

Indiabulls Investment Management Limited

(Formerly known as Indiabulls Venture Capital Management Co Ltd.)

Portfolio Management Services

Disclosure Document

KEY INFORMATION AND DISCLOSURE DOCUMENT FOR PORTFOLIO MANAGEMENT SERVICES BY INDIABULLS ASSET MANAGEMENT COMPANY LIMITED

- This document has been filed with the Board along with a certificate in the prescribed format in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations 2020.
- The purpose of the Document is to provide essential information about the portfolio services in a manner to assist and enable the investors in making informed decisions for engaging a Portfolio Manager.
- The Document is dated August 5, 2024. Necessary information about the Portfolio Manager required by an investor before investing is disclosed in the Disclosure Document.
- Investors should carefully read the entire document before making a decision and should retain it for future reference.
- Investors may also like to seek further clarifications after the date of this document from the service provider.
- The Principal Officer designated by the Portfolio Manager is Mr. Abhishek Garg

Abhishek Garg

Principal Officer

Address: 19th floor, Tower-1, One International Finance Center,
Senapati Bapat Road, Prabhadevi (west), Mumbai-400013

Tel No.: +91 84520 47003

Email address: a.garg@indiabulls.com

Dated: August 5, 2024

FORM C

SECURITIES AND EXCHANGE BOARD OF INDIA (PORTFOLIO MANAGERS) REGULATIONS, 2020
(Regulation 14)

Indiabulls Investment Management Limited

(Formerly known as Indiabulls Venture Capital Management Company limited)

Regd. Office: Plot No. 422, 'B', Udyog Vihar, Phase-IV, Gurgaon, Haryana-122016

Tel: [(0124)3989666], Fax No. [(0214)3081111]

Corporate Office: 19th Floor, Tower - 1, One International Finance Centre, Senapati Bapat Marg,
Prabhadevi West, Mumbai 400 013

Tel: [(022) 6189 1300], Fax No. [(022) 6189 1320]

Website: <https://www.ibinvestmentmanagement.com/>

We confirm that:

i) The Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by the Board from time to time.

ii) The disclosures made in the Disclosure Document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the Portfolio to Indiabulls Asset Management Company Limited.

iii) The content of this Disclosure Document shall be duly certified by an independent chartered accountant viz. M/s. M.P. Chitale & Co., Chartered Accountants.

iv) Principal Officer: Abhishek Garg

Address: 19th Floor, Tower - 1, One International Centre, Senapati Bapat Marg,
Prabhadevi West, Mumbai 400 013

Tel: 91 84520 47003

Email ID: a.garg@indiabulls.com

Signature of the Principal Officer

s/d

Abhishek Garg

Date: August 5, 2024

Place: Mumbai

Encl: Certificate from the Chartered accountant dated August 7, 2024

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1. DISCLAIMER

This Disclosure Document ("**Document**") sets forth concisely the information about the Portfolio Management Services offered by Indiabulls Investment Management Limited (Formerly known as Indiabulls Venture Capital Management Company limited) that a prospective Client should know before investing. This Document has been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations 2020 (as amended from time to time) and has been filed with the Securities and Exchange Board of India ("**SEBI**"). This Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Document. This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person.

2. DEFINITIONS

In this Disclosure Document, unless the context otherwise requires:

- a. "**Account Statement**" shall have the meaning assigned to it in Clause 13.4.
- b. "**Act**" means the Securities and Exchange Board of India, Act, 1992 (15 of 1992).
- c. "**Advisory Services**" means advisory portfolio management services provided by the Portfolio Manager in accordance with the provisions of the Regulations, which shall be in the nature of investment advice and shall include the responsibility of advising on the portfolio strategy and investment and divestment of individual Securities on the Client's Portfolio with the decision making being entirely at the Client's discretion.
- d. "**Agreement**" shall mean the portfolio management services agreement entered into between the Portfolio Manager and each Client.
- e. "**AML Laws**" shall have the meaning assigned to it in Clause 17.1.
- f. "**Board**" / "**SEBI**" means the Securities and Exchange Board of India.
- g. "**Cash**" includes cheques, demand drafts, pay-slips, etc. and any other form of cash.
- h. "**Client**" or "**Investor**" means any person who registers with the Portfolio Manager for managing his Portfolio.
- i. "**Depository Account**" means any account of the Client or for the Client with an entity registered as a depository participant as per the relevant regulations.
- j. "**Discretionary Portfolio Management Services**" mean portfolio management services provided by the Portfolio Manager exercising its sole and absolute discretion to invest in respect of the Client's account in any type of security as per the Agreement relating to portfolio management and to ensure that all benefits accrue to the Portfolio, for an agreed fee structure, entirely at the Client's risk.
- k. "**Financial year**" means the year starting from 1st April and ending on 31st March the following year.

- l. **“KYC”** shall have the meaning assigned to it in Clause 17.1.
- m. **“Interested Party”** shall have the meaning assigned to it in Clause 6.3(e).
- n. **“Non-Discretionary Portfolio Management Services”** means portfolio management services provided by the Portfolio Manager by providing the investment and divestment advice to the Client to help the Client make investment decisions in relation to the investment products / strategy in which the Client proposes to invest.
- o. **“PML Act”** shall have the meaning assigned to it in Clause 17.1.
- p. **“Portfolio”** means the total holdings of all investments, securities and funds belonging to the Client.
- q. **“Portfolio Entity/ies”** means the company/corporate in which Portfolio Manager makes an investment
- r. **“Portfolio Manager”** means Indiabulls Investment Management Limited, a company subsisting under the Companies Act, 2013, having its registered office at Plot No. 422, ‘B’, Udyog Vihar, Phase-IV, Gurgaon, Haryana-122016 and registered with SEBI under the Regulations as a portfolio manager bearing registration No. INP100007709.
- s. **“Principal Officer”** means a person who has been designated as Principal Officer by the Portfolio Manager as required under the SEBI (Portfolio Managers) Regulations, 2020 and he will be responsible for the activities of Portfolio Manager.
- t. **“Promoter”** shall have the meaning assigned to it in Clause 3.2(a).
- u. **“Regulations”** means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, as amended from time to time.
- v. **“Securities”** shall mean an instrument falling within the definition of ‘security’ under section 2(h) of the Securities Contract (Regulation) Act, 1956.

Words and expressions used in this Document and not expressly defined shall be interpreted according to the meaning assigned to it in the Agreement and if also not defined in the Agreement their general meaning and usage. The definitions are not exhaustive. They have been included only for the purpose of clarity and shall in addition be interpreted according to their general meaning and usage and shall also carry meanings assigned to them in regulations governing Discretionary Portfolio Management Services.

3. DESCRIPTION

3.1. History, present business and background of the Portfolio Manager

Indiabulls Investment Management Limited (Formerly known as Indiabulls Venture Capital Management Company limited) (**“Portfolio Manager”**, **“the Company”**) was incorporated on March 3, 2010 and is subsisting under Companies Act, 1956 with CIN - U65100HR2010PLC095390. The Portfolio Manager obtained a certificate from SEBI dated

December 22, 2022 to act as a Portfolio Manager under the Regulations bearing registration No. INP100007709 and is valid till cancellation.

The Portfolio Manager's team has entrepreneurial roots, a global perspective, and operates in a collaborative culture. The Portfolio Manager's team members have built a strong and cohesive culture that combines the expertise in investment management, efficient internal operations, and a shared commitment to corporate governance and delivering returns.

The Portfolio Manager's core strengths are its domain knowledge, well experienced and competent team in-house research capabilities and infrastructure to assist in providing Discretionary Portfolio Management Services to its Clients.

The Portfolio Manager has a strong presence across major cities in India and is manned by a very experienced team of qualified and seasoned professionals with in depth knowledge of equity, debt and real estate sector.

The Portfolio management business managed by Indiabulls Asset Management Co Ltd stands transferred to Indiabulls Investment Management Ltd with effect from April 1, 2023 based on Scheme of Arrangement as approved by NCLT, Chandigarh bench on September 13, 2022. Further, the referred transfer of business is approved by SEBI vide letter dated March 8, 2023.

3.2. **Promoters and directors of the Portfolio Manager and their background in brief**

(a) *Brief Background of the Promoters*

Portfolio Manager is promoted by Sammaan Capital Ltd (earlier known as Indiabulls Housing Finance Limited). The name of erstwhile company 'Indiabulls Housing Finance Ltd' stands changed to Sammaan Capital Ltd (SMCL) as approved by the Registrar of Companies (RoC) vide issuance of new certificate of incorporation dated May 21, 2024. Portfolio Manager is a group company of Sammaan Capital Ltd (earlier known as Indiabulls Housing Finance Ltd.). SMCL is an NBFC-ICC (Non-Banking Financial Company – Investment and Credit Company) and engaged in the business of mortgage finance (home loans and loan against property) and corporate mortgage loans (lease rental discounting and residential construction finance).

(b) *Particulars of Directors in the Portfolio Manager*

The board of directors of the Portfolio Manager consists of eminent persons from the field of finance, investments and corporate law.

| S.NO | NAME / DESIGNATION | AGE YEARS | QUALIFICATION | WORK EXPERIENCE |
|------|---|-----------|---|---|
| 1 | MR AMBAR MAHESHWARI (WHOLE TIME DIRECTOR & CEO) | 51 | <ul style="list-style-type: none"> • B.Com, University of Mumbai • Chartered Accountant | <p>Ambar brings with him substantial deal-making and structuring experience in the Real Estate sector. Prior to joining Indiabulls Group, Ambar was associated with JLL as Managing Director, where he successfully ran five businesses including Corporate Finance, Education, Healthcare and Social Housing, Special Development Initiatives and Infrastructure. He had worked with DTZ for over five years profitably leading the Investment Advisory business for India which included Capital Raising, Valuations and Strategic Consulting Services. Additionally, the firm's presence in West India for other service lines that included Commercial Leasing, Project Management and Research were set-up under Ambar's leadership. With an overall experience of over 20 years in India and Australia, Ambar has been focusing on the Real Estate sector for the last 10 years. His non real estate stints as an investment banker included IL&FS where he set up the Fee Based Investment Banking business for India, Ambit Corporate Finance and KPMG.</p> |

| | | | | |
|---|--|-------------|--|--|
| 2 | MR SHYAM LAL BANSAL (INDEPENDENT DIRECTOR) | 69 YEARS | M.Com.; Certified Associate Indian Institute of Bankers. | Mr. Bansal has more than 36 years of experience in Banking Industry spread across Union Bank, United Bank of India and Orientale Bank of Commerce. During his banking carrier with Union Bank of India, he headed various branches/regions and promoted to the position of General Manager, where besides as Bank's Field General Manager of its Eastern Zone he headed its Retail Banking Division. In April 2010 he took over as Executive Director of United Bank of India. And later on since March 2012; he took over as Chairman and Managing Director of Oriental Bank of Commerce. |
| 3 | MR AJAI KUMAR | 71 YEARS | M.Sc. (Physics), Bachelor of Laws, CAIIB | Mr Ajai Kumar has more than forty years of experience in Public Sector Banking Industry holding eminent leadership positions in India and overseas (New York, USA). During this period, he has under taken several path breaking initiatives for bank's growth through varied strategies as CMD, Corporation Bank, Executive Director, UCO Bank and General Manager, Technology and Retail Banking at Bank of Baroda. This included setting up of unique retail asset finance concept of Retail Loan Factory, compliance of US regulations and reporting to Federal Reserve bank, FDIC and NY State Banking Department, implementation of the banking industry's most ambitious Technology Enabled Business Transformation Program, etc. |

(c) Particulars of Key Personnel in the Portfolio Manager

| S.NO | NAME / DESIGNATION | AGE | QUALIFICATION | FUCTIONS AND WORK EXPERIENCE |
|------|---|----------|---|---|
| 1 | Abhishek Garg Principal Officer | 34 years | <ul style="list-style-type: none">• MBA (SBM, NIMMS Mumbai)• B. Tech (Electronics) UIET Chandigarh | Mr. Abhishek has more than 8 years of work experience comprising of Real Estate Finance, Real Estate Finance, Real Estate Finance & Real Estate Finance - Abhishek was earlier associated with L&T Financial Services, Indiabulls Housing Finance Ltd. & Infosys Ltd. |
| 2 | Joviet Rodrigues Investor Relationship Officer | 35 years | <ul style="list-style-type: none">• B.Com | Ms. Joviet has more than 6 years of experience in the area of Back office operations, Investor servicing and Sales Support function. She was earlier associated with Axis AMC, Alp Consulting (Deputed at Franklin Templeton) and Modulus Alternatives (Centrum). |
| 3 | Sunil Shetty Compliance Officer | 27 years | <ul style="list-style-type: none">• M.Com• Chartered Accountant | Mr. Sunil has more than 1 year experience in transaction & deal due diligence. He completed his 3 year articleship with Kumar Desai & Patel audit firm while pursuing his CA qualification. |

Top 10 Group companies / firms of the Portfolio Manager on turnover basis as on March 31, 2024 (last audited balance sheet)

| Sr No | Name of Company | Main Activity/Services being offered |
|--------------|---|--|
| 1 | Sammaan Capital Ltd (earlier known as Indiabulls Housing Finance Limited) (Holding Company) | Registered as an NBFC-ICC (Non-Banking Financial Company – Investment and Credit Company) and engaged in the business of mortgage & corporate mortgage loans |
| 2 | Indiabulls Commercial Credit Limited | Non - banking financial activities |
| 3 | Indiabulls Collection Agency Limited | Debt collection and acting as recovery agents |
| 4 | Nilgiri Investmart Services Limited (Formerly Nilgiri Financial Consultants Limited) | Consultancy related to financial services and securities, etc. |
| 5 | Indiabulls Capital Services Limited | Provides financial services |
| 6 | Ibulls Sales Limited | Provides consulting services in relation to finance and loans |
| 7 | Indiabulls Advisory Services Limited | Providing consultancy services in relation to finance and loans |
| 8 | Indiabulls Insurance Advisors Limited | Consultancy and advisory services related to insurance business and to act as agents relating to advertising and publications |
| 9 | Indiabulls Asset Holding Co Ltd | Settlor of AIF Trust |

Details of the services being offered: Discretionary / Non-Discretionary / Advisory

The Portfolio Manager proposes to currently offer discretionary, non-discretionary and advisory services. These services are offered to each Client under a specific agreement entered into between the Portfolio Manager and the Client.

