

## INVEXA CAPITAL LLP

### DISCLOSURE DOCUMENT

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

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#### I. Declaration:

- a) The Disclosure Document (hereinafter referred as the “**Document**”) has been filed with Securities and Exchange Board of India (“**SEBI**”) along with the certificate in the prescribed format in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020 (“**Regulations**”).
- b) 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 decision for engaging “Invexa Capital LLP” (hereinafter referred as the “**Portfolio Manager**”) as the portfolio manager.
- c) The Document contains the necessary information about the Portfolio Manager required by an investor before investing, and the investor may also be advised to retain the Document for future reference.
- d) The name, phone number, e-mail address of the principal officer as designated by the Portfolio Manager along with the address of the Portfolio Manager is as follows:

<b>PRINCIPAL OFFICER</b>	<b>PORTFOLIO MANAGER</b>
<b>Name :</b> Mr. Siddharth Shashikantbhai Shah	Invexa Capital LLP
<b>Phone :</b> +91 022 62673747	<b>Registered Address:</b> 151 A, Mittal Court, A Wing, 15 <sup>th</sup> Floor, Nariman Point, Mumbai – 400021, Maharashtra, India
<b>E-Mail :</b> siddharth@invexacapital.com	<b>Correspondance Address:</b> 11th Floor, Express Towers, Nariman Point, Churchgate, Mumbai – 400 021, Maharashtra, India

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### III. Contents:

#### 1. Disclaimer

- a) Particulars of this Document have been prepared in accordance with the Regulations as amended till date and filed with SEBI.
- b) 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

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

- (a) **Agreement:** means the portfolio management services agreement entered between the Portfolio Manager and the Client/Investor, as amended, modified, supplemented or restated from time to time together with all annexures, schedules and exhibits, if any.
- (b) **Applicable Laws:** means any applicable Indian statute, law, ordinance, regulation including the Regulations, rule, order, bye-law, administrative interpretation, writ, injunction, directive, judgment or decree or other instrument which has a force of law in India, as is in force from time to time.
- (c) **Capital Contribution:** means the sum of money or Securities or combination thereof, contributed by the Client for investments in accordance with the terms of the Agreement from time to time during the Term.
- (d) **Chartered Accountant:** means a Chartered Accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act.
- (e) **Client / Investor:** means such person(s) whose money or portfolio is advised or directed or managed by Portfolio Manager and is specified in Schedule I of the Agreement.
- (f) **Custodian:** means one or more custodian appointed by the Portfolio Manager, from time to time, for maintaining custody of funds and/or Securities of the Client.
- (g) **Disclosure Document or Document:** means this document filed by the Portfolio Manager with SEBI and issued to the Client as required under the Regulations and as may be amended by the Portfolio Manager from time to time.
- (h) **Distributor:** means a Person empaneled by the Portfolio Manager which refers clients to the Portfolio Manager in lieu of commission/charges.
- (i) **Eligible Investor:** means individuals, company, body corporate, partnership firm, association of persons, limited liability partnership, trust, hindu undivided family and such other persons as may be deemed by the Portfolio Manager, to be eligible to avail of the services of the Portfolio Manager from time to time under the PMS.

- (j) **Exit Load:** means the withdrawal charge/s payable to the Portfolio Manager in accordance with the terms of the Agreement and this Document.
- (k) **Investment Approach:** is a broad outlay of the type of securities and permissible instruments to be invested in by the Portfolio Manager for the Client, taking into account factors specific to Clients and securities and includes any of the current investment approach or such investment approach that may be introduced by the Portfolio Manager, from time to time.
- (l) **Management Fee:** means the management fee payable to the Portfolio Manager in accordance with the terms of the Agreement and this Document.
- (m) **Performance Fee:** means the performance-linked fee payable to the Portfolio Manager in accordance with the terms of the Agreement and this Document.
- (n) **Portfolio or Client Portfolio:** means the total holdings of Securities and goods belonging to the Client in accordance with the Agreement.
- (o) **Portfolio Entity** means companies, enterprises, bodies corporate, or any other entities in the Securities of which the monies from the Client Portfolio are invested subject to Applicable Laws.
- (p) **Portfolio Investments:** means investments in Securities of one or more Portfolio Entity/ies made by the Portfolio Manager on behalf of the Client under the PMS from time to time.
- (q) **Portfolio Manager:** means Invexa Capital LLP, a limited liability partnership incorporated under the provisions of the Limited Liability Partnership Act, 2008 and having its registered office at 151 A, Mittal Court, A Wing, 15<sup>th</sup> Floor, Nariman Point, Mumbai – 400021, Maharashtra, India, which pursuant to a contract or arrangement with a Client/Investor, advises or directs or undertakes on behalf of the Client/Investor (whether as a discretionary Portfolio Manager or otherwise) the management or administration of a portfolio of securities or the funds of the Client/Investor, as the case may be.
- (r) **Principal Officer:** means an employee of the Portfolio Manager who has been designated as such by the Portfolio Manager and is responsible for:
  - (i) the decisions made by the Portfolio Manager for the management or administration of Portfolio of Securities or the funds of the Client, as the case may be; and
  - (ii) all other operations of the Portfolio Manager.
- (s) **PMS:** means the portfolio management services provided by the Portfolio Manager in accordance with the terms and conditions set out in the Agreement, this Document and subject to Applicable Laws.
- (t) **PML Laws:** means the Prevention of Money Laundering Act, 2002, Prevention of Money-laundering (Maintenance of Records) Rules, 2005, the guidelines/circulars issued by SEBI thereto as amended and modified from time to time.

- (u) Regulations:** means the SEBI (Portfolio Managers) Regulations, 2020 as amended and modified from time to time and including any circulars/notifications issued pursuant thereto.
- (v) Securities:** shall mean and include securities listed or traded on a recognized stock exchange, money market instruments, units of mutual funds or other securities as specified by SEBI from time to time.
- (w) SEBI** shall mean the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act, 1992.
- (x) Term:** means the term of the Agreement as reflected in the respective Agreement entered with the Client by the Portfolio Manager.

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

### 3. Description

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

The Portfolio Manager is a limited liability partnership incorporated under the Limited Liability Partnership Act, 2008 on April 27, 2020 at Mumbai. It has a portfolio manager license (**INP000007137** registration number) to offer investment management, portfolio management (discretionary and non-discretionary) and advisory services to high net-worth individuals (HNIs), institutional clients, corporates and other permissible class of investors (both domestic and offshore).

#### **(ii) Promoters of the Portfolio Manager, directors and their background**

##### **1. Promoters of the Portfolio Manager**

As the Portfolio Manager is incorporated as a limited liability partnership, there are no promoters in the Portfolio Manager.

##### **2. Partners of the Portfolio Manager**

###### **(a) Mr. Madhusudan Murlidhar Kela**

Mr. Madhusudan Kela is one of the most well-known and seasoned investors in the Indian capital markets, with three decades of accumulated experience and a world-class track record of delivering superior risk-adjusted returns. He has received several accolades for his contribution to Indian equities, including Best Fund Manager, received from the Prime Minister of India. He also actively provides strategic inputs and mentoring to a lot of domestic and global HNIs and corporates

Until 2017, Madhu was the Chief Investment Strategist at Reliance Capital, one of India's leading NBFCs. Madhu joined Reliance Group in 2001 and was instrumental in scaling up their asset management business. He built the investment team from scratch at Reliance Mutual Fund, handpicking key personnel. Under his leadership, RMF's AUM grew to a staggering 1 lakh Cr. from less than 200 Cr., in less than a decade. Reliance's flagship scheme delivered a CAGR of approximately 28% between 2001 and 2017 compared to India's S&P BSE 100 benchmark returns of 15% per annum. The scheme has delivered over 100x return since inception, making it one of the

most successful in India's history. Madhu also played a critical role in forging Reliance Capital's strategic relationships with global players like Nippon Life & Sumitomo Mitsui.

Previously, Madhu has also worked with institutions such as UBS, Peregrine Securities and Motilal Oswal.

Madhu left Reliance Group in 2017, to setup a proprietary investment vehicle, MK Ventures, along with a few of his direct reports at Reliance Group. Together, the team has worked over last 3 years to implement a robust set of processes and focused approach to investing. In April 2020, they set up a limited liability partnership Invexa Capital LLP, to manage and advise external funds including from both domestic and offshore investors.

Madhu's views are actively sought by several industry leaders, and he is also on board the Venture Capital Investment Committee for SIDBI's Fund of Funds for Startups. Besides investing, Madhu also devotes a part of his energies towards contributing back to the society, through his association with Isha Foundation and Konark Cancer Foundation.

Madhu has completed Bachelor of Commerce from Pt. Ravishankar Shukla University, Raipur and Masters in Management Studies – Finance from KJ Somaiya Institute of Management.

#### **(b) Mr. Tushar Pradeep Bohra**

Mr. Tushar Bohra has 15+ years of cross-functional, cross-industry work-experience, including 7 years in Consulting engagements and 8+ years in Investing.

Tushar leads the team's investment initiatives in Pharma / Healthcare and Telecom and has also extensively evaluated investments in other sectors including Automotive, Chemicals, IT, Consumer and Real Estate, amongst others. He also tracks emerging technologies such as in the automotive sector (connected, autonomous, shared and electric), energy (renewables), pharma (gene therapy, biotechnology), leading to proprietary investments in these sectors. Besides, he has played an important role in shaping the team's investment philosophy.

