



## Disclosure Document

### Portfolio Management Services

#### QUANTUM ADVISORS PRIVATE LIMITED



#### BUILDING YOUR INDIA PORTFOLIO

Listed  
Equity

Private  
Equity

Real  
Estate

Fixed  
Income



# QUANTUM ADVISORS PRIVATE LIMITED

6th Floor, Hoechst House, Nariman Point, Mumbai- 400021, India

## PORTFOLIO MANAGEMENT SERVICES DISCLOSURE DOCUMENT

1. The Disclosure Document (**the Document**) has been filed with the Securities and Exchange Board of India (**SEBI**) along with the certificate in the prescribed format in terms of Regulation 22 of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.

2. The Purpose of the Document is to provide essential information about the Portfolio Management Services to assist and enable the investors in making informed decision for engaging a Portfolio Manager.

3. The Document contains necessary information about the Portfolio Manager required by an investor before investing. The Investor should carefully read the Document prior to making a decision to avail the portfolio management services and retain the Document for future reference.

This Disclosure Document is dated April 28, 2023.

### Details of the Portfolio Manager:

<b>Name</b>	: Quantum Advisors Private Limited (QAPL)
<b>CIN</b>	: U65990MH1990PTC055279
<b>SEBI Registration Number</b>	: INP000000187 (Portfolio Manager)
<b>Registered Office Address</b>	: 6th Floor, Hoechst House, Nariman Point, Mumbai 400021, India
<b>Tel. Nos.</b>	: 91-22- 6144 7900/ 91-22-2283 0322
<b>Fax No.</b>	: 91-22- 2285 4318/2287-5111
<b>E-mail</b>	: <a href="mailto:info@qasl.com">info@qasl.com</a>
<b>Website</b>	: <a href="http://www.QASL.com">www.QASL.com</a>

### Details of the Principal Officer:

<b>Name</b>	: Mr. I. V. Subramaniam
<b>Designation</b>	: Managing Director & Group Head Equities
<b>Address</b>	: 6th Floor, Hoechst House, Nariman Point, Mumbai 400021, India
<b>Tel. Nos.</b>	: 91-22-6144 7902
<b>Email id</b>	: <a href="mailto:Subbu@QASL.com">Subbu@QASL.com</a>



**INDEX**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Page No.</b>
Item 1	Disclaimer clause	4
Item 2	Definitions	4
Item 3	Descriptions	6
Item 4	Penalties, Pending litigation	15
Item 5	Services offered	16
Item 6	Details of investment in the securities of associates/related parties of portfolio manager	24
Item 7	Details of the diversification policy of the Portfolio Manager	25
Item 8	Risk factors	25
Item 9	Client representation	27
Item 10	Financial performance of the portfolio manager	32
Item 11	Portfolio Management performance	32
Item 12	Audit Observations of the preceding 3 years	33
Item 13	Nature of expenses	33
Item 14	Taxation	38
Item 15	Accounting policies	61
Item 16	Audit	67
Item 17	Prevention of money laundering	67
Item 18	Investors services	68



## 1. DISCLAIMER CLAUSE

The particulars of this Document have been prepared by the Management of Quantum Advisors Private Limited (“QAPL”, “Quantum Advisors” or “Company”) in accordance with the SEBI (Portfolio Managers) Regulations, 2020. This Document has neither been approved nor disapproved by the SEBI nor has the SEBI certified the accuracy or adequacy of the contents of the Document.

Pursuant to Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020, Quantum Advisors hereby declares that the Portfolio Management Services rendered in accordance with the contents hereof, are rendered without guaranteeing or assuring, either directly or indirectly, any returns.

Notwithstanding anything contained in the Disclosure Document, the provisions of SEBI (Portfolio Managers) Regulations, 2020 and the master circular, circulars / guidelines issued from time to time there under shall be applicable.

This Disclosure Document along with certificate in Form C is to be given to the prospective client along with the account opening form prior to signing of the Portfolio Management Agreement.

## 2. DEFINITIONS

- (i) **“Accounting Year”** shall mean financial year of Quantum Advisors which is reckoned from April 1 of a year to March 31 of the next year.
- (ii) **“Associate”** shall mean:
  - a. a body corporate in which a director or partner of the portfolio manager holds, either individually or collectively, more than twenty percent of its paid-up equity share capital or partnership interest, as the case may be; or
  - b. a body corporate which holds, either individually or collectively, more than twenty percent of the paid-up equity share capital or partnership interest, as the case may be of the portfolio manager.
- (iii) **“BSE”** means BSE Limited.
- (iv) **“Chartered Accountant”** means a Chartered Accountant as defined in Clause (b) of sub section 2 of the Chartered Accountant Act, 1949 (38 of 1949) and who has obtained a certificate of Practice under sub-section (1) of Section 6 of the Act.
- (v) **“Client(s)/ Investor(s)”** means any person / entity that enters into an agreement / arrangement for availing portfolio management service with the portfolio manager by executing the Portfolio Management Agreement.
- (vi) **“Discretionary Portfolio Manager”** means a portfolio manager who exercises or may, under a contract relating to portfolio management, exercise any degree of discretion as to the investments or management of the portfolio of securities or the funds of the client, as the case may be.
- (vii) **“Foreign Portfolio Investor (FPI)”** means a person registered with SEBI as a Foreign Portfolio Investor (FPI) under SEBI (Foreign Portfolio Investors) Regulations, 2019 as amended from time to time.
- (viii) **“Fund Manager”** means the manager appointed for day-to-day management and administration of the funds managed under portfolio management service.