Discretionary Portfolio Management Services

Under these services, all an Investor has to do is to give the Portfolio Manager his Portfolio in any form i.e. in securities or cash or a combination of both. The minimum size of the Portfolio under the Discretionary Portfolio Management Services should be Rs. 50 lakhs as per the current Regulations. However, the Portfolio Manager reserves the right to prescribe a higher threshold product-wise or in any other manner at its sole discretion.

Subject to the terms under which such services are being provided, the Portfolio Manager may have absolute discretion as to the investments, management and /or divestment of the portfolio of securities or the funds of the Client. Subject to the agreement, (i) the choice as well as the timings of the investment, management or divestment decisions rest solely with the Portfolio Manager or (ii) the choice and timing of investment rests with the Client, while the management and divestment decisions rest solely with the Portfolio Manager. An agreement outlining the details of services including the objectives, rights and responsibilities, fees and expenses, etc. shall be entered into with each Client separately. Under the Discretionary Portfolio Management Services offered to the Clients, the Portfolio Manager may, from time to time, launch products that are

structured towards meeting specific needs of Clients. These products would be managed in accordance with the product specifications provided by the Portfolio Manager to the Client.

The Portfolio Manager, may at times and at its own discretion, take into consideration, the views of the Client pertaining to the investment / disinvestment decisions of the Portfolio or the Client may give informal guidance to customize the Portfolio. However, subject to the agreement, the decisions pertaining to investment / divestment may rest solely with the Portfolio Manager.

The Securities invested / disinvested by the Portfolio Manager for Clients may differ from Client to Client. The Portfolio Manager's decision in deployment of the Client's monies 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 thereafter except on the ground of malafide, fraud, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant Acts, Rules, and Regulations, guidelines and notifications in force from time to time.

Notes:

- Investment under Discretionary Portfolio Management Services will be only as per the applicable SEBI Regulations.
- The un-invested amounts forming part of the Client's assets may at the discretion of the Portfolio Manager be held in cash or deployed in liquid mutual fund schemes and other short term avenues for investment as permitted by SEBI from time to time.

Non-Discretionary Portfolio Management Services

Under these services, the Portfolio Manager will provide the investment and divestment advice to the Client to help the Client make investment decision in relation to the investment products / strategy in which the Client proposes to invest. The recommendations will be in the form of portfolio discussions, proposals and research reports such that the recommendations will provide the rationale for investment decisions (buy or sell or otherwise) of a particular stock, bond or mutual fund or any other security. Moreover, the Portfolio Manager's investment professionals will help the Client to reconstruct his/her portfolio as per the client's investment objectives. The minimum size of the Portfolio under the Non-Discretionary Portfolio Management Services should be Rs. 50 lakhs as per the current Regulations. However, the Portfolio Manager reserves the right to prescribe a higher threshold product-wise or in any other manner at its sole discretion.

Subject to the terms under which such services are being provided, the Portfolio Manager will not have any discretion as to the investments, management and /or divestment of the portfolio of securities or the funds of the Client. The choice as well as the timings of the investment, management or divestment decisions rest solely with the Client. The Portfolio Manager shall solely act on the instructions given by the Client, although the Portfolio Manager may handle funds/securities on behalf of the Client.

An agreement outlining the details of services including the objectives, rights and responsibilities, fees and expenses, etc. shall be entered into with each Client separately. Under the Non-Discretionary Portfolio Management Services offered to the Clients, the Portfolio Manager may, from time to time, launch products that are structured towards meeting specific needs of Clients. These products would be managed in accordance with the product specifications provided by the Portfolio Manager to the Client.

Advisory Services

The Portfolio Manager will provide advisory portfolio management services, in accordance with the provisions of the Regulations, which shall be in the nature of investment advice and shall include the responsibility of advising on the portfolio strategy and investment and divestment of individual Securities on the Client's Portfolio, for an agreed fee structure, with the decision making being entirely at the Client's discretion.

Policy for utilization of the services of associate/subsidiary companies and investment therein

The Portfolio Manager may utilize the services of the subsidiary or associate company, in case such an entity is in a position to provide requisite services to the Portfolio Manager. The Portfolio Manager will conduct its business with the aforesaid companies on commercial terms and on arms-length basis and at mutually agreed terms and conditions and to the extent permitted under the Regulations after evaluation of the competitiveness of the pricing offered and the services to be provided by them. Portfolio Manager may temporarily invest pending deployment in units of mutual funds issued by Indiabulls Mutual Fund.

4. PENALTIES, PENDING LITIGATIONS OR PROCEEDINGS, FINDINGS OF INSPECTION OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR INITIATED BY ANY REGULATORY AUTHORITY.

- (a) There have been no instances of penalties imposed by the Board or the directions issued by SEBI under the Act or rules or regulations made thereunder, against the Portfolio Manager relating to Portfolio Management Services.
- (b) There have been no instances of penalties imposed for any economic offence and/ or violation of any securities law on the Portfolio Manager.
- (c) There are no pending material litigation/legal proceedings against the Portfolio Manager / key personnel.
- (d) There have been no instances of any enquiry/ adjudication proceedings initiated by the Board against the Portfolio Manager or its directors, principal officer or employee or any person directly or indirectly connected with the Portfolio Manager or its directors, principal officer or employee, under the Act or rules or regulations made there under towards the transactions related to portfolio management services.

5. SERVICES OFFERED BY THE PORTFOLIO MANAGER

Direct onboarding: Investors have the option to avail the portfolio management services directly from the Portfolio Manager. Details and features of our direct offering including applicable management fee and requisite charges is also available our website. Clients can be onboard with the Portfolio Manager directly via application available online or contacting investor service desk.

5.1. Portfolio Management – Discretionary

The Portfolio Manager is currently providing the above services in relation to the following Investment Approach. This investment approach is closed for any subscription by the prospective

investors. The Portfolio Manager is currently in the process of recovery of investments proceeds.

**INVESTMENT APPROACH: INDIABULLS HIGH YIELD STRATEGY – I
(Closed for Subscription)**

Strategy Classification: Debt

Investment Strategy

“Indiabulls High Yield Strategy-I” is an investment avenue concentrated towards structured debt instruments secured through underlying debentures, shares, warrants, bonds etc. related investment opportunities. The focus is to construct a portfolio by identifying, researching and investing in high yielding debentures issued by companies / entities related with or in the field of Real estate sector.

Investment Theme – The investment theme of the Scheme is to provide structured high-yield returns from well-located residential or mixed use projects of quality and well reputed developers who need capital to structure or grow. It will predominantly be growth capital.

Portfolio Selection – The Scheme would be partnering with developers who have a strong reputation, proven execution record, healthy track record of profitability and rapidly scalable business model in Class X and Class Y cities as defined by Government of India under recommendation of Sixth Central Pay Commission.

While the scheme has a long-term investment strategy and proposes to benefit from the growth of its Portfolio Entities and receive distributions from them, it may also consider selectively divesting certain Investments depending on prevailing conditions and the asset segment in the interest of Investors.

Investment objective

To achieve consistent risk-adjusted returns by making investments in Portfolio Entities using structured instruments.

To invest primarily in residential or mixed use projects in geographies with proven market depth, high pent up demand and in projects with medium to low execution risks. The investments will cover primarily residential or mixed use projects in Class X and Class Y cities as defined by Government of India under recommendation of Sixth Central Pay Commission.

To actively manage risk & provide risk adjusted returns to investors by capturing growth

opportunities across well-located real estate projects of quality developers.

Investment Philosophy

Investment philosophy would be guided by:

Investment Focus – The Scheme would be focusing on identifying opportunities primarily in residential sector with a focus on short to medium project development cycles. The focus of investment shall be to capture growth opportunities across the lifecycle of the Portfolio Entities through primary, secondary and co-investment opportunities.

Investment Thesis – The Scheme will seek to invest in real estate projects which have completed the land acquisition process, either have secured or are in the process of securing regulatory/statutory approvals and/or are in various phases of development.

Investment Structure – The investments of the Scheme would be structured in the form of relatively high yielding securities (convertible or non-convertible debentures), and other instruments (including but not limited to mezzanine or equity instruments) issued by the Portfolio Entities with a well-defined exit strategy and target high yielding risk adjusted returns to investors

The Portfolio Manager would endeavor to maintain a consistent performance by maintaining an optimal balance between safety and profitability aspects.

Types of securities

Subject to the PM Regulations, the Portfolio Manager shall invest the Cash in Securities including:

- Equity and equity related securities, convertible stock and preference shares of Indian companies;
- Debentures (convertible and non-convertible), bonds and secured premium notes, swaps, options, futures, securitized debt, tax-exempt bonds, pass through certificates and instruments which are quasi-debt instruments;
- Government and trust securities;
- Units and other instruments of mutual funds;
- Bank deposits;
- Treasury bills;
- Commercial papers, certificate of deposit and other similar money market instruments;
- Derivatives;

The investment in the above securities will be in accordance with the investment strategy outlined above. Until such time the funds are invested in the Portfolio Companies, the Portfolio Manager may, at its discretion invest the funds in short term investments as permitted under the PM Regulations, including but not limited to bank deposits, units of Indiabulls mutual fund, money market instruments and other forms of permissible securities.

The above mentioned securities are illustrative and not exhaustive in nature.

Investments in group / associate companies

The Portfolio Manager will not invest portfolio schemes in the Securities of any associates/group companies of the Portfolio Manager. However for short term parking of funds until deployment, the portfolio manager shall invest in units of Indiabulls mutual fund.

Tenure of Investment

An investment in the Portfolio Company is expected to have tenure between 36 months to 48 months from the date of the investment.

Benchmark

CRISIL Aggressive Credit Debt Term Index (Short Name: CRISIL Credit Index)

Justification for benchmark

CRISIL Aggressive Credit Debt Term Index tracks the performance of a debt portfolio that includes AA+/AA/AA-/A rated Short & Medium Term bonds.

Risk Associated with Investment Approach

- (a) **Price-Risk or Interest-Rate Risk**: Fixed income securities such as bonds, debentures and money market instruments run price-risk or interest-rate risk. This risk is associated with movements in interest rates, which depend on various factors such as government borrowing, inflation, economic performance etc. The value of investments will appreciate/depreciate if the interest rates fall/rise. Fixed income investments are subject to the risk of interest rate fluctuations, which may accordingly increase or decrease the rate of return thereon. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates.
- (b) **Credit Risk**: In simple terms this risk means that the issuer of a debenture/ bond or a money market instrument may default on interest payment or even in paying back the principal amount on maturity. Even where no default occurs, the price of a Security may go down because the credit rating of an issuer goes down.
- (c) **Liquidity or Marketability Risk**: This refers to the ease with which a Security can be sold at or near to its valuation yield-to-maturity (YTM). The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is today characteristic of the Indian fixed income market.
- (d) **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.
- (e) **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 more risky than bonds, which are AAA rated.

- (f) 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.

5.2. **Custodian**

Axis Bank has been appointed as a custodian for safekeeping of Client securities.