Before setting up Invexa / MK Ventures, Tushar was AVP – Investments at Reliance Capital Ltd., where he was part of the investment team at Reliance Nippon Life Asset Management. Previously, he also worked at Accenture Management Consulting and Tata Consultancy Services Ltd.

Tushar holds a BE (Electronics & Telecommunications) from Mumbai University and an MBA (PGDM) from the Indian Institute of Management Calcutta, which is ranked amongst the top 3 business schools in India.

Besides investing, Tushar is also very passionate about writing, and maintains his own blog (<https://thestormcatcher.com>). He has also authored a book titled "Ouch! Middle Age!", available on Amazon Kindle. Tushar is also active with the alumni associations at his school and college.

#### **(c) Mr. Sumit Bhalotia**

Mr. Sumit Bhalotia has over 13 years of experience across the Financial Services, Oil & Gas, Telecom and IT sectors. This includes 10 years' experience in equity research and fund management.

Sumit leads the team's initiatives in BFSI. Sumit has also been instrumental in developing a number of the team's proprietary models and market assessment tools. He closely tracks disruptions in existing businesses and emerging technologies, especially in fintech, which has led to some of the firm's key investments in this space. Besides being a passionate stock picker, Sumit also spends a lot of time understanding the deep complexities of the global financial markets and leverages this knowledge to ensure the broader direction is understood.

Before setting up Invexa / MK Ventures, Sumit was AVP – Investments at Reliance Capital Ltd. He has also worked at CRISIL, IOCL and Cognizant Technology as an ERP consultant. He holds degrees in MBA (Finance), CFA, and BTech (Computer science)

Besides investing, Sumit is an avid reader and fitness enthusiast

**(d) Mr. Siddharth Shashikantbhai Shah**

Mr. Siddharth Shah has over 13 years of experience in equity research and fund management. Besides listed equities, he also has a deep understanding of private equity, structured credit and real estate investments.

Siddharth leads the team's initiatives in Metals, Infrastructure and Real Estate, and also has a deep understanding of the Capital Goods and Consumer sectors. He has been instrumental in shaping the firm's investment and risk management processes. He has also been on the board of directors of a few proprietary startup investments to ensure close monitoring, strategic planning and best corporate governance standards.

Prior to joining MK Ventures, Siddharth was AVP – Investments at Reliance Capital Ltd and Director at Reliance Corporate Advisory Services Ltd. He has also worked at ICRA Ltd and Kotak Securities Ltd. He holds degrees in MBA (Finance) from NMIMS, CFA, FRM and BE (Electronic & Communications)

**(e) Mr. Sunny Bharat Gosar**

Mr. Sunny Gosar has 8 years of experience in equity research and management consulting.

Sunny is responsible for the team's investment initiatives in Cement and Media and also has extensive experience in Financials, Automotive and Consumer sectors. Besides this, he helps develop and maintain the proprietary screening models.

Prior to joining MK Ventures, Sunny was an equity analyst at Reliance Capital Ltd. Earlier, he has also worked at Universal Consulting.

Sunny has a Bachelor of Commerce degree from Mumbai University. He has also completed his Chartered Accountant (CA) and Chartered Financial Analyst (CFA) courses. He scored an All India 16th Rank in his CA final exams.

Sunny is very passionate about sports and adventure activities and is a regular trekker and marathoner

**(iii) Top 10 Group companies/firms of the Portfolio Manager on turnover basis (latest audited financial statements may be used for this purpose)**

1. Shantakaram Financial Advisory Services Private Limited
2. Parthasarathi Financial Advisory Services Private Limited
3. Sound Capital Markets Limited
4. MK Ventures

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

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

The client has an option to onboard with Invexa Capital LLP either directly or through a distributor

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

**(a) Discretionary Services:**

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

Portfolio Manager shall invest funds of the client only in the securities listed or traded on a recognized stock stock exchange, money market instruments, units of Mutual Funds and other securities as specified by Board from time to time, on behalf of their clients.

Money Market Instruments includes commercial paper, trade bill, treasury bills, certificate of deposit and usance bills, among others.

Portfolio Manager may invest in units of Mutual Funds (only through Direct Plan) and no distribution fees will be charged to the client.

**(b) Non - Discretionary Services:**

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

Portfolio Manager may invest up to 25% of the assets under management of the client in unlisted securities, in addition to the securities permitted for discretionary portfolio management.

Portfolio Manager may invest in units of Mutual Funds (only through Direct Plan) and no distribution fees will be charged to the client.



**(c) Advisory Services:**

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

Portfolio Manager may provide advice for investment up to 25% of the assets under management of the client in unlisted securities, in addition to the securities permitted for discretionary portfolio management.

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

- i. All cases of penalties imposed by SEBI or the directions issued by SEBI under the SEBI Act or rules or regulations made thereunder.

None.

- ii. The nature of the penalty/direction.

None.

- iii. Penalties/fines imposed for any economic offence and/ or for violation of any securities laws.

None.

- iv. Any pending material litigation/legal proceedings against the Portfolio Manager/key personnel with separate disclosure regarding pending criminal cases, if any.

None.

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

None.

- vi. Any enquiry/ adjudication proceedings initiated by SEBI against the Portfolio Manager or its partners, principal officer or employee or any person directly or indirectly connected with the Portfolio Manager or its partners, principal officer or employee, under the SEBI Act or rules or regulations made thereunder.

None.

## 5. Services Offered

- (i) **The present investment objectives and policies including the types of securities in which it generally invests shall be clearly and concisely stated in the Document for easy understanding of the potential investor.**

**(a) Investment Objective**

The investment objective of the Portfolio Manager is to endeavor to deliver superior risk adjusted returns for the Client.

The Portfolio Manager seeks to deliver superior portfolio performance without taking undue risk thereby benefiting the Clients and helping them achieve their goals. Keeping the Clients' interests before its own, the Portfolio Manager intends to focus on best business practices of the fund management industry.

**(b) Type of securities in which Portfolio Manager will invest**

The Portfolio Manager may invest Capital Contributions in Securities and any other permissible securities/instruments/products as per the Applicable Laws, in such manner and through such markets as it may deem fit in the interest of the Client. The investment in Securities shall primarily comprise of:

- listed equity and preference shares of Indian companies,
- listed debentures, bonds and secured premium notes, including tax exempt bonds of Indian companies and corporations;
- units and other instruments of mutual funds;
- money market instruments such as government securities, commercial papers, trade bill, treasury bills, certificate of deposit and usance bill;
- listed options, futures, swaps and such other derivatives as may be permitted from time to time;
- such other securities/instruments as specific by SEBI from time to time.

Under the non-discretionary PMS, the Capital Contribution of the Client shall be invested in listed and/or unlisted securities (provided that investment in unlisted securities shall not exceed 25% (twenty-five percent) of the assets under management of such Client) and managed in consultation with the Client.

**(ii) Investment Approach of the Portfolio Manager**

Please refer to **Annexure I** for more details

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

[The Portfolio Manager will not be making investments on behalf of the Client in its associates/group companies.]

## 6. Risk factors

### General Risk:

- Securities investments are subject to market risk and there is no assurance or guarantee that the objectives of the PMS will be achieved.
- The Portfolio Manager has no previous experience/track record in the field of portfolio management services and has obtained a license to function as a portfolio manager only on [4<sup>th</sup> Jan 2021]. However the Principal Officer, Partners and other key management personnel of the Portfolio Manager have rich individual experience.
- Without prejudice to the above, the past performance of the Portfolio Manager does not indicate its future performance.
- Any act, omission or commission of the Portfolio Manager under the Agreement would be solely at the risk of the Client and the Portfolio Manager will not be liable for any act, omission or commission or failure to act save and except in cases of gross negligence, willful default and/or fraud of the Portfolio Manager.
- The Client Portfolio may be affected by settlement periods and transfer procedures.
- The PMS is subject to risk arising out of non-diversification as the Portfolio Manager under its PMS may invest in a particular sector, industry, few/single Portfolio Entity/ies. The performance of the Client Portfolio would depend on the performance of such companies/industries/sectors of the economy.
- If there will be any transactions of purchase and/or sale of securities by Portfolio Manager and employees who are directly involved in investment operations that conflicts with transactions in any of the Client Portfolio, the same shall be disclosed to the Client.
- The partners/employees of the Portfolio Manager and its affiliates may be engaged in other activities and have obligations or responsibilities for other projects and clients. Accordingly, partners/employees of the Portfolio Manager may have conflicts of interests in allocating management time and other resources towards activities of the Portfolio Manager and such other projects and clients.
- The group companies of Portfolio Manager may offer services in nature of consultancy, sponsorship etc., which may be in conflict with the activities of portfolio management services.
- The provisions of the Agreement and the principal and returns on the Securities subscribed by the Portfolio Manager may be subject to force majeure and external risks such as war, natural calamities, pandemics, policy changes of local / international markets and such events which are beyond the reasonable control of the Portfolio Manager. Any policy change / technology updates / obsolescence of technology would affect the investments made by the Portfolio Manager

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

### **Risks associated with investments in equity and equity linked securities**

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

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

- Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of such strategies to be persuaded by the Portfolio Manager involve uncertainty and decision of the Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager shall be able to identify or execute such strategies.
- The risks associated with the use of derivatives are different from or possibly greater than, the risk associated with investing directly in securities and other traditional investments.
- As and when the Portfolio Manager on behalf of Clients would trade in the derivatives market there are risk factors and issues concerning the use of derivatives that the Client should understand. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is a possibility that loss may be sustained by the Portfolio as a result of the failure of another party (usually referred as the "counter party") to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value.