- (ix) “**NSE**” means National Stock Exchange of India Limited.
- (x) “**Net Asset Value (NAV)**” means the net asset value of the portfolio which is the sum of (a) the value of the securities in the portfolio of the Client, determined in accordance with the valuation policies of the portfolio manager forming a part of the accounting policies as disclosed herein; and (b) the cash balance to the credit of the Client, less (c) accounts payable by the Client.
- (xi) “**Non-Resident Indian (NRI)**” means a Non-Resident Indian or a person of Indian origin residing outside India as defined under Foreign Exchange Management Act, 1999.
- (xii) “**Portfolio**” means the total holdings of securities managed by the Portfolio Manager on behalf of the Client.
- (xiii) “**Portfolio Management Agreement**” means the agreement entered or to be entered into between the Client and the portfolio manager for availing the portfolio management services rendered by the portfolio manager.
- (xiv) “**Portfolio Manager**” means QAPL acting through its personnel, specifically designated for the portfolio management service.
- (xv) “**Principal Officer**” means an employee of the QAPL, who has been designated as such by the portfolio manager.
- (xvi) “**Related Party**” shall have same meaning as defined in SEBI (Portfolio Managers) Regulations, 2020.
- (xvii) “**SEBI**” means 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, as amended from time to time.
- (xviii) “**Securities**” mean (i) Securities as defined under the Securities Contracts (Regulation) Act, 1956 as amended from time to time including shares, scrip, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated Company or other body corporate; (ia) derivative; (ib) units or any other instrument issued by any collective investment scheme to the investors in such schemes; (ic) security receipt as defined in clause (zg) of Section 2 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; (id) units or any other such instrument issued to the investors under any mutual fund scheme; (ie) any certificate or instrument (by whatever name called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt as the case may be; (ii) Government Securities; (iia) such other instruments as may be declared by the Central Government to be securities (iii) rights or interest in securities; provided that securities shall not include any securities which the portfolio manager is prohibited from investing under the SEBI (Portfolio Managers) Regulations, 2020 or any other law for the time being in force.

Any references to laws and regulations in this Document shall be deemed to include such laws and regulations as may be amended, revised, updated and/or supplemented from time to time.



Words importing singular shall include the plural and all reference to masculine gender shall include the feminine gender and vice-versa.

### **3. DESCRIPTION**

Quantum Advisors Private Limited is a limited liability company governed under the laws of India. QAPL is registered as a “Portfolio Manager” with SEBI, as an “Investment Adviser” with the United States Securities and Exchange Commission (SEC) and as a “Restricted Portfolio Manager” in the Canadian provinces of British Columbia, Ontario and Quebec. QAPL was originally established in the name of Quantum Financial Services Private Limited in 1990 and later changed its name in 1998 to Quantum Advisors Private Limited. Quantum Advisors was established by Mr. Ajit Dayal as India’s first institutional equity research house.

QAPL pioneered a quantitative as well as qualitative analytical approach to equity investing in India, providing for the first time consistently applied valuation metrics to evaluate investment opportunities in India’s emerging stock markets. Over the years, QAPL has continued and enhanced its tradition of extensive financial analysis and value investing, as it has evolved into an investment adviser and asset manager.

#### **i. HISTORY, PRESENT BUSINESS AND BACKGROUND OF THE PORTFOLIO MANAGER:**

- **1990:** First pure equity research house in India. Did contractual research for Barings (now ING Barings), Kleinwort Benson, Asian Capital partners and Jardine Fleming.
- **1992:** Exclusive Equity Research and Advisory Services with Jardine Fleming
- **1995:** Terminated Advisory Service with Jardine Fleming
- **1990-1998:** Published the annual Quantum Stock Market Year Book, except for the years 1993 and 1995, where the books were not published.
- **1996-1998:** Equity Research and advisory services to Walden International Investment Group, USA.
- **1996-1998:** Equity Research and advisory services to Prolific Asset Management Limited, UK
- **1998 to April 2004:** Equity Research and advisory services to Hansberger Global Investors Inc., USA.
- **2009:** Registered as “Investment Advisor” with Securities Exchange Commission, USA in July 2009
- **2013-2019:** Set up emerging market team to provide research & advisory services to an associate of the Company
- **2016:** Registered as “Restricted Portfolio Manager” with Canadian Regulators in the provinces of British Columbia, Ontario and Quebec.
- **2000 till date:** Equity research, portfolio management and investment advisory services to Foreign Portfolio Investors (FPIs) and Indian individual clients on a discretionary basis.



ii. PROMOTERS, DIRECTORS AND THEIR BACKGROUND

A. Particulars of Promoter:

<b>Name of the Promoter</b>	Mr. Ajit Dayal
<b>Address</b>	15, CCI Chambers, Dinshaw Wachha Road, Mumbai - 400 020
<b>% of Equity Shares held</b>	Holds 34.97% of the equity share capital of Quantum Advisors.
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Bachelor of Arts (Economics) from Mumbai University - 1981</li> <li>• M.B.A from University of North Carolina - 1983</li> </ul>
<b>Experience General &amp; Specific</b>	<ul style="list-style-type: none"> <li>• <b>1990 – Till date (Quantum Advisors Private Limited)</b> Mr. Ajit Dayal is the Founder of Quantum Advisors Private Limited (earlier known as Quantum Financial Services Private Limited), India’s First institutional Equity Research House in 1990. He held the position of CEO &amp; CIO till January 29, 2007.  He has resigned from the post of Director effective August 24, 2017 which was held by him since January 1990. However, he continues to be a member of the portfolio team for India equity products of the Firm.</li> <li>• <b>April 2015 – Till Date</b> – He is an Investment Committee Member of QIEF Management LLC (QIEF), an affiliate of Quantum Advisors based in Mauritius, since April 1, 2015.  He has resigned from the post of Director of QIEF and has been appointed as a Consultant by the Board effective November 13, 2018.</li> <li>• <b>2007 Till March 2015</b> - Held position of CEO &amp; CIO of QIEF since January 2007.</li> <li>• <b>1997 – 2004</b> (Hansberger Global Investors) - Mr. Dayal was Deputy Chief Investment Officer and subsequently offered the role of CEO in December 2003. HGI provided investment advisory services to its own family of mutual funds.</li> <li>• <b>1992-1995</b> – (Jardine Fleming) - As Director on the Board of Jardine Fleming Companies, he helped to attract FII Investment into India and also assisted Jardine Fleming companies in investing their corpus in Indian shares and GDRs.</li> <li>• <b>1988</b> - (UTI) - Mr. Dayal was the Chief Executive Officer of UTI Investment Advisory Services Limited, the Delaware-based investment advisor of The India Growth Fund, a closed-ended fund listed on the NYSE.</li> <li>• <b>1984-90</b> (Ashok Birla Group) - Associated with Ashok Birla Group and was responsible for the Birla-Warburg project involving preparation of a business case for the India opportunity and why the Ashok Birla Group would be a good potential joint venture partner for the companies like Yamaha, 3M, and Kennametal. Mr Dayal also led the efforts for the IPO of these three joint ventures in the Indian stock exchange and liaised with the investment bankers and the various management teams during the entire process.</li> </ul>



