centres Authority (Fund Management) Regulations, 2022 as amended and modified from time to time and including any circulars/notifications issued pursuant thereto.
- (k) **GIFT :** means the Gujarat International Finance Tech City
- (l) **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. For the purpose of charging performance fee, the frequency shall not be less than quarterly and/or such other time line as may be agreed in the Agreement.
- (m) **IFSC:** shall mean the International Financial Services Centre and shall have the same meaning as assigned to it under Regulation 2(s) of the Fund Management Regulations;
- (n) **IFSCA:** shall mean the International Financial Services Centres Authority.
- (o) **Independent Valuer:** shall mean an independent third-party service provider such as a fund administrator or custodian registered with the IFSCA, a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the IFSCA, as maybe appointed for carrying out valuation of Portfolio Investments in terms of this Document.
- (p) **Investment Approach:** is a broad outlay of the type of securities and permissible instruments to be invested in or as advised by the Portfolio Manager for the Client, taking into account factors specific to Clients and securities and includes any of the current investment approach or such investment approach that may be introduced by the Portfolio Manager, from time to time.
- (q) **Management Fee:** means the management fee payable to the Portfolio Manager in accordance with the terms of the Agreement and this Document.
- (r) **Performance Fee:** means the performance-linked fee payable to the Portfolio Manager in accordance with the terms of the Agreement and this Document.
- (s) **Portfolio or Client Portfolio:** means the total holdings of Securities and goods belonging to the Client in accordance with the Agreement.
- (t) **Portfolio Entity:** means companies, enterprises, bodies corporate, or any other entities in the Securities of which the monies from the Client Portfolio are invested subject to Applicable Laws.
- (u) **Portfolio Investments:** means investments in Securities of one or more Portfolio Entity/ies made by the Portfolio Manager on behalf of the Client under the PMS from time to time.
- (v) **Portfolio Manager:** means Alphamine Investment Management India Private Limited, IFSC Branch, which pursuant to a contract or arrangement with a Client/Investor, advises or directs or undertakes on behalf of the Client/Investor (whether as a discretionary Portfolio Manager or otherwise) the management or administration of a portfolio of securities or the funds of the Client/Investor, as the case may be.
- (w) **Principal Officer:** means an employee of the Portfolio Manager who has been designated as such by the Portfolio Manager and is responsible for:

- (i) the decisions made by the Portfolio Manager for the management or administration of Portfolio of Securities or the funds of the Client, as the case may be; and
 - (ii) all other operations of the Portfolio Manager.
- (x) **PMS:** means the portfolio management services provided by the Portfolio Manager in accordance with the terms and conditions set out in the Agreement, this Document and subject to Applicable Laws.
- (y) **PMLA Laws:** means the Prevention of Money Laundering Act, 2002, Prevention of Money-laundering (Maintenance of Records) Rules, 2005, the guidelines/circulars issued by IFSCA thereto as amended and modified from time to time.
- (z) **Regulations:** means the International Financial Services Centres Authority (Fund Management) Regulations, 2022, IFSCA (Capital Markets Intermediaries) Regulations, 2021, as applicable and such other laws, guidelines as may be applicable from time to time and including any circulars/notifications issued pursuant thereto.
- (aa) **Securities:** shall mean and include securities listed or to be listed or traded on a recognized stock exchange, money market instruments, units of investment scheme issued in IFSC, India or Foreign Jurisdiction or such other securities as specified by IFSCA from time to time. In case of Non-discretionary and Advisory services, the term Securities shall mean securities which are listed, unlisted, to be listed including but not limited to equity, debt etc. and such other financial products in IFSC, India or Foreign Jurisdiction.

Any term used in this Document but not defined herein (but defined in the Regulations) shall have the same meaning as assigned to them in the Regulations.

3. Description

(i) History, Present Business and Background of the Portfolio Manager

The Head Office of the Portfolio Manager is a private limited company incorporated under the Companies Act, 2013 on March 30, 2021, at Mumbai. It has a portfolio manager license bearing no. INP000007401 and offers discretionary portfolio management services, non-discretionary portfolio management services, and advisory services to high net-worth individuals (HNIs), institutional clients, corporates and other permissible class of investors. Further, it also acts as an investment manager to a Category III Alternative Investment Fund bearing registration no. IN/AIF3/21-22/0948.

The Portfolio Manager is a Registered Fund Management Entity bearing no. IFSCA/FME/II/2022-23/044, registered with IFSCA under the Fund Management Regulations.

(ii) Promoters of the Portfolio Manager, directors, Key Personnel and their background

(a) Illuminati Trading Private Limited, *Promoter*

Illuminati Trading Private Limited is a private limited company incorporated on February 10, 2012 at Haryana. The directors of Illuminati Trading Private Limited are Viral Mittal Saraf and Vinati Saraf Mutreja. Illuminati Trading Private Limited is a proprietary trading firm focusing on financial markets since its inception, i.e., 2012, and deals in equity, derivative contracts and underlying financial products traded on NSE, BSE & MCX.

(b) Mr. Mohit Rajesh Mutreja, *Director*

Mr. Mohit Mutreja holds over 14 years of experience in the industry and related areas. Before being part of Alphagrep Securities Private Limited he was working with DE Shaw & Co. (Trader or Investment Associate) and has got in depth experience in the industry and related matters. He is designated as managing director at Alphamine Investment Management Private Limited. He holds a degree of Bachelor of Science in Engineering and Bachelor of Science in Economics from Wharton School of the University of Pennsylvania.

(c) Mr. Parshant Mittal, Director

Mr. Parshant Mittal holds over 11 years of experience in the industry and related areas. Before being part of AlphaGrep Securities Private Limited, he was working with Global Market Centre Private Limited as a Senior Analyst and has got in depth experience in the industry and related matters. He is designated as whole time director at Alphamine Investment Management Private Limited. He holds a degree of Bachelor of Science in Economics from Wharton School of the University of Pennsylvania.

(d) Mr. Praveen Kumar, Director

Mr. Praveen Kumar was a part of Edelweiss group for 12 years across different businesses and roles. He started his career as a quantitative trader in the proprietary trading team and setup & scaled the short duration quantitative trading desk. He thereafter moved to the asset management group, where he designed investment strategies and products across equity and debt markets. In his last role at Edelweiss, he was co-managing a USD200 million long-short category III alternative investment fund using multiple strategies with an objective of delivering returns with low volatility. He has done his post-graduation from IIM Calcutta and is a B. Tech. degree holder from IIT Kharagpur.

(e) Mr. Anil Kumar Reddy Vemireddy, Director

Mr. Anil Kumar Reddy Vemireddy is a qualified chartered financial analyst and holds a degree of B. Tech. from IIT Madras and an MBA, from IIM Calcutta. He is designated as Vice President, Business Development & Operations at Alphamine Investment Management Private Limited. He was most recently managing the options trading desk at AlphaGrep Securities Private Limited. He has traded in volatility products including equity & currency options and volatility index futures & options. Prior to that, he worked as an options trader on the proprietary trading desk of Edelweiss.

(f) Mr. Ankur Moondan, Principal Officer

Mr. Ankur has an experience in market research for over 8 years, primarily building trading models for both Indian and Global markets for various asset classes like equities, commodities and currencies. Mr. Ankur has been part of various organisations such as Infina Finance, Edelweiss Capital and Futures First. He is associated with AlphaGrep Securities since August' 2018.

Mr. Ankur has done his BTech and MTech from IIT Delhi and MBA from IIM Calcutta.

(g) Mr. Devesh Bagrodia, Compliance Officer

Mr. Devesh has over 5 years of experience across financial markets. He was associated with NSE International Exchange as Manager, responsible for the trade operations. Prior to the same he was associated with Nomura Services India Private Limited as Analyst at Credit Middle Office.

Mr. Devesh holds a Bachelors of Commerce and Masters in Management Studies.

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

The Portfolio Manager proposes to primarily carry on discretionary portfolio management services and if opportunity arises thereafter, then it also proposes to render non-discretionary portfolio management services and advisory services.

The key features of all the said services are provided as follows:

(a) Discretionary Services:

Under the discretionary PMS, the choice as well as the timings of the investment decisions rest solely with the Portfolio Manager and the Portfolio Manager can exercise any degree of discretion in the investments or management of assets of the Client. The Securities invested/divested by the Portfolio Manager for Clients may differ from Client to Client. The Portfolio Manager's decision (taken in good faith) in deployment of the Client's account is absolute and final and cannot be called in question or be open to review at any time during the currency of the Agreement or any time except on the ground of fraud, malafide intent, conflict of interest (other than those already disclosed in the Agreement) or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the Applicable Laws. Periodical statements in respect of the Client's assets under management shall be sent to the respective Clients in accordance with the Agreement and the Regulations.

(b) Non - Discretionary Services:

Under the non-discretionary PMS, the assets of the Client are managed in consultation with the Client. Under this service, the assets are managed as per the requirements of the Client after due consultation with the Client. The Client has complete discretion to decide on the investment (quantity and price or amount). The Portfolio Manager, *inter alia*, manages transaction execution, accounting, recording or corporate benefits, valuation and reporting aspects on behalf of the Client.

(c) Advisory Services:

The Portfolio Manager may provide investment advisory services, in terms of the Capital Market Regulations, which shall include the responsibility of advising on the Portfolio Investment Approach and investment and divestment of individual securities on the Client Portfolio, for an agreed fee structure and for a defined period, entirely at the Client's risk; to all eligible category of Investors. The Portfolio Manager shall be solely acting as an advisor to the Client Portfolio and shall not be responsible for the investment/divestment of Securities and/or any administrative activities on the Client Portfolio. The Portfolio Manager shall provide advisory services in accordance with such guidelines and/or directives issued by the regulatory authorities and/or the Client, from time to time, in this regard. Advisory Services shall be provided to a Client with assets of not less than USD 150,000 and/or such other limit as may be prescribed under the Regulations.

Direct onboarding: Investors have the option to avail the portfolio management services directly from the Portfolio Manager by directly contacting the Portfolio Manager. No distribution fees / placement fees will be charged to such client(s).

- 4. Penalties, pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by any regulatory authority against the portfolio manager and its principal officers, partners/ designated partners and key managerial personnel:**

- i. NIL except for disclosure as stated below:

Summary of the SEBI Adjudication Order No. ORDER/SBM/ASR/2022-23/17390-17407, dated June 28, 2022, in the matter of NSE Dark Fibre

Mr. Mohit Mutreja & Mr. Parshant Mittal, directors of the company in individual capacity, received a show cause notice dated March 15, 2019 bearing no. SEBVHO/EADL1696I/512019(*SCN") under Rule 4 of the SEBI (Procedure for holding inquiry and imposing penalties by an Adjudication officer) Rules, 1995.

On June 28, 2022, the Adjudicating Officer of SEBI passed an order imposing a monetary penalty of INR 10 lakhs on each of the above-named notices. In seeking relief, noticees had applied for stay of the Order before the Hon'ble Securities Appellate Tribunal. Vide order dated August 26, 2022, the Hon'ble Securities Appellate Tribunal has been pleased to grant interim relief to the Noticees. Presently the matter is pending before Hon'ble Securities Appellate Tribunal.

5. Services Offered

Discretionary Portfolio Management Services

Presently, the following Discretionary Portfolio Management approaches are being offered to the Investors.

Investment Strategy Name: Alphamine Multi Strategy

(i) Investment Objective

To achieve steady returns with low correlation to traditional asset classes using multiple strategy styles.