6. **RISK FACTORS**

6.1. **General risks associated with portfolio management services**

- (a) Securities investments are subject to market and other risks and the Portfolio Manager provides no guarantee or assurance that the objectives set out in the Document and/or the Agreement shall be accomplished.
- (b) The investments may not be suited to all categories of Investors.
- (c) The value of the Portfolio may increase or decrease depending upon various market forces. Consequently, the Portfolio Manager provides no assurance of any guaranteed returns on the Portfolio.
- (d) Past performances of the Portfolio Manager or of the key personnel of the Portfolio Manager do not guarantee its/their future performance.
- (e) The debt investments and other fixed income securities may be subject to interest rate risk, liquidity risk, credit risk, and reinvestment risk. Liquidity in these investments may be affected by trading volumes, settlement periods and transfer procedures.
- (f) Investment decisions made by the Portfolio Manager may not always be profitable.
- (g) Investments made by the Portfolio Manager are subject to risks arising from the investment objective, investment strategy and asset allocation.
- (h) The names of the strategies/options do not in any manner indicate their prospects or returns.
- (i) The performance of the strategies /options may be adversely affected by the performance of individual companies, changes in the market conditions, macro and micro factors and forces such as interest rate risk, credit risk, liquidity risk and reinvestment risk.
- (j) The market prices of the Securities in the Portfolio may be volatile and may not truly reflect its fundamental or intrinsic value due to the lack of sufficient liquidity for those Securities.
- (k) The investments made by the Portfolio Manager are subject to limited liquidity in the market, settlement risk, impending readjustment of portfolio composition, highly volatile stock markets in India.

- (l) With effect from January 16, 2020, the portfolio manager cannot make investment in unlisted securities under discretionary service offerings. Under non-discretionary and advisory services, the Portfolio Manager may make investments or advise to the extent of 25% of client's AUM in unlisted Securities. This may also expose the Portfolio Manager to an illiquidity scenario since the exit from the Portfolio Entity would have to be a strategic exit.
- (m) Acts of State, or sovereign action, acts of nature, acts of war, civil disturbance are extraneous factors which can impact the Portfolio.
- (n) The Client stands the risk of total loss of value of an asset which forms part of the Portfolio or its recovery only through an expensive legal process due to various factors which by way of illustration include default or non-performance of a third party, Portfolio Entity's refusal to register a Security due to legal stay or otherwise, disputes raised by third parties.
- (o) The Client stands a risk of loss due to lack of adequate external systems for transferring, pricing, accounting and safekeeping or record keeping of Securities. Transfer risk may arise due to the process involved in registering the shares, physical and demat, in the Client's name, while price risk may arise on account of availability of share price from stock exchanges during the day and at the close of the day.
- (p) The portfolio management service is subject to risk arising out of non-diversification. Non-diversified portfolios tend to be more volatile than diversified portfolios.
- (q) Changes in applicable law may impact the performance of the Portfolio.
- (r) The Portfolio Manager is neither responsible nor liable for any losses resulting from the Services.
- (s) The Clients may not be able to avail of securities transaction tax credit benefit and/or tax deduction at source (TDS) credit and this may result in an increased incidence of tax on the Clients.
- (t) The arrangement of aggregating funds from various clients and investing them in Securities could be construed as an 'Association of Persons' (AOP) in India under the provisions of the Income-tax Act, 1961 and taxed accordingly
- (u) In case of investments in mutual fund units, the Client shall bear the recurring expenses of the Portfolio Management Services in addition to the expenses of the underlying mutual fund schemes. Hence, the Client may receive lower pre-tax returns compared to what it may receive had it invested directly in the underlying mutual fund schemes in the same proportions.
- (v) Prospective clients should review/ study the Disclosure Document carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial / investment matters and are advised to consult their own professional advisor(s) as to the legal, tax, financial or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale or conversion into money) of Portfolio and to the treatment of income (if any), capitalisation,

capital gains, any distribution, and other tax consequences relevant to their Portfolio, acquisition, holding, capitalisation, disposal (sale, transfer or conversion into money) of Portfolio within their jurisdiction of nationality, residence, incorporation, domicile etc. or under the laws of any jurisdiction to which they or any managed funds to be used to purchase/gift portfolio of securities are subject, and also to determine possible legal, tax, financial or other consequences of subscribing / gifting, purchasing or holding portfolio of securities before making an investment.

- (w) The market for privately placed securities is limited. The disposal of these securities would entail longer than required amount of time. As a result, the portfolio manager may not be able to sell such securities when it desires to do so or to realise what it perceives to be their fair value in the event of a sale.
- (x) The Portfolio Manager is not responsible or liable for any loss resulting from the operations of the Portfolio Services. All Portfolios under portfolio management are subject to change at any time at the discretion of the Portfolio Manager.
- (y) Investment decisions made by the Portfolio Manager may not always be profitable.
- (z) Investments made by the Portfolio Manager are subject to risks arising from the investment objective, investment strategy and asset allocation.
- (aa) The arrangement of pooling of funds from various clients and investing them in Securities could be construed as an 'Association of Persons' (AOP) in India under the provisions of the Income-tax Act, 1961 and taxed accordingly.

6.2. **Macro-Economic risks / Market cycles**

- (a) Overall economic slowdown, unanticipated corporate performance, environmental or political problems, changes to monetary or fiscal policies, fall in the value of the currency, changes in government policies and regulations with regard to industry and exports may have direct or indirect impact on the investments, and consequently the growth of the Portfolio.
- (b) The investment made during the boom period and looking favorable may become a loss making proposition during the market recession. Hence there will always be a risk associated with the market cycle.

6.3. **Management and Operational risks**

- (a) Reliance on the Portfolio Manager: The success of the portfolio / strategies 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.
- (b) Failure to meet drawdown's by Client: Default of the Client in making drawdown may restrict the Portfolio Manager from making the planned investments in the Portfolio Entities. Such defaults may also cause the portfolio / strategies to breach the investment and payment obligations towards the Portfolio Entity rendering it liable to pay damages, which may result in material adverse effect on the performance of the Portfolio.

- (c) Deployment risk: After accepting the corpus for management, the Portfolio Manager may not get an opportunity to deploy the same or there may be delay in deployment. In such situation the Clients may suffer opportunity loss.
- (d) Identification of Appropriate Investments: The success of the Portfolio Manager 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 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) Conflict of Interest: As a manager to domestic alternative investment funds including its employees (“**Interested Party**”), the Portfolio Manager will be subject to inherent conflicts of interest relating to the portfolio management activities conducted by it. The Portfolio Manager may participate in projects and entities on same or different terms as Interested Parties. In such cases, there could be potential conflicts between the interest of the Clients and the Interested Party. Such conflict of interest shall be dealt with in accordance of the Conflict of Interest Policy of the Company. The Portfolio Manager may utilize the services of the Group Companies and / or any associate company established or to be established at a later date, in case such a company is in a position to provide requisite services to the Portfolio Manager. The Portfolio Manager will conduct its business with the aforesaid companies (including their employees or relatives) on commercial terms and on arm’s length basis and at mutually agreed terms and conditions and to the extent permitted under SEBI Regulations after evaluation of the competitiveness of the pricing offered and the services to be provided by them.
- (f) Exit Fee: Clients may have to pay a high exit fee 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. In case of early termination of the Agreement, additional rights available while the Securities were held as part of the Portfolio that were negotiated by the Portfolio Manager with a Portfolio Entity or its shareholders may no longer be available to the Client. In such scenario due to lack of sufficient liquidity, the market price of the security may be substantially lower than the fundamental or intrinsic value.

6.4. **Risks related to investment in debt securities**

- (g) Price-Risk or Interest-Rate Risk: Fixed income securities such as bonds, debentures and money market instruments run price-risk or interest-rate risk. This risk is associated with movements in interest rates, which depend on various factors such as government borrowing, inflation, economic performance etc. The value of investments will appreciate/depreciate if the interest rates fall/rise. Fixed income investments are subject to the risk of interest rate fluctuations, which may accordingly increase or decrease the rate of return thereon. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates.

- (h) Interest Rate Risk: Changes in interest rates may affect the returns/ asset value of the liquid/debt scheme of mutual fund in which the Portfolio Manager may invest from time to time. Normally the asset of the liquid scheme increases with the fall in the interest rate and vice versa. Interest rate movement in the debt market can be volatile leading to the possibility of movements up or down in the asset value of the units of the liquid/ debt funds.
- (i) Credit Risk: In simple terms this risk means that the issuer of a debenture/ bond or a money market instrument may default on interest payment or even in paying back the principal amount on maturity. Even where no default occurs, the price of a Security may go down because the credit rating of an issuer goes down.
- (j) Liquidity or Marketability Risk: This refers to the ease with which a Security can be sold at or near to its valuation yield-to-maturity (YTM). The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is today characteristic of the Indian fixed income market.
- (k) 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.
- (l) Rating risks: 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 more risky than bonds, which are AAA rated.
- (m) 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.

6.5. **Risks related to investment in Equity securities**

In case of investment in equity and equity related securities, trading volumes, settlement periods and transfer procedures may restrict the liquidity of these investments. Different segments of Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. The inability to make intended securities' purchases due to settlement problems could cause to miss certain investment opportunities. Delays or other problems in settlement of transactions could result in temporary periods when the assets are not invested and no return is earned thereon. The inability to sell securities held, due to the absence of a liquid secondary market, would result at times, in potential losses to the investors, should there be a subsequent decline in the value of securities held in the portfolio.

- (a) **Market risk**: Any type of risk due to the market conditions and evolution, such as volatility in the capital markets, interest rates, changes in policies of the Government, taxation laws or any other political and economic development, which may negatively affect the prices of the securities.
- (b) **Business risk**: Risk related to uncertainty of income caused by the nature of a company's business and having an impact on price fluctuations.

- (c) Liquidity risk: This risk pertains to how saleable a security is in the market or the ease at which a security can be sold at or close to its' quoted or published price/value. Securities that are listed on the stock exchange generally carry lower liquidity risk; the ability to sell these investments is limited by the overall trading volume on the stock exchanges.

6.6. **Risks related to investment Mutual Fund**

This risk arises from investing in units of mutual funds. Risk factors inherent to equities and debt securities are also applicable to investments in mutual fund units. Further, scheme specific risk factors of each such underlying scheme, including performance of their underlying stocks, derivatives instruments, stock lending, off-shore investments etc., will be applicable in the case of investments in mutual fund units. In addition, events like change in fund manager of the scheme, take over, mergers and other changes in status and constitution of mutual funds, foreclosure of schemes or plans, change in government policies could affect performance of the investment in mutual fund units.

6.7. **Other important terms**

- (a) Prospective Clients should review / study the Document carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial / investment matters and are advised to consult their own professional advisor(s) as to the legal, tax, financial or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale or conversion into money) of Portfolio and to the treatment of income (if any), capitalisation, capital gains, any distribution, and other tax consequences relevant to their Portfolio, acquisition, holding, capitalisation, disposal (sale, transfer or conversion into money) of Portfolio within their jurisdiction of nationality, residence, incorporation, domicile etc. or under the laws of any jurisdiction to which they or any managed funds to be used to purchase/gift portfolio of securities are subject, and also to determine possible legal, tax, financial or other consequences of subscribing / gifting, purchasing or holding portfolio of securities before making an investment.
- (b) The Portfolio Manager is neither responsible nor liable for any losses resulting from the Services.
- (c) The Client has perused and understood the disclosures made by the Portfolio Manager in the Disclosure Document.

7. CLIENT REPRESENTATION

7.1. Categories of clients serviced

| CATEGORY OF CLIENTS | NO. OF CLIENTS | FUNDS MANAGED (RS. CR) | DISCRETIONARY/ NON- DISCRETIONARY (IF AVAILABLE) |
|-------------------------------------|------------------|------------------------|--|
| <i>Associates / Group Companies</i> | | | |
| As at March 31 2019 | Nil | Nil | Nil |
| As at March 31 2020 | Nil | Nil | Nil |
| As at March 31, 2021 | Nil | Nil | Nil |
| As at March 31, 2022 | Nil | Nil | Nil |
| As at March 31, 2023 | Nil | Nil | Nil |
| As at March 31, 2024 | Nil | Nil | Nil |
| <i>Others</i> | | | |
| As at March 31 2019* | 296 | 126.04 | Discretionary |
| As at March 31 2020* | 252 [^] | 102.90 | Discretionary |
| As at March 31, 2021* | 252 [^] | 89.32 | Discretionary |
| As at March 31, 2022* | 252 [^] | 90.14 | Discretionary |
| As at March 31, 2023* | 252 [^] | 80.20 | Discretionary |
| As at March 31, 2024 | 252 [^] | 19.39 | Discretionary |

*Business in the books of Indiabulls Asset Management Co Ltd which has been transferred to Indiabulls Investment Management Ltd with effect from April 1, 2023 based on Scheme of Arrangement as approved by NCLT, Chandigarh bench on September 13, 2022 and subsequent approval by SEBI vide letter dated March 8, 2023

[^]Investors in Indiabulls High Yield Strategy-I

7.2. Disclosures in respect of transactions with related parties as per the standards specified by the institute of chartered accountants of India.

