Portfolio Management Services – Disclosure Document

(For Private Circulation Only)

The Disclosure Document for Portfolio Management Services by PropShare Capital Advisors Private Limited, registered with SEBI to act as Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993, bearing Registration No. INP00006800.

This Disclosure Document has been filed with the Securities and Exchange Board of India along with a certificate in the prescribed format in terms of Regulation 22 of the Securities and Exchange Board of India (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 PropShare Capital Advisors Private Limited as a Portfolio Manager.

The 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.

The Principal Officer designated by the Portfolio Manager is:

Mr Kunal Moktan

Telephone No.: +918042283385

E-mail: kunal.moktan@propsharecapital.com

Date: March 12, 2020
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1. **DISCLAIMER**

The particulars of Disclosure Document have been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 and filed with 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 the document.

2. **DEFINITIONS**

"Applicable Laws" means the laws of the Republic of India and includes rules and regulations issued pursuant to and under such laws, including the PMS Regulations.

"Agreement" or "Portfolio Management Services Agreement" or "PMS Agreement" means the portfolio management agreement executed between the Portfolio Manager and its Clients in terms of Regulation 22 and Schedule IV of PMS Regulations.

"Board" or "SEBI" means the Securities and Exchange Board of India.

"Client" or "Investor" means any person who enters into an agreement for availing the Portfolio Management Services offered by the Portfolio Manager.

"Custodian(s)" means custodian of securities, duly holding a certificate of registration under the SEBI (Custodian of Securities) Regulations, 1996 and acting as the custodian of the Portfolio, or any other custodian with whom the Portfolio Manager or the Client enters into an agreement for the provision of custodial services.

"Discretionary Portfolio Management Services" means a portfolio management services where the Portfolio Manager exercises or may, under a contract relating to portfolio management, exercise any degree of discretion as to the investment or management of the portfolio of securities or the Funds of the Client, as the case may be.

"Disclosure Document" or "Document" means this document prepared pursuant to Regulation 22 and in accordance with Schedule V of the PMS Regulations disclosing inter-alia following: (i) performance of the Portfolio Manager; (ii) portfolio risks including risk specific to each investment approach offered by the Portfolio Manager; (iii) the quantum and manner of payment of fees payable by a Client; (iv) complete disclosures of transactions with related parties as per accounting standards specified by the Institute of Chartered Accountants of India; (v) details of conflicts of interest related to services offered by group companies or associates of the Portfolio Manager; and (v) disclosures in relation to the business and disciplinary history of the Portfolio Manager as well as the terms and conditions on which any advisory services are being offered and affiliations with other intermediaries, etc.

"Funds" means the monies managed by the Portfolio Manager on behalf of the Client pursuant to the PMS Agreement and includes the investment amount as mentioned in account opening form, any monies placed by the Client from time to time for the purposes of being managed pursuant to the PMS Agreement, the proceeds of the sale or other realization of the Portfolio and interest, dividends and other monies arising from the portfolio investments, so long as the same is managed by the Portfolio Manager.


"Non-Discretionary Portfolio Management Services" means a portfolio management services where a Portfolio Manager acts on the instructions received from the Client with regard
to investment of Funds of the Client under a contract relating to portfolio management and will exercise no discretion as to the investment or management of the Portfolio.

"PMS Regulations" means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.

"Portfolio Manager" means PropShare Capital Advisors Private Limited, a private company incorporated under the Companies Act, 2013.

"Portfolio" means all the total holdings of securities managed by the Portfolio Manager on behalf of the Client pursuant to the PMS Agreement and includes any securities mentioned in the PMS Agreement, any further securities placed by the Client with the Portfolio Manager for the purposes of being managed pursuant to such Agreement, securities acquired by the Portfolio Manager through investment of Funds and bonus and rights shares on account of any corporate actions in respect of Securities forming part of the Portfolio, so long as the same are managed by the Portfolio Manager pursuant to the PMS Agreement.

"Portfolio Management Services" means Discretionary Portfolio Management Services or Non-Discretionary Portfolio Management Services as offered by the Portfolio Manager.

"RBI" shall mean the Reserve Bank of India.

"SEBI Act" means the Securities and Exchange Board of India Act, 1992

3. DESCRIPTION

3.1 History, Present Business And Background Of The Portfolio Manager

(a) PropShare Capital Advisors Private Limited is a company incorporated under the Companies Act, 2013 on August 31, 2018, having its registered office at #26 SBI Colony 1st Block, Koramangala Bangalore, Karnataka 560034.

(b) The Portfolio Manager is promoted by PropertyShare Online Platform Private Limited ("PSOP").

(c) The Portfolio Manager has been granted registration by SEBI vide Registration No. INP000006800 dated July 01, 2019 to act as Portfolio Manager under SEBI (Portfolio Managers) Regulations, 1993.

3.2 Promoters of the Portfolio Manager, Directors and their Background

3.2.1 Promoters

(a) PropShare Capital Advisors Private Limited is a wholly owned subsidiary of PSOP, a private limited company incorporated under the laws of India with its registered office located at E715, 7th A Main, Raheja Residency, Koramangala, Bangalore, Karnataka - 560034.

(b) PSOP is a technology start-up company that owns and operates an online technology platform, which enables registered users desirous of acquiring a commercial real estate asset to browse its database of such assets. PSOP may also act as a distributor for the Portfolio Manager for its products and schemes.
### Directors of the Portfolio Manager