(ii) Type of Securities in which the Portfolio Manager will invest

- The Portfolio Manager may invest Capital Contributions in Securities and any other permissible securities/instruments/products as per the Applicable Laws, in such manner and through such markets as it may deem fit in the interest of the Client. The investment in Securities shall primarily comprise including but not limited to following securities:
 - a) listed equity and preference shares of companies listed in India and other jurisdictions, across asset classes;
 - b) listed debentures, bonds and secured premium notes, including tax exempt bonds of companies and corporations in India and other jurisdictions;
 - c) units (units of Mutual Fund, Alternative Investment Funds etc.) and other instruments of mutual funds or ETFs in India and other jurisdictions;
 - d) derivatives strategies including equity derivatives, IRS, Swaps, commodity derivatives etc. as may be permitted under the Applicable Laws.
 - e) listed InVITs and REITs;
 - f) money market instruments such as government securities, commercial papers, trade bill, treasury bills, certificate of deposit and usance bill;
 - g) listed options, futures, swaps and such other derivatives as may be permitted from time to time;
 - h) such other securities/instruments and financial products as specified by IFSCA from time to time.
- Under the non-discretionary PMS, the Capital Contribution of the Client shall be invested in listed and/or unlisted securities and shall be managed in consultation with the Client and in accordance with the Regulations.

(iii) Investment Approach of the Portfolio Manager

Please refer Annexure I for more details.

(iv) The policies for investments in associates/group companies of the portfolio manager and the maximum percentage of such investments therein subject to the applicable laws/regulations/guidelines.

The Portfolio Manager will not be making investments in associates/group companies.

6. Risk Factors

a. General Risk:

- Securities investments are subject to market risk and there is no assurance or guarantee that the objectives of the PMS will be achieved.
- The Portfolio Manager has no experience/track record in the field of portfolio management services in IFSC and is in receipt of license on October 20, 2022. However, the Principal Officer, directors and other key management personnel of the Portfolio Manager have rich individual experience.
- Without prejudice to the above, the past performance of the Portfolio Manager does not indicate its future performance.
- Any act, omission or commission of the Portfolio Manager undertaken in good faith under the Agreement would be solely at the risk of the Client and the Portfolio Manager will not be liable for any act, omission or commission or failure to act save and except in cases of gross negligence, willful default and/or fraud of the Portfolio Manager.
- The Client Portfolio may be affected by settlement periods and transfer procedures.
- The PMS is subject to risk arising out of non-diversification as the Portfolio Manager under its PMS may invest in a particular sector, industry, few/single Portfolio Entity/ies. The performance of the Client Portfolio would depend on the performance of such companies/industries/sectors of the economy.
- The Client Portfolio may have a limited number of investments and, as a consequence, the aggregate returns realized by the Client may be adversely affected by the unfavorable performance of a small number of such investments. The investments may also involve geographic concentration and hence an inability to diversify risk. The Portfolio Manager would strive to diversify the portfolio, as much as possible, in order to mitigate the concentration risk.
- The group companies of Portfolio Manager may offer services in nature of consultancy, sponsorship etc., which may be in conflict with the activities of portfolio management services.
- The provisions of the Agreement and the principal and returns on the Securities subscribed by the Portfolio Manager may be subject to force majeure and external risks such as war, natural calamities, pandemics, policy changes of local / international markets and such events which are beyond the reasonable control of the Portfolio Manager. Any policy change / technology updates / obsolescence of technology would affect the investments made by the Portfolio Manager

Other risks arising from the investment objectives, investment strategy, Investment Approach and asset allocation are stated as under:

b. Risks associated with investments in equity and equity linked securities

- Equity and equity related securities by nature are volatile and prone to price fluctuations on a daily basis due to both macro and micro factors.
- In various securities markets, there may be risks associated with trading volumes, settlement periods and transfer procedures that may restrict liquidity of investments in equity and equity related securities.
- In the event of inordinately low volumes, there may be delays with respect to unwinding the Portfolio and transferring the redemption proceeds.
- The value of the Client Portfolio, may be affected generally by factors affecting securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the government, taxation laws or policies of any appropriate authority and other political and economic developments and closure of stock exchanges which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets. Consequently, the Portfolio valuation may fluctuate and can go up or down.
- Client may note that Portfolio Manager's investment decisions may not always be profitable, as actual market movements may be at variance with anticipated trends.

c. Risk factors associated with investments in derivatives

- Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of such strategies to be persuaded by the Portfolio Manager involve uncertainty and decision of the Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager shall be able to identify or execute such strategies.
- The risks associated with the use of derivatives are different from or possibly greater than, the risk associated with investing directly in securities and other traditional investments.
- As and when the Portfolio Manager on behalf of Clients would trade in the derivatives market there are risk factors and issues concerning the use of derivatives that the Client should understand. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. 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 a possibility that loss may be sustained by the Portfolio as a result of the failure of another party (usually referred 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. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value.

- Derivative trades involve execution risks, whereby there is an adverse price impact resulting from a change in the fundamental value of the security.
- The options buyer's risk is limited to the premium paid, while the risk of an options writer is unlimited. However, the gains of an options writer are limited to the premiums earned.
- The writer of a put option bears the risk of loss if the value of the underlying asset declines below the exercise price. The writer of a call option bears a risk of loss if the value of the underlying asset increases above the exercise price.
- Investments in index futures face the same risk as the investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks.
- Risk of loss in trading futures contracts can be substantial, because of the low margin deposits required, the extremely high degree of leverage involved in futures pricing and potential high volatility of the futures markets.
- The Portfolio Manager intends to actively hedge its portfolio, to limit or reduce investment risk but this may result in limiting or reducing the potential for profit. No assurance can be given that any particular hedging strategy will be successful. Hedging against a decline in the value of Portfolio positions does not eliminate fluctuations in the values of Portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the Portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the Portfolio positions should increase. Moreover, it may not be possible for the Strategy to hedge against a fluctuation at a price sufficient to protect the Strategy's assets from the decline in value of the Portfolio positions anticipated as a result of such fluctuations. Given that the underlying investments is in cash equity and equity derivatives, the market movements will affect the performance of the Strategy accordingly.
- The prices of many derivative instruments, including many options and swaps, are highly volatile. Price movements of options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of options and swap agreements also depends upon the price of the securities, currencies or other assets underlying them. The Fund is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other securities, currencies or other assets.

Following are the risks associated with the investment in options:

- Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.
- If a put or call option purchased under the strategy and are permitted to expire without being sold or exercised, the Client would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying security, currency or other asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying security, currency or other asset would then be sold to the Client at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying

security, currency or other asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying security, currency or other asset would then be sold by the Client at a lower price than its current market value.

- Purchasing and writing put and call options and, in particular, writing "uncovered" options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security, currency or other asset above the exercise price of the option. This risk is enhanced if the security, currency or other asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The securities, currencies or other assets necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities, currencies or other assets to satisfy the exercise of the call option can itself cause the price of the securities, currencies or other assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Client of all or a substantial portion of its assets.

d. Risks associated with investments in fixed income securities/products and Money market securities

Some of the common risks associated with investments in fixed income and money market securities are mentioned below. These risks include but are not restricted to:

- **Interest Rate Risk:** As with all debt securities, changes in interest rates affects the valuation of the portfolios, as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise. Prices of longer-term securities generally fluctuate more in response to interest rate changes than do shorter-term securities. Interest rate movements in the Indian debt markets can be volatile leading to the possibility of large price movements up or down in debt and money market securities and thereby to possibly large movements in the valuation of portfolios.
- **Liquidity or Marketability Risk:** This refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market.
- **Credit Risk:** Credit risk or default risk refers to the risk which may arise due to default on the part of the issuer of the fixed income security (i.e. risk that the issuer will be unable to make timely principal and interest payments on the security). Due to this risk, debentures are sold at a yield spread above those offered on treasury securities, which are sovereign obligations and generally considered to be free of credit risk. Normally, the value of a fixed income security will fluctuate depending upon the actual changes in the perceived level of credit risk as well as the actual event of default.
- **Reinvestment Risk:** Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.
- **Rating Risk:** Different types of debt securities in which the Client invests, may carry different levels and types of risk. Accordingly, the risk may increase or decrease depending upon its investment pattern, for instance corporate bonds carry a higher amount of risk than government securities. Further even among corporate bonds, bonds, which are AA rated, are comparatively riskier than bonds, which are AAA rated.
- **Price Volatility Risk:** Debt securities may also be subject to price volatility due to factors such as changes in interest rates, general level of market liquidity and market perception of the creditworthiness of the issuer,

among others (market risk). The market for these Securities may be less liquid than that for other higher rated or more widely followed Securities.

Investment and Liquidity Risks: There may be no active secondary market for investments of the kind the Portfolio Manager may make for the Client Portfolio. Such investments may be of a medium-to-long term nature. There are a variety of methods by which unlisted investments may be realized, such as the sale of investments on or after listing, or the sale or assignment of investments to joint-venture partners or to third parties subject to relevant approvals. However, there can be no guarantee that such realizations shall be achieved, and the Portfolio's investments may remain illiquid.

Since the Portfolio may only make a limited number of investments, poor performance by one or a few of the investments could severely adversely affect the total returns of the PMS.

Identification of Appropriate Investments: The success of the PMS as a whole depends on the identification and availability of suitable investment opportunities and terms. The availability and terms of investment opportunities will be subject to market conditions, prevailing regulatory conditions in India or such other foreign jurisdiction where the Portfolio Manager may invest, and other factors outside the control of the Portfolio Manager. Therefore, there can be no assurance that appropriate investments will be available to, or identified or selected by, the Portfolio Manager.

e. Management and Operational risks

Reliance on the Portfolio Manager

- The success of the PMS will depend to a large extent upon the ability of the Portfolio Manager to source, select, complete and realize appropriate investments and also reviewing the appropriate investment proposals. The Portfolio Manager shall have considerable latitude in its choice of Portfolio Entities and the structuring of investments. Furthermore, the team members of the Portfolio Manager may change from time to time. The Portfolio Manager relies on one or more key personnel and any change/removal of such key personnel may have material adverse effect on the returns of the Client.
- The investment decisions made by the Portfolio Manager may not always be profitable.
- Investments made by the Portfolio Manager are subject to risks arising from the investment objectives, Investment Approach, investment strategy and asset allocation.
- *Exit Load:* Client may have to pay a high Exit Load to withdraw the funds/Portfolio (as stipulated in the Agreement with the Client). In addition, they may be restricted / prohibited from transferring any of the interests, rights or obligations with regard to the Portfolio except as may be provided in the Agreement and in the Regulations.
- *No Guarantee:* Investments in Securities are subject to market risks and the Portfolio Manager does not in any manner whatsoever assure or guarantee that the objectives will be achieved. Further, the value of the Portfolio may increase or decrease depending upon various market forces and factors affecting the capital markets such as delisting 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.

- Lack of history: The Portfolio Manager has no operating history in respect of acting as a Portfolio Manager in IFSC, with which its performance may be comparatively evaluated. There can be no assurance that the Portfolio Manager will achieve its investment objectives.
- Key individuals: The Portfolio Manager will be selecting suitable portfolio investments. A material adverse effect on the returns of the investment may be created by the loss of one or more key personnel of the Portfolio Manager who are responsible for managing portfolios. In case of loss of one or more key personnel of the Portfolio Manager, the Portfolio Manager would endeavor to introduce a competent person.