Please refer to Annexure I for disclosures pertaining to related parties.

8. FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER (BASED ON AUDITED BALANCE SHEET)

Please refer to Annexure II for the financial performance of the Portfolio Manager.

9. PERFORMANCE OF THE PORTFOLIO MANAGER

Performance of discretionary portfolio manager for past 3 years calculated using time weighted rate of return (TWRR) method in terms of regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020 is as follows. The performance data is related to Indiabulls Asset Management Co Ltd. The business from Indiabulls Asset Management Ltd stands transferred to Indiabulls Investment Management Ltd with effect from April 1, 2023.

Debt Strategy

1. Indiabulls High Yield Strategy-I

| Annualized TWRR | Previous Financial Year | | |
|---|-------------------------|------------|------------|
| | 2023-2024 | 2022- 2023 | 2021- 2022 |
| PORTFOLIO PERFORMANCE (%), NET OF ALL FEE AND CHARGES LEVIED BY THE PORTFOLIO MANAGER | -56.12% | 5.68% | 4.27% |
| BENCHMARK PERFORMANCE (%) [CRISIL CREDIT INDEX*] | 11.08% | 8.71% | 11.00% |

*Complete Index Name: CRISIL Aggressive Credit Debt Term Index

Equity Strategy

| | Previous Financial Year | | |
|---|-------------------------|-------------|-------------|
| | 2023 - 2024 | 2022 - 2023 | 2021 - 2022 |
| PORTFOLIO PERFORMANCE (%), NET OF ALL FEE AND CHARGES LEVIED BY THE PORTFOLIO MANAGER | NA | NA | NA |
| BENCHMARK PERFORMANCE (%) [NA] | NA | NA | NA |

10. AUDIT OBSERVATIONS

FY 2020-21*

There were no adverse observations related to accounting of investors' portfolio.

FY 2021-22*

There were no adverse observations related to accounting of investors' portfolio.

FY 2022-23*

There were no adverse observations related to accounting of investors' portfolio.

*Indiabulls Asset Management Co Ltd

11. NATURE OF COSTS AND EXPENSES FOR CLIENTS

The following are indicative types of costs and expenses for clients availing the Discretionary Portfolio Management Services.

All costs, expenses and fees relating to each of the services offered by the Portfolio Manager shall be annexed to the Agreement to be entered into between the Portfolio Manager and the Client, and the agreements in respect of each of the services availed at the time of execution of such agreements. The below mentioned fees, charges and expenses shall be directly debited to the Clients' account as and when the same becomes due for payment.

11.1. Investment Management Fees

These fees are charged to Client for Discretionary Portfolio Management Services offered by the Portfolio Manager. The fee may be a fixed charge or a percentage of the quantum of funds managed or may be return based or a combination of any of these. The following is an indicative list:

- (a) Annual management fee: Annual Management fees shall be accrued as a percentage of the daily market/fair value (including unrealized appreciation / depreciation) of the portfolio and shall be payable as per the terms of the Agreement.
- (b) Performance fee: The variable fees shall be linked to the Portfolio performance and shall be charged based on the returns above a certain threshold prescribed in terms of the Agreement and based on "High Water Mark Principle".
- (c) Exit fee: In the event of earlier termination prior to terms of Agreement or partial redemption, an exit fee may be charged and recovered from the Client as per the terms of the Agreement.
- (d) Operating Expense: The fixed operational expenses ("**Operating Expenses**") (annual expenses) shall be accrued as a percentage of the daily market/fair value (including unrealized appreciation / depreciation) of the portfolio and shall be payable as per the terms of the Agreement. The recurring annual Operating Expenses of the Fund shall include but not be limited to the following:

- i. Custodian / Depository Fees*

- The charges relating to opening and operation of dematerialised accounts, custody and transfer charges for shares, bonds and units, dematerialisation, rematerialisation and other charges in connection with the operation and management of the depository/custody accounts.*

- ii. Registrar and transfer agent fee*

- Charges payable to registrar and transfer agents in connection with effecting transfer of securities and bonds including stamp charges, cost of affidavits, notary charges, postage stamp and courier charges.*

iii. Brokerage and transaction costs

The brokerage charges and other charges like service charge, stamp duty, transaction costs including bank charges, securities transaction tax, turnover tax, exit and entry loads on the purchase and sale of securities or any other tax levied by statutory authorities on purchase and sale of securities. The investments would be usually done through registered members of the stock exchange. Brokerage would be as per the actual, charged by the broker.

iv. Certification and professional charges

Charges payable for outsourced professional services like accounting, valuation, due-diligence, rating, trustee fee, periodic project appraisals, taxation and legal services, notarisations etc for certifications, attestations required by bankers or regulatory authorities.

v. Bank and Depository charges

For availing the Discretionary Portfolio Management Service, the Clients may have to open bank account and demat account and in this regard the Clients will have to pay charges as per schedule of charges forming part of the account opening forms signed by them.

vi. Incidental Expenses

Charges in connection with the courier expenses, stamp duty, service tax, postal, telegraphic, opening and operation of bank accounts, expenses pertaining to storage/retrieval of documents, legal fees, costs incurred for instituting or defending legal suits, audit fees, out of pocket expenses etc.

Charges are summarized herewith for your kind consideration:

| Type of Charges | Indiabulls High Yield Strategy-I |
|------------------------|--|
| Setup fee (One time) | Not applicable since January 16, 2020 |
| Annual Management fee | 2% per annum plus taxes |
| Operating Expense | Upto 0.50% p.a (@actuals) |
| Exit Fee | 4% if exited within 12 months 3% if exited during 12-24 months 2% if exited beyond 24 months till maturity |

12. TAXATION IMPLICATIONS FOR CLIENTS

The details of the relevant tax provisions stated herein are as per the Income-tax Act, 1961, (hereinafter referred to as “the Act” as amended by the Finance Act, 2023. The information stated herein is based on the Portfolio Manager’s understanding of the tax laws in force. An independent Chartered Accountant has vetted the same. The following is provided for general information purposes only. In view of the individual nature of the tax benefits, consequences, or interpretation of circulars for distinguishing between capital

asset and trading asset, etc., each portfolio client is advised to consult his/her own tax consultant with respect to the implication in the Portfolio Management Scheme.

A Portfolio of client may have:

- Dividend income;
- Long-term and short-term capital gains (or losses) on sale of securities (shares, mutual fund units, debentures, rights renunciations etc.);
- Business Income from purchase and sale of securities (shares, mutual fund units, debentures, rights renunciations etc.);
- Any other income from securities (shares, mutual fund units, debentures, rights renunciations etc.).

Each of such income has a separate tax treatment in the hands of the portfolio client and needs to be examined on a case to case basis.

A] TREATMENT OF DISTRIBUTED INCOME BY MUTUAL FUNDS AND DIVIDEND FROM COMPANIES

The levy of tax ("DDT") on distributed income from units by Mutual Funds and dividend on shares was abolished w.e.f. 01 April 2020 and the classical system of dividend taxation under which the Mutual Fund / Company is required to deduct tax at source ("TDS") was adopted, in respect of distributed income from units by Mutual Funds / dividend payments to all its unit holders / shareholders. The distributed income from units by Mutual Fund / dividend income from shares received (other than income on which tax under 115-O and section 115BBDA has been paid) on or after 01 April 2020 is taxable in the hands of unit holders / shareholders.

Unit holders / Shareholders can claim deduction of only interest paid on borrowing utilized for acquiring such units/ shares to the extent of 20% of distributed income by Mutual Funds / dividend income under section 57 of the Act.

Section 80M of the Act provides for deduction against dividend income for domestic company investors. Such companies, on receipt of dividend income from any other domestic company or a foreign company or a business trust, can claim deduction for any amount of distribution of income to its existing shareholders.

B] TREATMENT FOR CAPITAL GAINS FROM INVESTMENT IN MUTUAL FUND UNITS AND SHARES

In terms of Section 2(42A) of the Act, a capital asset will be considered as short term capital asset if it is held by an assessee for a period of not more than thirty six months [twelve months in case of security (other than a unit) listed on a recognized stock exchange in India or a unit of the Unit Trust of India or a unit of an equity oriented fund or a zero coupon bond]. Gain arising on transfer of a short-term capital asset is termed as short term capital gain.

As per third proviso to section 2(42A), a capital asset being shares of a company (not being a share listed on a recognised stock exchange in India) or an immovable property, being land or building or both will be considered as short term capital asset if it is held by an assessee for a period of not more than Twenty Four months.

(i) Tax on Capital Gains- General - Tax on sale transaction on which Securities Transaction Tax (STT) is paid

➤ **Long Term Capital Gains (LTCG)**

As per section 112A of the Act, LTCG exceeding Rs. one lakh arising on transfer of listed equity shares in a company or units of equity oriented fund or units of a business trust is taxable at 10 % (plus applicable surcharge and Health and Education cess), provided such transfer is chargeable to STT1.

Further, to avail such concessional rate of tax, STT should also have been paid on acquisition of listed equity shares, unless the listed equity shares have been acquired through any of the notified modes not requiring to fulfil the pre-condition of chargeability to STT1.

LTCG arising on transaction undertaken on a recognized stock exchange located in any International Financial Services Centre and consideration is paid or payable in foreign currency, where STT is not chargeable, will also be taxed at a rate of 10% (plus applicable surcharge and Health and Education cess). This benefit is available to all assesses.

The LTCG arising from the transfer of such securities shall be calculated without indexation.

In computing LTCG, the cost of acquisition (COA) is an item of deduction from the sale consideration of the shares. To provide relief on gains already accrued upto 31 January 2018, a mechanism has been provided to “step up” the COA of securities. Under this mechanism, COA is substituted with the “Fair Market Value (FMV)²”, where sale consideration is higher than the FMV. Where sale value is higher than the COA but not higher than the FMV, the sale value is deemed as the COA.

Specifically in case of LTCG arising on sale of shares acquired originally as unlisted shares upto 31 January 2018, COA is substituted with the “indexed COA” (instead of FMV) where sale consideration is higher than the indexed COA. Where sale value is higher than the COA but not higher than the indexed COA, the sale value is deemed as the COA. This benefit is available in the following cases:

- 1) equity shares, not listed as on 31 January 2018 but listed on the date of transfer; and
- 2) equity shares listed on the date of transfer but acquired in consideration of shares not listed on 31

January 2018 through tax neutral modes of transfer under section 47 (e.g., amalgamation, demerger)

Section 112A further states that, in the case of Resident Individuals and Hindu Undivided Families, whose total income (as reduced by such long term capital gain) is below the basic exemption limit, then such long term capital gains shall be reduced by the amount of basic exemption limit not exhausted by any other income and only balance long term capital gain will be taxed at 10% (plus applicable surcharge and Health and Education cess).

For Capital gains other than equity-oriented funds:

As per Finance Act, 2023, new Section 50AA of the Act is introduced which states that the gains from transfer or redemption or maturity of unit of a Specified Mutual Fund acquired on or after 1 April 2023, will be taxed as deemed short-term capital gains at applicable rates.

Specified Mutual Fund means a Mutual Fund, where not more than thirty five percent of its total proceeds is invested in the equity shares of domestic companies. Provided that the percentage of equity shareholding held in respect of the Specified Mutual Fund shall be computed with reference to the annual average of the daily closing figures.

Short Term Capital Gains

In case the capital gain arising on transfer of the listed shares or units mentioned above or a unit of a business trust is a short-term capital gain, Section 111A provides that income-tax will be charged on such transaction at a concessional rate of 15% (plus applicable surcharge and Health and Education cess if other conditions mentioned above are fulfilled).

Further, short term capital gains arising on transaction undertaken on a recognized stock exchange located in any International Financial Services Centre and consideration is paid or payable in foreign currency, where STT is not chargeable, will also be taxed at a rate of 15% (plus applicable surcharge and Health and Education cess). This benefit is available to all assesseees.

Section 111A further states that, in the case of Resident Individuals and Hindu Undivided Families, whose total income (as reduced by such short-term capital gain) is below the basic exemption limit, then such short-term capital gains shall be reduced by the amount of basic exemption limit

1 For STT rates, please refer section E below

2 FMV is defined as:

The highest price quoted for the share/ unit on 31st January 2018 on a “recognized stock exchange” where the capital asset is listed on any recognised stock exchange as on 31 January, 2018, or Net Asset Value of the unit as on 31st January 2018 where unit is not listed on a recognized stock exchange as on 31 January, 2018.