<table>
<thead>
<tr>
<th>Name of the Directors</th>
<th>Qualification</th>
<th>Brief Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Kunal Moktan (DIN: 05009696)</td>
<td>PGDM (IIM Ahmedabad), B.Com (Hons)</td>
<td>Prior to establishing the Portfolio Manager, Kunal was an investment professional and founding member of the Blackstone Group's India office (&quot;Blackstone Group&quot;). During his 7 year tenure with the Blackstone Group, his principal responsibilities included sourcing, analysing and executing investment opportunities in public and private companies in India, making complicated financial models and detailed investment memos for Blackstone Group’s investment committee in New York, negotiating with promoters, working with accounting firms and lawyers on structure, due-diligence and execution, and attending board meetings as part of asset management post investment. Kunal was part of the team that invested more than $1 billion into equity, debt and mezzanine securities at the Blackstone Group.</td>
</tr>
<tr>
<td>Mr. Hashim Qadeer Khan (DIN: 07301820)</td>
<td>PGDM (IIM Ahmedabad), B.Tech (IIT Kanpur)</td>
<td>Prior to establishing the Portfolio Manager, Hashim worked as the head of technology in the middle eastern conglomerate MH Alshaya where he worked closely with the chief operating officer, chief financial officer and division heads to establish shared expectations between business and information technology (&quot;IT&quot;) and ensure maximum business value from IT investments. During his tenure at MH Alshaya, his responsibilities included developing corporate and IT strategies, objectives, principles and tactics, in-line with the overall corporate strategy, planning and supporting business process improvement initiatives, analyzing and reworking existing business processes and devise metrics to measure improvements, planning the setup, maintenance and expansion of corporate data-centre, integrated network infrastructure, data access and information security, developing and maintaining the IT budget, evaluating the feasibility of new IT acquisitions (both hardware and software), implementing and supporting SAP in a complex environment – across legal entities, countries and business lines, developing policies and procedures for service levels, escalation and outsourced services, providing coaching and mentoring to project staff, IT manager and administrators to inculcate a spirit of team work, customer</td>
</tr>
<tr>
<td>Name of the Directors</td>
<td>Qualification</td>
<td>Brief Experience</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Mr. Vaibhav Agarwal</td>
<td>MBA (Stanford University), Internal medicine (Nair Hospital and Topiwala National Medical College)</td>
<td>centric approach and service and providing day-to-day supervision, goal setting and performance monitoring for all IT staff.</td>
</tr>
<tr>
<td>(DIN: 03118213)</td>
<td></td>
<td>Vaibhav Agarwal is a partner at Lightspeed India Partners, a venture capital fund based out of Silicon Valley (&quot;Lightspeed&quot;). Prior to Lightspeed, Vaibhav was a technology entrepreneur and founder of a digital platform to simplify home-based care delivery.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vaibhav completed his MBA from Stanford University, United States of America post which he worked as an associate with McKinsey and Co. in San Francisco and as an investment professional at Aspada Investments, a venture capital fund. At Lightspeed, Vaibhav has invested in technology start-ups like FastFox, Innovacer, Shuttl, EkAnek among others. Vaibhav is a partner at Lightspeed Venture Partners, a blue-chip venture fund headquartered out of Silicon Valley. He has over 10 years' experience in operating and investing in a diverse group of businesses of which the last 3 years have been at Lightspeed's India office.</td>
</tr>
<tr>
<td>Mr. Rohit Jain</td>
<td>M.S. (University of North Carolina), B. Tech (IIT Delhi)</td>
<td>Rohit brings with him with over 14 years of experience in software and internet industry building products in social, mobile, data analytics, and distributed systems areas. He has led products from initial conceptualization stage to launch in high performance environments in both early stage startups and established global companies. He has a good understanding of technologies in big data infrastructure, cloud platforms, and information retrieval with applications in search and advertising.</td>
</tr>
<tr>
<td>(DIN: 06876642)</td>
<td></td>
<td>Rohit has worked in companies such as Microsoft (2 years), IBM India (4.5 years), Yahoo, Google (5 years), Zambeel (2 years), MobiSoc (1 year) and was a co-founder of MobiSoc, a start-up in the field of mobile advertising. While at SAIF Partners (approximately 3 years), he served on the boards of Coverfox, Walnut, GoZoomo, TravelTriangle, etc. and was an advisor and observer to the boards of Appiterate, Urban Company and Industry Buying.</td>
</tr>
</tbody>
</table>
3.3 Top 10 Group Companies/firms of the Portfolio Manager on turnover basis*

<table>
<thead>
<tr>
<th>Name of the Entity</th>
<th>Turnover*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Share Online</td>
<td>Rs.65,26,989</td>
</tr>
<tr>
<td>Platform Private Limited</td>
<td></td>
</tr>
</tbody>
</table>

*The above list is based on the turnover of the group companies/firm of PropShare Capital Advisors Private Limited as per the audited accounts for financial year ended March 2019

3.4 Services Offered

3.4.1 Discretionary Portfolio Management Services

(a) Under the Discretionary Portfolio Management Services, the choice as well as the timings of the investment decisions rest solely with the Portfolio Manager and the Portfolio Manager can exercise any degree of discretion in the investments or management of assets of the Client in accordance with the PMS Agreement. The Securities invested / disinvested by the Portfolio Manager for Clients may differ from client to client.

(b) The Portfolio Manager’s decision (taken in good faith) in deployment of the Client’s Fund’s is absolute and final and can never be called in question or be open to review at any time during the currency of the PMS Agreement or at any time thereafter except on the ground of fraud, malafide actions, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the Applicable Laws.

3.4.2 Non-Discretionary Portfolio Manager Services

(a) Under the Non-Discretionary Portfolio Manager Services, the investment decisions of the Portfolio Manager and the Portfolio will be managed as per the PMS Agreement, and the express instructions issued by the Client from time to time. The Portfolio Manager shall execute orders as per the mandate received from the Client. The Client will have complete discretion to decide on the investment (stock quantity and price or amount). The Portfolio Manager inter alia manages transaction execution, accounting, providing research, investment advice, recording or corporate benefits, valuation and reporting aspects on behalf of the Client entirely at the Client’s risk.

(b) The Portfolio Manager shall invest in and manage the Portfolio of the Client at the instruction of the Client, but always subject to the PMS Regulations. The Portfolio Manager will provide the Client with investment recommendations that it considers are fit and in accordance with the terms of the PMS Agreement.

(c) The Portfolio Manager shall make recommendations to the Client to invest in any one or a combination of financial instruments such as equity, bonds, debentures, mutual fund units, fixed deposits, derivatives instruments, etc. to meet specific requirements of the Client. Only after receiving the approval of the Client shall the Portfolio Manager invest in any one or a combination of the above-mentioned financial instruments. The Portfolio Manager shall provide investment recommendations to the Client in accordance with the investment specifications agreed with the Client from time to time.
(d) The Client accepts that the restrictions it may impose on investments may restrict or prevent the Portfolio Manager from making recommendations which may reduce the likelihood of achieving the investment objectives. The Portfolio Manager shall invest or disinvest or hold the securities in accordance with the Client’s instructions and confirmation.

(e) The Portfolio Manager must act in a fiduciary capacity and will provide services in compliance with the PMS Regulations and any other Applicable Laws.

3.4.3 Eligible Fund Manager to Eligible Investment Funds

Under these services, the Portfolio Manager shall provide fund management services to eligible investment funds subject to the agreement executed between the eligible investment fund and the Portfolio Manager acting as eligible fund manager, and always subject to the Income Tax Act, 1961 (“IT Act”) and other Applicable Laws, as amended from time to time.

3.4.4 Advisory Services

(a) Under these services, the Portfolio Manager advises the Client on investments in general or any specific advice required by the Client and as agreed upon in the PMS Agreement. The Portfolio Manager will render the best possible advice to the Client having regard to the Client’s needs and the environment, and his own professional skills. The same can be binding or non-binding in nature or in such terms as mentioned in the PMS Agreement. For such services, the Portfolio Manager charges the Client a fee for services rendered mentioned in the PMS Agreement. The advice may be either general or specific in nature and may pertain to a particular Portfolio.

(b) The Portfolio Manager shall be solely acting as an advisor in respect of Portfolio of the Client and shall not be responsible for the investment/divestment of securities and/or administrative activities of the Client’s Portfolio.