Concentration of investments

Portfolio may at certain times hold relatively few investments or have a significant exposure to a single issuer, counterparty, or asset. A portfolio could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer or counterparty. Additionally, historical correlations may undergo dramatic change due to micro and macro elements, thereby reducing expected diversification protection.

Counterparty Risks

The portfolio will also be exposed to a counterparty risk in relation to the brokers, vendors, and other parties with whom they transact.

Pricing and Valuation Risks

For quoted investments, a valuation price can be obtained from an exchange or similarly verifiable source. However, investment in unquoted and/or illiquid investments and investments in markets that may be closed for holidays or other reasons will increase the risk of mispricing. In these and similar cases, an objective verifiable source of market prices will not be available, and the Portfolio Manager may follow a process which will determine fair value for the relevant investments and this process may involve assumptions and subjectivity. "Fair value" is generally defined as the price that would be received to sell an asset in an orderly transaction between market participants at the transaction / valuation date. There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Portfolio's investments may differ significantly from the values that would have been used had a ready market existed for such investments, and the differences could be material. Additionally, the values assigned to investments that are valued by the Portfolio Manager are based on available information and do not necessarily represent amounts that might ultimately be realized, as these amounts depend on future circumstances and cannot reasonably be determined until the individual investments are actually liquidated.

Model risk

The Portfolio Manager will test the robustness of any model used and will suitably adapt it, if required. Any change in the factors initially considered by the Portfolio Manager for constructing the models could have a negative impact.

FPI Registration

To the extent of investment in listed securities in India, the Client will need to seek registration as Foreign Portfolio Investor (FPI). The value Portfolio Investments may be affected by changes or developments in the legal and regulatory climate in India. SEBI regulates the securities market in India and legislates from time to time on matters

affecting the stock market. SEBI has issued regulations that affect investment in India, including regulations on takeovers, raising funds and insider dealing. The regulations affect the pricing, cost of a transaction and the ability to conduct due diligence. SEBI and/or the Government of India may make changes to regulations which may affect the ability of the Portfolio Manager to make, or exit, investments for a Client.

Under the FPI Regulations, Foreign Portfolio Investors ("FPIs"), on their own behalf, may only invest in equity below 10% of the paid-up capital of an Indian company or 10% of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and total holdings by all FPIs put together shall not exceed 24% (twenty four percent) paid-up equity capital on a fully diluted basis or paid-up value of each series of debentures or preference shares or share warrants. The limit can be extended to the applicable sectoral caps prescribed by the RBI if the board of directors of the Indian company approves it followed by an approval by way of special resolution of general body of the Indian company, and prior intimation about the increase is provided to RBI. The investment of the Client shall be accordingly restricted to that extent.

Further, for investment in debt securities, the FPI will need to bid for Corporate Debt limit and investments in debt securities shall be accordingly constrained to the extent of limit available for a FPI to invest.

Loss of FPI Registration

The investments by the Client in India as FPI, shall be dependent upon the continued registration as a FPI. If the registration as FPI is terminated, the Client may be forced to redeem its investments, and such forced redemption could adversely affect the returns.

Any investigations of, or actions against, the Portfolio Manager or any of its investors initiated by the SEBI or any other regulatory authority may impose a ban on the investment and trading activities for the Client.

Currency risk

Contributions to the Strategy will be denominated in U.S. dollars. However, the Strategy may invest in securities denominated in INR and/or such other currency. Any dividends, sale proceeds, interest and return of capital contributions in respect of such portfolio companies will likely be paid in INRs and subsequently converted into U.S. dollars for repatriation. A change in value of the INR against the U.S. dollar will cause a corresponding change in the U.S. dollar value of the investments that are denominated in the INR. Such changes may also affect the Client's income and profitability. Any change in trading policy by the RBI can significantly and suddenly influence exchange rates from time to time. Other factors that may affect currency values include trade balances, the level of short-term interest rates, long-term opportunities for investment and capital appreciation and political developments. The Client may incur costs in converting from one currency to another. The Portfolio Manager may employ hedging techniques for select Clients to minimize these risks, but there can be no assurance that such strategies will be effective.

f. Political, Economic and Social Risks

Political instability or changes in the government could adversely affect economic conditions in India generally and the Portfolio Manager's business in particular. The Portfolio Entity's business may be affected by interest rates, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

Inflation and rapid fluctuations in inflation rates have had, and may have, negative effects on the economies and securities markets of various economy. International crude oil prices and interest rates will have an important

influence on various economies. Any sharp increases in interest rates and commodity prices, such as crude oil prices, could reactivate inflationary pressures on the local economy and negatively affect the medium-term economic outlook of specific jurisdictions.

Many countries have experienced outbreaks of infectious illnesses in recent decades, including severe acute respiratory syndrome and the COVID-19. The COVID-19 outbreak has resulted in numerous deaths and the imposition of both local and more widespread “work from home” and other quarantine measures, border closures and other travel restrictions, causing social unrest and commercial disruption on a global scale. The ongoing spread of the COVID-19 has, had, and will continue to have a material adverse impact on portfolio entities, local economies and also the global economy, as cross border commercial activity and market sentiment are increasingly impacted by the outbreak and government and other measures seeking to contain its spread. Additionally, the Portfolio Manager’s operations could be disrupted if any of its member or any of its key personnel contracts the COVID-19 and/or any other infectious disease. Any of the foregoing events could materially and adversely affect the Portfolio Manager’s ability to source, manage and divest its investments and its ability to fulfil its investment objectives. Similar consequences may arise with respect to other comparable infectious diseases.

g. Regulatory risk

The value and marketability of the Portfolio’s investments may be affected by changes or developments in the legal and regulatory climate in India. IFSCA regulates the securities market in IFSC, GIFT City and legislates from time to time on matters affecting the securities market. Further, Indian market regulator, SEBI has issued regulations that affect investment in India, including regulations on takeovers, raising portfolios and insider dealing. IFSCA, SEBI and/or the Government of India may make changes to regulations which may affect the ability of the Portfolio to make, or exit, investments.

h. Payment of fees and expenses regardless of profits

Portfolio will incur obligations to pay operating, legal, accounting, auditing, custodial and other related fees and expenses. In addition, a Portfolio will incur obligations to pay brokerage commissions and other transaction costs to securities brokers and dealers. The foregoing fees and expenses are payable regardless of whether a Portfolio realizes any profits from its investment operations. In accordance with the operating agreement of a Portfolio, amounts owing to a Portfolio’s creditors will be paid before amounts payable to Shareholders. It is possible that a Portfolio will not realize any profits in excess of such amounts. Distributions in respect of Investors are not guaranteed, and Investors shall not have recourse to any assets or property of the Portfolio Manager, any of its affiliates or any of a Portfolio’s other service providers in connection therewith.

i. Legal and Tax risks:

Tax risks: Clients/ Investors are subject to a number of risks related to tax matters. In particular, the tax laws relevant to the Client Portfolio are subject to change, and tax liabilities could be incurred by the Clients/ Investors as a result of such change. The government of India, state governments and other local authorities in India impose various taxes, duties and other levies that could affect the performance of the Portfolio Entities. The tax consequences of an investment in the Portfolio Entities are complex, and the full tax impact of an investment in the Portfolio Entities will depend on circumstances particular to each Client/ Investor. Furthermore, the tax laws in relation to the Client Portfolio are subject to change, and tax liabilities could be incurred by Client as a result of such changes. Alternative tax positions adopted by the income tax authorities could also give rise to incremental tax liabilities in addition to the tax amounts already paid by the Client/Investors. An increase in these taxes, duties or levies, or the imposition of new taxes, duties or levies in the future may have a material adverse effect on the Client Portfolio’s profitability.

General Anti-Avoidance Rules ("GAAR"): The GAAR provide that an arrangement whose main purpose is to obtain a tax benefit and which also satisfies at least one of the four specified tests (i.e. arrangement is not in arm's length, misuse or abuse of tax laws, lacks or is deemed to lack commercial substance or not carried out for bonafide purpose) can be declared as an "impermissible avoidance arrangement". Further, the GAAR provisions, if invoked, could override the provisions of the applicable Double-taxation Avoidance Agreements ("DTAA").

The provisions of GAAR would be applicable to any transaction undertaken on or after April 1, 2017. There is a risk that the Indian tax authorities could challenge transactions entered into by the Client under the GAAR provisions, which could result in additional tax liabilities to the Client.

Multilateral Convention to implement DTAA related measures to prevent Base Erosion and Profit Shifting ("MLI"): Client should be aware that on 7 June 2017, several countries signed a multilateral convention implementing tax treaty related measures arising from the OECD's "Action Plan on Base Erosion and Profit Shifting" or "BEPS" initiative. The effect of the multilateral convention will be to amend the terms of existing bilateral tax treaties between the signatory states (once ratified domestically by the relevant states) to introduce either a "principal purpose" or "limitation on benefits" restriction (or, in some cases, both) into the existing tax treaties in force between the signatory states. This could result in additional reporting and disclosure obligations for Client and/or the Portfolio Manager and/or additional tax being suffered by the Client, which may adversely affect the returns for the Client.

The Union Cabinet of India issued a press release dated 12 June 2019 approving the ratification of the MLI to implement tax treaty related measures to prevent BEPS. The application of MLI to a tax treaty is dependent on ratification as well as positions adopted by both the countries signing a tax treaty.

On June 25, 2019, India has taken the final step for implementation of MLI by depositing its instrument of ratification with the OECD. The MLI entered into force from 1 October 2019 and operational with effect from the financial year beginning from 1 April 2020 in respect of certain treaties signed by India.

Change in Regulation: Any change in the Regulation and/or other Applicable Laws or any new direction of IFSCA may adversely impact the operation of the PMS.

Bankruptcy of Portfolio Entity: Various laws enacted for the protection of creditors may operate to the detriment of the PMS if it is a creditor of a Portfolio Entity that experience financial difficulty. For example, if a Portfolio Entity becomes insolvent or files for bankruptcy protection, there is a risk that a court may subordinate the Portfolio Investment to other creditors. If the PMS/Client holds equity securities in any Portfolio Entity that becomes insolvent or bankrupt, the risk of subordination of the PMS's/Client's claim increases.

Diverse Interest: The Investors may have conflicting investment, tax, and other interests with respect to their investments in a Portfolio. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by a Portfolio, the structuring or the acquisition of investments and the timing of disposition of investments. Consequently, conflicts of interest may arise in connection with decisions made by the Portfolio Manager that may be more beneficial for one investor than for another investor, especially with respect to any Investor's individual tax situation

j. Cyber security risks:

The Portfolio and its service providers are susceptible to operational and information security and related risks of cyber security incidents. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber security attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through

“hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. Cyber-attacks also may be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make services unavailable to intended users). Cyber security incidents affecting the Portfolio Manager, Administrator or Depositary or other service providers such as financial intermediaries have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, including by interference with a Portfolio's ability to calculate its Net Asset Value; impediments to trading for a Portfolio's portfolio; violations of applicable privacy, data security or other laws; regulatory fines and penalties; reputational damage; reimbursement or other compensation or remediation costs; legal fees; or additional compliance costs. Similar adverse consequences could result from cyber security incidents affecting issuers of securities in which a Portfolio invests, counterparties with which a Portfolio engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions and other parties.

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), capitalization, capital gains, any distribution, and other tax consequences relevant to their Portfolio, acquisition, holding, capitalization, 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.