- The options buyer's risk is limited to the premium paid, while the risk of an options writer is unlimited. However, the gains of an options writer are limited to the premiums earned.
- The writer of a put option bears the risk of loss if the value of the underlying asset declines below the exercise price. The writer of a call option bears a risk of loss if the value of the underlying asset increases above the exercise price.
- Investments in index futures face the same risk as the investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks.

### **Risks associated with investments in fixed income securities/products**

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

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

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

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

**Identification of Appropriate Investments:** The success of the PMS as a whole depends on the identification and availability of suitable investment opportunities and terms. The availability and terms of investment opportunities will be subject to market conditions, prevailing regulatory conditions in India 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.

### **Management and Operational risks**

#### **Reliance on the Portfolio Manager**

- The success of the PMS will depend to a large extent upon the ability of the Portfolio Manager to source, select, complete and realize appropriate investments and also reviewing the appropriate investment proposals. The Portfolio Manager shall have considerable latitude in its choice of Portfolio Entities and the structuring of investments. Furthermore, the team members of the Portfolio Manager may change from time to time. The Portfolio Manager relies on one or more key personnel and any change/removal of such key personnel may have material adverse effect on the returns of the Client.
- The investment decisions made by the Portfolio Manager may not always be profitable.
- Investments made by the Portfolio Manager are subject to risks arising from the investment objectives, Investment Approach, investment strategy and asset allocation.

**Exit Load:** Client may have to pay a high Exit Load to withdraw the funds/Portfolio (as stipulated in the Agreement with the Client). In addition, they may be restricted / prohibited from transferring any of the interests, rights or obligations with regard to the Portfolio except as may be provided in the Agreement and in the Regulations.

**Non-diversification risks:** This risk arises when the Portfolio is not sufficiently diversified by investing in a wide variety of instruments.

**No Guarantee:** Investments in Securities are subject to market risks and Portfolio Manager does not in any manner whatsoever assure or guarantee that the objectives will be achieved. Further, the value of the Portfolio may increase or decrease depending upon various market forces and factors affecting the capital markets such as delisting of Securities, market closure, relatively small number of scrips accounting for large proportion of trading volume. Consequently, the Portfolio Manager provides no assurance of any guaranteed returns on the Portfolio.

Ongoing risk profiling risk: The Client would be subject to ongoing risk profiling in accordance with the Regulation. If in case during such ongoing risk profiling, it is found that the Client is not suitable for the investments in Securities or doesn't have risk appetite, the Portfolio Manager may terminate the Agreement with the Client.

### **India-related Risks**

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

Since 1991, successive governments have pursued policies of economic liberalization and financial sector reforms. Nevertheless, the government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Moreover, there can be no assurance that such policies will be continued and a change in the government's economic liberalization and deregulation policies in the future could affect business and economic conditions in India and could also adversely affect the Portfolio Manager's financial condition and operations. Future actions of the Indian central government or the respective Indian state governments could have a significant effect on the Indian economy, which could adversely affect private sector companies, market conditions, prices and yields of the Portfolio Entity/ies.

Inflation and rapid fluctuations in inflation rates have had, and may have, negative effects on the economies and securities markets of the Indian economy. International crude oil prices and interest rates will have an important influence on whether economic growth targets in India will be met. Any sharp increases in interest rates and commodity prices, such as crude oil prices, could reactivate inflationary pressures on the local economy and negatively affect the medium-term economic outlook of India.

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

### **Legal and Tax risks:**

Tax risks: Clients/ Investors are subject to a number of risks related to tax matters. In particular, the tax laws relevant to the Client Portfolio are subject to change, and tax liabilities

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

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

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

## **Risk pertaining to Investments**

### *Investment in Securities/Instruments*

- The Client Portfolio may comprise of investment in unlisted securities, fixed income securities, debt securities/products and in case of such securities, the Portfolio Manager's ability to protect the investment or seek returns or liquidity may be limited.
- In case of in-specie distribution of the Securities by the Portfolio Manager upon termination or liquidation of the Client Portfolio, the same could consist of such Securities for which there may not be a readily available public market. Further, in such cases the Portfolio Manager may not be able transfer any of the interests, rights or obligations with respect to such Securities except as may be specifically provided in the agreement with Portfolio Entities. If an in-specie distribution is received by the Client from the Portfolio Manager, the Client may have restrictions on disposal of assets so distributed and consequently may not be able to realize full value of these assets.
- Some of the Portfolio Entities in which the Portfolio Manager will invest may get their Securities listed with the stock exchange after the investment by the Portfolio Manager. In connection with such listing, the Portfolio Manager may be required to agree not to dispose of its securities in the Portfolio Entity for such period as may be prescribed under the Applicable Law, or there may be certain investments made by the Portfolio Manager which are subject to a statutory period of non-disposal or there may not be enough market liquidity in the security to effect a sale and hence Portfolio Manager may not be able to dispose of such investments prior to completion of such prescribed regulatory tenures and hence may result in illiquidity.
- The Client Portfolio may be invested in listed securities and as such may be subject to the market risk associated with the vagaries of the capital market.



The Portfolio Manager may also invest in portfolio entity/ies which are investment vehicles like mutual funds/trusts. Such investments may present greater opportunities for growth but also carry a greater risk than is usually associated with investments in listed securities or in the securities of established companies, which often have a historical record of performance. Provided investments in mutual funds shall be through direct plans only

## 7. Client Representation:

- (i) The Portfolio Manager has no previous experience/track record in the field of portfolio management services and has obtained a certificate of registration to function as a portfolio manager only on [**4<sup>th</sup> Jan 2021**] and therefore has no record of representing any persons/entities in the capacity of a portfolio manager.
- (ii) Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India.

The partners at Invexa Capital are also the co-founders of the proprietary setup MK Ventures, and the two entities share office space and such other resources as needed for investing. However Invexa Capital does not have any investments or monetary transactions otherwise with MK Ventures or any related group entities.

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

The Portfolio Manager is in the process of auditing the financials for the financial year 20-21, however please find below reviewed financials as at 28<sup>th</sup> February 2021.

<b>Reviewed Financials upto Feb 2021</b>	
	<b>₹</b>
<b>Total Revenue</b>	<b>2,08,56,172</b>
Total expenses	48,31,026
Profit before tax	1,60,25,146
Tax Expenses	55,99,827
<b>Profit after tax</b>	<b>1,04,25,319</b>
<b>Total Liabilities</b>	<b>7,01,19,890</b>
Partners' Equity	6,41,25,331
Non Current Liabilities	24,784
Current Liabilities	59,69,775
<b>Total Assets</b>	<b>7,01,19,890</b>
Non Current Assets	10,61,425
Current Assets	6,90,58,466

## 9. Performance of the Portfolio Manager

The Portfolio Manager has no previous experience/track record in the field of portfolio management services. No domestic portfolio management / advisory clients to report as of Mar 2021. Accordingly, the same is not applicable.

## 10. Audit Observations for preceding three years

The Portfolio Manager is a newly incorporated entity and has no audit observation for preceding three years. Accordingly, the same is not applicable.

## 11. Nature of expenses

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

### i. Management fee:

The management fee relates to the portfolio management services offered to the Clients. The fee may be a fixed charge or a percentage of the quantum of the funds being managed as agreed in the Agreement or may be return or performance based or a combination of any of these as agreed by the clients in the PMS Agreement.

### ii. Advisory fees:

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

### iii. Performance fee:

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

### iv. Exit Load:

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

Sr. No	Nature of Expenses	Maximum Indicative Rate of Fee%
1	Investment Management & Advisory Fee	
	a. Fixed Fee	Upto 4% p.a. of daily average AUM
	b. Performance Linked Fee	Upto 30% of the Profits with or without catchup subject to defined hurdle and calculated on high watermark principle in accordance with the regulation
	c. Exit Load	Upto 3% of daily average AUM, in the first year; upto 2% in the 2 <sup>nd</sup> year; upto 1% in the 3 <sup>rd</sup> year. Nil thereafter

v. Other fees and expenses:

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

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

Provided the Portfolio Manager shall not charge any up-front fees to the Client whether directly or indirectly. Notwithstanding the above, the Portfolio Manager may charge up-front costs and expenses so attributable to the Client in terms of the Agreement.

## 12. [Taxation]

The general information stated below is based on the general understanding of Direct Tax Laws in force in India as of the date of the Disclosure Document and is provided only for general information to the Investor only vis-à-vis the investments made through the Portfolio Management Services of the Portfolio Manager. This information gives the direct tax implications on the footing that the securities are/will be held for the purpose of investments. In case the securities are held as stock-in-trade, the tax treatment will substantially vary and the issue whether the investments are held as capital assets or stock-in-trade needs to be examined on a case to case basis. There is no guarantee that the tax position prevailing as on the date of the Disclosure Document/the date of making investment shall endure indefinitely.

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

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

The following summary is based on the law and practice of the Income-tax Act, 1961 (the “**IT Act**”), the Income-tax Rules, 1962 (the “**IT Rules**”) and various circulars and notifications issued thereunder from time to time. The IT Act is amended every year by the Finance Act of the relevant year, and this summary reflects the amendments enacted in the Finance Act, 2021.