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

4.1 All cases of penalties imposed by SEBI or the directions issued by SEBI under the SEBI Act, rules or regulations made thereunder - NIL

4.2 The nature of the penalty/direction - NIL

4.3 Penalties/fines imposed for any economic offence and/or for violation of any securities laws - NIL

4.4 Any pending material litigation/legal proceedings against the portfolio manager/key personnel with separate disclosure regarding pending criminal cases, if any - NIL

4.5 Any deficiency in the systems and operations of the Portfolio Manager observed by SEBI or any regulatory agency - NIL

4.6 Any enquiry/adjudication proceedings initiated by SEBI 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 SEBI Act or rules and regulations made thereunder –
4.6.1 For Portfolio Manager, its directors, principal officers or employees: **NIL**

4.6.2 For person directly or indirectly connected with the Portfolio Manager or its directors, principal officer or employees: **NIL**

5. **SERVICES OFFERED**

5.1. **Investment Objective**

The investment objective of the Portfolio Manager is to carry on the activities of a non-discretionary portfolio manager and recommend for investment in mezzanine instruments, equity shares, preference shares, convertible or non-convertible debentures (whether listed or unlisted), bonds, and other instruments of companies/entities based in India to generate risk adjusted returns for its Clients.

5.2. **Description on type of Securities**

Subject to Applicable Law, the indicative type of Securities on which Non-Discretionary Portfolio Management Services are proposed to be rendered shall include mezzanine instruments, equity shares, preference shares, convertible or non-convertible debentures (whether listed or unlisted), bonds, and other instruments of companies/entities based in India. A brief description of these type of Securities are set out below:

5.2.1 **CorePlus: Low Risk - Regular Income with Capital Growth**: Invest in listed or unlisted securities or special purpose vehicles that provide regular monthly, quarterly or annual returns through dividends or interest with a potential to earn further upside through capital appreciation.

5.2.2 **ValueAdded: Medium Risk - Capital Growth**: Invest in listed or unlisted securities or special purpose vehicles with potential to earn significant upside through capital appreciation. While these securities may provide regular income, the strategy will focus more on capital appreciation.

5.2.3 **Debt**: Invest in debt securities with Loan-to-value (LTV) of 50-60% that provide a fixed interest of 8-12% at regular intervals.

5.2.4 **Mezzanine Debt**: Invest in debt securities with Loan-to-value (LTV) of 50-75% that provide a fixed interest of 6-10% at regular intervals in addition to upside linked to performance of the underlying asset.

5.3. **Basis of selection of types of Securities**

The Portfolio Manager shortlists an investment opportunity by applying its investment criteria to the various opportunities. These include criteria such as the expected yield, potential for capital appreciation, exit capabilities etc.

5.4. **Allocation of Portfolio**

Subject to Applicable Law, the Client’s exposure to the securities recommended by the Portfolio Manager shall be as follows:

<table>
<thead>
<tr>
<th>Unlisted</th>
<th>Listed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 25% of the Portfolio</td>
<td>Remaining</td>
</tr>
</tbody>
</table>
5.5. Investment Horizon

3 to 5 years.

5.6. Investment in group companies

The Portfolio Manager shall not, in the ordinary course of business, make or recommend to be made, investments in its group companies. If the Portfolio Manager invests or recommends investment in its group companies, it shall formulate a policy for the same and shall do so in compliance with such policy and Applicable Laws.

6. RISK FACTORS

6.1 Investment Related

6.1.1 Securities investment are subject to market risks and there is no assurance or guarantee that the objective of investments of the Client will be achieved.

6.1.2 Past performance of the Portfolio Manager does not indicate future performance of the Portfolio or performance of any other future portfolio(s) of the Portfolio Managers:

(a) Risk arising from the investment approach, investment objective, investment strategy and asset allocation are as follows: The value of the Portfolio can go up or down depending on the factors and forces affecting the capital market, the underlying asset through which the securities derive their value, the investee company, and general economic risk and the Portfolio Manager is not responsible or liable for losses resulting from the operations of the Portfolios;

(b) The liquidity of the Portfolio investments are inherently restricted by trading volumes in the securities in which the investment is made and in certain cases, such as unlisted securities, a market for such securities may not exist;

(c) Investment in derivatives, in accordance with the PMS Regulations, exposes the Client to a high degree of risk. There is a risk that losses maybe sustained by the relevant Portfolio as a result of the failure of another party to comply with the terms of the derivative contract. Other risks that may arise in derivatives include credit risk, market liquidity, risk of improper/incorrect valuation, basis risk, settlement risk etc.

6.2 Non-Diversification Risk: The investment objective of the Portfolio could result into concentration on a specific asset/asset class/sector/issuer etc., which could expose the Portfolio to undesired diversification.

6.3 The Portfolio Manager has recently received SEBI registration certificated on July 1, 2019. Hence, as on date, it has no previous experience or track record in providing Portfolio Management Services.

7. CLIENT REPRESENTATION

<table>
<thead>
<tr>
<th>Category of Clients</th>
<th>No. of Clients</th>
<th>Funds managed (Rs. Cr)</th>
<th>Discretionary/ Non-Discretionary PMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associates/Group companies (Last 3 Years)</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Nature Relationship of Others (last 3 years) *</td>
<td>663</td>
<td>232.29</td>
<td>Non-Discretionary</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>-----</td>
<td>--------</td>
<td>----------------------------</td>
</tr>
<tr>
<td>Total</td>
<td>663</td>
<td>232.29</td>
<td>Non-Discretionary</td>
</tr>
</tbody>
</table>

* The Portfolio Manager is incorporated on August 31, 2018 and has received registration from SEBI on July 01, 2019. The information provided above is based on data from November 2019 to March 2020.

7.1. Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India

<table>
<thead>
<tr>
<th>Nature Relationship</th>
<th>Name of related party</th>
<th>Nature of Transaction</th>
<th>Amount (in Rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holding company</td>
<td>PropertyShare Platform Limited</td>
<td>Online Private Investment</td>
<td>Rs. 9,99,00,000</td>
</tr>
<tr>
<td>Holding company</td>
<td>PropertyShare Platform Limited</td>
<td>Online Private Reimbursement expenses (Profession Tax)</td>
<td>Rs. 42, 200</td>
</tr>
<tr>
<td>Related party</td>
<td>PropertyShare Platform Limited</td>
<td>Online Private Reimbursement expenses</td>
<td>Rs. 6,02,432</td>
</tr>
</tbody>
</table>

The above information is provided as at March 12, 2020.

8. GENERAL RISK FACTORS

8.1 Conflict of Interest

The Portfolio Manager may have direct or indirect interest in the entities, the securities of which entity may be recommended by the Portfolio Manager to the Clients for purchasing. In certain cases, the entities whose securities are recommend for purchase by the Client may have been promoted or incorporated by the directors, shareholders or employees of the Portfolio Manager.