7. Client Representation & Performance of Portfolio Manager

The Portfolio Manager has no previous experience/track record in the field of portfolio management services in IFSC and has obtained a certificate of registration to function as a portfolio manager as on October 20, 2022 and therefore has no record of representing any persons/entities in the capacity of a portfolio manager.

Head Office of the Portfolio Manager also undertakes Portfolio Management Services (PMS) and is registered with SEBI. Further, it is also acts as an Investment Manager to a Category III Alternative Investment Fund (AIF) and manages assets of ~ INR 26 Crores.

8. The Financial Performance of Portfolio Manager (based on audited financial statements)

Financial performance of Portfolio Manager (Head Office) since inception:

Conversion rate: @79.9097

Rupees in Thousands

Gross Income	104.23
Profit Before Tax	(192.04)
Profit After Tax	(157.76)

9. Audit Observations for preceding three years

The Portfolio Manager is a newly incorporated entity and has no audit observation from Statutory auditors during the last financial year. Accordingly, the same is not applicable.

10. Nature of expenses

The following are the general costs and expenses to be borne by the Clients availing the services of the Portfolio Manager. However, the exact nature of expenses relating to each of the following services is annexed to the

Agreement in respect of each of the services provided.

i. Management fee:

The management fee relates to the portfolio management services offered to the Clients. The fee may be a fixed charge or a percentage of the quantum of the funds being managed as agreed in the Agreement.

ii. Advisory fees:

The advisory fees relates to the advisory services offered by the Portfolio Manager to the client. The fee may be a fixed charge or a percentage of the quantum of the funds being advised as agreed in the Agreement.

iii. Performance fee:

The performance fee relates to the share of profits charged by the Portfolio Manager, subject to hurdle rate and high water mark principle as per the details provided in the Agreement.

iv. Exit Load:

The Portfolio Manager may charge early withdrawal fee as a percentage of the value of the Portfolio /withdrawn Portfolio as per the terms and conditions of a particular Product as agreed in the Agreement

v. Other fees and expenses:

The Portfolio Manager may incur the following expenses which shall be charged/reimbursed by the Client:

- (a) Transaction expenses including, but not limited to, statutory fees, documentation charges, statutory levies, stamp duty, registration charges, commissions, charges for transactions in Securities, custodial fees, fees for fund accounting, valuation charges, audit and verification fees, depository charges, and other similar or associated fees, charges and levies, legal fees, incidental expenses etc.;
- (b) Brokerage shall be charged at actuals;
- (c) Legal and statutory expenses including litigation expenses, if any, in relation to the Portfolio and/or in relation to the portfolio management services being provided under the licence;
- (d) Statutory taxes and levies, if any, payable in connection with the Portfolio;
- (e) Valuation expenses, valuer fees, audit fees, levies and charges;
- (f) All other costs, expenses, charges, levies, duties, administrative, statutory, revenue levies and other incidental costs, fees, expenses not specifically covered above, whether agreed upon in the Agreement or not, arising out of or in the course of managing or operating the Portfolio.

11. Taxation

The general information stated below is based on the general understanding of Direct Tax Laws in force in India as of the date of the Disclosure Document and is provided only for general information to the Investor only vis-à-vis the investments made through the Portfolio Management Services of the Portfolio Manager. This information gives the direct tax implications on the footing that the securities are/will be held for the purpose of investments. Accordingly, generic income-tax implications on various income-streams earned on investment in securities (such as dividend, interest, capital gains) have been provided here for reference of the Client. Further, it should be noted that in case the securities are held as stock-in-trade, the tax treatment will substantially vary and the issue whether the investments are held as capital assets or stock-in-trade needs to

be examined on a case to case basis. There is no guarantee that the tax position prevailing as on the date of the Disclosure Document/the date of making investment shall endure indefinitely.

Further, the statements with regard to benefits mentioned herein are expressions of views and not representations of the Portfolio Manager to induce any client, prospective or existing, to invest in the portfolio management schemes. Implications of any judicial decisions/ double tax avoidance treaties etc. are not explained herein. The Investor should not treat the contents of this section of the Disclosure Document as advice relating to legal, taxation, investment, or any other matter. In view of individual nature of the tax benefits, interpretation of circulars for distinguishing between capital asset and trading asset, etc., the Investor is advised to best consult its or his or her own tax consultant, with respect to specific tax implications arising out of its or his or her investment in Portfolio Entities.

It is the responsibility of all prospective clients to inform themselves as to any income tax or other tax consequences arising in the jurisdictions in which they are resident or domiciled or have any other presence for tax purposes, which are relevant to their particular circumstances in connection with the acquisition, holding or disposal of the securities.

The following summary is based on the law and practice of the Income-tax Act, 1961 (the “**ITA**”), the Income-tax Rules, 1962 (the “**IT Rules**”) and various circulars and notifications issued thereunder from time to time. The IT Act is amended every year by the Finance Act of the relevant year, and this summary reflects the amendments enacted in the Finance Act, 2022.

TAXATION IN HANDS OF INVESTORS

An India a resident is taxed on its global income, subject to certain tax exemptions and deductions, which are afforded under the provisions of the ITA, whereas, a non-resident¹ should be subject to taxation in India only if:

- it is regarded as a tax resident of India; or
- being a non-resident, it derives Indian source income through a permanent establishment or a business connection in India or receives or is deemed to receive income, including accrued income, in India or transfers a capital asset situated in India / deemed to be situated in India or has any other income which accrues or arises or is deemed to accrue or arise in India.

Place of effective management (“POEM”) introduced as test of residence for foreign companies

As per section 6 of the ITA, the test of residence for foreign companies provides that a company should be treated as resident in India if its POEM is in India in that year. POEM has been defined to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.

The CBDT had vide its Circular dated 24 January 2017 issued guiding principles for determination of POEM of a company (“POEM Guidelines”). The POEM guidelines lay down emphasis on POEM concept being “substance over form” and further provide that place where the management decisions are taken would be more important than the place where the decisions are implemented for determining POEM. Further, the CBDT had vide circular dated February 23, 2017 clarified that provisions of section 6(3)(ii) relating to POEM would

¹ For this document, we have considered foreign company and an individual. Tax rates applicability in case of other classes of non-resident assessee shall require to undertake factual analysis.

not apply to companies having turnover or gross receipts of INR 500 million or less than INR 500 million during the financial year.

Exemption on certain income received by Non-resident investors

As per section 10(4G) of the ITA, any income received by a non-resident investor from portfolio of securities or financial products or funds, managed or administered by Portfolio Manager on behalf of such non-resident, in an account maintained with an Offshore Banking Unit in IFSC shall be exempt in the hands of non-resident investor, to the extent such income accrues or arises outside India and is not deemed to accrue or arise in India.

Tax Treaty

The taxation of non-resident Investors is governed by the provisions of the ITA, read with the provisions of the Double Taxation Avoidance Agreement (“**Treaty**”)² between India and the country / jurisdiction of residence of such Investor.

As per section 90(2) of the ITA, the provisions of the ITA would apply to the extent they are more beneficial than the provisions of the Treaty (subject to General Anti Avoidance Rules (“**GAAR**”) provisions discussed below). Accordingly, availability of Treaty benefits should be a relevant factor in determining the Indian tax consequences in respect of such income in the hands of non-resident Investors. However, no assurance can be provided that the Treaty benefits will be available to offshore non-resident Investors or the terms of the Treaty will not be subject to amendment or reinterpretation in the future.

The taxability of such income of the non-resident Investors, in the absence of Treaty benefits, would be as per the provisions of the ITA. Also, the taxability of the income of the non-resident Investors, from a country / jurisdiction with which India has no Treaty, would be as per the provisions of the ITA.

The Indian income-tax implications under the ITA (subject to (i) availability of Treaty benefits; and (ii) income is not characterised as business income in the hands of the Investor) in the hands of resident investors and non-resident Investor are discussed as follows:

1. Dividend from Domestic Companies

As per the provisions of the ITA, Indian company declaring dividends to its shareholders, the said dividends shall be taxable directly in the hands of the recipient at the tax rates applicable to them. Further, no deduction shall be allowed for expenses against such dividend income taxable under section 56 of the ITA, other than interest expenditure as per section 57 of the ITA which shall be capped at 20% of such dividend income.

The Finance Act, 2021 has provided relaxation from payment of interest under section 234C of the ITA in cases, where accurate determination of advance tax liability is not possible due to the intrinsic nature of the dividend income other than deemed dividend as per section 2(22)(e) of the ITA.

The Indian Company declaring dividend should be required to deduct tax at 10% (in case of payment to resident shareholders) if payment exceeds INR 5,000 and at rates in force (in case of payment to non-

² As per the Finance Act, 2017, the terms defined in the tax treaties are to be addressed by honoring the meaning given there-in and in case terms are not defined in tax treaties, their meaning will be as per the ITA or any explanation issued there-in.

resident shareholders).

As per Section 80M of the ITA, in case any Indian company receives dividend from another Indian company or foreign company or business trusts and the dividend is distributed by the first mentioned Indian company before the specific due date [i.e. one month prior to the due date of voluntary filing tax return under section 139(1) of the ITA], then deduction can be claimed by such Indian company of the amount of dividend distributed by it on or before the specified due date.

a) Resident Investors:

The dividend income (net of deductions, if any) should be taxable in the hands of resident Investors at the following rates:

Dividend income received by	Tax rate for resident Investors (assuming highest level of base rate of tax and rate of surcharge and cess thereto)
Companies ³ (Refer Note 1, 2 and 5)	34.944%
Firms / LLPs	34.944%
Others (being individuals, AOPs / BOI, HUF) (Refer Note 3 and 4)	As per applicable slab rates, maximum being 35.88%

b) Non-resident Investors:

The gross amount of dividend income (i.e., without any deduction or claim of expenses) earned by non-resident Investors should be taxable at the base rate of 20% (plus applicable surcharge⁴ and cess) under section 115A of the ITA.

The above rates should be subject to availability of Tax Treaty benefits, if any.

If Tax Treaty benefits are available (and subject to GAAR and MLI), gross amount of dividend should be chargeable to tax at the rates stated in applicable tax treaty.

Notes:

Note 1: As per the Finance Act, 2022 a reduced tax rate of 25% (plus applicable surcharge and cess) in case of domestic companies having total turnover or gross receipts not exceeding INR 4,000 million in the Financial Year 2020-21 (Assessment Year 2021-22) is applicable.

Note 2: Further, the tax rates for domestic companies exercising the option under Section 115BAA and Section 115BAB of the ITA shall be 22% and 15%⁵ (for both sections – plus surcharge at fixed rate of 10% and cess at the rate of 4%), subject to fulfilment of conditions prescribed in the said sections.

³ Assuming benefit of section 80M of the ITA is not claimed

⁴ Refer Note 4

⁵ In case of section 115BAB which prescribes concessional base rate of tax of 15%, where the total income of said specified company includes any income, which has neither been derived from nor is incidental to manufacturing or production of an article or thing and in respect of which no specific rate of tax has been provided separately, such income shall be taxed at the base rate of twenty-two per cent (plus surcharge of ten per cent and cess of four per cent) and no deduction or allowance in respect of any expenditure or allowance shall be allowed in computing such income

Note 3: As per the section 115BAC, the Individual and HUF will have an option to pay tax on its total income at the reduced tax rates. The income would however have to be computed without claiming prescribed deductions or exemptions.