The Tax Rates for different Entities for the Financial Year 21-22 (Assessment Year 2022-23) are as follows:

**Company:**

Foreign Company: Taxed at 40%

Domestic Company: Taxed at 30%. Different rates are, however, applicable in the following cases:

- A domestic Company (where its total turnover or gross receipt in the previous year 2019-20 does not exceeds Rs. 4000 Million) will be taxable at the rate of 25% for the Assessment Year 2022-23.
- A domestic company can opt for the alternative tax regime provided under section 115BA or Section 115BAA or 115BAB.

Surcharge on Income Tax:

<b>Net Income Range</b>	<b>Foreign Company</b>	<b>Domestic Company</b>
If Taxable Income does not exceed Rs. 10 Million	Nil	Nil
If Taxable Income is in the range of Rs.10 Million to Rs.100 Million	2% of Income Tax	7% of Income Tax
If Taxable Income exceed Rs. 100 Million	5% of Income Tax	12% of Income Tax

Health and Education Cess (HEC): 4% of Income Tax and Surcharge

**FIRMS:**

A firm is taxable at the rate of 30% for Assessment Year 2022-23.

Surcharge: Surcharge is 12% of Income Tax if net income exceeds Rs.10 Million.

Health and Education Cess (HEC): 4% of Income Tax and Surcharge.

**Individual, Hindu undivided families (HUF), AOPs, BOIs** – The tax rates applicable to individuals are also applicable to a HUF, AOP, BOI or an artificial juridical person. The rates are as below:

<b>Net Income Range</b>	<b>Income Tax Rates</b>	<b>Surcharge</b>	<b>Health and Education Cess (HEC)</b>
Upto Rs.0.25 Million	Nil	Nil	Nil
Rs.0.25 Million -Rs.0.50 Million	5% of (Total Income minus Rs.2,50,000)	Nil	4% of Income Tax
Rs.0.50 Million to Rs. 1.00 Million	Rs.12500 + 20% of (total income minus Rs.5,00,000)	Nil	4% of Income Tax

Rs.1.00 Million to Rs. 5 Million	Rs.112500 + 30% of (total income minus Rs.10,00,000)	Nil	4% of Income Tax
Rs.5.00 Million to Rs.10 Million	Rs.13,12,500 + 30% of (total income minus Rs.50,00,000)	10% of Total Income Tax	4% of Income Tax and Surcharge
Rs.10.00 Million to Rs. 20.00 Million	Rs.28,12,500 + 30% of (total income minus Rs.1,00,00,000)	15% of Total Income Tax	4% of Income Tax and Surcharge
Rs.20 Million to Rs.50.00 Million	Rs.58,12,500 + 30% of (total income minus Rs.2,00,00,000)	25% of Total Income Tax	4% of Income Tax and Surcharge
Above Rs.50 Million	Rs.1,48,12,500 + 30% of (total income minus Rs.5,00,00,000)	37% of Total Income Tax	4% of Income Tax and Surcharge

Senior Citizen: Senior Citizen is a resident individual who is at least 60 years of age at the any time during the previous year but less than 80 years, the exemption limit is Rs.300,000.

Super Senior Citizen: Super Senior Citizen is a resident individual who is at least 80 years of age at the any time during the previous year, the exemption limit is Rs.500,000.

The Finance Bill, 2020 inserted a new section 115BAC in the IT Act. As per the said section, the Individual and HUF will have an option to pay tax on its total income at the reduced tax rates. The income would, however, must be computed without claiming prescribed deductions or exemptions.

However, where the total income includes any dividend income or income chargeable under section 111A and section 112A of the IT Act, the rate of surcharge on the amount of income tax computed on that part of income shall not exceed 15%.

## **Taxation in hands of investors**

### **I. Taxation of resident investors**

The tax implications in the hands of resident investors on different income streams are discussed below:

#### **Dividend Income:**

Before April 1, 2020, Indian companies were required to pay Dividend Distribution Tax at an effective rate of 20.56 percent on dividends declared and distributed by them. Consequently, the dividend was exempt in the hands of the shareholder—residents as well as non-residents. From a compliance perspective, the government was able to collect dividend tax from one source i.e. companies and even for companies it was an easier compliance burden.

However, Indian Finance Act 2020 has abolished Dividend Distribution Tax and, with effect from April 1, 2020, dividends declared by Indian companies would be taxable in the hands of shareholders. For resident shareholders, dividends would be taxed in their hands based on tax rates they are governed with. Companies will have to deduct or withhold tax at 10 percent for dividends paid to these resident shareholders if the aggregate amount of dividend distributed or paid during the financial year to a shareholder exceeds Rs. 5,000. The threshold limit applies to individuals only.

Further, the taxpayer can claim a deduction of interest expenditure under section 57 of the IT Act if such income is offered to tax under the head 'income from Other sources' against such dividend income upto 20% of the dividend income.

Section 80M was introduced by the Finance Bill, 2020. As per Section 80M, in case any Indian company receives dividend from another Indian company or a foreign company or a business trust and the dividend is distributed by the first mentioned Indian company before the specific due date (i.e. one month prior to the date of filing tax return under section 139 of the IT Act), then deduction can be claimed by such Indian company of so much of dividend received from such another Indian company or a foreign company or a business trust, not exceeding the amount of dividend so distributed

Accordingly, as per the amended provisions, the dividend income (net of deductions, if any) will be taxable at the rates mentioned above.

### Interest Income

Under the IT Act, interest income should be taxable in the hand of resident investor at rates prescribed above.

### Capital Gains

Capital Gain refer to any gain or profit earned by Investor from the sale of capital assets such as shares and securities of the Indian portfolio companies. The profit arises from the sale of the capital asset is taxed under the head of 'Income from Capital Gain'. The profit is earned by selling the capital assets at a higher price than what it was bought for.

Types of Capital Gain Tax: The tax that is charged on the gains earned from the selling of capital assets is known as capital gains tax. The capital assets are generally categorized into two categories i.e. short-term capital asset and long- term capital asset.

### Period of holding

Capital assets are classified as long-term assets ("**LTCA**") or short-term assets ("**STCA**"), based on the period of holding of these assets. The period of holding of the asset is computed from the date of acquisition to the date of transfer. Depending on the period of holding for which the shares and securities are held, the gains would be taxable as short-term capital gains ("**STCG**") or long-term capital gains ("**LTCG**"). This is discussed below:

Nature of asset	STCA	LTCA
For assets being shares in a company or any other security listed on a recognised stock exchange in India (i.e. equity shares, preference shares or debentures), or a unit of the Unit Trust of India or a unit of an equity oriented mutual fund or zero coupon bonds	Held for not more than 12 months	Held for more than 12 months
For assets being shares of a company (other than shares listed on a recognised stock exchange in India)	Held for not more than 24 months	Held for more than 24 months
For assets other than those specified above	Held for not more than 36 months	Held for more than 36 months

How to Determine Period of Holding: In determining the period for which any capital asset is held by the Investor:

<b>Different Situation</b>	<b>How to calculate the period of holding</b>
Shares held in a company in liquidation	The period subsequent to the date on which the company goes into liquidation shall be excluded.
Allotment of shares in amalgamated Indian Company in lieu of shares held in amalgamating company	The period of holding shall be counted from the date of acquisition of shares in the amalgamating company.
Right Shares	The period of holding shall be counted from the date of allotment of right issue.
Right Entitlement	The period of holding will be considered from the date of offer to subscribe to shares to the date when such right entitlement is renounced by the person.
Bonus Shares	The period of holding shall be counted from the date of allotment of bonus shares.
Issue of Shares by the resulting company in a scheme of Demerger to the shareholders of the Demerged Company.	The period of holding shall be counted from the date of acquisition of shares in the Demerged company.
Conversion of Bonds or Debentures, Debenture-stock, or Deposit certificates in any form of a company into shares or debenture of that company.	The period of holding shall be considered from the date of acquisition of Bond, Debenture, Debenture-Stock or Deposit Certificate.
Conversion of Preference Shares into Equity Shares	The period of holding shall be considered from the date of acquisition of preference shares.
<p>Transactions in Shares and Securities not given above –</p> <ul style="list-style-type: none"> <li>-Date of purchase (through stock exchange) of shares and securities</li> <li>-Date of transfer (through stock exchange) of Shares and securities</li> <li>-Date of purchase / transfer of Shares and securities (Transactions taken place directly between parties and not through stock exchange)</li> <li>-Date of purchase/sale of share and securities purchased in several lots at different points of time but delivery taken of in one lot and subsequently sold in parts.</li> <li>-Transfer of a security by a depository (i.e. Demat Account)</li> </ul>	<p>Date of purchase by Broker on behalf of the investor..</p> <p>Date of Broker's Note provided such transactions are followed up by delivery of shares and the transfer deed.</p> <p>Date of contract of sale as declared by the parties provided it is followed up by the actual delivery of shares and the transfer deed.</p> <p>The First-in-first-out (FIFO) method shall be adopted to reckon the period of the holding of the security, in case where the dates of purchase and sale cannot be correlated through specific numbers of scripts. In other words, the assets acquired last will be taken to be remaining with the investor while assets acquired first will be treated as sold.</p>

	The period of holding shall be determined on the basis of the first-in-first-out method.
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Tax Rate of Long-Term Capital Gain and Short Term: Depending on the classification of capital gains, the resident investors would be chargeable to tax as per the IT Act as under:

<b>Nature of Income</b>	<b>Tax Rate* for Domestic Companies</b>	<b>Tax*Rate for Firms, LLP</b>	<b>Tax*Rate for Individual/ HUF/AOP/BIO</b>
LTCG in Transfer of (i)Equity Shares Listed in recognized Stock Exchange (ii) To be listed Equity Shares sold through offer for sale, (iii)Units of Equity Oriented Mutual Fund and on which STT has been paid.	10% (without Indexation)	10% (without Indexation)	10% (without Indexation)
LTCG on Transfer of Listed Securities (Other than units of mutual Fund, listed Bonds and listed Debentures) and on which STT has not been paid.	10% (without Indexation) OR 20% (With Indexation) at the option of the assessee	10% (without Indexation) OR 20% (With Indexation) at the option of the assessee	10% (without Indexation) OR 20% (With Indexation) at the option of the assessee
LTCG on transfer of listed Bonds and Listed Debentures	10% (without Indexation)	10% (without Indexation)	10% (without Indexation)
LTCG on transfer of units of mutual fund (listed or Unlisted) other than Equity Oriented Fund	20% (with Indexation)	20% (with Indexation)	20% (with Indexation)
LTCG on transfer of Unlisted Securities (other than unlisted Bonds and unlisted Debentures)	20% (with Indexation)	20% (with Indexation)	20% (with Indexation)
LTCG on transfer of unlisted Bonds and unlisted Debentures	20% (without Indexation)	20% (without Indexation)	20% (without Indexation)
STCG on transfer of (i) listed Equity shares on a recognized stock exchange (ii) to be listed shares sold through offer for sale or (iii) units of equity oriented mutual fund and on which STT has been paid	15%	15%	15%
Other STCG	As per IT Slabs applicable	As per IT Slabs applicable	As per IT Slabs applicable

\*Plus, applicable surcharge and cess

**Note 1:** The Finance Act, 2021 provides for reduced tax rate of 25% in case of domestic companies having total turnover or gross receipts not exceeding INR 4,000 million in the Financial Year 2019-20 (Assessment Year 20-21).



The Ordinance amending the Finance Act (No. 2), 2019 has introduced section 115BAA in the IT Act. As per section 115BAA, the rate of tax on certain domestic companies shall be 22% (plus applicable surcharge and cess) subject to fulfilment of certain conditions laid down under the said provisions.

**Note 2:** The Finance Act, 2018 has withdrawn exemption from tax on long-term capital gains arising on transfer of listed equity shares, units of equity oriented mutual fund and units of business trust, with effect from April 1, 2018. As per section 112A of the IT Act, the long-term capital gains above INR 0.1 million on following transfers shall be taxable @ 10%:

- Listed Equity Shares (STT paid on acquisition and transfer); and
- Units of Equity Oriented Mutual Fund or a unit of a business trust (STT paid on Transfer)

Benefit of the computation of gains in foreign currency and cost inflation index shall not be available on such gains.

The CBDT has issued a notification, clarifying that requirement of payment of STT at the time of acquisition of equity shares is not applicable in the following cases:

1. Acquisition which has been approved by the Supreme Court, High Court, National Company Law Tribunal, SEBI or RBI.
2. Acquisition by any non-resident in accordance with FDI guidelines of the Indian Government.
3. Acquisition by an investment fund [referred to in sec. 115UB].
4. Acquisition through preferential issue to which Chapter VII of SEBI (Issue of Capital and Disclosure) Regulations does not apply.
5. Acquisition through an issue of share by a company.
6. Acquisition by scheduled banks, reconstruction or securitisation companies or public financial institutions during their ordinary course of business.
7. Acquisition under ESOP.
8. Acquisition under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations.
9. Acquisition from the Government.
10. Acquisition by mode of transfer [as per sections 45(3)/(4), 47, 50B] if previous owner has acquired shares by any of the modes given in this list.

**Note 3:** 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.

#### **Deemed sale consideration on sale of unquoted shares (Section 50CA of IT Act):**

As per Section 50CA of IT Act, if there is a transfer of unquoted shares of a company at a value lesser than the fair market value, then the fair market value would be deemed to be the full value of sale consideration for computing the capital gains for such unquoted shares. The CBDT has issued rules for computation of Fair Market Value (“**FMV**”) for the purpose of section 50CA of the IT Act. The taxability of such gains would be as discussed above.

## **Proceeds on Buy-back of shares by the company**

Buy-back of shares mean the situation when the company repurchases its own shares. Buy-back of shares is one way to distribute companies' surplus profits, another way to distribute its surplus profits as dividend. Buy-back of shares by the Company is one of the preferred ways by which a company provides an exit route to the shareholders of the company i.e. the requisite number of shares are extinguished, agreed amount is paid to the shareholders.

As per the Section 10(34A) of the IT Act, gains arising on buyback of shares are exempt in the hands of investors as referred to in section 115QA.

However, as per section 115QA of the IT Act, The Company (both listed and unlisted) is liable to pay tax @ 20% plus surcharge and applicable cess on Distributed Income if the buyback is in accordance with the provisions of the Companies Act, 2013. For the purpose of this section: -

- "Buy-Back" means purchase by a company of its own shares in accordance with the provisions of any law for the time being in force relating to companies.
- "Distributed Income" means the consideration paid by the company on buy-back of shares as reduced by the amount, which was received by the company for issue of such shares, determined in the manner as may be prescribed.

In this regard, CBDT notified final buyback rules by inserting new Rule 40BB to IT Rules for determining the amount received by the Indian company in respect of issue of shares.

## **Deemed income on Investment in shares / securities of unlisted companies in India**

Section 56(2)(x) of the IT Act, provides that any assessee receives any property (including shares and securities) without consideration or for inadequate consideration in excess of INR 0.05 million as compared to the FMV shall be taxable in the hands of the recipient as Income from Other Sources.

The CBDT has issued rules with revised mechanism for computation of FMV for the purpose of section 56(2)(x) of the IT Act.

Accordingly, such Other Income would be chargeable to tax (i) at the rate of 30% (plus applicable surcharge cess) in case of Investors being resident companies (ii) at the rate of 30% (plus applicable surcharge cess) in case of firms; and (iii) as per applicable slab rates in case of individuals and others, maximum being 30% (plus applicable surcharge and cess).

## **Minimum Alternate Tax**

The IT Act provides for levy of Minimum Alternate Tax ("**MAT**") on corporates if the tax amount calculated at the rate of 15% (plus applicable surcharge and cess) of the book profits, as the case may be, is higher than the tax amount calculated under the normal provisions of the IT Act.

If MAT is held to be applicable to the Investors, then income receivable by such Investors from their investment in the Portfolio Entities shall also be included to determine the MAT liability.

A new Section 115BAA of the Income Tax Act, 1961 provides for a lower or concessional rate of corporate tax of 22% (plus applicable surcharge cess) for a domestic company irrespective of any turnover limit without allowing certain exemptions and deductions. Section 115JB was amended to

provide that a domestic company opting section 115BAA are not required to pay MAT. Hence, such companies are exempt from MAT Provisions and shall not entitled to avail the brought forward MAT credit.

### **If income is categorised as business income**

If the gains are categorised as business income, it shall be taxable at the rate of 30% or IT Slabs applicable as mentioned above plus applicable surcharge and cess in case of resident investors.

## **II. Taxation of non-resident investors**

Section 115A to 115AD prescribes tax rates for various types of investment income of different Non-Resident Entities. However, if the non-resident is covered by a particular DTAA, he may apply the rates prescribed under that DTAA, if beneficial, without considering any surcharge and education cess.

A non-resident investor would be subject to taxation in India only if;

- it is regarded a tax resident of India; or
- being a non-resident in India, it derives (a) Indian-sourced income; or (b) if any income is received / deemed to be received in India; or (c) if any income has accrued / deemed to have accrued in India in terms of the provisions of the IT Act.

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

The CBDT had vide its circular dated January 24, 2017 issued guiding principles for determination of POEM of a company ("**POEM Guidelines**"). The POEM Guidelines lays down emphasis on POEM concept being 'substance over form' and further provides that place where the management decisions are taken would be more important than the place where the decisions are implemented for determining POEM. The CBDT had vide circular dated February 23, 2017 clarified that provisions of Sec 6(3)(ii) relating to POEM would not apply to companies having turnover or gross receipts of Rs 500 million or less during the Financial Year.

### **Tax Treaty Benefits**

As per Section 90(2) of the IT Act, the provisions of the IT Act would apply to the extent they are more beneficial than the provisions of the Double Taxation Avoidance Agreement ("**Tax Treaty**") between India and the country of residence of the offshore investor to the extent of availability of Tax Treaty benefits to the offshore investors. However, no assurance can be provided that the Tax Treaty benefits would be available to the offshore investor or the terms of the Tax Treaty would not be subject to amendment in the future.

### **Tax Residency Certificate ("TRC")**

Section 90(4) of the IT Act provides that in order to claim Tax Treaty benefits, the offshore investor has to obtain a TRC as issued by the foreign tax authorities. Further, the offshore investor should be required to furnish such other information or document as prescribed. In this connection, the CBDT vide its notification dated August 1, 2013 amended Rule 21AB of the IT Rules prescribing certain information in Form No 10F to be produced along with the TRC, if the same does not form part of the TRC.