8.2 Equity and Equity Related Risks

Equity instruments carry both company specific and market risks and hence no assurance of returns can be made for these investments. While the Portfolio Manager shall take all reasonable steps to invest the Funds in a prudent manner in such instruments, such decisions shall not always prove to be profitable or correct. Consequently, the Client shall assume any loss arising from such decisions. The investment made by the Portfolio Manager are subject to risks arising from the investment approach, investment objective, investment strategy and asset allocation.

8.3 Macro-Economic risks

Overall economic slowdown, unanticipated corporate performance, environmental or political problems, changes to monetary or fiscal policies, changes in government policies and regulations with regard to industry and exports may have direct or indirect impact on the investments, and consequently the growth of the Portfolio.
8.4 Liquidity Risk

Liquidity of investments in equity and equity related securities are often restricted by factors such as trading volumes, settlement periods and transfer procedures. If a particular security does not have a market at the time of sale, then the scheme may have to bear an impact depending on its exposure to that particular security. While securities that are listed on a stock exchange generally carry a lower liquidity risk, the ability to sell these investments is limited by overall trading volume on the stock exchange. Money market securities, while fairly liquid, lack a well-developed secondary market, which may restrict the selling ability of such securities thereby resulting in a loss to the Portfolio until such securities are finally sold. Additionally, in the event the Client has invested in unlisted securities, there is no guarantee that the Portfolio Manager will be able to find a purchaser for such securities or benchmark the price for purchase for such securities (as there won’t be a market for the same).

8.5 Credit Risk

Debt securities are subject to the risk of the issuer’s inability to meet the principal and interest payments on the obligations and may also be subject to the price volatility due to such factors as interest sensitivity, market perception, or the credit worthiness of the issuer and general market risk.

8.6 Interest Rate Risk

Interest rate 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.

8.7 Force Majeure Risk

In certain cases, the value of securities may be impacted by external factors such as acts of state, eminent domain, or sovereign action, acts of nature, acts of war, civil disturbance, which may affect the liquidity of securities and value of underlying asset.

8.8 Capital Risk

The Client stands the risk of total loss of value of an asset which forms part of the Portfolio due to factors which by way of illustration include default or non-performance of a third party, company’s refusal to register a Security due to legal stay or otherwise, disputes raised by third parties.

8.9 Derivative Risks

The derivatives will entail a counter party risk to the extent of amount that can become due from the party. The cost of hedge can be higher than adverse impact of market movements. An exposure to derivatives in excess of hedging requirements can lead to losses. An exposure to derivatives can also limit the profits from a genuine investment transaction. Efficiency of a derivatives market depends on the development of a liquid and efficient market for underlying securities and also on the suitable and acceptable benchmarks.

8.10 Reinvestment Risk

This risk arises from the uncertainty in the rate at which cash flows from an investment may be reinvested. This is because the bond will pay coupons, which will have to be reinvested. The
rate at which the coupons will be reinvested will depend upon prevailing market rates at the
time the coupons are received.

8.11 Non-Diversification Risk

The risk arises when the Portfolio is not sufficiently diversified by investing in a wide variety
of instruments. Further, in certain cases, the Portfolio Manager may only be able to source
investment opportunities in certain geographies, which may lead to concentration and thereby
increase non-diversification risk.

8.12 Mutual Fund Risk

This risk arises from investing in units of mutual funds. Risk factors inherent to equities and
debt securities are also applicable to investments in mutual fund units. In addition, events like
change in fund manager of the scheme, take over and mergers of mutual funds, foreclosure of
schemes or plans, change in government policies could affect performance of the investment in
mutual fund units.

8.13 Market Risk

Market values, liquidity and risk: return profile of investments (investment characteristics) in
equities are likely to fluctuate depending on performance of the industry, national and
international economies, regulations and changes therein - domestically and internationally,
events that are of significant impact such as war, terrorism, sanctions and trade embargoes,
natural calamities, acts of God etc. Market values, liquidity and yields of fixed and variable
income instruments are likely to fluctuate depending on the prevailing interest rates in the
market, liquidity preferences, impact cost changes, re-ratings of the issuer or the instruments,
competing instruments, etc.

8.14 Stock Specific Risk

Performance of the issuer companies will have significant influence on market prices of its
securities. This will further depend on, in addition to external factors, its own ability to perform,
management, changes therein, frauds by and on the management etc. These are known as
internal risks.

8.15 Transaction and Settlement Risk

The Portfolio faces additional risks such as timing risks, short delivery or delayed delivery from
markets, reduced liquidity, etc.

8.16 Portfolio Manager Competency Risk

The Portfolio faces risks based on management and operational efficiencies of the Portfolio
Manager i.e. the risk is based on ability of the Portfolio Manager in identifying opportunities
or misjudging trends and late investments and/ or early liquidations, either at a loss or at reduced
profits, or misjudging opportunities completely.

8.17 Allied Service Provider Risk

The Portfolio faces risks due to other service providers that the Portfolio Manager may engage
to render the services such as banking, broking, clearing and settlement, Custodian services,
courier services, auditing services etc.
8.18 **Portfolio Allied Operations Risk**

The Client also faces risks from usage of technology for recording transactions and accounts, communication of information to and fro, data computing and storage, leakages of data/information from various points including at the Portfolio Manager’s operations etc.

8.19 **Regulatory Risk**

Changes made by the government in any of the policy parameters, including in respect of taxation, etc., that affect working of companies, have positive/negative impact on market prices of those stocks and to that extent, in the value of the Portfolio. Such changes may also apply to the manner in which Portfolio is being operated and on taxability of profits made on divestment, tax treatment for dividends, etc.

8.20 **Real Estate Risk**

An investment in real estate sector is subject to certain risks associated with the ownership of real estate and the real estate industry in general, including: the burdens of ownership of real property; local, national and international economic conditions; the supply and demand for properties; the financial condition of tenants, buyers and sellers of properties; changes in interest rates and the availability of mortgage funds; changes in the Applicable Laws and fiscal and monetary policies; environmental claims arising in respect of properties acquired with unknown environmental problems; changes in real estate property tax rates; changes in energy prices; negative developments in the economy that depress travel activity; uninsured casualties; force majeure acts, terrorist events, under-insured or uninsurable losses; and other factors which are beyond the reasonable control of the Portfolio Manager. Many of these factors could cause fluctuations in occupancy rates, rent schedules or operating expenses, which may affect returns on investment. Additionally, in the event that the real estate asset is under development, there is a risk that the real estate asset may not be developed as per the timelines committed by the developer, or the development may never be completed. In case the real estate asset is not developed, the rent generation ability of such asset may be adversely impacted and consequently the returns of the investor will be impacted.

8.21 **Income Tax Risk**

There is a risk that the income tax authorities may recharacterize the income/returns provided to the Client, which may lead to higher incidence of direct and indirect tax. In certain circumstances where the securities purchased by the Client may derive their value from income generated from the underlying asset, the income tax authorities may have claims pending the underlying asset, which may impact the Client’s income/returns from such asset.