Note 4: As per the ITA, the maximum rate of surcharge shall not exceed more than 15% in case of dividends.

Note 5: The Finance Act, 2022 has withdrawn the concessional base rate of tax of 15 % provided in Section 115BBD of the ITA on the dividend income received by an Indian company from a foreign company in which the said Indian company holds 26 % or more in nominal value of equity shares (specified foreign company). This amendment will take effect from 1st April, 2022.

2. Interest Income

a) Resident Investors

Interest income received by	Tax rate for resident Investors (assuming highest level of base rate of tax, highest level of surcharge and cess thereto)
Companies (Refer Note 1 and 2)	34.944%
Firms / LLPs	34.944%
Others (being individuals, AOPs / BOI, HUF) (Refer Note 3 and 4)	As per applicable slab rates, maximum being 42.744%

b) Non-resident Investors

Nature of Income	Tax Rate for the non-resident Foreign Companies	Tax rate for non-resident individual
Interest income	43.68%	42.744%

The provisions of the IT Act would apply to the extent they are more beneficial than the provisions of the Tax Treaty between India and the country / jurisdiction of residence of the non-resident investors to the extent of availability of Tax Treaty benefits to the non-resident investors.

Notes:

Note 1: As per the Finance Act, 2022 a reduced tax rate of 25% (plus applicable surcharge and cess) in case of domestic companies having total turnover or gross receipts not exceeding INR 4000 million in the Financial Year 2020-21 (Assessment Year 2021-22) is applicable.

Note 2: The tax rates for domestic companies exercising the option under Section 115BAA and Section 115BAB of the ITA shall be 22% and 15%⁶ (for both sections – plus surcharge at fixed rate of 10% and at the rate of 4%), subject to fulfilment of conditions prescribed in the said sections.

⁶ In case of section 115BAB which prescribes concessional base rate of tax of 15%, where the total income of said specified company includes any income, which has neither been derived from nor is incidental to manufacturing or production of an article or thing and in respect of which no specific rate of tax has been provided separately, such income shall be taxed at the base rate of twenty-two

Note 3: As per the said section 115BAC, the Individual and HUF will have an option to pay tax on its total income at the reduced tax rates. The income would however have to be computed without claiming prescribed deductions or exemptions.

Note 4: The Finance Act, 2022 that in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15%. Accordingly, in that case, effective tax rate will be maximum of 35.88% in a case where taxable income exceeds INR 10 million.

3. Capital gains on transfer of securities of Indian companies

As per Section 45 of the ITA, any capital gains arising from the transfer of capital assets are chargeable to income-tax under the head 'capital gains'. Section 48 of the ITA provides that income chargeable as capital gains is the difference between the full value of the consideration received or accrued through the transfer, on the one hand, and the cost of acquisition / indexed cost of acquisition (as applicable) of such asset plus expenditure incurred wholly and exclusively in connection with such transfer, on the other.

The capital gains will be taxable in the hands of the Investors depending on the nature of securities and the period of holding. Depending on the period for which the securities are held, the gains should be taxable as short-term capital gains or long-term capital gains.

Type of instrument	Period of holding	Nature of Asset
Listed securities (other than units), units of Unit Trust of India, units of equity oriented mutual fund or a zero coupon bond	More than 12 months 12 months or less	Long Term Capital Asset Short Term Capital Asset
Shares of a company (other than shares listed on a recognized stock exchange in India)	More than 24 months 24 months or less	Long Term Capital Asset Short Term Capital Asset
Other securities (including Units of the Fund)	More than 36 months 36 months or less	Long Term Capital Asset Short Term Capital Asset

a) Resident Investors

Depending on the classification of capital gains, the resident investor should be chargeable to tax (including cess and surcharge) as per the ITA as under:

per cent (plus surcharge of ten per cent and cess of four per cent) and no deduction or allowance in respect of any expenditure or allowance shall be allowed in computing such income

Nature of Income	Domestic companies	Firms, LLPs	other resident Investors being Individuals/ HUF/AOP/BOI
Short-term Capital Gains ("STCG") on transfer of (i) listed equity shares on a recognised stock exchange, (ii) to be listed equity shares sold through offer for sale or (iii) units of equity oriented mutual fund (iv) units of a business trust. Further, the applicable STT has been paid.	17.472% (without indexation)	17.472 % (without indexation)	17.94% (without indexation) (Refer Note 1)
Other STCG	34.944% (without indexation) (Refer Note 2)	34.944% (without indexation)	42.744% (without indexation)
Long-term Capital Gains ("LTCG") on transfer of (i) listed equity shares on a recognised stock exchange, (ii) to be listed equity shares sold through offer for sale or (iii) units of equity oriented mutual fund (iv) units of a business trust. Further, the applicable STT has been paid. (Refer Note 3)	11.648% (without indexation)	11.648% (without indexation)	11.96% (without indexation) (Refer Note 1 and 7)
LTCG on transfer of listed securities (other than units of mutual funds, listed bonds and listed debentures) and on which STT has not been paid	11.648% (without indexation) or 23.296% (with indexation), whichever is lower	11.648% (without indexation) or 23.296% (with indexation), whichever is lower	11.96% (without indexation) or 23.92% (with indexation), whichever is lower (Refer Note 7)
LTCG on transfer of listed bonds and listed debentures (Note 4)	11.648% (without indexation)	11.648% (without indexation)	11.96% (without indexation) (Refer Note 7)
LTCG on transfer of units of mutual fund (listed or unlisted) other than equity oriented fund	23.296% (with indexation)	23.296% (with indexation)	23.92% (with indexation) (Refer Note 7)
LTCG on transfer of unlisted securities (other than unlisted bonds and unlisted debentures)	23.296% (with indexation)	23.296% (with indexation)	23.92% (with indexation) (Refer Note 7)

Nature of Income	Domestic companies	Firms, LLPs	other resident Investors being Individuals/ HUF/AOP/BOI
LTCG on transfer of unlisted bonds and unlisted debentures (Note 4)	23.296% (without indexation)	23.296% (without indexation)	23.92% (without indexation) (Refer Note 7)

b) Offshore Investors

Depending on the classification of capital gains, the offshore investors should be chargeable to tax as per the ITA as under:

<i>Nature of Income</i>	<i>Tax rate for offshore Investors being Foreign company</i>	<i>Tax rate for any other offshore Investors</i>
STCG on transfer of (i) listed equity shares through the recognised stock exchange, (ii) to be listed equity shares sold through offer for sale or (iii) units of equity oriented mutual fund (iv) units of a business trust. Further, the applicable STT has been paid.	16.38% (without indexation and foreign exchange fluctuation benefit) (Refer Note 7)	17.94% (without indexation and foreign exchange fluctuation benefit) (Refer Note 1 and 7)
Other STCG	43.68% (without indexation and foreign exchange fluctuation benefit)	42.744% (without indexation and foreign exchange fluctuation benefit)
LTCG on transfer of (i) listed equity shares through the recognised stock exchange, (ii) to be listed equity shares sold through offer for sale or (iii) units of equity oriented mutual fund (iv) units of a business trust. Further, the applicable STT has been paid. (Refer Note 3)	10.92% (without indexation and foreign exchange fluctuation benefit)	11.96% (without indexation and foreign exchange fluctuation benefit) (Refer Note 1)
LTCG on transfer of listed bonds / listed debentures or other listed securities (other than units of mutual fund) on which STT has not been paid	10.92% (without indexation and foreign exchange fluctuation benefit)	11.96% (without indexation and foreign

<i>Nature of Income</i>	<i>Tax rate for offshore Investors being Foreign company</i>	<i>Tax rate for any other offshore Investors</i>
	(Refer Note 6)	exchange fluctuation benefit) (Refer Note 6 and 7)
LTCG on transfer of units of mutual fund (listed or unlisted) other than equity oriented fund	21.840% (with indexation)	23.92% (with indexation) (Refer Note 7)
LTCG on transfer of unlisted securities (including Units)	10.92% (without indexation and foreign exchange fluctuation benefit)	11.96% (without indexation and foreign exchange fluctuation benefit) (Refer Note 7)

The non-resident shall be entitled to the provisions of the Treaty to extent beneficial then ITA, if any, subject to providing a valid Tax Residency Certificate / Form 10F and claim a lower taxability of such income subject to fulfilment of the relevant conditions under the applicable Tax Treaty (if any), GAAR and MLI provisions.

Notes:

Note 1: The rate of surcharge is capped to 15% in case of capital gains computed under section 112A of the ITA or section 111A of the ITA (i.e., sale of specified securities on the recognized stock exchange in India). The Finance Act, 2022 has further provided that in case of long term capital gains computed as per Section 112 of ITA (i.e., capital gains arising on transfer of any long term capital asset), the rate of surcharge shall not exceed 15%.

Note 2: As per the Finance Act, 2022, a reduced tax rate of 25% (plus surcharge and cess) in the case of domestic companies having total turnover or gross receipts not exceeding INR 4000 million in the Financial Year 2020-21 (Assessment Year 2021-22) is applicable.

Further, the tax rates for domestic companies exercising the option under Section 115BAA and Section 115BAB of the ITA shall be 22% and 15%⁷ respectively (for both sections – plus surcharge at fixed rate of 10% and cess at the rate of 4%), subject to permissibility and fulfilment of conditions prescribed in that section.

⁷ In case of section 115BAB which prescribes concessional base rate of tax of 15%, where the total income of said specified company includes any income, which has neither been derived from nor is incidental to manufacturing or production of an article or thing and in respect of which no specific rate of tax has been provided separately, such income (including short term capital gains on which no depreciation is allowable) shall be taxed at the base rate of twenty-two per cent (plus surcharge of ten per cent and cess of four per cent) and no deduction or allowance in respect of any expenditure or allowance shall be allowed in computing such income

Note 3: The CBDT has issued a notification no. 60/2018 dated 1 October 2018, to specify the transactions where the condition of payment of STT on acquisition would not apply for applying tax rate of 10% on transfer of listed equity shares.

Note 4: The Indian tax authorities may seek to apply a higher rate of 20% (plus applicable surcharge and cess) without indexation on long-term capital gains arising on sale of listed bonds and debentures.

Note 5: The Indian Revenue authorities may not permit foreign exchange adjustments for computing capital gains taxable in the hands of non-resident investors on a pass through basis.

Note 6: Based on judicial precedents, non-residents may avail the concessional tax rate (as mentioned above). However, the possibility of Indian Revenue Authorities disregarding the said position and applying a tax rate of 20% (plus applicable surcharge and cess) cannot be ruled out.

Note 7: As per ITA, the maximum rate of surcharge shall not exceed more than 15% for LTCG and STCG (taxable as per section 111A of the ITA) will be charged on any LTCG for other investors (individual, trust etc.) from 1 April 2022.

4. Deemed Sale Consideration on sale of unquoted shares

As per the provisions of section 50CA of the ITA, if shares (other than quoted shares) are transferred at a price which is lower than the FMV of such shares, such FMV will be considered as the full value of consideration for the purpose of computing capital gains in the hands of the transferor.

The rules for determining the FMV of shares have been prescribed under the IT Rules. Further, the term “quoted share” is defined to mean a share quoted on any recognised stock exchange with regularity from time to time, where the quotation of such share is based on current transaction made in the ordinary course of business.

Further, the above provision shall not apply to any consideration received / accruing on transfer from such class of persons and subject to fulfilment of conditions as may be prescribed. Notification in this regard is awaited⁸.