3 Indexed cost of acquisition = cost of acquisition * cost inflation index (CII) for FY 2017-18
CII of year of acquisition of the asset or FY 2001-02 whichever later not exhausted by any other income and only balance short term capital gain will be taxed at 15% (plus applicable surcharge and Health and Education cess).

For Capital gains other than equity-oriented funds:

As per Finance Act, 2023, new Section 50AA of the Act is introduced which states that the gains from transfer or redemption or maturity of unit of a Specified Mutual Fund acquired on or after 1 April 2023, will be taxed as deemed short-term capital gains at applicable rates.

Specified Mutual Fund means a Mutual Fund, where not more than thirty five percent of its total proceeds is invested in the equity shares of domestic companies. Provided that the percentage of equity shareholding held in respect of the Specified Mutual Fund shall be computed with reference to the annual average of the daily closing figures.

(ii) Capital Gains Tax for Foreign Portfolio Investors (FPIs)

LTCG, arising on sale of debt securities, debt oriented units (other than units purchased in foreign currency and capital gains arising from transfer of such units by Offshore Funds referred to in section 115AB), held for a period of more than thirty six months and unlisted shares of a company held for a period of more than twenty four months, are taxable at the rate of 10% (plus applicable surcharge and Health and Education cess) under Section 115AD of the Act. Such gains would be calculated without considering benefit of (i) indexation for the COA and (ii) determination for capital gain/loss in foreign currency and reconversion of such gain/loss into the Indian currency.

LTCG arising on sale of listed shares in the company or units of equity oriented funds or units of business trust and subject to conditions relating to payment of STT, are taxable at 10% (plus applicable surcharge and Health and Education cess) under section 112A with effect from 1 April, 2018. The relief mentioned in point B (i) shall be available to FPIs.

Short-term capital gain from the sale of securities, subject to STT would be liable to tax at 15% (plus applicable surcharge and Health and Education cess) in accordance with Section 111A of the Act.

Short-term capital gains arising on sale of securities, which are not subject to STT, are taxable at 30% (plus applicable surcharge and Health and Education cess) under section 115AD of the Act.

(iii) Capital Gains Tax for Offshore Funds

LTCG arising from transfer of the units of Mutual Fund purchased by the Offshore Funds (Overseas Financial Organizations) in foreign currency would be taxed at the rate of 10% (plus applicable surcharge and Health and Education cess) under section 115AB of the Act. Such gains would be calculated without considering benefit of indexation on COA.

Short-term capital gains arising from transfer of the units by the Offshore Funds are taxable as part of total income at normal rates.

(iv) Capital Gains Tax for Non-Resident Indians (NRIs)

- NRIs are permitted to opt to be governed either by the general provisions of the Act or the special provisions of the Act contained in Chapter XII-A
- If NRIs are governed by the special provisions of the Act, then under section 115E of the Act,
 - The income from investment or LTCG on asset other than specified assets is taxable @ 20% (plus applicable surcharge and Health and Education cess). Such LTCG will be calculated without indexation of the COA.
 - The LTCG on specified assets is taxable @ 10% (plus applicable surcharge and Health and Education cess).
- As per Section 115F of the Act, LTCG arising to a NRI on transfer of a foreign exchange asset is exempt from tax if the net consideration from such transfer is invested in the specified assets or savings certificates within six months from the date of such transfer, subject to the extent and conditions specified in that section.

"Foreign exchange assets" means any specified asset which the assessee has acquired or purchased with, or subscribed to in, convertible foreign exchange.

"Specified asset" particularly include the following assets:

- shares in an Indian company;
 - b) debentures issued by an Indian public company;
 - c) deposits with an Indian public company;
 - d) any security of the Central Government as defined in section 2(2) of the Public Debt Act, 1944 (18 of 1944) ;
-
- As per Section 115G of the Act, where the total income of a NRI consists only of investment income / LTCG or both and tax thereon has been deducted at source in accordance with the provisions of the Act, the NRI is not required to file a return of income.

- If the NRIs are governed under the general provisions of the Act, then:
 - LTCG on sale of listed shares in a company, units of equity oriented fund and units of business trust and subject to condition on payment of STT is taxable at 10 % (plus applicable surcharge and Health and Education cess) under section 112A, with effect from 1 April, 2018. The relief mentioned in point B(i) shall be available to NRIs.
 - LTCG arising on the transfer of capital asset, being unlisted securities or shares of a company not being a company in which the public are substantially interested will be chargeable to tax @ 10% (plus applicable surcharge and Health and Education cess) under section 112 without Indexation and foreign currency fluctuation benefit.
 - LTCG arising on transfer of any other securities will be chargeable to tax @ 20% (plus applicable surcharge and Health and Education cess) with indexation, where applicable, or @10% without indexation (plus applicable surcharge and Health and Education cess) under section 112.
 - Short-term capital gains, arising from the sale of securities subject to STT, would be liable to tax at 15% (plus applicable surcharge and Health and Education cess), in accordance with Section 111A of the Act.
 - Short-term capital gains arising from transfer of other securities by the NRI is taxable as part of total income at normal rates.

(v) Capital Gains Tax for Other Investors.

- LTCG on sale of listed shares in a company, units of equity oriented fund and units of business trust and subject to conditions relating to payment of STT is taxable at 10 % (plus applicable surcharge and Health and Education cess) under section 112A, with effect from 1 April 2018. The relief mentioned in point B (i) will be available to the investors.
- For non-resident investors, LTCG on transfer of unlisted securities or shares of a company not being a company in which public are substantially interested will be taxable @ 10% (plus applicable surcharge and Health and Education cess) under section 112.
- LTCG on transfer of listed securities (other than unit) and zero coupon bond is chargeable to tax at 20% on LTCG after taking indexation benefit or at 10% on LTCG without taking indexation benefit, whichever is beneficial. This tax liability is to be further increased by the applicable surcharge and Health and Education cess.
- LTCG arising from transfer of any other securities would be taxed at the rate of 20% (plus applicable surcharge and Health and Education cess).
- Short-term capital gain from the sale of securities, subject to STT, would be liable to tax at 15% (plus applicable surcharge and Health and Education cess) in accordance with Section 111A of the Act.
- Short-term capital gains arising on sale of Securities, which are not subject to STT, are taxed as part

of total income at applicable rate of income-tax (plus applicable surcharge and Health and Education cess).

- In case of resident individuals and Hindu Undivided Families, where taxable income (as reduced by short/long-term capital gains) is below the basic exemption limit, only the excess of the aggregate income over the maximum amount not chargeable to tax, will be subject to income-tax. This benefit is not available to the NRIs with respect to income on which benefit is availed under special provisions of Chapter XII-A.
- Deductions under Chapter VI-A of the Act cannot be claimed against the short-term capital gains and long-term capital gains, covered under section 111A or section 112 or section 112A of the Act.
- Where redemption is made of units of mutual fund during the minority of a child, income will be clubbed in the hands of one parent, who is liable to include it. When the child attains age of majority, tax liability for such income will be on the child.
- Section 50CA of the Act provides that where consideration received or accrued on transfer of shares other than quoted shares is less than FMV, then such FMV shall be considered as full value of consideration for computation of capital gains.
- Proviso to section 50CA provides that the provisions of this section will not apply to prescribed transactions, undertaken by certain class of persons. The CBDT inserted Rule 11UAD by amending Income-tax Rules, 1962 vide Notification No. G.S.R. 423(E) [NO.42 /2020/F. NO.370149/143/2019-TPL], dated 30-6-2020 to prescribe transactions where the provisions of section 50CA shall not apply.
- The following amounts would be deductible, from the full value of consideration, to arrive at the amount of capital gains.
 - COA of units / shares as adjusted by Cost Inflation Index notified by the Central Government, where applicable, and
 - Expenditure incurred wholly and exclusively in connection with the transfer of units / shares.
- As per section 55, w.r.t. the COA of an asset acquired before 01/04/2001, the assessee has an option of either taking the actual cost or FMV of said asset.

(vi) Tax neutrality on merger of different plans in a schemes of Mutual Fund and merger of different schemes of Mutual Fund

The consolidation/ merger of different plans in a mutual fund scheme of a fund, under the SEBI (Mutual Fund) Regulations, 1996, shall be tax neutral to the investors. Thus, such consolidation/ merger will not result in transfer and will not be liable to capital gains.

The cost of acquisition of the units of the consolidated plan of the scheme shall be the cost of units in the consolidating plan of the scheme and the period of holding of the units of the consolidated plan of the scheme shall include the period for which the units were held in the consolidating plan of the scheme.

The consolidation/ merger of mutual fund schemes of two or more schemes of equity oriented fund or two or more schemes of a fund other than equity oriented fund, under the SEBI (Mutual Fund) Regulations, 1996, shall be tax neutral to the investors. Thus, such consolidation/ merger will not result in transfer and will not be liable to capital gains.

The cost of acquisition of the units of the consolidated scheme shall be the cost of units in the consolidating scheme and the period of holding of the units of the consolidated scheme shall include the period for which the units were held in the consolidating scheme.

(vii) Segregated Portfolios

SEBI has, vide circular SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018, permitted creation of segregated portfolio of debt and money market instruments by Mutual Fund schemes. As per the SEBI circular, all the existing unit holders in the affected scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio. On segregation, the unit holders come to hold same number of units in two schemes the main scheme and segregated scheme.

The Finance Act, 2020 amended relevant section to provide that the period of holding of the units in the segregated portfolio is to include the earlier period of holding of the units in the Main scheme. Further, for computing the "COA" of the units in the segregated portfolio, the "cost of acquisition" of the units in the main scheme will be pro-rated in the ratio of the NAV of the assets transferred to the segregated portfolio. The "COA" of the units in the main scheme will simultaneously be reduced by the COA of the units in segregated portfolio.

(viii) Capital Loss:

Losses under the head "Capital Gains" cannot be set-off against income under any other head. Further, within the head "Capital Gains", losses arising from the transfer of long-term capital assets cannot be adjusted against gains arising from the transfer of a short-term capital asset. However, losses arising from the transfer of short-term capital assets can be adjusted against gains arising from the transfer of a long-term capital asset or a short-term capital asset.

Unabsorbed long-term capital loss can be carried forward (provided that the return of income is filed on or before applicable due date) and set off against the long-term capital gains arising in subsequent eight assessment years.

Unabsorbed short-term capital loss can be carried forward (provided that the return of income is filed on or before applicable due date) and set off against the income under the head Capital Gains in subsequent

eight assessment years.

(ix) Certain Circumstances under which the Loss is to be ignored

If any person buys mutual fund units (original units) within a period of 3 months prior to date of allotment of bonus units on such original units, and subsequently within nine months, the original units are sold at a loss, then such loss shall be ignored for the purposes of computing income chargeable to tax. However, such loss would be regarded as COA for the bonus units (Section 94(8)).

(x) Exemptions / Deductions Allowable

Under Section 54EE:

- According to Section 54EE of the Act, exemption is available if long term capital gains on transfer of a capital asset is invested wholly or partly, within a period of six months after the date of such transfer, in long-term specified assets being units issued before 1 April 2019, of such fund as notified by the Central Government, as follows:
 - If the cost of long-term specified asset is more than the capital gains, then the entire capital gains shall not be charged to tax
 - If the cost of long-term specified asset is less than the capital gains, then the capital gains proportionate to the investment made shall not be charged to tax
 - The investment made in long term specified asset is restricted to Rs.50 Lakhs when invested during the financial year in which the asset is transferred and subsequent year.

- Subsequently, if the long term specified assets are transferred within three years from the date of its acquisition, the amount originally exempted shall be chargeable to tax as long-term capital gains.

C] TREATMENT OF BUSINESS INCOME ARISING FROM SALE AND PURCHASE OF SHARES AND MUTUAL FUND UNITS.

- Business income from sale and purchase of shares and units arising is taxable as part of total income at applicable rate of income-tax (plus applicable surcharge and Health and Education cess)

- In such cases, STT would be an allowable expenditure.

If any part of the business of a company (other than company whose principal business is of banking or granting loans and advances and that of trading in shares) consists of purchase and sale of shares of other companies, then such company shall be deemed to be carrying on a speculation business to the extent to which the business consists of the purchase and sale of such shares. Any loss, in respect of a speculation business, shall not be set-off except against profits and gains of another speculation business. Unabsorbed speculative loss can be carried forward (provided that the return of income is filed on or before applicable due date) and set off against the speculative gains arising in subsequent four assessment years.