**B. Ownership details/Shareholding pattern**

- Management Team: **50.80%**, of which key individuals are:
  - Mr. Ajit Dayal, Founder - 34.97%
  - Mr. I V Subramaniam, MD & Group Head-Equities- 3.87%
  - Other Employees of the firm including Quantum Advisors ESOP Trust - 11.96%
- External Investor: HWIC Asia Fund Class Q Shares (HWIC Asia), 49.20%

HWIC Asia is ultimately beneficially owned by Fairfax Financial Holdings Limited (“FFHL”). FFHL is a financial services holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management activities. FFHL is listed on the Toronto Stock Exchange and is the ultimate parent entity of the Fairfax group.

HWIC Asia is not involved in the day-to-day management and operations of the business of Quantum Advisors including research and portfolio management. HWIC Asia intended to be a passive financial shareholder of the Company, but they have customary minority protection rights as a passive financial shareholder.





C. Particulars of Directors and their background

\* Ms. Natasha Cupps has resigned from her Directorship in Quantum Advisors Private Limited w.e.f. March 16, 2023.

<b>MR. Ajay Nanavati</b>		
<b>Address</b>	191-194, Pebble Bay Tower 4, 1 <sup>st</sup> Main RMV 2 <sup>nd</sup> Stage, Dollars Colony, Bengaluru 560094	
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Degree in Chemical Engineering from Virginia Tech., USA</li> </ul>	
<b>Experience: General &amp; Specific (in Brief)</b>	<ul style="list-style-type: none"> <li>• <b>2017 to March 2020</b> - He was a Non-Executive Chairman of Syndicate Bank</li> <li>• <b>2008</b> - He returned to India as the first Indian MD of 3M's only public company outside the US.</li> <li>• <b>2005</b> - He moved to Israel as Managing Director of 3M Israel.</li> <li>• <b>1998</b> - He moved to divisional Headquarter in Austin, Texas where he led the launch of a major new services diversification initiative for the corporation as well as integration of a large French/German acquisition</li> <li>• <b>1993</b> - He relocated to Singapore to manage the APAC region for the telecom business.</li> <li>• <b>1988</b> - He started his career with the Tata Group and joined 3M in India as its first employee.</li> </ul> <p>He is an active innovation evangelist on various forums, mentors start-ups/SME's and is an angel investor. He is the co-chair of the CII Directors Guild on corporate governance, a member of the CII Start-up council, Advisory Board of International Institute of Information Technology (IIITB) &amp; Advisory Board of Israel Center, IIM-Bangalore.</p> <p><b>Other associations:</b></p> <ul style="list-style-type: none"> <li>• Advisor of the InnoCirc Ventures, April 2018.</li> <li>• Advisor of the GlobalGyan Academy of Management, May 2018</li> </ul>	
<b>Ownership Details in QAPL</b>	Nil	
<b>Date of Appointment</b>	Appointed as a Director effective March 15, 2019, and as the Non-Executive Chairman of the Board of Directors effective November 03, 2020	
<b>Other Directorships</b>	<b>Company/Body Corporate</b>	<b>Position</b>
	Alicon Castalloy Limited	Director
	Grey Gurus Management Advisors LLP	Designated Partner



<b>MS. Marsha J. Vande Berg</b>											
<b>Address</b>	2584 Filbert St, San Francisco, CA 94123										
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Ph.D. from Vanderbilt University</li> <li>• Masters Degree from Duke University</li> <li>• Undergraduate: University of Iowa, University of Wuerzburg, Germany, Virginia Polytechnic Institute</li> </ul>										
<b>Experience: General &amp; Specific (in Brief)</b>	<ul style="list-style-type: none"> <li>• <b>2005-2014:</b> Chief Executive Officer, Pacific Pension Institute, a non-profit and educational resource for institutional investor,</li> <li>• <b>2016-2017:</b> Fellow, Stanford University Distinguished Career Institute</li> <li>• <b>January 2018:</b> Visiting Fellow, University of California San Diego School for Global Policy and Strategy.</li> <li>• <b>2014-2016:</b> Fellow, Harvard University Program on International Financial Systems</li> <li>• <b>2015 till date:</b> Member Advisors Network, Official Monetary &amp; Financial Monitory &amp; Financial Institution Forum (OMFIF), London, 2015</li> <li>• <b>From June 2016-</b> Member, Harvard University Program on International Financial Systems</li> </ul> <p><b>Board and Committee Experience</b></p> <ul style="list-style-type: none"> <li>• Member, Standford DCI National Advisory Council, 2017</li> <li>• Member, Council on Foreign Relations (CFR) National Committee, New York.</li> <li>• RAND Center/Asia Pacific Policy Advisory Board RAND CAPP Corporate and Membership Committee, 2010</li> <li>• Co-chair, Stanford Distinguished Careers Institute Alumnae Steering Committee, Jan – Dec 2017</li> <li>• Japan Society of Northern California, and member, Corporate Membership Committee, 2016</li> <li>• 1990 Institute and member, Nominations &amp; Governance Committee, 2000-2022</li> <li>• Director, IWF Legacy Foundation, 2014 – 2017</li> </ul>										
<b>Ownership Details in QAPL</b>	Nil										
<b>Date of Appointment</b>	July 2, 2014										
<b>Other Directorships</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><b>Company/Body Corporate</b></th> <th style="text-align: left;"><b>Position</b></th> </tr> </thead> <tbody> <tr> <td>RAND Center/Asia Pacific Policy Advisory Board</td> <td>Director, Advisory Board</td> </tr> <tr> <td>Official Monitory &amp; Financial Monitory &amp; Financial Institution Forum (OMFIF)</td> <td>Vice Chair of Advisory Board</td> </tr> <tr> <td>Japan Society of Northern California</td> <td>Director</td> </tr> <tr> <td>Stanford University Distinguished Careers Global Advisory Council</td> <td>Co-Chairperson</td> </tr> </tbody> </table>	<b>Company/Body Corporate</b>	<b>Position</b>	RAND Center/Asia Pacific Policy Advisory Board	Director, Advisory Board	Official Monitory & Financial Monitory & Financial Institution Forum (OMFIF)	Vice Chair of Advisory Board	Japan Society of Northern California	Director	Stanford University Distinguished Careers Global Advisory Council	Co-Chairperson
	<b>Company/Body Corporate</b>	<b>Position</b>									
	RAND Center/Asia Pacific Policy Advisory Board	Director, Advisory Board									
	Official Monitory & Financial Monitory & Financial Institution Forum (OMFIF)	Vice Chair of Advisory Board									
Japan Society of Northern California	Director										
Stanford University Distinguished Careers Global Advisory Council	Co-Chairperson										