5. Gains arising on buyback of shares by company

Gains arising on buy-back of shares shall be exempt in the hands of Investors. However, a buyback tax at the rate of 23.296% is payable by an Indian company on distribution of income by way of buy-back of its shares if the buy-back is in accordance with the provisions of any law for the time being in force relating to companies.

Such buyback tax is payable on the difference between consideration paid by such Indian company for the purchase of its own shares and the amount that was received by the Indian company at the time of issue of such shares, determined in the manner prescribed. CBDT notified final buyback rules by inserting new Rule 40BB to IT Rules for determining the amount received by an Indian company in respect of issue of shares.

⁸ As per the Finance (No. 2) Act, 2019

As per the Finance (No. 2) Act 2019, the above provision shall also be applicable in case of buyback of shares listed on a recognized stock exchange.

6. Deemed income on acquisition/ investment in shares/ securities of unlisted Companies or units of AIF or any other entity/institution in India

As per section 56(2)(x) of the ITA, where any person receives from any other person any sum of money or any property (which includes securities such as equity shares, units etc.) without consideration or for a consideration which is lower than the FMV by more than INR 50,000 (Indian Rupees Fifty Thousand), the shortfall in consideration is taxable in the hands of the acquirer as Income from Other Sources ("Other Income").

The rules for determining the FMV of shares have been prescribed under the IT Rules. As per the IT Rules, the FMV of unlisted equity shares should be based on the book values of assets and liabilities (to be calculated in the manner prescribed), whereas, the FMV of all other shares and securities (other than equity shares) shall be estimated to price it would fetch if sold in the open market on the valuation date and the assessee may obtain a report from a merchant banker or an accountant in respect of such valuation.

Further, the above provision shall not apply to any sum of money or any property received from such class of persons and subject to fulfilment of conditions as may be prescribed vide Notification 40/2020 dated June 29, 2020.

7. Capital gains tax implications on conversion of convertible debentures into shares

Conversion of debentures of a company into shares of that company should not be regarded as a transfer under the ITA. Hence, no capital gains should arise in the hands of the Investor on conversion of convertible debentures of a company into shares. At the time of transfer of the converted shares, the cost of acquisition of a convertible debenture should be deemed to be the cost of acquisition of such shares. Further, the holding period of the shares should commence from the date of acquisition of such debentures. As per Rule 8AA of the IT Rules, the period of holding of the shares should include the period of holding of the convertible debentures prior to conversion.

8. Capital gains tax implications on conversion of convertible preference shares into equity shares

Conversion of preference shares of a company into equity shares of that company should not be regarded as transfer under the ITA. Hence, no capital gains should arise in the hands of the Investor on conversion of convertible preference shares of such company into equity shares. At the time of transfer of the converted equity shares, the cost of acquisition of the convertible preference shares should be deemed to be the cost of acquisition of such equity shares. Further, the period for which the preference shares were held (prior to conversion) should also be considered for determining the period of holding of the equity shares received on conversion of the said preference shares.

9. Redemption premium

There are no specific provisions under the ITA, with regard to the characterisation of the premium received on redemption of debentures. Considering the fact that the securities are held as a capital asset, premium on redemption of securities can either be treated as "interest" or as "capital gains".

The characterisation of premium on redemption of securities as interest or a capital gain has to be decided based on factors surrounding the relevant case. Further, as per ICDS IV: Revenue Recognition, discount or premium on debt securities held is treated as though it were accruing over the period to maturity. Taxability of “interest” and “capital gains” in the hands of the Investors is provided in earlier paragraphs.

10. Minimum Alternate Tax (“MAT”)

As per the ITA, if the tax payable by any company (including a foreign company) is less than 15% of its book profits, it is liable to pay MAT at the rate of 15% (plus applicable surcharge and education cess) of its ‘book profits’ i.e. profits recorded in its books of accounts.

However, the MAT provisions should not be applicable in case of foreign company if such foreign company:

- a foreign company which is a resident of a country or a specified territory with which India has a Tax Treaty, and the company has no permanent establishment in India.
- the foreign company is a resident of a country with which India does not have a tax treaty and the foreign company is not required to seek registration under any law for the time being in force relating to companies.

Further the excess of MAT over tax under normal provisions can be carried forward and set-off against future normal tax subject to the provisions of the ITA for a period of 15 years. Further, the companies exercising the option under section 115BAA or 115BAB of the ITA have been excluded from the applicability of MAT. Further, MAT credit shall not be available consequent to exercising such option.

11. Alternate Minimum Tax (“AMT”)

As per the ITA, if the income-tax payable on total income by any person other than a company is less than the alternate minimum tax, the adjusted total income shall be deemed to be the total income of that person and shall be liable to pay income-tax on such total income at the rate of 18.5% (excluding applicable surcharge and health and education cess). Such provisions are not applicable if the adjusted total income does not exceed INR 20 lakhs.

12. Tax Residency Certificate (“TRC”)

In order to be eligible to claim the benefits of the treaty, the non-resident Investor should have a TRC issued by the tax authorities of his country of residence and must be renewed on an annual basis.

The ITA, which has been amended, now provides that a non-resident should not be entitled to claim any relief under a tax treaty, unless a TRC, of it being a resident in any country outside India or specified territory outside India, as the case may be, is obtained by it from the government of that country or specified territory. Further, additional documents and information (as may be prescribed) should also be provided, if called upon.

Pursuant to the same, the Central Board of Direct Taxes has issued a notification amending Rule 21AB of the Income-tax Rules, 1962 prescribing the additional information required to be furnished

by non-residents along with the TRC in a specified form (Form No. 10F⁹).

The details required to be furnished are as follows:

- Status (individual, company, firm, etc.) of the assessee;
- Nationality (in case of an individual) or country or specified territory of incorporation or registration (in case of others);
- Assessee's tax identification number in the country or specified territory of residence and 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 assessee claims to be a resident;
- Period for which the residential status, as mentioned in the TRC, is applicable; and
- Address of the assessee in the country or specified territory outside India, during the period for which the certificate is applicable.

The CBDT has clarified that the additional information prescribed may not be required to be provided if it already forms a part of the TRC.

The assessee (i.e. non-resident) should be required to keep and maintain the documents that are necessary to substantiate the above information. Further, an income-tax authority may ask for the said documents from the assessee in relation to a claim of benefit under the tax treaty.

OTHER RELEVANT PROVISIONS UNDER THE ITA:

A. General Anti-Avoidance Rule ("GAAR")

GAAR provisions under the ITA have come into effect from April 1, 2017.

GAAR may be invoked by the Indian income-tax authorities in case arrangements are found to be impermissible avoidance arrangements. A transaction can be declared as an impermissible avoidance arrangement, if the main purpose of the arrangement is to obtain a tax benefit and which satisfies one of the four tests mentioned below:

- Creates rights or obligations which are ordinarily not created between parties dealing at arm's length;
- It results in directly / indirectly misuse or abuse of the ITA;
- It lacks commercial substance or is deemed to lack commercial substance in whole or in part; or
- It is entered into or carried out in a manner, which is not normally employed for bona fide business purposes.

In such cases, the tax authorities are empowered to reallocate the income from such arrangement, or recharacterise or disregard the arrangement. Some of the illustrative powers are:

- Disregarding or combining or recharacterising any step of the arrangement or party to the arrangement;
- Ignoring the arrangement for the purpose of taxation law;

⁹ Recently the CBDT vide its Notification No. 03/2022 F. No. DGIT(S)-ADG(S)-3/e-Filing Notification /Forms /2022 /3813 dated July 16, 2022 has mandated that Form 10F shall be required to be filed on the e-filing portal and copy of same to be downloaded and provided to the deductor for purpose of granting tax treaty.

- Relocating place of residence of a party, or location of a transaction or situs of an asset to a place other than provided in the arrangement;
- Looking through the arrangement by disregarding any corporate structure; or
- Recharacterising equity into debt, capital into revenue, etc.
- Disregarding or treating any accommodating party and other party as one and the same person;
- Deeming persons who are connected to each other parties to be considered as one and the same person for the purposes of determining tax treatment of any amount.

The above terms should be read in context of the definitions provided under the ITA. Further, the onus to prove that the main purpose of an arrangement was not to obtain any tax benefit is on the taxpayer. Also, earlier any resident or non-resident could approach the Authority for Advance Rulings (AAR) to determine whether an arrangement can be regarded as an impermissible avoidance arrangement. However, vide the Finance Act, 2021, the government had proposed to constitute Board of Advance Rulings in place of AAR to carry out the work of AAR. CBDT vide Notification No. 96/2021 dated 01 September 2021 prescribed the Boards for Advance Rulings with effect from 1st day of September 2021. The GAAR provisions shall be applied in accordance with such guidelines and subject to such conditions and manner as may be prescribed.

The CBDT has issued clarifications on GAAR which are effective from April 1, 2017. The key clarifications issued by CBDT are mentioned as under:

- Only in cases where the tax avoidance strategy is sufficiently addressed by Limitation of Benefit ('LOB') clause in the Tax Treaty, there shall not be an occasion to invoke GAAR;
- GAAR shall not be invoked merely on the ground that entity is located in tax efficient jurisdiction;
- Grandfathering of investments for the purpose GAAR is available to convertible securities issued prior to April 1, 2017 so long as the terms are finalized at the time of issue of such securities; further, grandfathering of investments for the purpose of GAAR is also available to split, consolidation or bonus issuances in respect of shares acquired prior to April 1, 2017;
- Grandfathering for the purpose of GAAR is available only on investments held by an entity for earning income by way of dividends, interests, rentals and capital appreciation. Lease contracts and loan agreements are themselves - 'not investments' and hence, grandfathering is not available on such arrangements;
- GAAR does not apply if arrangement is held as permissible by Authority for Advance Rulings/ Board of Advance Rulings in respect of the applicant;
- In event of a particular consequence being applied on one of the entities in the arrangement as a result of GAAR, corresponding adjustment in the hands of another entity in that arrangement will not be made;
- Tax benefit of INR 30 million should be seen based on benefit enjoyed in "Indian Jurisdictions" due to an arrangement. Further, such benefit is assessment year specific. The limit of INR 30 million cannot be read in respect of single taxpayer only in an arrangement.

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

B. Multilateral Convention to implement Tax Treaty related measures to prevent Base Erosion and Profit Shifting ("MLI")

The Organisation of Economic Co-operation and Development ("OECD") released the MLI. MLI is an agreement negotiated under Action 15 of the OECD/G20 BEPS Project. As opposed to bilateral Double Taxation Avoidance Agreements, the MLI is intended to allow jurisdictions to swiftly amend their tax treaties to include the Tax Treaty-related BEPS recommendations in multiple Tax Treaties. MLI seeks to curb tax planning strategies that have the effect of shifting profits to low or no tax jurisdictions, supplements or, modifies existing tax treaties, etc. The MLI, amongst others, includes a "principal purpose test", wherein Tax Treaty benefits can be denied if one of the principal purpose of an arrangement or a transaction was to, directly or indirectly, obtain tax benefit. The MLI has also expanded the scope of permanent establishment to include agent (excluding an independent agent) playing principal role, leading to routine conclusion of contracts without material modification. For this purpose, an agent is not considered independent if it acts exclusively or almost exclusively on behalf of one or more closely related enterprises.

India has been an active participant in the entire discussion and its involvement in the BEPS project has been intensive. In a ceremony held in Paris on 7 June, 2017, various countries including India, signed the MLI.