➤ Section 115BAA and section 115BAB have been effective from financial year commencing 1 April 2019:

- **Section 115BAA**

As per section 115BAA, a domestic company can opt for paying tax at a lower rate of 22% (plus applicable surcharge & health and education cess) subject to prescribed conditions especially such that certain deductions and exemptions need to be foregone. Further, the provisions of Minimum Alternate Tax will not apply to such companies. The option has to be exercised before the due date of filing the income-tax return. Once the option is exercised, it cannot be withdrawn subsequently.

- **Section 115BAB**

As per section 115BAB new domestic manufacturing companies, which have been set up and registered on or after 1 October 2019 and commenced manufacturing on or before 31 March 2023, can opt for a lower tax rate of 15% (plus applicable surcharge & health and education cess) subject to prescribed conditions especially such that certain deductions and exemptions need to be foregone. The option has to be exercised before the due date of filing the income-tax return. Once the option is exercised, it cannot be withdrawn subsequently.

D] ANY OTHER INCOME FROM SECURITIES

(i) Other Income from Securities for FPIs

Income of FPIs (other than dividend on which tax is paid under section. 115-O) received in respect of securities (other than units referred in Section 115AB) listed on a recognized stock exchange in India in accordance with the provisions of the Securities Contracts (Regulations) Act, 1956 is taxed @ 20% (plus applicable surcharge and Health and Education cess). The exception is interest under section 194LD5 which will be taxable at 5% (plus applicable surcharge and Health and Education cess).

(ii) Other Income from Securities for Offshore Funds

Income received in respect of units purchased by Offshore Funds in foreign currency is taxable at the rate 10% (plus applicable surcharge and Health and Education cess) under Section 115AB of the Act.

(iii) Other Income from Securities for NRIs

Income received from investment, by non-resident Indian, in respect of securities is taxable at the rate 20% (plus applicable surcharge and Health and Education cess) under Section 115E of the Act.

E] SURCHARGE

Applicable Rates of Surcharge

For the purpose of income tax in case of Individuals, HUF, Artificial Juridical Person, AOP or BOI: Section 194LD deals with interest income payable to FPIs on rupee denominated bonds of an Indian Company or government security

| Nature of Income | Up to Rs. 50 lakhs | More than Rs. 50 lakhs but upto Rs. 1 crore | More than Rs. 1 crore but less than Rs. 2 crore | More than Rs. 2 crore but up to Rs. 5 crore | More than Rs. 5 crore |
|---|---------------------------|--|--|--|------------------------------|
| Short-term capital gain under section 111A | NIL | 10% | 15% | 15% | 15% |
| Long-term capital gain under section 112 and 112A | NIL | 10% | 15% | 15% | 15% |
| Short term or Long term capital gains under section 115AD(1)(b) | NIL | 10% | 15% | 15% | 15% |
| Any other Income | NIL | 10% | 15% | 25% | 37% |

Provided further that where the taxpayer has opted for taxation under the new tax regime, the surcharge rate not to exceed 25%.

- For the purpose of TDS in case of Individuals, HUF, Artificial Juridical Person, AOP or BOI:

| Nature of Income | Up to Rs. 50 lakhs | More than Rs. 50 lakhs but upto Rs. 1 crore | More than Rs. 1 crore but less than Rs. 2 crore | More than Rs. 2 crore but up to Rs. 5 crore | More than Rs. 5 crore |
|---|--------------------|---|---|---|-----------------------|
| Short-term capital gain under section 111A | NIL | 10% | 15% | 15% | 15% |
| Long-term capital gain under section 112 and 112A | NIL | 10% | 15% | 15% | 15% |
| Dividend * | NIL | 10% | 15% | 15% | 15% |
| Income from mutual fund units | NIL | 10% | 15% | 25% | 37% |
| Any other Income | NIL | 10% | 15% | 25% | 37% |

Note : Section 196D(2) provides that income-tax is not required to be deducted (withheld) at source from any income by way of capital gains, arising from the transfer of shares and units referred to in section 115AD, payable to FPIs

*As per the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020

Provided further that where the taxpayer has opted for taxation under the new tax regime, the surcharge rate not to exceed 25%.

- For Firms and LLPs**
12% where total income exceeds Rs. 1 crore.

- For Companies**

| Company | Total income upto Rs. 1 crore | Total income exceeds Rs. 1 crore but not Rs. 10 crore | Total income exceeds Rs. 10 crore |
|--|-------------------------------|---|-----------------------------------|
| Domestic Company | NIL | 7% | 12% |
| Domestic Company opting for section 115BAA and 115BAB (on income including capital gains under | 10% | 10% | 10% |

| | | | |
|------------------------------|-----|----|----|
| sections 111A, 112 and 112A) | | | |
| Foreign company | NIL | 2% | 5% |

F] LIABILITY TO DEDUCT TAX AT SOURCE

Tax to be withheld from payment of income from mutual fund units to residents

Section 194K provides for withholding tax of 10% on any income (excluding the income in the nature of capital gains) exceeding INR 5,000 in aggregate for the financial year in respect of units of mutual fund in case of residents.

Tax to be withheld from payment of dividend on share to residents

Section 194 which provides for withholding tax of 10% on dividend income in case of residents. Tax will be deducted at source on payment of dividend to a shareholder, being an individual, for an amount exceeding INR 5,000.

Tax to be withheld from payments to non-residents

Any person responsible for paying to a non-resident non-corporate person, any income in connection with PMS activity, chargeable to tax under the Act, is required to deduct (withhold) income-tax thereon under section 195, at prescribed rates, at the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

However, special provisions are enacted in the respect of income from units of Mutual Fund, Offshore Funds and FPIs as under:

a. TDS on Income in respect of units of non-residents under section 196A

As per the provisions of section 196A short term/ long term capital gain tax will be deducted at the time of redemption of units in case of NRI investors only. As per amendment made vide Finance Act, 2023, the withholding tax would be lower of 20% (plus applicable surcharge and cess) or the rate provided under the relevant tax treaty, subject to eligibility and compliance with applicable conditions.

For the purpose of withholding tax obligations, taxes will be withheld as per the provisions of the Income-Tax Act, 1961 (without applying tax treaty rates). The NRI's can claim the benefits of tax treaty while filing

the return of income.

b. TDS on Capital Gains for an Offshore Fund under section 196B

Where any income, in respect of units purchased in foreign currency, as referred to in section 115AB or income by way of long-term capital gains arising from the transfer of the units of a Mutual Fund, is payable to an Offshore Fund, income-tax would be deducted at source (withheld) by the payer at the rate of 10% (plus applicable surcharge and Health and Education cess).

c. TDS on Income of FPIs under section 196D

The person responsible for paying any income in respect of shares and units referred to in section 115AD to FPIs (not being interest income under section 194LD) is required to deduct income-tax at source (withheld) at the rate of 20% (plus applicable surcharge and Health and Education cess).

As per the proviso to section 196D(1) of the Act, with effect from 1 April 2021, relevant tax treaty benefit will be granted at the time of withholding tax on income with respect to securities of FPIs, subject to furnishing of tax residency certificate.

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

As per provisions of Section 206AA of the Act, if Permanent Account Number is not provided, the tax shall be deducted at higher of the following rates: i) rates specified in relevant provisions of the Act; or ii) rate or rates in force; or iii) rate of 20%. However, the provisions of section 206AA of the Act shall not apply in case of a non-resident investor (entitled to receive redemption proceeds from the Mutual Fund on which tax is deductible under Chapter XVII of the Act), if the requirements as stated in Rule 37BC of the Income-tax Rules, 1962, are met (like Tax Residency Certificate (TRC), Tax Identification Number, etc.).

Section 206AB relating to deduction of TDS at higher rates is applicable on any sum or income or amount paid, or payable or credited, by a person (herein referred to as deductee) to a specified person, as defined. This section shall not apply where the tax is required to be deducted under sections 192, 192A, 194B, 194BA, 194BB, 194-IA, 194-IB, 194LBC, 194M or 194N of the Act. The TDS rate in this section is higher of the followings rates:

- twice the rate specified in the relevant provision of the Act; or
- twice the rate or rates in force; or
- the rate of five percent

It is also provided that if the provision of section 206AA of the Act is applicable to a specified person, in

addition to the provision of this section, the tax shall be deducted at higher of the two rates provided in this section and in section 206AA of the Act.

For the purpose of this section, the 'specified person' means a person (excluding non-residents who do not have a permanent establishment in India or person not required to file income-tax return and notified by Central Government) who has not filed income-tax return under section 139(1) for the preceding year and aggregate of TDS and TCS in his case is INR 50,000 or more in the said year.

Residency provisions

Resident investors

- An individual is said to be a resident in India if he is in India during a year for 182 days or more; or has within the four years preceding that year, been in India for 365 days or more and is in India for 60 days or more in that year. In the case of a citizen of India or a person of Indian origin who comes to India on a visit, the threshold of 60 days (as mentioned above) gets replaced with 182 days.
- The Finance Act has partly amended the provisions of section 6 of the ITA. Pursuant to the amendment, in the case of a citizen of India or person of Indian origin, having total income (other than income from foreign sources) exceeding INR 15 lakhs, the period of 60 days as mentioned above is replaced with 120 days (all the other conditions mentioned remain the same).

Further, a new clause has been added by the Finance Act, according to which a citizen of India, having total income (other than income from foreign sources) exceeding INR 15 lakhs during a previous year, is deemed to be a resident in India for that previous year, if he is not liable to tax in any other country by reason of his domicile or residence in that country.

- A HUF, partnership firm or AOP is said to be resident in India in any previous year in every case except where the control and management of its affairs is situated wholly outside India.
- A Company is said to be a resident in India in the previous year if (i) it is an Indian Company; or (ii) its place of effective management ('POEM') during that year is in India. Every other person is said to be resident in India during the previous year in every case except where the control and management of affairs is situated wholly outside India.
- A resident investor is subject to tax in India on its global income. In the case of a resident but not ordinarily resident individual, any income which accrues/ arises outside India is not to be subjected to tax in India, unless it is derived from a business/ profession controlled from India.

G. Advance tax obligations

It will be the responsibility of the investors to meet the advance tax obligation payable on the due dates prescribed under the ITA.

H. It is envisaged that the following streams of income may be earned by the clients/ investors

- i. Dividend income on shares/ income distributed w.r.t. mutual fund units;
- ii. Interest income on debt securities;
- iii. Gains arising on transfer of securities;
- iv. Premium on redemption; and
- v. Gains arising on buy-back of shares.

I. Gains characterised as capital gains

The ITA, provides for a specific mechanism for computation of capital gains. Capital gains are computed by deducting from the sale consideration, the cost of acquisition and certain other expenses. The tax payable on capital gains depends on whether the capital gains are long-term or short-term in nature.

Depending on the period for which the securities are held, capital gains earned by the Investors are treated as short-term or long-term capital gains. The taxability of capital gains is discussed below:

| Type of instrument | Period of holding | Characterisation |
|---|-----------------------------------|--------------------------|
| Listed Securities (other than a unit), units of equity-oriented mutual funds, units of Unit Trust of India and Zero- Coupon bonds | More than twelve (12) months | Long-term Capital Asset |
| | Twelve (12) months or less | Short-term Capital Asset |
| Shares of a company (other than shares listed on a recognised stock exchange) | More than twenty-four (24) months | Long-term Capital Asset |
| | Twenty-four (24) or less | Short-term Capital Asset |
| Other securities | More than thirty-six (36) months | Long-term Capital Asset |
| | Thirty-six (36) months or less | Short-term Capital Asset |

J. Premium on redemption

There are no specific provisions contained in the ITA, regarding the characterization of the premium received on redemption of debentures. Redemption premium earned on account of redemption of Non-Convertible Debentures/ Optionally Convertible Debentures may be classified as capital gains or interest. The characterization of premium on redemption of debentures as interest or a capital gain has to be decided based on factors surrounding the relevant case and within the framework of the following features:

- The term of the loan
- The rate of interest expressly stipulated for (whether at arm's length, whether contains premium over risk free rate of return, etc.)
- The nature of the risk undertaken
- Interest rate risk (e.g. changes in prevailing market interest rates)
- Capital risk (e.g. risk of loss of capital)
- Industry risk (real estate being quite volatile sector)
- Limited exit opportunities
- Country risk (e.g. economic risks - slowdown in economic growth or macro-economic imbalances, political instability and related risks, laws and tax related risks - retrospective amendments)
- Currency risk - adverse change in exchange rate

Where redemption premium is characterized as capital gains, tax rates applicable w.r.t. capital gains apply (as discussed above). If redemption premium is characterized as interest, the tax rates applicable w.r.t. interest applies.

K. FATCA Guidelines

According to the Inter-Governmental Agreement read with the Foreign Account Tax Compliance Act (FATCA) provisions and the Common Reporting Standards (CRS), foreign financial institutions in India are required to report tax information about US account holders and other account holders to the Indian Government.