<b>MR. Hormazdiyaar Vakil</b>		
<b>Address</b>	122, Somerset House, 61 G. B. Desai Road, Mumbai, India, 400026	
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Bachelors of Arts from University of Mumbai</li> <li>• LL.B. from University of Mumbai</li> <li>• Solicitor, Bombay Incorporated Law Society</li> <li>• Solicitor, the Law Society England and Wales</li> </ul>	
<b>Experience: General &amp; Specific (in Brief)</b>	<ul style="list-style-type: none"> <li>• Mr. Hormazdiyaar Vakil is a Partner in Mulla &amp; Mulla &amp; Craigie Blunt &amp; Caroe, Advocates, Solicitors &amp; Notaries since 1992. He enrolled on the roll of solicitors of the Bombay Incorporated Law Society in 1976, and was admitted as a solicitor of the Supreme Court of England in 1985. He specializes in commercial, corporate law, arbitration, testamentary and succession law, banking and real estate besides having a varied general practice.</li> <li>• Mr. Hormazdiyaar Vakil was one of the specialist editors of the 11th Edition (1988) of Ramaiya’s Guide to the Companies Act and also written the Chapter on India in Editions 1, 2 and 3 in 2011, 2012 and 2013 of the India Investment Manual published by Asia Law and Practice, Hong Kong.</li> </ul>	
<b>Ownership Details in QAPL</b>	Nil	
<b>Date of Appointment</b>	August 27, 2019	
<b>Other Directorships</b>	<b>Company/Body Corporate</b>	<b>Position</b>
	Foods and Inns Limited	Director
	Neterson Technologies Private Limited	Director
	The Zoroastrian Co-operative Bank Ltd.	Non-executive Director



<b>MR. Praveen Kadle</b>		
<b>Address</b>	<ul style="list-style-type: none"> <li>• 18, Floor-2, Plot-210/211, Cricket Club of India, Dinshaw Wachcha Road, Brabourn Stadium, Churchgate Mumbai, India, 400020</li> </ul>	
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Bachelors of Commerce with Honours from Bombay University, 1977</li> <li>• Associate Member of the Institute of Chartered Accountants of India, 1981</li> <li>• Member of the Institute of Cost and Work Accountants of India since 1981</li> <li>• Professionally qualified Company Secretary from the Institute of Company Secretaries of India, 1983</li> </ul>	
<b>Experience: General &amp; Specific (in Brief)</b>	<ul style="list-style-type: none"> <li>• Mr. Kadle is recipient of many recognitions and awards such as CFO of the Year Award in the years 2004, 2006, Best CFO in Auto Sector in the year 2007. Praveen was inducted in to “CFO - Hall of Fame” in 2008. He was recognized “Indian Business Leader of the Year” in 2015 by ‘Horasis’, a Global Leadership Institute and Best Indian CEO in Financial Services Sector by Finance Asia in 2017.</li> <li>• He has also been associated with CRY (Child Rights and You), the most respected social sector player for last fourteen years as an Honorary Trustee and Treasurer and actively involved with various public charitable institutions.</li> </ul>	
<b>Ownership Details in QAPL</b>	Nil	
<b>Date of Appointment</b>	November 26, 2020	
<b>Other Directorships</b>	<b>Company/Body Corporate</b>	<b>Position</b>
	Shankarmahadevan World of Art Private Ltd.	Director
	Prachetas Capital Private Ltd.	Managing Director
	Beam Global Spirits & Wine (India) Private Ltd.	Non-executive Director
	Garware Fulflex India Private Ltd.	Non-executive Director
	Tide Water Oil Company India Ltd.	Director
	Persistent Systems Ltd.	Director
	Tata International Ltd.	Director
	Shivakrtih Realtors LLP	Designated Partner
	Rithwik Foundation for Performing Arts	Director
	Veedol UK Limited (Formerly Price Thomas Holdings Limited)	Independent Director
	John Cockerill India Ltd.	Director
	Divgi TorqTransfer Systems Ltd.	Director
Tata International Metals (America) Ltd.	Director	

**Note:** Mr. Kadle ceased to be Director of Tata AutoComp Systems Limited and TitanX Holdings AB w.e.f. January 27, 2023 and Nominee Director of International Asset Reconstruction Company Private Limited w.e.f. March 31, 2023.