Preamble to the tax treaty specifically states that it intends to eliminate double taxation with respect to the taxes covered by the tax treaty without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in the tax treaty for the indirect benefit of residents of third jurisdictions).

Further, to prevent the granting of Tax Treaty benefits in inappropriate circumstances and to align it with the Multilateral Convention to implement Treaty related measures to prevent Base Erosion and Profit Shifting, the Finance Act, 2020 has amended Section 90(1) to provide that the Central Government shall enter into agreement(s) for the avoidance of double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty shopping arrangements aimed at obtaining reliefs provided in the said agreement for the indirect benefit to residents of any other country or territory).

The Union Cabinet of India issued a press release dated 12 June 2019 approving the ratification of the MLI to implement tax treaty related measures to prevent BEPS. The application of MLI to a Tax Treaty is dependent on ratification as well as positions adopted by both the countries signing a Tax Treaty.

On June 25, 2019, India has taken the final step for implementation of MLI by depositing its instrument of ratification with the OECD. This means the Entry into Force date of the MLI for India is 1 October 2019. The MLI will take effect for any Covered Tax Agreement from 1 April 2020 i.e. FY 2020-21 provided the date of entry into effect is on or before that date.

India has opted for the basic rule for 'entry into effect'. Hence, no further procedure is now required to be complied with by India for entry into effect of the MLI for the treaties listed by India.

Also, based on India's final MLI Position, for the MLI to take effect for any treaty (listed by India), the timelines as per Article 35(1) of the MLI will apply. The MLI will take effect for any treaty from 1 April 2020 (i.e. FY 2020-21) if:

- India has listed that treaty in its Final MLI Position as a Covered Tax Agreement ("CTA");
- The treaty partner is a signatory to MLI;
- The treaty partner has also deposited its instrument of ratification on or before 30 June 2019;

- The treaty partner has also listed India in its Final MLI Position as a CTA.

C. Capital Losses

As per the provisions of the ITA, short term capital loss can be set off against both short term capital gains and long term capital gains but long term capital loss can be set off only against long term capital gains. The unabsorbed short term and long term capital loss can be carried forward for 8 assessment years.

It may be noted that, if any person has sustained a loss in any financial year under the head 'capital gains' and claims such loss or any part thereof to be carried forward under the provisions of Indian tax law, then such person is required to furnish a return of loss within the prescribed due dates in order to set off the same against income earned in future assessment years.

D. Provision related to Indirect Transfer

Under the provisions of the ITA, transfer of shares or interest in an offshore company which derives, directly or indirectly, its value substantially from the assets located in India could be subject to indirect transfer provisions in India.

The ITA provides a set of circumstances in which income accruing or arising, directly or indirectly, is taxable in India. One of the limbs which provide for such circumstances include income accruing or arising directly or indirectly "through" the transfer of a capital asset situated in India. The expression "through" is clarified to mean "by means of," "in consequence of" or "by reason of."

Further, it is clarified that any share or interest in a company or entity registered / incorporated outside India shall be deemed to have been situated in India if the share or interest derives, "directly or indirectly", its value substantially from the assets located in India ("Indirect Transfer Provisions").

The Finance Act, 2015 introduced an explanation to clarify that the share or interest of a foreign company or entity shall be deemed to derive its value 'substantially' from the assets located in India if on the 'specified date', the value of such Indian assets (i) exceeds INR 100 million; and (ii) represents at least 50% of the value of all the assets owned by such foreign company or entity.

The value of assets is to be taken as the fair value of such assets, without reduction liabilities, if any, in respect of the asset.

The 'specified date' for the purposes of valuation will be the last date of the accounting period preceding the date of transfer. However, in a situation when the book value of the assets on the date of transfer exceeds the book value of the assets at the end of accounting period preceding the date of transfer by at least 15%, the 'specified date' shall be the date of transfer.

Taxability in respect of indirect transfer of shares will be done on proportionate basis i.e. only in respect of value of Indian assets.

Exemption is provided from applicability of indirect transfer provisions for following situations:

- Foreign entity that is transferred directly owns Indian assets - Where the transferor of shares or interest in the foreign entity (along with associated enterprises) does not have the right of control

- and management over the foreign entity and does not hold more than 5% voting power / share capital / interest in such foreign entity;
- Foreign entity that is transferred indirectly owns Indian assets through another company - Where the transferor of shares or interest in the foreign entity (along with associated enterprises) does not have the right of control and management over the foreign entity and other company and does not hold more than 5% voting power / share capital / interest / in the foreign entity / other company; and
- Transfer of shares or interest in a foreign company under a scheme of amalgamation or demerger, subject to conditions.

As per section 285A of the ITA, there is a reporting obligation on the Indian entity in a prescribed manner with respect to indirect transfer. Further penalty is levied on the Indian concern through or in which the Indian assets are held by the foreign company, who fails to furnish information or document as required for the purpose of determination of income arising under section 9(1)(i) of the ITA. The penalty will be equal to 2% of the value of transaction, if such transaction had the effect of direct or indirect transfer of management or control in relation to the Indian concern, and in any other case, the penalty will be INR 500,000.

The CBDT vide a Circular dated March 26, 2015 clarified that the indirect tax provisions are not applicable to dividends declared by a foreign company outside India that does not have the effect of transferring any underlying assets located in India. In light of this Circular, dividend income received by the underlying investors from the offshore entity through which investment was made in AIF shall not fall within the ambit of provisions relating to taxation of indirect transfers.

The Finance Act 2020 made an amendment, pursuant to which the exemption from indirect transfer provisions shall not apply to investors of Category I FPI registered under SEBI Foreign Portfolio Investors Regulations, 2019.

On November 07, 2017, the CBDT has clarified that provisions of Section 9(1)(i) read with Explanation 5 shall not apply to income arising or accruing to non-resident on account of redemption or buyback of its share or interest held indirectly in the specified funds (i.e. venture capital fund, venture capital company, Category I & Category II AIF), if such income accrues or arises from or in consequence of transfer of shares or securities held in India by the specified funds and such income is chargeable to tax in India.

E. Advance Tax

The Investors are required to discharge the taxes (net of the taxes withheld) on their income at the applicable rates. The Investors are therefore required to compute the advance tax liability in the manner as prescribed under the ITA and discharge the advance tax liability, if any.

As per the provisions of the ITA, investors are required to discharge 15%, 45%, 75% and 100% of their advance tax liability on or before June 15, September 15, December 15 and March 15 of the current financial year respectively.

Any shortfall or delay in discharging the advance tax liability by the Investors may attract interest implications under section 234B and 234C of the ITA.

The Finance Act, 2021 has provided relaxation from payment of interest under section 234C of the ITA in cases where accurate determination of advance tax liability is not possible due to the intrinsic nature of the dividend income other than deemed dividend as per section 2(22)(e) of the ITA.

F. Expenditure incurred in relation to income not includible in the total income

As per the provisions of section 14A read with rule 8D of the ITA, if any income of the Investor does not form part of the total income or is exempt under the provisions of the ITA then any expenditure incurred by the Investor, directly or indirectly, in relation to such income should not be allowed as deduction for the purpose of calculating the total taxable income of the Investor.

G. Transfer Pricing (“TP”) provisions

Under the Indian transfer pricing regulations, all international transactions and certain specified domestic transactions with “associated enterprises” need to be at an arm’s length price. The transfer pricing regulations define international transaction to include transactions between two or more associated enterprises, either or both of whom are non-residents.

Further, “associated enterprise” is very widely defined under the regulations and includes overseas group affiliates and certain other entities meeting the economic dependency criterion. The regulations also prescribe certain methodologies to determine the arm’s length price. Typically, a transfer pricing study from an Indian perspective is undertaken to determine the arm’s length price. However, the Finance Act, 2015 has amended Section 92BA of the ITA to provide that the aggregate of specified transactions entered into by the assessee in the previous year should exceed a sum of INR 200 million for such transaction to be treated as ‘specified domestic transaction’. This amendment has taken effect from April 1, 2016 and will, accordingly, apply in relation to the assessment year 2016-17 and subsequent assessment years. Specified domestic transaction are following:

- Transactions on which profit-linked deduction is claimed;
- Transactions with other divisions / group entities involving an undertaking claiming tax holiday / exemption;
- Transactions with persons assessed under the provisions of Sec 115BAB; and
- Other specified transactions (not yet specified).

The TP regulations require such entity to comply with the following obligations:

- Maintain for a period of 8 years, the prescribed information and documents in connection with any transaction with related party; and
- Furnish to tax authority a report from chartered accountant in Form 3CEB reporting such transactions on an annual basis within the prescribed due date.

Non-filing of TP report as well as non-maintenance of Transfer documentation could trigger penalty implications.

OTHER APPLICABLE TAXES

1. Securities Transaction Tax (“STT”)

STT is payable on the sale of securities made through a recognised stock exchange at the prescribed rates. Accordingly, the Investor will be liable to pay STT on the transactions entered on a recognized stock exchange in India at the following rates:

Transactions/Particulars	Payable by Purchaser	Payable by Seller
Delivery based purchase transaction in equity shares or units of business trust entered into in a recognized stock exchange	0.1%	N.A.
Delivery based sale transaction in equity shares or units of business trust entered in a recognized stock exchange	N.A.	0.1%
Non-Delivery based sale transaction in equity shares or units of equity-oriented fund or units of business trust entered in a recognised stock exchange	N.A.	0.025%
Delivery based sale transaction of unit of equity-oriented fund entered in a recognised stock exchange	N.A.	0.001%
Sale of options in securities	0.125% of the difference between the strike price and the settlement price of the option (In case option is exercised)	0.017%
Sale of futures in securities	N.A.	0.01%
Sale of a unit of an equity-oriented fund to the Mutual Fund	N.A.	0.001%
Sale or surrender or redemption of a unit of an equity oriented fund to an insurance company on maturity or partial exemption with respect to unit linked insurance policy	N.A.	0.001%
Sale of unlisted shares under an offer for sale	N.A.	0.2%
Sale of unlisted units of business trust under an offer for sale	N.A.	0.2%

No STT is applicable on sale or purchase of units of Alternative Investment Fund.

2. Goods and Services Tax ('GST')

GST is not applicable on services received by a unit in IFSC and also on services provided to IFSC/ SEZ units. As management fees, advisory fees and performance fees will be paid by the Clients to the Portfolio Manager set-up as a branch in the IFSC, the same should not be subject to GST.