The Indian Government has enacted rules relating to FATCA and CRS reporting in India. A statement is required to be provided online in Form 61B for every calendar year by 31 May.

The Reporting Financial Institution is expected to maintain and report the following information with respect to each reportable account:

- a. the name, address, taxpayer identification number [(‘TIN’) (assigned in the country of residence)] and date and place of birth [‘DOB’ and ‘POB’ (in the case of an individual)];
- b. where an entity has one or more controlling persons that are reportable persons:
 - i. the name and address of the entity, TIN assigned to the entity by the country of its residence; and
 - ii. the name, address, DOB, POB of each such controlling person and TIN assigned to such controlling person by the country of his residence;
- c. account number (or functional equivalent in the absence of an account number);
- d. account balance or value (including, in the case of a cash value insurance contract or annuity

- contract, the cash value or surrender value) at the end of the relevant calendar year; and
- e. the total gross amount paid or credited to the account holder with respect to the account during the relevant calendar year.

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

L. Goods and Services Tax

From July 1, 2017 onwards, India has introduced Goods and Service Tax (GST). Post introduction of GST, many Indirect tax levies (including service tax) have been subsumed within the GST regime.

GST is applicable on services provided by the Portfolio Manager. GST rate on such services is currently 18%.

13. ACCOUNTING POLICY / VALUATIONS

13.1. Key accounting policies followed by the Portfolio Manager, while accounting for portfolio investments of the clients:

- (a) Investments are stated at cost of acquisition.
- (b) Transactions for purchase and sale of investments are recognized as of trade date. In determining the holding cost of investments and gain or loss on sale of investments, the "First in First Out" (FIFO) Method is followed.
- (c) Management fee is computed on daily Assets Under Management (AUM) (after considering expenses), charged on pro rata basis on any infusion and withdrawal at annual rates as per the agreement between the client and portfolio manager.
- (d) Variable management fees, if any, shall be computed at an annualized rate at the end of the financial year based on the portfolio returns (realized and unrealized), subject to High Water Marking principle, earned during the period and are charged to the profit and loss account. Absolute returns are annualized (for clients introduced during the year) for the purpose of variable management fees calculations in accordance with the terms of the portfolio services agreement.
- (e) Operational expenses are accrued on a daily basis. These expenses are charged as per rates and methodology mentioned in the agreement between the client and portfolio manager.
- (f) Interest on corporate bonds is accrued on daily basis. In case of non-performing securities, no interest is accrued since the date of default and the interest accrued till the date of default is written off. The income on these securities is accounted for on receipt basis.
- (g) Redemption Premium is accrued on daily basis. In case of non-performing securities, no premium is accrued since the date of default and the premium accrued till the date of default is written off.. Due to the contingent nature of variable component of redemption premium, if any, it is accounted for on receipt basis
- (h) Investments in listed shares will be valued at the closing market prices on the BSE. If the Securities are not traded on the BSE on the valuation day, the closing price of the Security on the NSE will be used for valuation of Securities. In case of the Securities that are not traded on the valuation date, the last available traded price shall be used for the valuation of securities.
- (i) Unrealized gains/ losses are the differences between the current market values/NAV and the historical cost of the securities inclusive of fees/charges.
- (j) Transactions for purchase or sale of investments will be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction should be recorded, in the event of a purchase, as of the date on which the portfolio obtains an enforceable obligation to pay the price or, in the event of a sale, when the portfolio obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.
- (k) The cost of investments acquired or purchased will include brokerage, stamp charges and any charge customarily included in the broker's bought note. In respect of privately placed debt instruments any front-end discount offered will be reduced from the cost of the investment.
- (l) Dividends on shares will be accounted on ex-dividend date and dividends on units in mutual funds will be accounted on receipt of information from the mutual fund house and interest, stock lending fees earned etc., will be accounted on accrual basis. The interest on debt instruments will be accounted on accrual basis.

- (m) The Portfolio Manager and the Client can adopt any specific norms or methodology for valuation of investments or accounting the same as may be mutually agreed between them on a case to case basis.

The following Valuation Guidelines will be applied for the portfolio investments of clients:

1. Traded Shares

If on a valuation date share is traded, then closing price of principal stock exchange shall be considered. In case the prices are not available from Principal Stock exchange, then any other stock exchange shall be considered. These shall include the Equity shares including Indian Depository Receipts) and other instruments, as the case may be.

2. Not traded on Valuation date

In case a share is not traded on a valuation date, latest closing price of either principal / secondary or any other stock exchange would be used, provided such date is not more than 30 days prior to the valuation date. This process to be reviewed by the Valuation Committee every 30 days

3. Unlisted Shares

Unlisted shares would be valued at cost of acquisition.

4. Warrants

- i) In case of the warrants been traded separately they would be valued as an equity share and valued accordingly.
- ii) In case of the non-traded warrants, the warrants will be valued at the value of the share which would be obtained on exercise less the amount payable on exercise of the warrant.
- iii) On exercise of warrant , the warrants would be transferred to the normal equity and valued accordingly.

5. Rights

If the rights are traded separately then the traded price is the valuation price. If rights are not traded separately then the rights would be valued as follows.

Rights would be valued as per the following formula:

$$Vr = n * (Pex - Pof), \text{ where}$$

Vr = Value of rights

n = no. of rights offered

Pex = Ex - rights price

Pof = Rights Offer price

If the rights are on non traded shares or unlisted shares then the rights would be valued at zero market price.

6. Valuation of Suspended/Non traded Share / Corporate Actions

In case a security is suspended/non-traded/ awaiting Corporate Actions, then the Valuation of such security shall be done on the basis of good faith relying upon prevailing practices elsewhere. The Valuation Committee shall take note of such methodology and accordingly value the security.

7. Valuation of Mutual Funds

- Investments in Mutual Funds shall be valued at the latest available NAV of the respective scheme.
- Investment in Exchange listed (ETF) shall be valued at the closing price on the relevant exchange. If on a valuation date Exchange Traded Funds (ETF) is not traded either on the

primary or secondary stock exchange, ETF shall be valued at the latest available NAVs of the ETF Scheme.

8. Futures and Options

The instruments shall be valued as per the last traded prices available from the relevant stock exchange. In case not available, then the settlement price as disclosed by the exchange or as computed by applying internal models shall be used.

9. Structured Offerings

- Structured Offerings have an inbuilt contingency incorporated wherein on the occurrence of the contingent condition; no coupon payment may be paid out on the security. However, on the Trigger Date, a Coupon is Frozen.
- On receipt of the Crystallisation letter from the issuer, the security shall be valued considering the coupon. Till this time the security is valued at the cost of acquisition. However, no interest accruals shall be made in the valuation of the instrument

10. Zero Coupon Bonds

Zero coupon bonds would be valued at the cost price plus accrual on a quarterly basis at the yield to maturity rate.

11. Pass Through Certificates

Pass through Certificates would be valued at the cost price plus accrual on a quarterly basis at the Yield to Maturity rate.

12. Government Securities

Central and State Government securities shall be valued at the aggregated prices as available from CRISIL/ICRA. Any other Valuation requirements While the guidelines have been framed keeping into account the current practices and instruments, in case new instruments and/or new practices develop, the valuation of such instruments shall be done on the principles as laid down by the Valuation Committee, if any.

13. Unlisted Debt Securities

Unlisted debt securities/investments are valued at amortized book cost including redemption premium, if any.

13.2. Maintenance of funds

Books of accounts would be separately maintained in the name of the Client as are necessary to account for the assets and any additions, income, receipts and disbursements in connection therewith, as provided under the Regulations. The principle of going concern is applied while recording transactions and in preparation of financial statements. In line with SEBI circular No. IMD/DOF I/PMS/Cir- 4/2009 dated 23 June 2009, the Portfolio Manager may keep the funds of all Clients in a separate bank account maintained by the Portfolio Manager subject to the following conditions:

- (a) There are clear segregation of each client's fund through proper and clear maintenance of back office records;
- (b) Portfolio Managers does not use the funds of one client for another client;

- (c) Portfolio Managers also maintains an accounting system containing separate client-wise data for their funds and provide statement to clients for such accounts at least on monthly basis; and
- (d) Portfolio Manager reconciles the client-wise funds with the funds in the aforesaid bank account on daily basis.

13.3. **Maintenance of portfolio**

In case of investments in both listed and unlisted Securities by the Portfolio Manager on behalf of its Clients, the Portfolio Manager shall maintain separate Depository Account for each Client by the end of the day on which the Securities were purchased by the Portfolio Manager.

13.4. **Account Statement**

A statement of Portfolio will be sent by either ordinary post / courier / email to each Client stating the details of transaction undertaken on a quarterly basis within 30 (thirty) days after the end of the quarter or at the requested frequency of the Client as per the Agreement (“**Account Statement**”).

13.5. **Receiving Account Statement / Correspondence By E-Mail**

The Portfolio Manager may send account statements and any other correspondence using email as the mode for communications as may be decided from time to time. It is deemed that the Client is aware of all security risks including possible third party interception of Account Statement and content of the Account Statement becoming known to third parties. The Client may at any time request for a physical copy of the Account Statement.

The Portfolio Manager may also undertake to accept non-commercial transactions such as change in address, change in bank details, change in mode of payment etc received through email, provided the request is sent by the Client from the same email address which is registered with the Portfolio Manager.

13.6. **Nomination Facility**

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

The Nomination facility extended under the Discretionary Portfolio Management Services is in accordance with SEBI instructions and subject to other applicable laws. The single / joint/ surviving holders can subsequently write requesting for a nomination form in order to nominate any person to receive the benefits of the Portfolio upon his / her / their death, subject to completion of necessary formalities. Further, if either the Portfolio Managers incur any loss whatsoever arising out of any litigation or harm that it may suffer in relation to the nomination, they will be entitled to be indemnified absolutely from the deceased holders estate. Upon the demise of the holder, the benefits of the Portfolio would be transmitted in favor of the nominee subject to the nominee

executing suitable indemnities in favor of the Portfolio Manager and necessary documentation to the satisfaction of the Portfolio Manager.

Clients are advised to read the instructions carefully before nominating. The Portfolio Manager can call for such documents from the nominee as deemed necessary.

13.7. **Transmission of Portfolio**

A person becoming entitled to the investments under the Portfolio in consequence of the death, insolvency or winding up the sole holder or the survivors of joint holders, upon producing evidence and documentation to the satisfaction of the Portfolio Manager and upon executing suitable indemnities in favor of the Portfolio Manager, shall be registered as a Client of the Portfolio Manager.

14. **INVESTOR SERVICES**

14.1. **Name, address and telephone number of the investor relations officers who shall attend to the investor queries and complaints.**

Name : Joviet Rodrigues
Address : 19th Floor, Tower-1, One International Finance Center, Senapati Bapat Road, Mumbai – 400 013
Telephone : 022- 61891372
Email : joviet.rodrigues@sammaancapital.com

The official mentioned above will ensure prompt Investor services. The Portfolio Manager will ensure that these officials are vested with the necessary authority, independence and the wherewithal to handle Investor complaints.

14.2. **Grievance Redressal And Dispute Settlement Mechanism**

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

SEBI has introduced an online platform “SCORES” (i.e. SEBI Complaints Redress System) where Clients can lodge complaints against the registered intermediaries. Investors can register / lodge complaints online on the SCORES (SEBI Complaints Redress System) portal <http://scores.gov.in/> by clicking on “complaint registration” (<https://scores.gov.in/scores/complaintRegister.html>).

Dispute Settlement Mechanism: All disputes, differences, claims and questions whatsoever arising between the Client and the Portfolio Manager and/or their respective representatives shall be settled in accordance with and subject to the provisions of The Arbitration and Conciliation Act 1996, or any statutory requirement, modification or re-enactment thereof. Such Arbitration proceedings shall be held at Mumbai or such other place as the Portfolio Manager thinks fit. The Arbitration proceedings shall be conducted in English.

The Agreement with the Client shall be governed by, construed and enforced in accordance with the laws of India. Any action or suit involving the Agreement with a Client or the performance of the Agreement by the either party of its obligations will be conducted exclusively in courts located within the city of Mumbai in the State of Maharashtra.

15. DETAILS OF INVESTMENTS IN THE SECURITIES OF RELATED PARTIES OF THE PORTFOLIO MANAGER

Please note that the Portfolio Manager is not invested in the securities of its associates or related parties. Further, the Portfolio Manager is not intending to invest in any of securities of its associates or related parties except the parking of funds pending investment in the liquid/overnight schemes of Indiabulls Mutual Fund.

| Security | Limit for investment in single associate/related party (as percentage of client's AUM) | Limit for investment across multiple associates/related parties (as percentage of client's AUM) |
|-----------------|--|---|
| Debt Securities | Nil | Nil |

16. DIVERSIFICATION POLICY

The Portfolio Manager's Diversification Policy puts in place the considerations and rules intended to minimize the concentration risk in the client's portfolio by allocating funds in multiple asset types or by specifying caps for individual security based on the investment strategy of the Investment Approach. The Portfolio Manager shall allocate funds dynamically across various sectors.