8.22 **Vacancy Risk**

In certain circumstances, the securities purchased by the Client may derive their value from income generated from the underlying asset. In such cases, the value and return on the securities may be impacted in case the underlying asset is not able to generate income, which may be due to various factors. Further, the Portfolio Manager may offer investment opportunities to other clients, which may compete with the investment made by the Client.

8.23 **Title Risk**

As a Portfolio Manager, we may appoint advisors and service providers to undertake due diligence of underlying asset, however, there is an inherent risk associated with any due diligence exercises as it relies on the vendor to provide all information, accurately and truthfully.
8.24 Litigation Risk

The value and marketability of the securities or the underlying asset may be impacted due to commencement of litigation in relation to the client, the issuer of security or the underlying asset through which the securities derive their value.

8.25 Key Person Risk

Key persons of the Portfolio Manager may be involved in various capacities (such as directors or shareholders) with the issuer of securities purchased by the Client and there may be a potential non-alignment or conflict of interest in such cases. Some of the transactions between the Portfolio Manager and the issuer of securities purchased by the Client will be treated as related party transactions.

9. THE FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER (BASED ON AUDITED FINANCIAL STATEMENT)

The Portfolio Manager is incorporated on August 31, 2018 and has received registration from SEBI on July 01, 2019.

Financial highlights of the Portfolio Manager for financial year 2018-2019 are set out below:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year Ended 31st March 2019 (Rs. In Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit/(Loss) before tax &amp; After Exceptional &amp; Extraordinary Items (Net of Tax)</td>
<td>12.90</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>2.97</td>
</tr>
<tr>
<td>Less: Provision for tax</td>
<td>0.47</td>
</tr>
<tr>
<td>Less: Deferred tax</td>
<td>-</td>
</tr>
<tr>
<td>Less: Wealth Tax</td>
<td>-</td>
</tr>
<tr>
<td>Less: Provision for Tax (for previous year)</td>
<td>-</td>
</tr>
<tr>
<td>Profit/(Loss) for the year after tax</td>
<td>13.37</td>
</tr>
<tr>
<td>Balance carried to Balance Sheet</td>
<td>13.37</td>
</tr>
</tbody>
</table>

10. PORTFOLIO MANAGEMENT PERFORMANCE OF THE PORTFOLIO MANAGER FOR THE LAST THREE YEARS AND IN CASE OF DISCRETIONARY PORTFOLIO MANAGER DISCLOSURE OF PERFORMANCE INDICATORS CALCULATED USING ‘TIME WEIGHTED AVERAGE RATE OF RETURN’ IN TERMS OF REGULATION 22 OF THE PMS REGULATIONS

The Portfolio Manager is incorporated on August 31, 2018 and has received registration from SEBI only on July 01, 2019. Hence, this section is not applicable.
11. AUDIT OBSERVATIONS

The Portfolio Manager is incorporated on August 31, 2018 and has received registration from SEBI on July 01, 2019. There are no audit observations for the financial year 2018-2019.

12. NATURE OF EXPENSES

12.1 Set out in this clause 13 are the indicative types of costs and expenses for clients availing the Portfolio Management Services.

12.2 The exact basis of charge relating to each of the following services shall be annexed to the PMS Agreement and the agreements in respect of each of the services availed at the time of execution of such agreements.

12.2.1 Investment management and advisory fees

The portfolio management fees relate to the Portfolio Management Services offered to the Clients. The fee may be a fixed fee or performance-based fee or a combination of both, as agreed by the Client in the PMS Agreement. Charges pertaining to partial withdrawal / closure would be levied as per the terms provided in PMS Agreement. It is to be noted that the fees charged to the Client with respect to Portfolio Management Services come under the ambit of “Fees for Technical and Professional Services” under section 194J of the IT Act. The Client shall deduct the tax on the fees and provide Portfolio Manager with the TDS certificate in Form 16A, within prescribed time limit laid down under the IT Act.

12.2.2 Transaction Costs

Transactions Cost: Brokerage and / or transaction cost on transactions would be levied at the prevailing rates charged by the brokers and /or any such other intermediary and applicable goods and services tax, stamp duty, securities transaction tax, turnover tax and any other levies thereon, may be levied, as may be applicable from time to time, subject to Applicable Laws.

12.2.3 Other Charges

Over and above the fixed fee, performance fee and the transactions cost as mentioned above, the Portfolio Manager would recover charges levied by the Custodian for acquiring, holding, sale and transfer of investments in de-materialised form (like custody charges, transaction charges, depository charges, out of pocket expenses, etc., at actuals), audit fees for auditing and reporting of individual Client's account and any other charges that the Portfolio Manager may have to incur while running the Portfolio Management Services. The above fees, transaction cost and other charges shall be recovered from the Client by raising invoices for such payments as and when they become due. These include:

(a) Custodian/Depository fees: The charges relating to opening and operation of dematerialized accounts, custody and transfer charges for shares, bonds and units, dematerialization and other charges in connection with the operation and management of the depository accounts would be at actual.

(b) Registrar and transfer agent fee: Charges payable to registrars 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 would be at actuals.

(c) Brokerage and transaction costs. The brokerage charges and other charges like service charge, stamp duty, transaction costs, turnover tax, exit and entry loads on the purchase
and sale of shares, stocks, bonds, debt, deposits, units and other financial instruments would be at actuals.

(d) Certification and professional charges payable for outsourced professional services like accounting, taxation and legal services, notarizations etc. for certifications, attestations required by bankers or regulatory authorities would be at actuals.

(c) Incidental expenses in connection with the inter alia courier expenses, stamp duty, goods and services Tax, postal, telegraphic, opening and operation of bank account would be at actuals.

(f) Audit fees: Actual charges levied by the auditor, to be recovered by the Portfolio Manager from the Client, based on any pre-determined criteria. Manner of payment of fees and/ or expenses: The Portfolio Manager shall recover all the fees, transactions cost and other charges as specified above, directly from the Client by raising invoices for such payments as and when they become due.

12.2.4 Indicative Expenses

<table>
<thead>
<tr>
<th>Nature of Expenses (Indicative)</th>
<th>Indicative Rate of Fee (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Management and Advisory fee</td>
<td>1% per annum of the Portfolio, if applicable</td>
</tr>
<tr>
<td>Performance Linked Fee</td>
<td>20% over a hurdle rate of 8% IRR.</td>
</tr>
</tbody>
</table>

“IRR” shall mean an internal rate of return calculated from the date of signing the PMS Agreement to the date of sale of the Portfolio using the Microsoft Excel XIRR function. All payments made to the Clients excluding taxes shall be factored in while computation of the IRR.

13. TAXATION

This document does not encompass detailed tax implication which are applicable/ relevant to Portfolio entities (i.e. the entities in which the funds are invested). However, a generic overview of tax implications in India as per the IT Act has been provided below.