3. Stamp Duty and Local Taxes

The activities of the Portfolio Entities would be subject to stamp duties and other local/municipal taxes, which would differ from State to State, city to city and between municipal jurisdictions, depending on the location where activities are carried out by the Portfolio Entities. Further, vide SEBI circular dated 30 June 2020, issue, transfer and sale of units of the AIF shall be subject to stamp duty with effect from 1 July 2020. The Finance Act, 2019 has made amendments in stamp duty provisions and it is intended to designate stock exchanges and depositories to collect stamp duty on sale or transfer of securities. The amendments are as under:

- All issuance and transfers of 'securities' should be subject to stamp duty (i.e. exemption on transfer of dematerialized securities to be removed)
- Stamp Duty should be calculated on an ad valorem basis on: (i) actual trade price for listed securities; or (ii) price identified in instrument of transfer
- The revised rates of stamp duties with effect from 1 July 2020 are as follows:

<i>Instrument</i>	<i>Stamp Duty Payable</i>
Issuance of debentures (irrespective of whether marketable or not)	0.005%
Transfer and re-issue of debentures (irrespective of whether marketable or not)	0.0001%
Issuance of securities (other than debentures)	0.005%
Transfer of security –other than debentures (delivery basis)	0.015%
Transfer of security other than debentures (non-delivery basis)	0.003%
Equity and commodity futures	0.002%
Equity and commodity options	0.003%
Currency and interest rate derivatives	0.0001%
Other derivatives	0.002%
Government securities	0%
Repo on corporate bonds	0.00001%

DISCLAIMER: THE TAX INFORMATION PROVIDED ABOVE IS GENERIC IN NATURE AND THE ACTUAL TAX IMPLICATIONS FOR EACH CLIENT COULD VARY SUBSTANTIALLY FROM WHAT IS MENTIONED ABOVE, DEPENDING ON RESIDENTIAL STATUS, THE FACTS AND CIRCUMSTANCES OF EACH CASE. THE CLIENT/INVESTOR WOULD THEREFORE BE BEST ADVISED TO CONSULT HIS OR HER TAX ADVISOR/CONSULTANT FOR APPROPRIATE ADVICE ON THE TAX TREATMENT OF HIS INCOME OR LOSS AND THE EXPENSES INCURRED BY HIM AS A RESULT OF HIS INVESTMENT AS OFFERED BY THE PORTFOLIO MANAGER.

12. Accounting policies

Following key accounting policies shall be followed:

- All investments will be marked to market. In case of unlisted / unquoted securities, the valuation provided by an Independent Valuer shall be sourced to provide fair market value.
- In determining the holding cost of investments and the gains or loss on sale of investments, the 'first in first out' method shall be followed.
- The cost of investments acquired or purchased would include brokerage, exchange transaction charges, securities transaction tax, stamp charges and any charge customarily included in the broker's contract note.
- Accounting norms prevalent in the portfolio management services industry and as may be prescribed/applicable from time to time.

13. Investors services

The Portfolio Manager seeks to provide the Clients a high standard of service. The Portfolio Manager is committed to put in place and upgrade on a continuous basis the systems and procedures that will enable effective servicing through the use of technology. The Client servicing essentially involves:

- (a) Reporting portfolio actions and client statement of accounts at pre-defined frequency;
- (b) Attending to and addressing any client query with least lead time;
- (c) Ensuring portfolio reviews at predefined frequency.

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

Name	Devesh Bagrodia
Designation	Compliance Officer
Address	. 1128 B, 11th Floor, Signature,13 B, Unit Zone-1 GIFT SEZ, Gandhinagar-382355
Telephone No.	+91 8082767209
Email id	compliance.in@alphamineim.com

(ii) **Grievance redressal and dispute settlement mechanism:**

The aforesaid personnel of the Portfolio Manager shall attend to and address any Client query/concern/grievance at the earliest. The Portfolio Manager will ensure that this official is vested with the necessary authority and independence to handle Client complaints. The aforesaid official will immediately identify the grievance and take appropriate steps to eliminate the causes of such grievances to the satisfaction of the Client. Effective grievance management would be an essential element of the Portfolio Manager's portfolio management services and the aforesaid official may adopt the following approach to manage grievance effectively and expeditiously:

1. **Quick action** – As soon as any grievance comes to the knowledge of the aforesaid personnel, it would be identified and resolved. This will lower the detrimental effects of the grievance.
2. **Acknowledging grievance** – The aforesaid officer shall acknowledge the grievance put forward by the Client and look into the complaint impartially and without any bias.
3. **Gathering facts** – The aforesaid official shall gather appropriate and sufficient facts explaining the grievance's nature. A record of such facts shall be maintained so that these can be used in later stage of grievance redressal.
4. **Examining the causes of grievance** – The actual cause of grievance would be identified. Accordingly, remedial actions would be taken to prevent repetition of the grievance.
5. **Decision making** – After identifying the causes of grievance, alternative course of actions would be thought of to manage the grievance. The effect of each course of action on the existing and future management policies and procedure would be analysed and accordingly decision should be taken by the aforesaid official. The aforesaid official would execute the decision quickly.
6. **Review** – After implementing the decision, a follow-up would be there to ensure that the grievance has been resolved completely and adequately.

Grievances/concerns, if any, which may not be resolved/satisfactorily addressed in aforesaid manner shall be redressed through the administrative mechanism by the designated Compliance Officer, namely Mr Devesh Bagrodia and subject to the Regulations. The Compliance Officer will endeavor to address such grievance in a reasonable manner and time. The coordinates of the Compliance Officer are provided as under:

Name	Devesh Bagrodia
Designation	Compliance Officer
Address	– 1128 B, 11th Floor, Signature, 13 B, Unit Zone-1 GIFT SEZ, Gandhinagar-382355
Telephone No.	+91 8082767209
Email id	compliance.in@alphamineim.com

If the Client still remains dissatisfied with the remedies offered or the stand taken by the Compliance Officer, the Client and the Portfolio Manager shall abide by the following mechanisms:

Any dispute unresolved by the above internal grievance redressal mechanism of the Portfolio Manager, can be submitted to arbitration under the Arbitration Rules of Singapore International Arbitration Centre. The Portfolio Manager and the Client shall jointly appoint a sole arbitrator mutually acceptable to them. In the event of failure to agree upon a sole arbitrator for a period of 15 (fifteen) days of receipt of notice, the arbitration shall be before 3 (three) arbitrators, where the Portfolio Manager and the Client shall appoint an arbitrator each for themselves and the third arbitrator being the presiding arbitrator appointed by the two arbitrators in accordance with the provisions of the Arbitration Rules of the Singapore International Arbitration Centre. The arbitration shall be conducted in accordance with the provisions of the Arbitration Rules of the Singapore International Arbitration Centre. Each party will bear the expenses / costs incurred by it in appointing the arbitrator and for the arbitration proceedings. Further, the cost of appointing the presiding arbitrator will be borne equally by both the parties. Such arbitration proceedings shall be held at Gandhinagar and the language of the arbitration shall be English. The courts of Gandhinagar, India shall have the exclusive jurisdiction to adjudicate upon the claims of the parties.

14. General

Prevention of Money Laundering

The Portfolio Manager shall presume that the identity of the Client and the information disclosed by the Client is true and correct. It will also be presumed that the funds invested by the Client through the services of the Portfolio Manager come from legitimate sources / manner only and does not involve and is not designated for the purpose of any contravention or evasion of the provisions of Applicable Law (including but not limited to anti money laundering laws) in force and the investor is duly entitled to invest the said funds.

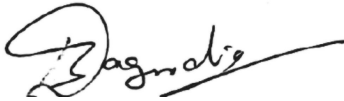
To ensure appropriate identification of the Client(s) under its Know Your Client (“KYC”) policy and with a view to monitor transactions in order to prevent money laundering, the Portfolio Manager (itself or through its nominated agency as permissible under Applicable Laws) reserves the right to seek information, record investor’s telephonic calls and/or obtain and retain documentation for establishing the identity of the investor, proof of residence, source of funds, etc.

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

The Portfolio Manager, and its directors, employees, agents and service providers shall not be liable in any manner for any claims arising whatsoever on account of freezing the Client's account/rejection of any application or mandatory repayment/returning of funds due to non-compliance with the provisions of the PML Laws and KYC policy. If the Portfolio Manager believes that transaction is suspicious in nature within the purview of the PML Laws, then it will report the same to regulator / IFSCA as may be applicable.

Notwithstanding anything contained in this Document, the provisions of the Regulations, PML Laws and the guidelines there under shall be applicable. Clients/Investors are advised to read the Document carefully before entering into an Agreement with the Portfolio Manager.

For and on behalf of Alphamine Investment Management Private Limited

Devesh Bagrodia Compliance Officer	:	
---	---	--

Place: GIFT City, Gandhinagar

Date: November 21, 2022

Annexure I

Investment Approach

Name of the Strategy: Alphamine Multi Strategy

Investment objective:

To achieve steady returns with low correlation to traditional asset classes using multiple strategy styles.

Description of types of securities e.g. equity or debt, listed or unlisted, convertible instruments, etc.

Under this approach, the Portfolio Manager would primarily invest in listed equities and derivatives across asset classes and opportunistically also invest in money market instruments, units of mutual funds, exchange traded fund/s or other permissible securities/products in accordance with the Applicable Laws. Investments outside India could include equities, derivatives across asset classes, ETFs and related products.

Basis of selection of such types of securities as part of the investment approach:

The Portfolio Manager seeks to generate steady returns for the Client through multiple different strategies across asset classes and styles. We will follow a systematic approach combining equity market neutral, long short, options based strategies, commodity derivative strategies, global index rebalances and spread trading. Portfolio construction will employ established quantitative and academically substantiated techniques to optimise the risk adjusted return. Holdings will be tracked on a constant basis and rebalancing wherever necessary based on the strategy and internal risk policy will be undertaken.

Allocation of portfolio across types of securities - Listed equities (India and international): 0-20%; Listed derivatives including commodity derivatives (India): 20-80%; Listed derivatives (international): 0-50%; ETFs and related products (international): 0-20%

Indicative tenure or investment horizon:

Investors should invest with a minimum 6 month horizon

Risks associated with the investment approach:

Below are select risks associated with the investment approach apart from those disclosed in Clause 6 of this Document. The risks may affect portfolio performance even though the Portfolio Manager may take measures to mitigate the same.

Hedging Strategies: Hedging strategies in general are usually intended to limit or reduce investment risk, but can also be expected to limit or reduce the potential for profit. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value.

Regulatory risk: Any change in margin requirements could have an adverse impact on the performance.

Company risk: The performance of the investment approach will depend upon the business performance of the Portfolio Entity and its future prospects. Portfolio Manager's focus on studying the business and the sustainability with focus on studying the balance sheet and numbers will help the Portfolio Manager in mitigating these sector or company risks.

Concentration Risk: There will be concentration limits at the asset class and security level to ensure that the portfolio is well diversified.

Model risk: The Portfolio Manager will test the robustness of any model used and will suitably adapt it, if required. Any change in the factors initially considered by the Portfolio Manager for constructing the models could have a negative impact.

Currency risk: If the portfolio comprises of international securities, the resulting fluctuation of the target currency with INR could lead to additional gains or losses.

Derivatives risk: Investments in derivatives, including but not limited to, commodity derivatives, entails exposure to risks arising from fluctuations in market conditions and/or other contributing factors, since these are highly leveraged instruments, and their use requires a high degree of skill, diligence and expertise.

Other salient features, if any:

Minimum investment: USD 150,000 (United States Dollar One Hundred and Fifty Thousand)

Management fees: Upto 3% of Clients daily average AUM

Performance fees: Between 10-40% of returns generated vis-à-vis benchmark on High watermark principle

Hurdle rate: upto 8%

Exit load: upto 1% for less than 12 months from the date of client agreement or clients' funds being provided to the portfolio manager whichever is less.

Other expenses:

Transaction Expenses:

The transactional expenses will be borne on actuals and allocated to the Clients ("**Transaction Expenses**"). The Transaction Expenses shall, *inter alia*, consist of the following:

- Stamp duty charges;
- Brokerage charges;
- Securities Transaction Taxes; and
- Costs and charges as imposed by stock exchanges; and
- Governmental charges levied on the transaction.

Operating Expenses:

Other expenses (including custodial charges, demat charges etc.) shall be charged subject to a cap of 0.50%.

Expenses/ charges stated above including periodicity will be finalized and agreed in the Client Agreement.