Further, any investments made by the Portfolio Manager into associates/ related parties of the Portfolio Manager shall be with the prior consent of the Client and in accordance to the SEBI Circular SEBI/HO/IMD/IMD-I/DOF1/P/CIR/2022/112 dated August 26, 2022 or as notified by SEBI from time to time.

17. PREVENTION OF MONEY LAUNDERING

- 17.1. Prevention of Money Laundering Act, 2002 ("**PML Act**") came into effect from July 1, 2005 vide Notification No. GSR 436(E) dated July 1, 2005 issued by Department of Revenue, Ministry of Finance, Government of India. Further, SEBI vide its circular No. ISD/CIR/RR/AML/1/06 dated January 18, 2006 mandated that all intermediaries including Portfolio Managers should formulate and implement a proper policy framework as per the guidelines on anti-money laundering measures and also to adopt a "Know Your Customer" ("**KYC**") policy. The intermediaries may, according to their requirements specify additional disclosures to be made by Clients for the purpose of identifying, monitoring and reporting incidents of money laundering and suspicious transactions undertaken by clients. SEBI has further issued circular no. ISD/CIR/RR/AML/2/06 dated March 20, 2006 advising all intermediaries to take necessary steps to ensure compliance with the requirement of section 12 of the PML Act requiring *inter alia* maintenance and preservation of records and reporting of information relating to cash and suspicious transactions to Financial Intelligence Unit-India ("**FIU-IND**"). The PML Act, the Rules issued thereunder and the guidelines/circulars issued by SEBI thereto, as amended from time to time, are hereinafter

collectively referred to as “**AML Laws**”.

- 17.2. The Client(s), including guardian(s) where Client is a minor, should ensure that the amount invested through the services offered by the Portfolio Manager is through legitimate sources only and does not involve and is not designated for the purpose of any contravention or evasion of the provisions of the Income Tax Act, 1961, AML Laws, Prevention of Corruption Act, 1988 and/or any other applicable law in force and also any laws enacted by the Government of India from time to time or any rules, regulations, notifications or directions issued there under.
- 17.3. To ensure appropriate identification of the Client(s) under its KYC policy and with a view to monitor transactions in order to prevent money laundering, the Portfolio Manager 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. It may re-verify identity and obtain any incomplete or additional information for this purpose, including through the use of third party databases, personal visits, or any other means as may be required for the Portfolio Manager to satisfy themselves of the investor(s) identity, address and other personal information.
- 17.4. The Client(s) and their attorney(ies), if any, shall produce reliable, independent source documents such as photographs, certified copies of ration card/passport/driving license/PAN card, etc. and/or such other documents or produce such information as may be required from time to time for verification of the personal details of the Client(s) including inter alia identity, residential address(es), occupation and financial information by the Portfolio Manager. If the Client(s), their attorney(ies) or the person making payment on behalf of the Client(s), refuses/fails to provide the required documents/information within the period specified by the Portfolio Manager then the Portfolio Manager shall have absolute discretion to freeze the account of the Client(s), reject any application(s) and effect mandatory repayment/returning of assets of the account of the Client(s) subject to the fees payable to the Portfolio Manager, if any. The Portfolio Manager shall also, after application of appropriate due diligence measures, have absolute discretion to report any transactions to FIU-IND that it believes are suspicious in nature within the purview of the AML Laws and/or on account of deficiencies in the documentation provided by the Client(s) and the Portfolio Manager shall have no obligation to advise investors or distributors of such reporting. The KYC documentation requirements shall also be complied with by the persons becoming the client by virtue of operation of law e.g. transmission, etc.
- 17.5. 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 account/rejection of any application or mandatory repayment/returning of funds/asset of the account due to non-compliance with the provisions of the AML Laws and KYC policy and/or where the Portfolio Manager believes that transaction is suspicious in nature within the purview of the AML Laws and/or for reporting the same to FIU-IND.

18. ACTS DONE IN GOOD FAITH

- 18.1. Any act, thing or deed done in good faith in pursuance of or with reference to the information provided in the application or other communications received from the Client will constitute good and full discharge of the obligation of the Portfolio Manager.
- 18.2. In cases of copies of the documents / other details such as list of authorised signatories, that are

submitted by a limited company, body corporate, registered society, trust or partnership, if the same are not specifically authenticated to be certified true copies but are attached to the application form and / or submitted to the Portfolio Manager, the onus for authentication of the documents so submitted shall be on such investors and the Portfolio Manager will accept and act on these in good faith wherever the documents are not expressly authenticated. Submission of these documents /details by such investors shall be full and final proof of the corporate Client's authority to invest and the Portfolio Manager shall not be liable under any circumstances for any defects in the documents so submitted.

- 18.3. In cases where there is a change in the name of such Client, such a change will be effected by the Portfolio Manager only upon receiving the duly certified copy of the revised Certificate of Incorporation issued by the relevant Registrar of Companies / registering authority. In cases where the changed PAN number reflecting the name change is not submitted, such transactions accompanied by duly certified copy of the revised Certificate of Incorporation with a copy of the old Pan Card and confirmation of application made for new PAN Card will be required as a documentary proof.

19. Foreign Account Tax Compliance Act (FATCA)

The Hiring Incentives to Restore Employment Act (the "Hire Act") was signed into US law in March 2010. It includes provisions generally known as FATCA. The intention of these is that details of U.S. investors holding assets outside the US will be reported by financial institutions to the IRS, as a safeguard against U.S. tax evasion. As a result of the Hire Act, and to discourage non-U.S. financial institutions from staying outside this regime, financial institutions that do not enter and comply with the regime will be subject to a 30% penalty withholding tax with respect to certain U.S. source income (including dividends) and gross proceeds from the sale or other disposal of property that can produce U.S. source income. Sections 1471 through 1474 of the U.S. Internal Revenue Code impose a 30% withholding tax on certain payments to a foreign financial institution ("FFI") if that FFI is not compliant with FATCA. The Company is a FFI and thus, subject to FATCA. Beginning 1 July 2014*, this withholding tax applies to payments to the Company that constitute interest, dividends and other types of income from U.S. sources (such as dividends paid by a U.S. corporation) and beginning on 1 January 2017, this withholding tax is extended to the proceeds received from the sale or disposition of assets that give rise to U.S. source dividend or interest payments. These FATCA withholding taxes may be imposed on payments to the Company unless (i) the Company becomes FATCA compliant pursuant to the provisions of FATCA and the relevant regulations, notices and announcements issued thereunder, or (ii) the Company is subject to an appropriate Intergovernmental Agreement to improve international tax compliance and to implement FATCA. The Company intends to comply with FATCA in good time to ensure that none of its income is subject to FATCA withholding. * or such date as may be applicable India has entered into Inter Governmental Agreement ("IGA") with USA on 9th July 2015 and has notified Income Tax rules for compliance with FATCA regulations. Further, India has also signed a multilateral agreement on June 3, 2015, to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters under the Common Reporting Standard (CRS). The Portfolio Manager intends to take any measures that may be required to ensure compliance under the terms of the IGA and local implementing regulations. In order to comply with its FATCA/CRS obligations, the Company will be required to obtain certain information from its investors so as to ascertain their tax status. If the investor is a specified person, or does not provide the requisite documentation, the Company may need to report information on these investors to the appropriate tax authority, as far as legally permitted. If an investor or an intermediary through which it holds its interest in the Company either fails to provide the Company, its agents or authorized representatives with any correct, complete and accurate information that may be

required for the Company to comply with FATCA/CRS, the investor may be subject to withholding on amounts otherwise distributable to the investor, may be compelled to sell its interest in the Company or, in certain situations, the investor's interest in the Company may be sold involuntarily. The Company may at its discretion enter into any supplemental agreement without the consent of investors to provide for any measures that the Company deems appropriate or necessary to comply with FATCA/CRS, subject to this being legally permitted under the IGA or the Indian laws and regulations. Other countries are in the process of adopting tax legislation concerning the reporting of information. The Company also intends to comply with such other similar tax legislation that may apply to the Company although the exact parameters of such requirements are not yet fully known. As a result, the Company may need to seek information about the tax status of investors under such other country's laws and each investor for disclosure to the relevant governmental authority. Investors should consult their own tax advisors regarding the FATCA/CRS requirements with respect to their own situation. In particular, investors who hold their Units through intermediaries should confirm the FATCA/CRS compliance status of those intermediaries to ensure that they do not suffer FATCA/CRS withholding tax on their investment returns.

20. CLIENT INFORMATION

- 20.1. The Portfolio Manager shall presume that the identity of the Client and the information disclosed by him is true and correct. It will also be presumed that the funds invested by the Client through the services of the Portfolio Manager come from legitimate sources / manner and the investor is duly entitled to invest the said funds.
- 20.2. Where the funds invested are for the benefit of a person (beneficiary) other than the person in whose name the investments are made and/or registered, the Client shall provide an undertaking that the Client is holding the funds/Securities in his name is legally authorized/entitled to invest the said funds through the services of the Portfolio Manager, for the benefit of the beneficiaries.
- 20.3. Notwithstanding anything contained in this Document, the provisions of the Regulations and the guidelines there under shall be applicable.
- 20.4. Investors are advised to read the Document carefully before entering into an agreement with the Portfolio Manager.
- 20.5. The contents of this disclosure document had been certified by Chartered Accountant.

For Indiabulls Investment Management Ltd.

Sd/-
Ajai Kumar
Director

Sd/-
Ambar Maheshwari
Director

Date: August 5, 2024
Place: Mumbai

ANNEXURE I | RELATED PARTY TRANSACTIONS**(a) Name of related parties****• Ultimate Holding company**

Sammaan Capital Ltd (earlier known as Indiabulls Housing Finance Ltd.)

• Fellow Subsidiaries/Associates

| |
|---|
| Indiabulls Insurance Advisors Ltd (IBIAL) |
| Indiabulls Capital Services Limited |
| Indiabulls Commercial Credit Limited (Formerly known as Indiabulls Infrastructure Credit Limited) |
| Ibulls Sales Limited |
| Indiabulls Advisory Services Limited |
| Indiabulls Collection Agency Ltd |
| Indiabulls Asset Holding Company Limited |
| Indiabulls Holdings Limited (IHL) |
| Nilgiri Investmart Services Limited (Formerly Nilgiri Financial Consultants Limited) |

(b) Transaction with related parties

| Particulars | Period ending March 31, 2024 (INR Thousands) |
|--|---|
| Unsecured loan given | 12,32,500.00 |
| Managerial remuneration | 49,421.33 |
| Sitting fees | 1,160.00 |
| Interest on intercorporate deposit given | 37,150.69 |
| Interest on intercorporate deposit taken | 27.40 |

ANNEXURE II | PORTFOLIO MANAGER'S FINANCIAL PERFORMANCE

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

i. BALANCE SHEET

Summarized Financial Statement - Balance Sheet

| Particulars | As on March 31, 2024 (INR Thousands) | As on March 31, 2023 (INR Thousands) | As on March 31, 2022 (INR Thousands) |
|-------------------------------|---|---|---|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | 18,18,482.96 | 17,82,915.76 | 14,29,723.38 |
| Non- Financial Liabilities | 51,646.29 | 73,539.99 | 19,866.61 |
| Financial Liabilities | 40,186.34 | 48,722.73 | - |
| ASSETS | | | |
| Non- financial Assets | 1,42,282.24 | 1,02,673.72 | 80,731.02 |
| Financial Assets | 17,68,033.34 | 18,02,504.76 | 13,68,858.97 |

ii. PROFIT AND LOSS STATEMENT

Summarized Financial Statement – Profit & Loss A/c.

| Particulars | For the Year Ended March 31, 2024 (INR Thousands) | For the Year Ended March 31, 2023 (INR Thousands) | For the Year Ended March 31, 2022 (INR Thousands) |
|--|--|--|--|
| Total Income | 4,00,592.08 | 6,41,015.93 | 2,38,526.22 |
| Total expenses | 3,48,306.13 | 1,62,204.60 | 1,69,300.28 |
| Profit/(Loss) Before Tax | 52,285.96 | 4,78,811.33 | 69,225.94 |
| Provision for Tax Expense /(Credit) | 16,989.63 | 1,20,744.41 | 17,456.33 |
| Profit/(Loss) after tax | 35,296.33 | 3,58,066.92 | 51,769.61 |

Net-worth of the Company as on March 31, 2024: Rs. 181,67,47,850/-

Note:

The audited financial statements shall be made available on request.