13.1 Basic Tax Rates:

For resident individuals:

<table>
<thead>
<tr>
<th>Slab Rate For individuals (aged less than 60 years), Hindu undivided family, Association of persons and Body of individuals</th>
<th>Slab Rate For senior citizens (aged 60 years and above but less than 80 years)</th>
<th>Slab Rate For very senior citizens (aged 80 years or more)</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 250,000</td>
<td>Up to 300,000</td>
<td>Up to 500,000</td>
<td>NIL</td>
</tr>
<tr>
<td>--------------</td>
<td>--------------</td>
<td>--------------</td>
<td>-----</td>
</tr>
<tr>
<td>250,001 to 500,000</td>
<td>300,001 to 500,000</td>
<td>Not applicable</td>
<td>5%</td>
</tr>
<tr>
<td>500,001 to 1,000,000</td>
<td>500,001 to 1,000,000</td>
<td>500,001 to 1,000,000</td>
<td>20%</td>
</tr>
<tr>
<td>Above 1,000,000</td>
<td>Above 1,000,000</td>
<td>Above 1,000,000</td>
<td>30%</td>
</tr>
</tbody>
</table>

Rebate from income tax of Rs 12,500 or 100% of tax (whichever is less) for resident individual having total income <= 5,00,000

**Levy of surcharge on tax:**

- 10% for individuals having total income exceeding Rs. 50 Lakhs up to Rs. 1 Crores
- 15% for individuals having total income exceeding Rs. 1 Crore up to Rs. 2 Crores
- 25% for individuals having total income exceeding Rs. 2 Crore up to Rs. 5 Crore
- 37% for individuals having total income exceeding Rs. 5 Crore

Health and Education cess to be levied at 4% on tax (inclusive of surcharge, if any)

**For partnership firms (including limited liability partnerships)**

- Partnership firms are taxable at 30%.
- Surcharge on tax of 12% applicable in case where total income exceeds Rs. 1 Crore.
- Health and Education cess to be levied at 4% on tax (inclusive of surcharge, if any).

**For domestic companies**

- Domestic companies are required to compute income tax at 30%, except for companies whose total turnover or gross receipts in financial year 2017-18 did not exceed Rs. 400 Crores. Such companies are required to compute income tax at 25%.
- Where the income-tax payable on the total income, as per normal provisions of the Act, do not exceed 18.5% of the “Book profits” (determined as per prescribed formulae), domestic companies may also be liable to tax based on such “Book profits”. This is commonly known as tax paid under Minimum Alternative Tax provisions
- Surcharge on tax is applicable as follows:
  - at 7% if the total income exceeds Rs.1 Crore but does not exceed Rs.10 Crore.
  - at 12% if the total income exceeds Rs. 10 Crores.
- Health and Education cess to be levied at 4% on tax (inclusive of surcharge, if any).
13.2 **Gains on sale of Securities:**

- The characterization of gains on sale of Securities generally depends on characteristics of the securities i.e. whether the same are held as capital assets or stock in trade. If the securities are held as capital assets, the gains could be chargeable to tax as "capital gains" and if the securities are held as stock in trade, the gains could be chargeable to tax as "business income".

- In view of the above, income arising on sale of securities may either be characterized either as business income or capital gains, depending on the facts of each individual investor.

13.3 **Business Income**

If the gains are characterized as business income in the hands of the investors, then the same would be taxable at as per the tax rates in Clause 13.1 as applicable to the person on total income basis.

13.4 **Capital Gains**

The capital gains would be computed as under:

Sale consideration Rs. XXX

Less: Cost of acquisition/ Indexed cost of acquisition (as applicable) Rs. XXX

Less: Expenses on such transfer Rs. XXX

Capital gains Rs. XXX

**Tax implication in the hands of domestic investors on sale of shares would be as under:**

<table>
<thead>
<tr>
<th>PERIOD OF HOLDING</th>
<th>CHARACTERISATION</th>
<th>TAX RATE #</th>
</tr>
</thead>
</table>
| 12 months or less (in case of listed shares) and 24 months or less (in case of unlisted shares) | Short Term | 15%, in case of equity shares listed on a recognized stock exchange and the sale / transfer is subject to STT

Tax rates in Clause 13.1 as applicable to the person, in case the shares are not listed on any recognized stock exchange in India

More than 12 months (in case of listed shares) and more than 24 months (in case of unlisted shares) | Long Term | – In case of equity shares listed on a recognized stock exchange, long term capital gains may be taxed at 10%, on gains received from sale of equity shares exceeding Rs. 100,000 in a financial year.

However, in order to be taxed at 10%, STT shall be paid on both, purchase as well as sale, except for certain exempted modes of acquisition of equity shares notified
<table>
<thead>
<tr>
<th>PERIOD OF HOLDING</th>
<th>CHARACTERISATION</th>
<th>TAX RATE *</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>by the Central Government wherein STT has not been paid.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Resident individuals and Hindu Undivided Families (HUFs) having income below the basic exemption limits can reduce their tax liability arising under section 112A of IT Act to the tune of balance basic exemption limit available to them.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Capital gain under this section shall be computed without giving effect to indexation and foreign exchange fluctuation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The benefit of deductions under Chapter VI-A and rebate under section 87A of the IT Act shall not be allowed from such capital gains.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In case of unlisted shares, tax rate on capital gains would be 20% (after considering indexation).</td>
</tr>
</tbody>
</table>

* To be increased by surcharge as applicable and health and education cess at 4 %

**Tax implications in the hands of domestic investors on sale of listed debentures prior to maturity would be as under:**

<table>
<thead>
<tr>
<th>PERIOD OF HOLDING</th>
<th>CHARACTERISATION</th>
<th>TAX RATE *</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 months or less</td>
<td>Short Term</td>
<td>Tax rates in Clause 13.1 as applicable to the person irrespective of whether the sale is on the floor or off the floor of the stock exchange</td>
</tr>
<tr>
<td>More than 12 months</td>
<td>Long Term</td>
<td>10%, in case of debentures listed on a recognized stock exchange *.</td>
</tr>
</tbody>
</table>

*Note 1: The Indian tax authorities may seek to apply a higher rate of 20% (plus applicable surcharge and cess) without indexation on long-term capital gains arising on sale of listed bonds and debentures. Hence, it is recommended that this aspect be analyzed in detail before adopting any position.

* To be increased by surcharge as applicable and health and education cess at 4 %

**Tax implications in the hands of domestic investors on sale of unlisted debentures prior to maturity would be as under:**
<table>
<thead>
<tr>
<th>PERIOD OF HOLDING</th>
<th>CHARACTERISATION</th>
<th>TAX RATE*</th>
</tr>
</thead>
<tbody>
<tr>
<td>36 months or less</td>
<td>Short Term</td>
<td>Tax rates in Clause 13.1 as applicable to the person</td>
</tr>
<tr>
<td>More than 36 months</td>
<td>Long Term</td>
<td>20%</td>
</tr>
</tbody>
</table>

*To be increased by surcharge as applicable and health and education cess at 4 %

13.5 **Interest Income**

Interest income would be characterized as ‘business income’ or ‘income from other sources’ depending on whether the debentures are held as ‘capital assets’ or stock-in-trade. Further, gains arising on redemption of debentures may be treated as interest income.