<b>MS. Nalini Kak</b>		
<b>Address</b>	Flat No 2B, Louvre 1, Raisina Residency, Sector 59, P.O. Kadarpur, Gurgaon- 122 101.	
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Bachelor of Arts in English Literature, Economics, History from Lucknow University.</li> <li>• Master of Arts in Modern Indian History from JNU, Delhi.</li> </ul>	
<b>Experience: General &amp; Specific (in Brief)</b>	<ul style="list-style-type: none"> <li>• <b>2019-2021:</b> Ms. Kak was Independent Director of Quantum Trustee Company Private Ltd.</li> <li>• <b>March 2020:</b> Empanelled as Arbitrator/Co-arbitrator by Northern Railway, IR, for resolution of contractual disputes between Railway &amp; Other parties.</li> <li>• <b>Dec 2016 - Dec 2017:</b> Additional Member, Budget –Railway Board (Special Secretary to GOI).</li> <li>• <b>1981-2017:</b> over 36 years of experience in Indian Railways Accounts Services (IRAS) (Government of India) in Accounting, Budgeting &amp; Finance.</li> </ul>	
<b>Ownership Details in QAPL</b>	Nil	
<b>Date of Appointment</b>	June 25, 2021	
<b>Other Directorships</b>	<b>Company/Body Corporate</b>	<b>Position</b>
	Nil	



<b>MR. I.V. SUBRAMANIAM</b>		
<b>Address</b>	605/6 Raheja Acropolis, Athena Building, Deonar-Pada Road, Deonar Village, Chembur, Mumbai- 400 088	
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Bachelor of Commerce from Osmania University</li> <li>• Bachelor of Law from Osmania University</li> <li>• Company Secretary from ICSI</li> <li>• Diploma in Business Finance from ICAI</li> <li>• CFA Charter holder CFA Institute USA</li> </ul>	
<b>Experience: General &amp; Specific (in Brief)</b>	<ul style="list-style-type: none"> <li>• <b>Quantum Advisors Private Limited (QAPL)</b> <ul style="list-style-type: none"> <li>○ January 1, 2021 till date MD &amp; Group Head - Equities</li> <li>○ May 16, 2018 till December 31, 2020 MD, CEO &amp; CIO (was also appointed as Compliance Officer between March 2019 to May 2019)</li> <li>○ May 16, 2013 till May 15, 2018 Managing Director &amp; CIO</li> <li>○ November 2009 to May 15, 2013 CEO &amp; CIO</li> <li>○ December 3, 2007 to November 2009- CIO</li> <li>○ January 29, 2007 to December 2, 2007- CEO &amp; CIO November 15, 2006 to January 28, 2007- Deputy CIO</li> <li>○ June 1996 to October 2005 – Was holding various positions in the Firm which includes; Research Analyst, Head Equity Research and Portfolio Manager.</li> </ul> </li> <li>• <b>Quantum Asset Management Company Private Limited (QAMC), a 100% subsidiary of QAPL –</b> <ul style="list-style-type: none"> <li>○ Oct 2005 to Nov 2006 - Sr. Fund Manager &amp; Head Research of QAMC.</li> <li>○ November, 2006 to March 31, 2021- Director of QAMC</li> <li>○ May 2018 to March 31, 2021- Chairman, Board of Directors.</li> </ul> </li> <li>• <b>Prior to 1996-</b> <ul style="list-style-type: none"> <li>○ Industry and Company Analysis for Securities Capital (I) Private Limited.</li> <li>○ Apprenticeship with Company Secretary, Homi H VimaDalal</li> <li>○ Project Reports and Fund Management for Sunku Auto Limited</li> <li>○ Handling of Public Issues in Registrar Division of Karvy Consultants</li> <li>○ Managing Operations for D.B.T. Kumar Member Hyderabad Stock Exchange</li> </ul> </li> </ul>	
<b>Ownership Details in QAPL</b>	Owns 3.87% equity shares of QAPL.	
<b>Date of Appointment</b>	Managing Director of Quantum Advisors Private Limited since May 16, 2013	
<b>Other Directorships</b>	<b>Company</b>	<b>Position</b>
	Helpyourngo.com India Private Limited	Director
	Money Simplified Services Private Limited	Director
	Personalfn Insurance Services India Private Limited	Director
	Primary Real Estate Advisors Private Limited	Director
	Quantum Information Services Private Limited	Chairman
	HelpYourNGO Foundation	Director
Naturals Streets for Performing Arts Foundation	Director	

**iii. TOP 10 GROUP COMPANIES / FIRMS OF THE PORTFOLIO MANAGER ON TURNOVER BASIS (BASED ON LATEST AUDITED FINANCIAL STATEMENTS AVAILABLE OF THE FOLLOWING COMPANIES)**

1. Quantum Asset Management Company Private Limited.
2. Equitymaster Agora Research Private Limited.
3. PREI Management Limited, Mauritius \*
4. Primary Real Estate Advisors Private Limited
5. QIEF Management LLC, Mauritius \*
6. Common Sense Living Private Limited
7. Q India Corp \*
8. Quantum Information Services Private Limited
9. Quantum Trustee Company Private Limited
10. Quantum India (Mauritius) Limited #

\* While calculating turnover, conversion rate used is 1 US Dollar= INR 82.777/- as on October 31, 2022.