The details required to be furnished are as follows:

- 1) Status (individual, company, firm, etc.) of the assessee;
- 2) Nationality (in case of an individual) or country or specified territory of incorporation or registration (in case of others);
- 3) Assessee's tax identification number in the country or specified territory of residence and in case there is no such number, then, a unique number on the basis of which the person is identified by the Government of the country or the specified territory of which the assessee claims to be a resident;
- 4) Period for which the residential status, as mentioned in the TRC, is applicable; and
- 5) Address of the assessee in the country or specified territory outside India, during the period for which the certificate is applicable.

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

The taxability of income of the offshore investor, in the absence of Tax Treaty benefits or from a country with which India has no Tax Treaty, would be as per the provisions of IT Act as discussed below:

#### **Dividend Income:**

Before April 1, 2020, Indian companies were required to pay Dividend Distribution Tax at an effective rate of 20.56 percent on dividends declared and distributed by them. Consequently, the dividend was exempt in the hands of the shareholder—residents as well as non-residents. From a compliance perspective, the government was able to collect dividend tax from one source i.e. companies and even for companies it was not a compliance burden at all.

However, Indian Finance Act 2020 has abolished Dividend Distribution Tax and, with effect from April 1, 2020, dividends declared by Indian companies would be taxable in the hands of shareholders. For non-resident shareholders—foreign shareholders, portfolio and institutional investors and even individuals (including NRIs)—the said dividend would be taxable in India either at the rates prescribed under the Indian tax laws or relevant tax treaties, whichever is beneficial to the taxpayer.

As per the current law, a tax rate of 20 percent (plus applicable surcharge and cess) is provided under the Indian local laws for dividends paid to non-residents or foreign companies. However, the tax treaties provide for lower rates, depending on the shareholding percentage and country of the investor.

The Indian Companies declaring dividend would be required to deduct tax at rates in force (in case of payment to non-resident).

Further, it is inserted that the taxpayer can claim a deduction of interest expenditure under section 57 of the IT Act if such income is offered to tax under the head 'income from Other sources' against such dividend income upto 20% of the dividend income.

Section 80M was introduced by the Finance Bill, 2020. As per Section 80M, in case any Indian company receives dividend from another Indian company or a foreign company or a business trust and the dividend is distributed by the first mentioned Indian company before the specific due date (i.e. one month prior to the date of filing tax return under section 139 of the IT Act), then deduction can be claimed by such Indian company of so much of dividend received from such another Indian company or a foreign company or a business trust, not exceeding the amount of dividend so distributed

Accordingly, as per the amended provisions, the dividend income (net of deductions, if any) will be taxable at the rates mentioned above.

### **Interest Income**

Interest income would be subject to tax at the rate of 40% (plus applicable surcharge and cess) for beneficiaries who are non-resident companies. For beneficiaries being non-resident firms / LLP, interest income would be subject to tax at the rate of 30% (plus applicable surcharge and cess). For other non-resident beneficiaries, interest income would be subject to tax at the rate of 30% (plus applicable surcharge and cess). The above rates would be subject to availability of Tax Treaty benefits, if any.

Non-resident Indian (“**NRI**”) Investors are entitled to be governed by the special tax provisions under Chapter XII-A of the IT Act and if the NRI investors opt to be governed by these provisions under the IT Act, the interest income from specified assets (which includes debentures issued by public companies) should be taxable at the rate of 20% (plus applicable surcharge and cess) on gross basis.

As per the IT Act, interest on rupee denominated corporate bonds and government securities payable to Foreign Portfolio Investor (“**FPI**”) would be subject to tax at the rate of 5% (plus applicable surcharge and cess) if following conditions are satisfied:

- 1) Such interest is payable on or after 1 June 2013 but before July 1, 2023; and
- 2) Rate of interest does not exceed the rate notified by Central Government

If the above concessional tax rate is not available, then then the interest income would be subject to tax rate at the rate of 20% (plus applicable surcharge and cess) for FPI investors.

### **CAPITAL GAIN:**

#### **Period of holding**

Capital assets are classified as long-term assets (“**LTCA**”) or short-term assets (“**STCA**”), based on the period of holding of these assets. The period of holding of the asset is computed from the date of acquisition to the date of transfer. Depending on the period of holding for which the shares and securities are held, the gains would be taxable as short-term capital gains (“**STCG**”) or long-term capital gains (“**LTCG**”). This is discussed below:

Nature of asset	STCA	LTCA
-----------------	------	------

For assets being shares in a company or any other security listed on a recognised stock exchange in India (i.e. equity shares, preference shares or debentures), or a unit of the Unit Trust of India or a unit of an equity oriented mutual fund or zero-coupon bonds	Held for not more than 12 months	Held for more than 12 months
For assets being shares of a company (other than shares listed on a recognised stock exchange in India)	Held for not more than 24 months	Held for more than 24 months
For assets other than those specified above	Held for not more than 36 months	Held for more than 36 months

Depending on the classification of capital gains, the non-resident investors would be chargeable to tax as per the IT Act as under:

<b>Nature of Income</b>	<b>Tax rate* for offshore investors being Foreign company</b>	<b>Tax rate* for offshore investors being Firms / LLPs/FPI</b>	<b>Tax rate* for any other offshore investors</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Short-term capital gains on transfer of (i) listed equity shares through the recognised stock exchange, (ii) to be listed equity shares sold through offer for sale or (iii) units of equity oriented mutual fund, and on which STT has been paid	15	15	15
Other short-term capital gains	40	30	30
Long-term capital gains on transfer of (i) listed equity shares through the recognised stock exchange, (ii) to be listed equity shares sold through offer for sale or (iii) units of equity oriented mutual fund and on which STT has been paid (Refer Note 1)	10 (without indexation)	10 (without indexation)	10 (without indexation)
Long-term capital gains on transfer of listed bonds / listed debentures or other listed securities (other than units of mutual fund) on which STT has not been paid (Refer Note 2 & 3)	10 (without indexation)	10 (without indexation)	10 (without indexation)
Long-term capital gains on transfer of units of mutual fund (listed or unlisted) other than equity-oriented fund	20 (with indexation)	20 (with indexation)	20 (with indexation)

Nature of Income	Tax rate* for offshore investors being Foreign company	Tax rate* for offshore investors being Firms / LLPs/FPI	Tax rate* for any other offshore investors
	%	%	%
Long-term capital gains on transfer of unlisted securities	10 (without indexation)	10 (without indexation)	10 (without indexation)

\*Plus, applicable surcharge and cess

**Note 1:** The Finance Act, 2018 has withdrawn exemption from tax on long-term capital gains arising on transfer of listed equity shares, units of equity oriented mutual fund and units of business trust, with effect from April 1, 2018. As per section 112A of the IT Act, the long-term Capital Gains above INR 0.1 million on following transfers shall be taxable at 10%:

- listed equity shares (STT paid on acquisition\* and transfer); and
- units of equity oriented mutual fund or a unit of a business trust (STT paid on transfer)

**Note 2:** Based on judicial precedents, non-residents may avail the concessional tax rate (as mentioned above). However, the possibility of Indian Revenue Authorities disregarding the said position and applying a tax rate of 20% (plus applicable surcharge and cess) cannot be ruled out.

The CBDT has issued a notification, clarifying that requirement of payment of STT at the time of acquisition of equity shares is not applicable in the following cases:

1. Acquisition which has been approved by the Supreme Court, High Court, National Company Law Tribunal, SEBI or RBI.
2. Acquisition by any non-resident in accordance with FDI guidelines of the Indian Government.
3. Acquisition by an investment fund [referred to in sec. 115UB].
4. Acquisition through preferential issue to which Chapter VII of SEBI (Issue of Capital and Disclosure) Regulations does not apply.
5. Acquisition through an issue of share by a company.
6. Acquisition by scheduled banks, reconstruction or securitisation companies or public financial institutions during their ordinary course of business.
7. Acquisition under ESOP.
8. Acquisition under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations.
9. Acquisition from the Government.
10. Acquisition by mode of transfer [as per sections 45(3)/(4), 47, 50B] if previous owner has acquired shares by any of the modes given in this list.

**Note 3:** Benefit of the computation of gains in foreign currency and cost inflation index shall not be available on such gains.

Further, the CBDT has clarified by way of FAQs that long-term capital gains in case of FPIs will be determined in the same manner as in the case of resident taxpayers.

NRI Clients/Investors are entitled to be governed by special tax provisions under Chapter XII-A of the ITA and if the NRI investors opt to be governed by these provisions under the ITA, (i) any long-term capital gains should be taxable at the rate of 10% (plus applicable surcharge and cess) and (ii) any investment income should be taxable at 20% (plus applicable surcharge and cess).

#### **Deemed sale consideration on sale of unquoted shares (Section 50CA of IT Act):**

As per Section 50CA of IT Act, if there is a transfer of unquoted shares of a company at a value lesser than the fair market value, then the fair market value would be deemed to be the full value of sale consideration for computing the capital gains for such unquoted shares. The CBDT has issued rules for computation of Fair Market Value (“FMV”) for the purpose of section 50CA of the IT Act.

#### **Proceeds on Buy-back of shares by the company**

Buy-back of shares mean the situation when the company repurchases its own shares. Buy-back of shares is one way to distribute companies’ surplus profits, another way to distribute its surplus profits as dividend. Buy-back of shares by the Company is one of the preferred ways by which a company provides an exit route to the shareholders of the company i.e. the requisite number of shares are extinguished, agreed amount is paid to the shareholders.