13.6 **Dividend Income**

(a) Dividend declared by an Indian company is exempt from tax in the hands of its shareholders provided the company distributing the dividends has paid a dividend distribution tax as per the ITA.

(b) Additionally, as per provisions of Section 115BBDA of ITA, persons, other than domestic companies and certain prescribed trusts / institutions, are liable to 10% income tax (plus surcharge as applicable health and education cess at 4% on tax) if income by way of dividends, in aggregate, exceed Rs. 10 lakh per financial year.

13.7 **Capital Losses**

As per the provisions of the ITA, short term capital loss can be set off against both short term capital gains and long-term capital gains but long-term capital loss can be set off only against long term capital gains.

It is pertinent to note that, any long-term capital loss arising on sale of listed equity shares would also be eligible for set off against the long-term capital gains. The unabsorbed short term and long-term capital loss can be carried forward for 8 (eight) assessment years.

**For Non-Resident Indian Clients**

As per the relevant PMS agreement, all the investment from Non-Residents Indian (“NRI”) in Indian companies is going to be under non-repatriation route. The tax treatment for NRIs is broadly similar to tax treatment elucidated in 26.2 to 26.15 above, barring some changes, which are covered hereinafter.

The tax implications mentioned herein are effective as on the date of issue of this Document and may change due to modifications in existing legislation.

13.8 **Basic Tax Rates**

The following rates are applicable:
<table>
<thead>
<tr>
<th>Slab Rate (For non-resident individuals)</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs. 250,000</td>
<td>NIL</td>
</tr>
<tr>
<td>Rs. 250,001 to Rs. 500,000</td>
<td>5%</td>
</tr>
<tr>
<td>Rs. 500,001 to Rs. 1,000,000</td>
<td>20%</td>
</tr>
<tr>
<td>Above Rs. 1,000,000</td>
<td>30%</td>
</tr>
</tbody>
</table>

Levy of surcharge on tax:
- 10% for individuals having total income exceeding Rs. 50 Lakhs up to Rs. 1 Crores
- 15% for individuals having total income exceeding Rs. 1 Crore up to Rs. 2 Crores
- 25% for individuals having total income exceeding Rs. 2 Crore up to Rs. 5 Crore
- 37% for individuals having total income exceeding Rs. 5 Crore

Health and Education cess at 4% on tax respectively (inclusive of surcharge, if any)

13.9 **Transfer and Redemption of Debentures**

13.9.1 The characterization of gains/income earned on sale/redemption of debentures generally depends on characteristics of the debentures i.e. whether the same are held as capital assets or stock in trade, and whether the same are being transferred to a third party or are being redeemed by the issuing company.

13.9.2 If debentures are transferred to a third party prior to their maturity, and if the same have been held as capital assets, income arising from such transfer could be treated as capital gains. If debentures are transferred to a third party prior to their maturity, and if the same have been held as stock in trade, income arising from such transfer could be treated as business income.

13.9.3 Where the debentures are redeemed and if the same have been held as capital assets, the difference between the redemption price and the subscription price, could be treated as interest income and taxed under the head “income from other sources”. Where the debentures are held as stock in trade, the interest income could be taxed under the head “business income”.

13.9.4 Capital gains on listed debentures would be taxed as per the IT Act as under

<table>
<thead>
<tr>
<th>Period of holding</th>
<th>Nature of Income</th>
<th>Tax rate (Refer Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 months or less</td>
<td>Short Term</td>
<td>Tax rates in Clause 13.9 as applicable</td>
</tr>
<tr>
<td>More than 12 Months</td>
<td>Long Term</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Refer Note 2)</td>
</tr>
</tbody>
</table>
13.9.5 Capital gains on unlisted debentures would be taxed as per the IT Act as under

<table>
<thead>
<tr>
<th>Period of holding</th>
<th>Nature of Income</th>
<th>Tax rate (Refer Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>36 months or less</td>
<td>Short Term</td>
<td>Tax rates in Clause 13.9 as applicable</td>
</tr>
<tr>
<td>More than 36 months</td>
<td>Long Term</td>
<td>10%</td>
</tr>
</tbody>
</table>

Note 1: These tax rates are to be increased by surcharge as applicable and health and education cess at 4% on tax. Further, the tax rates for non-residents could be reduced based on rates applicable under the tax treaty.

Note 2: The Indian tax authorities may seek to apply a higher rate of 20% (plus applicable surcharge and cess) without indexation on long-term capital gains arising on sale of listed debentures. Hence, it is recommended that this aspect be analyzed in detail before adopting any position.

13.10 **Interest income earned from Debentures**

13.10.1 In case of NRI’s, though Section 115E provides for a beneficial rate of 20% plus applicable surcharge and cess in case of interest income from specified assets (which include debentures issued by Companies), there is a controversy around applying the beneficial rate since the specified asset would have to be acquired/subscribed/purchased in foreign currency. However, in this case, the investment in the specified asset, i.e. debentures issued by the companies would be in Indian currency only. Accordingly, the higher rates of 30% plus applicable surcharge and cess could be considered on a conservative basis.

13.10.2 The tax rates on interest income could be reduced based on rates applicable under the tax treaty.

13.10.3 Please note that provisions of IT Act require a non-resident to obtain a valid Tax Residency Certificate from the country of residence in order to claim the beneficial/reduced rates of taxes in the respective treaties.

Disclaimer: The tax information provided above is generic in nature and is subject to change from time to time. The actual tax implications for each Client could vary substantially from what is mentioned above, depending on the facts and circumstances of each case. From 1st April 2017, General Anti-avoidance Regulations (“GAAR”) are applicable which empowers tax authorities to disregard or combine or re-characterize any part or whole of a transaction/arrangement such that the transaction/arrangement gets taxed on the basis of its substance rather than its form if such arrangement gets classified as an impermissible avoidance arrangement. This could result in any tax benefit being denied, including denial of treaty benefits, shifting of residency of investors and/or re-characterization of capital gains income as any other classification. Accordingly, the Client would therefore be best advised to consult his/her tax advisor/consultant for appropriate advice on the tax treatment of his/her income or loss and the expenses incurred by him as a result of his investment in the Portfolio Management Service offered by the Portfolio Manager.

14. **ACCOUNTING POLICIES**

14.1 Books and records would be separately maintained in the name of the Client to account for the assets and any additions, income, receipts and disbursements in connection therewith, as provided by the PMS Regulations. Accounting under the respective Portfolios will be done in accordance with Generally Accepted Accounting Principles in India.
14.2 The Portfolio Manager and the Client can adopt any specific norm or methodology for valuation of investments or accounting for the same may be mutually agreed between them on a case specific basis.