# The entity has not completed its first year.

**iv. DETAILS OF SERVICES BEING OFFERED**

Quantum Advisors Private Limited offers following types of Services:

Category of Clients	Type of Services
Individual Clients	<ul style="list-style-type: none"> <li>• Discretionary Portfolio Management Services</li> </ul>
Institutional Clients - Foreign Portfolio Investors (FPIs)	<ul style="list-style-type: none"> <li>• Discretionary Portfolio Management Services</li> <li>• Research &amp; Portfolio Advisory services</li> </ul>

**Important Disclosure: Quantum Advisors provides a direct onboarding option to clients who wish to avail our services, without intermediation of persons engaged in distribution services.**

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

<b>(i)</b>	All cases of penalties imposed by the SEBI or the directions issued by the SEBI under the Act or Rules or Regulations made there under.	None
<b>(ii)</b>	The nature of the penalty/direction.	Not Applicable
<b>(iii)</b>	Penalties imposed for any economic offence and/or for violation of any securities laws.	None
<b>(iv)</b>	Any pending material litigation/legal proceedings against the portfolio manager, key personnel with separate disclosure regarding pending criminal cases, if any.	None
<b>(v)</b>	Any deficiency in the systems and operations of the portfolio manager observed by the SEBI or any regulatory agency.	None
<b>(vi)</b>	Any enquiry/ adjudication proceedings initiated by the SEBI against the portfolio manager or its directors, principal officer or employee or any person directly or indirectly connected with the portfolio manager or its directors, principal officer or employee, under the Act or Rules or Regulations made there under.	None



## **5. SERVICES OFFERED**

The various products/Investment Approach offered by the Portfolio Manager under its Discretionary Portfolio Management and Advisory services are:

### **a. Equity Product/Investment Approach:**

#### **1. Q India Value Equity Strategy:**

##### **Strategy: Equity**

##### **Investment Objective:**

The primary investment objective of QAPL for this product is to achieve long term capital appreciation from a fully equity oriented portfolio that are in a position to benefit from the anticipated growth and development of the Indian economy and its investment universe will be as far as possible the companies constituting the S&P BSE 200 or any appropriate additions made thereto and will be subject to any specific guidelines prescribed by clients. However, considering the market conditions, QAPL may at its discretion, invest in one or more financial and money market instruments.

##### **Investment Philosophy and Strategy:**

We follow the value investment philosophy and employ a bottom-up process for portfolio construction.

Our investment philosophy and strategy involves the use of intensive qualitative and quantitative fundamental analysis, to build and monitor our clients' portfolios actively while at the same time avoiding excessive trading, and to control risk by endeavouring to keep our clients' portfolio adequately diversified, both in terms of the sectors included in those portfolios, as well as with respect to the level of concentration in any specific security. Our investment strategy is to invest in companies which we believe are attractively priced in the market when compared to our valuation of the companies. We do not make sector calls. We make stock calls that lead to certain sector weights. We believe that our investment process is unique as it is "team-driven" and not based on the existence of a "star" fund manager. In addition to the "team" structure, we believe that our investment process has a calibrated risk approach and a long-term orientation. Investment decisions are based on the consensus of the portfolio team and are executed by the respective portfolio manager in line with the applicable guidelines and specific client mandates.

We evaluate the companies in which we invest based on their businesses, the strength of their balance sheets and cash flow relative to their long term goals and other factors including our assessment of the skill and expertise of the company's management team and the long term potential for both the company and the market in which it operates. We generally buy stocks at a discount to what we believe is the intrinsic value of the stock. Such opportunities may arise for a variety of reasons ranging from the belief that the market has undervalued a company, to an assessment that there is opportunity for significant profit or market share growth given the dynamics of the sector a company operates in, or as a result of the company's competitive or proprietary advantages.





Our investment portfolio will generally consist of equity shares of listed companies in India having an average daily trading volume of USD 1 million or above in the preceding 12 months. The process of building the portfolio is a team drive process.

We avoid investment in companies:

- With record of poor treatment of minority shareholders; that have blatantly violated environmental rules and regulations; that have acquired national properties from government through questionable means; that follow other similarly questionable practices
- With questionable accounting practices
- With weak business models
- Where it is not clear as to who exactly are the founders of the company

As a practice we generally do not invest in companies that derive more than 20% of their total revenues from tobacco, hard liquor or gambling/casino activities. The term hard liquor does not include wine and beer.

The stocks also pass through further screens (including integrity screens) such as:

- Are there too many related party transactions?
- Is there a succession plan in place?
- Is it a company where only one person runs it?
- Has the management changed and become better or become worse?

Each investment decision is supported by an approved research report and the investment justification.

- Generally, minimum holding in any one stock is 2% (at the time of initial investment) and the maximum is 6% at cost and 10% at current market prices. The portfolio is monitored regularly and rebalanced suitably whenever required. The portfolio manager may also rebalance a client portfolio in case of any fresh contribution in to or withdrawal from a client account.

Minimum and Maximum portfolio holding: The Firm generally holds 25-40 stocks in a client portfolio.

We sell investments in companies when we believe the market price of those investments has exceeded our assessment of the long-term value of those companies or when we believe adverse changes to a company's management, prospects or the markets in which it operates have occurred. We evaluate the company valuations on fundamental criteria (dividend yields, price to earnings, price to cash flow, price to book value, and other different measures of share price ratios), and also do comparative evaluation against peer group, its history and the overall equity markets.

Although we believe market liquidity to be an important tool to mitigate investment risk, depending on the client-specific mandate, we may make opportunistic investments in relatively illiquid securities, including securities in unlisted companies.

#### **Portfolio Construction:**

The stock has to be under active and current coverage with an average daily trading volume of USD 1 million over last 1 year. Each stock in our 'Estimates Database' has a pre-assigned Buy / Sell Limit. This is an INR price, based on underlying fundamental criteria. We, generally, buy a new stock at the pre-determined Buy Price (or below). We generally sell an existing stock at the



pre-determined sell price or above. We may add to a stock we already own if it is between the pre-determined Buy and Sell price. QAS is benchmark agnostic and leaves it to the client to specify a benchmark against which we must be compared.

The portfolio team takes the decision on portfolio weights. These are a function of:

1. Reliability of management
2. Quality of earnings
3. Stability of Earnings
4. Upside potential
5. Alternatives/cash

Higher importance is given to the first three points stated above in deciding the weights. For instance, if we are deciding between two stocks with similar upside potential, a stock that is rated higher on stability, quality and reliability will earn a larger portfolio weight.

We will let stocks run up to a maximum of 10% of the portfolio (current market price/NAV) before we begin to trim the position.