As per the Section 10(34A) of the IT Act, gains arising on buyback of shares are exempt in the hands of investors as referred to in section 115QA.

However, as per section 115QA of the IT Act, The Company (both listed and unlisted) is liable to pay tax @ 20% plus surcharge and applicable cess on Distributed Income if the buyback is in accordance with the provisions of the Companies Act, 2013. For the purpose of this section: -

- “Buy-Back” means purchase by a company of its own shares in accordance with the provisions of any law for the time being in force relating to companies.
- “Distributed Income” means the consideration paid by the company on buy-back of shares as reduced by the amount, which was received by the company for issue of such shares, determined in the manner as may be prescribed.

In this regard, CBDT notified final buyback rules by inserting new Rule 40BB to IT Rules for determining the amount received by the Indian company in respect of issue of shares.

#### **Deemed income on Investment in shares / securities of unlisted companies in India**

Section 56(2)(x) of the IT Act, provides that any assessee receives any property (including shares and securities) without consideration or for inadequate consideration in excess of INR 0.05 million as compared to the FMV shall be taxable in the hands of the recipient as Income from Other Sources. The CBDT has issued rules with revised mechanism for computation of FMV for the purpose of section 56(2)(x) of the IT Act.

The shortfall in consideration is taxable in the hands of the acquirer as Other Income earned by a foreign company would be chargeable to tax (i) at the rate of 40% (plus applicable surcharge and cess) in case of offshore investors being foreign companies; (ii) at the rate of 30% (plus applicable surcharge and cess) in case of offshore firms / LLPs; and (iii) as per applicable slab rates in case of non-resident individuals and others, maximum being 30% (plus applicable surcharge and cess).



## **Minimum Alternate Tax**

The IT Act provides for levy of Minimum Alternate Tax (“MAT”) on corporates if the tax amount calculated at the rate of 15% (plus applicable surcharge and cess) of the book profits, as the case may be, is higher than the tax amount calculated under the normal provisions of the IT Act.

If MAT is held to be applicable to the Client/Investors, then income receivable by such Clients/Investors from their investment in the Portfolio Entities shall also be included to determine the MAT liability.

However, the MAT provisions are not applicable to a non-resident if, (a) the assessee is a resident of a country or a specified territory with which India has DTAA and the assessee does not have a permanent establishment in India; or (b) the assessee is a resident of a country with which India does not have a DTAA and the assessee is not required to seek registration under the Indian corporate law.

## **Other Provisions**

### **Carry-forward of losses and other provisions (applicable to both Equity products irrespective of the residential status):**

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

### **Securities Transaction Tax (“STT”):**

Delivery based purchases and sales of equity shares traded on recognised Indian stock exchanges are subject to STT at the rate of 0.1% on the transaction value of the purchase or sale. Further, STT at the rate of 0.2% on the transaction value is also leviable on sale of unlisted equity shares under an offer for sale to the public included in an initial public offer and where such shares are subsequently listed on a stock exchange. STT is levied on the seller at the rate of 0.025% on the sale of equity share in a company or unit of an equity oriented mutual fund - transaction in a recognised stock exchange, settled otherwise than by actual delivery.

### **General Anti Avoidance Rule (“GAAR”):**

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

1. Arrangement creates rights or obligations, which are not ordinarily created between persons dealing at arm’s length price; or
2. Arrangement directly or indirectly results in the misuse or abuse of the provisions of the IT Act; or

3. Arrangement lacks commercial substance or is deemed to lack commercial substance in whole or in part; or
4. Arrangement is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bonafide purposes.

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

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

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

**Multilateral Instrument to implement Tax Treaty Related Measures to prevent base erosion and profit shifting ("MLI"):**

The Organisation of Economic Co-operation and Development ("OECD") released the MLI. The MLI, amongst others, includes a "principal purpose test", wherein treaty benefits can be denied if one of the principal purposes of an arrangement or a transaction was to, directly or indirectly, obtain tax benefit.

The MLI has also expanded the scope of permanent establishment to include agent (excluding an independent agent) playing principal role, leading to routine conclusion of contracts without material modification. For this purpose, an agent is not considered independent if it acts exclusively or almost exclusively on behalf of one or more closely related enterprises. India has been an active participant in the entire discussion and its involvement in the BEPS project has been intensive.

Further, treaty benefits availed under various tax treaties with India will also be subject to provisions of MLI. MLI will enter into effect for the tax treaty signed between India and various countries from financial year beginning 1 April 2020.

**Disclaimer: The tax information provided above is generic in nature and the actual tax implications for each client could vary substantially from what is mentioned above, depending on residential status, the facts and circumstances of each case. The Client would therefore be best advised to consult his or her tax advisor/consultant for appropriate advice on the tax treatment of his income or loss and the expenses incurred by him as a result of his investment as offered by the Portfolio Manager.**

**13. Accounting policies**

Following key accounting policies shall be followed:

- Accounting under the respective portfolios is done in accordance with Generally Accepted Accounting Principles.
- All investments will be marked to market.
- Transactions for purchase and sale of investments are recognized as of the trade date.
- In determining the holding cost of investments and the gains or loss on sale of investments, the 'first in first out' method shall be followed.
- The cost of investments acquired or purchased would include brokerage, stamp charges and any charge customarily included in the broker's contract note or levied by any statute except STT (Securities Transaction Tax). Securities Transaction Tax incurred on buying and selling of securities is charged to revenue account..
- Income/expenses:
  - (a) All investment income and expenses are accounted on accrual basis except Custodian & Depository charges which are recorded on payment basis based on the actual bills received.
  - (b) Dividend is accrued on the Ex-date of the securities and the same is reflected in the clients' books on the ex-date.
  - (c) Similarly, bonus shares are accrued on the ex-date of the securities and the same are reflected in the clients books on ex-date.
  - (d) In case of fixed income instruments, purchased/sold at Cum-interest rates, the interest component up to the date of purchase /sale is taken to interest receivable/payable account.
- Accounting norms prevalent in the portfolio management services industry and as may be prescribed/applicable from time to time.

#### 14. Investors services

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

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

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

Name	Mr. Rohit Prakash
Designation	Compliance Officer
Address	D- 1503, Green World, Thane- Belpaur Road, Dighe, Navi Mumbai- 400708, Maharashtra, India.
Telephone No.	[+919004462712]
Email id	[rohit@invexacapital.com]

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

The aforesaid personnel of the Portfolio Manager shall attend to and address any Client query/concern/grievance at the earliest. The Portfolio Manager will ensure that this official is

vested with the necessary authority and independence to handle Client complaints. The aforesaid official will immediately identify the grievance and take appropriate steps to eliminate the causes of such grievances to the satisfaction of the Client. Effective grievance management would be an essential element of the Portfolio Manager's portfolio management services and the aforesaid official may adopt the following approach to manage grievance effectively and expeditiously:

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

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

Name	Mr. Rohit Prakash
Address	D- 1503, Green World, Thane- Belpaur Road, Dighe, Navi Mumbai- 400708, Maharashtra, India.
Telephone No	[+919004462712]
Email id	[rohit@invexacapital.com]

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

Any dispute unresolved by the above internal grievance redressal mechanism of the Portfolio Manager, can be submitted to arbitration under the Arbitration and Conciliation Act, 1996. The Portfolio Manager and the Client shall jointly appoint a sole arbitrator mutually acceptable to them. In the event of failure to agree upon a sole arbitrator for a period of 15 (fifteen) days of receipt of notice, the arbitration shall be before 3 (three) arbitrators, where the Portfolio Manager and the Client shall appoint an arbitrator each for themselves and the third arbitrator being the presiding arbitrator appointed by the two arbitrators. Each party will bear the expenses / costs incurred by it in appointing the arbitrator and for the arbitration proceedings. Further, the cost of appointing the presiding arbitrator will be borne equally by both the parties. Such arbitration proceedings shall be held at Mumbai and the language of the arbitration shall

be English. The courts of Mumbai shall have the exclusive jurisdiction to adjudicate upon the claims of the parties.

Without prejudice to anything stated above, the Client can also register its grievance/complaint through SCORES (SEBI Complaints Redress System), post which the complaint will be either routed to the Portfolio Manager or to SEBI (as applicable), which may then forward the complaint to the Portfolio Manager and the Portfolio Manager will suitably address the same. SCORES is available at <http://scores.gov.in>.

## 15. General

### Prevention of Money Laundering

The Portfolio Manager shall presume that the identity of the Client and the information disclosed by the Client is true and correct. It will also be presumed that the funds invested by the Client through the services of the Portfolio Manager come from legitimate sources / manner only and does not involve and is not designated for the purpose of any contravention or evasion of the provisions of the Income Tax Act, 1961, PML Laws, Prevention of Corruption Act, 1988 and/or any other Applicable Law in force and the investor is duly entitled to invest the said funds.

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

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

The Portfolio Manager will not seek fresh KYC from the Clients who are already KYC Registration Agency (“KRA”) compliant except the information required under any new KYC requirement. The Clients who are not KRA compliant, the information will be procured by the Portfolio Manager and uploaded.

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

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

**For and on behalf of Invexa Capital LLP**

<b>[ ]</b> <b>DPIN: [ ]</b> <b>Designated Partner</b>	:	
<b>[ ]</b> <b>DPIN: [ ]</b> <b>Designated Partner</b>	:	

**Place:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**FORMAT I**

**(Account Opening Form)**

**Information about the Client**

**1. General information about the client**

- (a) Name, primary mailing address, secondary (back up) mailing address, identity information such as photograph, Permanent Account Number (PAN), driving license, etc.