14.3 The Portfolio Manager shall keep and maintain proper books of accounts, record and documents for each Client so as to explain transactions for each Client and to disclose at any point of the portfolio holding of each Client.

14.4 The following accounting policies will be applied for the Portfolio investments of Clients.

14.4.1 *Basis of Accounting*

The financial statements are prepared on an accrual basis of accounting under the historical cost convention.

14.4.2 *Use of estimates*

The preparation of financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and reported revenues and expenses for the year. Although these estimates are based on the management’s best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in outcomes different from the estimates. Difference between actual results and estimates are recognised in the period in which the results are known or materialise.

14.4.3 *Capital*

Capital represents infusions (net of withdrawals, if any) of cash/Securities contributed by the Client under the PMS Agreement.

14.4.4 *Investments*

(a) Accounting for investment transactions: Purchase and sale of investments are recorded on trade date basis, after considering brokerage, if any. Securities transaction tax levied on purchase/sale of Securities during the financial year is recognized as an expense in the books of accounts. Investments as on the balance sheet date are reflected at cost. Investments are allocated to the Client based on any pre-determined criteria at weighted average price of the day’s transaction.

(b) Bonus rights and splits are recorded on the respective ex-dates notified by the company.

14.4.5 *Revenue Recognition*

(a) Profit or loss on sale of investments is recognised on the date of transaction and is determined by applying the First in - First out principle.

(b) Dividend income is accounted for when unconditional right to receive is established.

(c) Interest on fixed deposits is accrued on a time proportionate basis at the underlying interest rates.

14.4.6 *Expenses*

All expenses are accrued and accounted on following basis:
<table>
<thead>
<tr>
<th>Audit Fees</th>
<th>Allocated based on any pre-determined criteria.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depository Charges &amp; Transaction Charges</td>
<td>At actuals based on actual invoice received from the Custodians.</td>
</tr>
<tr>
<td>Management fees &amp; Performance based fees</td>
<td>Accrued in accordance with the PMS Agreement entered with the Client.</td>
</tr>
<tr>
<td>Securities Transaction Tax</td>
<td>At actuals on basis of allocation of investment.</td>
</tr>
</tbody>
</table>

14.4.7 * Provision for tax *

No provision for tax has been made on the income earned during the period as per the PMS Agreement, all tax liabilities are the Client’s sole responsibility. Tax deducted at source on interest income is recorded on confirmation obtained from bank.

14.5 The above accounting policies are proposed to be consistently applied by the Portfolio Manager.

15. **INVESTOR SERVICES**

15.1 The contact details of the investor relation executive who shall attend to the investor queries and complaints:

Name: Jayanth Balamurugan

Correspondence Address: 10th Floor, SKAV Seethalakshmi, Kasturba Road 21/22, Bengaluru-56001, Bengaluru 560034

Email: invest@propsharecapital.com

Phone: (080) 4228 3385

15.2 In case of escalation, Client may also approach the compliance officer ("Compliance Officer") of the Portfolio Manager.

15.3 **Grievance redressal and dispute settlement mechanism**

15.3.1 In case the Client is not satisfied with the Portfolio Management Services provided by the Portfolio Manager, the Client may raise his/her grievance with the relevant investor relations executive ("Investor Relations Executive") by sending an email to invest@propsharecapital.com. The Investor Relation Executive will be the interface between the Portfolio Manager and the Client and will make best efforts to resolve the Client’s grievance satisfactorily within a period of 15 (fifteen) days.

15.3.2 In the event that the Investor Relations Executive is unable to resolve the grievance within the timeline stipulated above or the Client is not satisfied with the manner of resolution, the Client may escalate his/her grievance by sending an email to Hashim.Khan@propsharecapital.com with the details of the original grievance raised by the Client, the steps taken by the Investor Relation Executive to resolve it, and the reason why the Client is not satisfied with the resolution.
15.3.3 Upon receipt of the grievance by the Compliance Officer, the Compliance Officer shall take best efforts to resolve the same within a period of 15 (fifteen) days from the date of receipt of the grievance. In the event that the Compliance Officer is unable to resolve the grievance raised by the Client within a reasonable time, the Compliance Officer shall refer the dispute arbitration by commencing arbitration proceedings. Such dispute will be settled in accordance with the provision of the Arbitration and Conciliation Act, 1996 and shall be held at Bengaluru in English language by a sole arbitrator appointed by the Portfolio Manager.

15.3.4 The Client may lodge the complaint on SEBI’s web-based complaints redressal system, SCORES, on http://scores.gov.in/ or by raising a dispute under Portfolio Management Services Agreement by commencing arbitration proceedings.

15.3.5 Subject to the foregoing, all the legal actions and proceedings are subject to the jurisdiction of courts in Bengaluru only and are governed by Indian laws.

15.3.6 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.

Director: [Signature]
Name: Kunal Moktan
Place: Bangalore
Date: March 12, 2020

Director: [Signature]
Name: Hashim Qadeer Khan
Place: Bangalore
Date: March 12, 2020
FORM C
Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020

[Regulation 22]

PropShare Capital Advisors Private Limited

#26, SBI Colony 1st Block, Koramangala Bangalore, Karnataka 560034

(080) 4228 3385

invest@propsharecapital.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 document are true, fair and adequate to enable the investors to make a well-informed decision regarding entrusting the management of the portfolio to us / investment through the Portfolio Manager;

iii) the Disclosure Document has been duly certified by an independent chartered accountant - M/s C G R & Co, Bangalore, Phone: +91-9986037557, Membership No.: 234729 on March 12, 2020.

Date: March 12, 2020

Place: Bengaluru

Signature of the Principal Officer

(Mr. Kunal Moktan)
Address: E715, Raheja Residency, Koramangala 3rd Block, Bengaluru 560034
Auditor's Certificate

We were appointed by Propshare Capital Advisors Private Limited ('the Company') to examine and certify the information provided in the Disclosure Document for Portfolio Management services, to be submitted by the Company to Securities and Exchange Board of India (SEBI) under Regulation 22 of SEBI (Portfolio Managers) Rules and Regulations, 2020.

We have verified the attached Disclosure Documents of even date; of the Portfolio Management Services of the Company based on the books of accounts and other financial records maintained by the Company. Based on our verification and information provided by the management, we certify that disclosures made in the attached document are true, fair and adequate to enable the investors to make well-informed decisions.

This certificate is issued at the specific request of the company for the purpose of submitting the same to Securities and Exchange Board of India and sharing with clients.

for C G R & Co.
Chartered Accountants
ICAi Firm Registration No: 015078s

Chetan G.R.
Proprietor
Membership No: 234729
UDIN: 20234729AAAAD8907

Place: Bangalore
Date: March 12, 2020

Chetan G.R. | chetan.gottur@gmail.com | +91 99860 37557 | Firm Registration No.: 015078s | Membership No.: 234729