We sell when the stock price reaches our sell limit and there has been no revision in our sell limits or when we change our view on the management.

**Description of types of securities:**

QAPL invests funds in equity shares, stocks, scrips. It may also invest in any financial, money market or other instruments or investments limited to bonds, units of mutual funds, bank deposits, convertible debentures, non-convertible debenture, certificate of deposits, Government securities, treasury bills and certificates of securitized debt subject to restrictions imposed in Portfolio Management Agreement with clients.

**Benchmark:** S&P BSE 500 Total Return Index (TRI)

**Basis for choice of Benchmark:**

With effect from April 1, 2023, QAPL has chosen S&P BSE 500 as benchmark pursuant to guidelines issued by SEBI on Performance Benchmarking and Reporting vide circular dated December 16, 2022. S&P BSE 500 comprises of stocks which are highly liquid (predominantly Large Cap) and broadly covers our investment universe under this investment approach. Hence, we believe it makes a good benchmark as the portfolio has a bias towards highly liquid stocks. However, the performance of the portfolio may not be strictly comparable with the performance of the Benchmark, due to inherent differences in the construction of the portfolios, and the volatility of the benchmark over any period may be materially different than that of the portfolio over the same period.

Prior to this, till March 31, 2023, QAPL used S&P BSE 200 TRI as benchmark for this investment approach.

**Investment Horizon:** 3 to 5 years and above.



## **2. Q India Responsible Returns Strategy:**

### **Strategy: Equity**

#### **Investment Objective:**

The Investment Objective of the strategy is to achieve long-term capital appreciation by investing in equity share of companies that have relatively better environmental, social and governance practices as measured through our proprietary Environment, Social and Governance (ESG) scoring methodology.

#### **Investment Philosophy, Strategy and Portfolio Construction Process:**

The strategy focus is to follow a comprehensive 'ESG Framework' in order to develop a deeper understanding of a company's management practices, sustainable businesses and risk profile, which would thereby help us in understanding the impact on long-term sustainability that drives performance. The aim is to invest in businesses, which are ensuring sustainable management of natural and human resources, diversity within the organizational structure, prudent management and socially responsible framework of business. The portfolio will include shares of all companies above a particular threshold ESG score. The score is derived using our proprietary methodology to analyse the Environmental, Social and Governance practices of the companies in our investment universe.

The primary focus will be on identifying companies based on two criteria. First is for selecting companies under coverage and second is for selecting companies in the portfolio.

The first criterion is selecting companies generally trading with liquidity of minimum US \$ 1 million on an average over the last 12 months.

The second criterion is selection of companies based on their ESG score. Each company/security, which is filtered on the basis of the first criterion, will be scored on ESG parameters using data sources such as sustainability reports (Global Reporting Initiative Framework), Business Responsibility Reports (BRR) and other publicly available documents. Active weights of a security within their respective sector will be determined by a composite ESG score. A higher ESG score of a security within the sector will generally have a higher relative weight and vice versa. The selection process ensures completely eliminating exposure to companies that scores below the set threshold on ESG criteria. The sum total of the weights of securities in a sector will equal to track sector weights of broad well diversified indices subject to the sector having enough ESG depth in terms of companies with their individual ESG scores to match the sector allocation given the guardrails around individual stock weights in relation to their ESG scores.

The allocations focus on governance and sustainability; hence will be agnostic to valuations. However, the stocks would also be screened for a financial sustainability check before included in the portfolio. Stocks with weak financial stability will be completely excluded and ones not meeting the threshold but with improving financial profile will be adjusted to a lower weight as per the financial assessment of companies.

#### **Portfolio Construction:**

- For being considered for the portfolio a stock should generally have an average liquidity of minimum US\$ 1 million over the last 12 months.



- Generally, every Stock with an ESG composite score equal to or above the threshold ESG score and meeting the financial sustainability criteria may be expected to be part of the portfolio.
- The fund manager would generally not try to time the market and will add stocks that meet the ESG criteria. Every stock in the portfolio will be bought and sold on the basis of weights allotted to it and will be value agnostic.
- The fund manager will set sector weights for the portfolio in accordance with sector weights of a broad well diversified India equity Index like the MSCI India Index.

In case, there are no stocks with ESG score greater than or equal to the set threshold ESG composite score in a particular sector, the weightage of that sector is redistributed on a relative basis among other sectors, where the stocks meet the ESG criteria. Consequently, the weightages of individual stocks qualifying the ESG criteria within those sectors will also change accordingly.

**Underlying theme:**

The underlying theme of this strategy is to build a portfolio of securities following an investment strategy that is valuation agnostic and focuses on identifying high governance based ESG driven listed Indian companies.

**Benchmark:** S&P BSE 500 Total Return Index (TRI)

**Basis for choice of Benchmark:**

With effect from April 1, 2023, QAPL has chosen S&P BSE 500 as benchmark pursuant to guidelines issued by SEBI on Performance Benchmarking and Reporting vide circular dated December 16, 2022. The benchmark comprises of stock which are highly liquid and broadly covers our investment universe under this investment approach. Hence, we believe it makes a good benchmark as the portfolio has a bias towards highly liquid stocks. However, the strategy's performance may not be strictly comparable with the performance of the Benchmark, due to inherent differences in the construction of the portfolios, and the volatility of the benchmark over any period may be materially different than that of the strategy over the same period.

Prior to this, till March 31, 2023, QAPL used MSCI India Index as benchmark for this investment approach.

**Suggested investment horizon:** 3 to 5 years and above.

**3. Other client funds under management:**

Apart from the equity products (Investment Approach) offered as described above, the Portfolio Manager currently also manages client funds under its discretionary portfolio management services as Separately Manages Accounts (SMA) of Institutional Investors (Foreign Portfolio Investors – FPI's). Considering the client specific customised nature of these mandates, each of these mandates is treated as a separate Investment Approach managed by the Portfolio Manager. The details of the same are as follows:

**Q India Value Equity Strategy - Constrained XIII:**

**Strategy:** Equity



The underlying strategy for this approach is Q India Value Equity Strategy. However, it has certain cash level and stock/sector exposure related restrictions imposed by the client as prescribed in the client's Investment Management Agreement (IMA). The benchmark index for this approach is S&P BSE 500 (SEBI prescribed) and MSCI India Index (Total Return Gross Dividend) as mandated by the client.