<b>Name:</b>	[ ]
<b>Primary mailing address:</b>	[ ]
<b>Secondary (back up) mailing address:</b>	[ ]
<b>Identity information such as photograph:</b>	
<b>Permanent Account Number (PAN):</b>	[ ]
<b>Driving license:</b>	[Copy attached]

- (b) Occupation:

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- (c) Introduced by (name and full address):

**Name:**

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**Address:**

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- (d) Annual income for the last 3 financial years and the networth as on the last date of the respective years (*optional*):

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**2. Investment profile of the client**

**(a) Investment experience regarding securities.**

[REDACTED].

**(b) Indicative percentage of total investment portfolio proposed to be invested with the portfolio manager (optional).**

[REDACTED].

**(c) Overall investment goals such as capital appreciation or capital appreciation and regular income or regular income.**

[REDACTED].

**(d) Risk tolerance i.e. low, medium or high.**

[REDACTED].

**(e) Time period for which investments are proposed to be made with the portfolio manager.  
(This has to be same as the term of the agreement)**

[REDACTED].

**(f) Provisions for systematic withdrawal on a monthly, quarterly, annual basis, etc.**

[REDACTED].

**3. Investment approach opted by the client**

[REDACTED].

**4. Details of portfolio construction for the client**

**(a) Equity: Nature of equities in which investments are desired, may be indicated.**

[REDACTED].

**(b) Balanced: Percentage of debt/equity.**

[REDACTED].

**(c) Debt: Government Bonds, corporate debt, etc.**



[redacted].

(d) **Mutual funds**

[redacted].

(e) **Others.**

[redacted].

**Date:** \_\_\_\_\_

**Place:** \_\_\_\_\_

\_\_\_\_\_  
**Signature of the client**

## Annexure I

### Investment Approaches

#### 1. Invexa India Opportunities Fund

[Concentrated Portfolio Approach]

##### **Investment objective**

The investment objective of this approach would be to endeavor to generate absolute alpha and superior risk adjusted returns for client by investing in an alpha focused, benchmark agnostic multi-cap portfolio. We will use our proprietary 5P assessment framework to identify long term investment ideas. We will also compliment this with a number of tactical investments and special situation opportunities to maximize the portfolio return and balance the risk, depending on the situation of the markets.

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

Under this approach, the Portfolio Manager would primarily invest in listed equities and opportunistically also invest in money market instruments, units of mutual funds, exchange traded fund/s or other permissible securities/products in accordance with the Applicable Laws.

##### **Basis of selection of such types of securities as part of the investment approach**

The Portfolio Manager seeks to generate returns for the Client through price appreciation of the stocks held over a period of time. Portfolio Manager will generally invest in companies looking at their prospects from a 3-5 year perspective.

The approach aims to adopt a strategy of stringent stock selection process and a disciplined bottom-up investing approach with a medium to long-term focus.

Holdings and the sectors will be tracked on a constant basis and rebalancing wherever necessary based on revised prospects and valuations will be undertaken. Approach will be to generate returns, over the medium to long term investing predominantly in basket of listed equities across market capitalisation and where deemed beneficial / necessary in short term, opportunistically also investing in money market instruments, units of mutual funds or other permissible securities / products in accordance with the Applicable Laws.

##### **Investment Style**

The investment style would vary depending upon the specific requirements of the Client, investment approach adopted (elaborated below) and terms of the Agreement.

The broad investment style for discretionary equity portfolios is outlined below:

##### **(a) Stock picking**

The top-down approach is used to identify key macroeconomic and sectoral themes and subsequently helps identify stocks that will benefit from the same. The Portfolio Manager also adopts bottomup approach, as there are always good companies to invest in irrespective of the market conditions. The Portfolio Manager looks to identify and invest in such companies.

##### **(b) Diversification**

The Portfolio Manager shall endeavour that the portfolios are invested in baskets of stocks with no undue concentration in any stock or sector, unless specifically mentioned in the investment mandate. The process of diversification may help control risk in the portfolio.

##### **(c) Investment style anchored in value**

In this investment style, the Portfolio Manager typically is looking to invest in stocks which offer growth and are available at reasonable valuations. The valuation measures typically used are Price to

Earning ratio (PE<sub>x</sub>), Price to Book ratio (PB<sub>x</sub>), (Price/Earnings to Growth ratio (PEG), etc. Notwithstanding the above, the Portfolio Manager is not averse to participating in momentum within reasonable limits.

**(d) Taking advantage of market opportunities**

Active management of the Portfolio is essential in dynamic times. The Portfolio Manager may attempt to take advantage of market opportunities in an attempt to maximise returns to investors.

**(e) Using tactical asset allocation**

The Portfolio Manager may move between asset classes i.e. equity and fixed income and cash depending upon market conditions. This is done mainly with an objective of protecting capital when markets are uncertain or have a downward bias.

**(f) Use of derivatives**

The use of derivatives will vary from portfolio to portfolio which shall be in accordance with applicable regulations. The Portfolio Manager shall not deal in speculative transactions i.e, it shall not enter into any transaction for purchase or sale of any security which is periodically or ultimately settled otherwise than by actual delivery or transfer of security except the transactions in derivatives. The Portfolio Manager shall not leverage the Portfolio of the Clients for investment in derivatives.

**(g) Securities lending**

The Portfolio Manager may subject to authorisation by clients in writing and as per the regulations, lend securities through an approved intermediary.

**Allocation of portfolio across types of securities** - [Equities - Multi-cap, bottom up stock specific; exposure to debt and liquid funds only as an alternative to holding cash]

**Appropriate benchmark to compare performance and basis for choice of benchmark** – NIFTY 500

**Indicative tenure or investment horizon**

3-5 years for long term investments typically, but the fund will also balance this with a significant number of short term and tactical bets, with investment horizon of <1 year. The choice of investments will factor both overall long term investment objective and prevailing market conditions.

**Risks associated with the investment approach**

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

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

**Valuation risk:** Portfolio Manager will assess the Portfolio Entities from varied valuation metrics, Portfolio Manager is definitely wary of overpaying and will consider various parameters in order to establish whether the valuations are reasonable while investing and reassess the same from time to time.

**Concentration Risk:** [Endeavor to have a portfolio of typically upto 30 stocks (with a maximum of 40) across market capitalization. Single stock exposure will be limited to 15% and sector exposure would be limited to 40%].

**Other salient features, if any.** [*Not applicable*]

## FORM C

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

<b>Name</b>	Invexa Capital LLP
<b>Address</b>	151 A, Mittal Court, A Wing, 15th Floor, Nariman Point, Mumbai – 400 021, Maharashtra, India.
<b>Phone</b>	+91 9320122501
<b>Fax Number</b>	<i>Not applicable</i>
<b>Email</b>	admin@invexacapital.com

We confirm that:

- (i) the Disclosure Document forwarded to SEBI is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by SEBI 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, as on 14.05.2021. The details of the Chartered Accountants are as follows:

Name of the Firm : [ARSK & Associates]  
Registration Number : [315082E]  
Partner : [Ravindra Khandelwal]  
Membership Number : [054615]  
Address: : [22, R.N. Mukherjee Road, Kolkata - 700001]  
Telephone Number : [033-40063380]

*(enclosed is a copy of the Chartered Accountants' certificate to the effect that the disclosures made in the Document are true, fair and adequate to enable the investors to make a well informed decision).*

**For and on behalf of Invexa Capital LLP**

Sd/-  
**Siddharth Shashikantbhai Shah**

Place: Mumbai

**Address:** 001/002, D7, Kunthunath Apartment,  
Nahur Road, Mulund West,  
Mumbai – 400080, Maharashtra, India

# **ARSK & ASSOCIATES**

CHARTERED ACCOUNTANTS

22, R.N.MUKHERJEE ROAD  
THIRD FLOOR, KOLKATA- 700001  
TEL : (91) (33) 4006-3380  
FAX : (91) (33) 4006-3385  
E-mail: info@arsk.in

## **CERTIFICATE**

### **TO WHOM IT MAY CONCERN**

We have examined the Disclosure Document dated 14.05.2021 for Portfolio Management prepared in accordance with Regulation 22(5) of SEBI (Portfolio Managers) Regulations, 2020 by Invexa Capital LLP (Portfolio Manager), having its registered office at 151 A, Mittal Court, A Wing, 15<sup>th</sup> Floor, Nariman Point, Mumbai – 400021, Maharashtra, India.

Based on our examination of attached Disclosure Document, reviewed financial statements for the period ending 28<sup>th</sup> February, 2021 of the Portfolio Manager and other relevant records and information furnished by Management, we certify that the disclosures made in the Disclosure Document for Portfolio management are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to Invexa Capital LLP and/ or investment through the Portfolio Manager.

We have relied on the representations given by the management about the penalties or litigations against the Portfolio Manager mentioned in the disclosure document. We are unable to comment on the same.

This certificate has been issued to the Securities and Exchange Board of India for the sole purpose of certifying the contents of the Disclosure Document for Portfolio Management and should not be used or referred to for any other purpose without our prior written consent.

For **ARSK & Associates**  
Chartered Accountants  
Firm Reg. No. 315082E



CA. Ravindra Khandelwal  
Partner

Membership No. 054615  
UDIN: 21054615AAAADN3101

Date: 14.05.2021

Place: Kolkata