**Q India Value Equity Strategy - Constrained V:**

**Strategy: Equity**

The underlying strategy for this approach is Q India Value Equity Strategy. However, it has certain cash level and stock/sector exposure related restrictions imposed by the client as prescribed in the client's Investment Management Agreement (IMA). The benchmark index for this approach is S&P BSE 500 (SEBI prescribed) and FTSE Global Equity Index Series (All Cap) India as mandated by the client.

**b. Fixed Income Product:**

**1. Q India Sovereign Focus Bond Strategy**

**Strategy: Debt**

**Investment Objective:**

The objective of the fixed income product is to generate income and capital gains by investing in fixed income securities issued by the Central Government of India (Sovereign) and government owned companies (Public Sector Units – PSU) of Indian origin (PSU Corporate Debt). The approach would be Long-only; with no leverage and un-hedged.

**Investment Philosophy, Strategy and Portfolio Construction Process:**

Our investment philosophy reflects an intensive use of fundamental analysis, both quantitative and qualitative; to effectively construct and manage the portfolio based on the investment objectives as laid down by Client'.

We will endeavour to maintain consistent performance by seeking to balance yields and capital preservation as well as maintaining a high level of liquidity. We aim to actively monitor the local Indian interest rate markets as well as the developments in global markets and to rebalance the portfolio of investments and adjust its holdings as it deems necessary or desirable based on macro-economic factors and micro economic factors as described below. The product's investment strategy comprises a number of elements as set out under the sub-headings below:

**Research and Investment Process:**

The investment process which we use is systematic, disciplined and research driven. The investment decisions are arrived at by using a well-researched top-down approach. The research process combines macro factors (i.e. factors relating to the broad economy) and micro (i.e. security-level) factors for investment decisions.

The macro analysis will look at long-term macro economic indicators such as, without limitation, gross domestic product (GDP), inflation, fiscal and monetary policy, deficits and currency, global macro economic changes that may impact the domestic environment, liquidity, government



borrowing and corporate borrowing. This macro analysis helps forecast the direction and level of interest rates.

The micro analysis will look at individual companies and instruments and will aim to identify good quality corporate securities; to identify undervalued securities on the yield curve and will look to analyse the associated risks of each investment.

**Portfolio Construction:**

We follow a top down (macro to micro) approach to build the client portfolio. We take a view on the direction of interest rates on the basis of its analysis of the macroeconomic factors and on the choice of security based on its micro analysis.

The macro and micro analysis will create a portfolio of securities based on the following considerations: maturity profile, credit quality (as described below), spread differential to its benchmark, liquidity of the underlying securities, the holding period and the risk profile of the securities.

We will primarily invest in the following instruments subject to applicable Government policies for investments in:

- Securities issued by Central Government of India – Government Securities and Treasury Bills, Commercial Papers (CPs) of government owned companies
- Corporate Debt securities issued by government owned companies – Non-Convertible Debentures (NCDs) and Bonds including Zero Coupon Bonds
- Debt obligations of government owned banks and financial institutions including perpetual and Upper Tier II bonds
- Floating rate Debt Instruments issued by Central Government and government owned companies, whose coupon rates are linked to a benchmark like the NSE MIBOR (Mumbai Inter-Bank Offer Rate) or the INBMK (Reuters Indian Government Bond Benchmark)

**Investment Process and Portfolio Construction:**

- Firm up the short term and long term view on various macro-economic factors
- Firm up a strong view on the domestic liquidity situation – as liquidity changes impacts yields of short term instruments
- Firm up view on the likely monetary policy actions by the RBI and its impact on the short term instruments and liquidity
- Firm up view on Spread and yield movements of different securities of different maturities belonging to different sectors
- Firm up view on the likely portfolio positioning given the above – Targeted Average Yield, Targeted average maturity, Portfolio Liquidity, Portfolio Credit Quality, Portfolio Sectoral Quality
- Review the Current Portfolio position – Portfolio maturity, Portfolio Liquidity, and identify Portfolio gaps to be filled
- Review the investor horizon, likely redemptions, likely inflows – Forecast the ALM (Asset-Liability Management) position
- Confirm whether likely ALM position fits with the intended portfolio positioning
- Is the likely risk worth taking?
- Firm up view on buying and selling
- Scan the market for opportunities – identify the potential securities
- Purchase or sell with proper justifications – market levels, spreads, YTM, HPRs
- Review the portfolio again for all parameters



**Investment Restrictions:**

Investments under this strategy will be made subject to the following investment restrictions:

Security	Investment limit (Per Issuer)	Investment limit (Per Issue)
Government Bonds	NA	50% of Net Assets
PSU Corporate Debt	10% of Net Assets	10% of Outstanding Issue

**Suggested invested horizon:** 2 to 3 years

**Benchmark:** Crisil Composite Bond Fund Index

**Basis for choice of Benchmark:**

The benchmark for the strategy since inception is the Crisil Composite Bond Fund Index. Crisil is an index of Government Securities, PSU bonds and Private Corporate Bonds. Crisil is a total return composite bond fund index consisting of Indian government bonds, AAA and AA rated PSU and private corporate bonds. Although, the Q India Fixed Income composite invests only in Indian Government Bonds and AAA rated PSU Corporate Bonds and does not invest in Private Corporate Bonds, we believe that Crisil is an appropriate benchmark. Also, Crisil is used as the primary benchmark by all the domestic bond funds, thus signifying higher acceptability amongst investors. The said benchmark however does not completely represent the strategy and the underlying portfolio of the strategy can be different as compared to the index constituents.

**Allocation of portfolio across types of securities:**

Under normal circumstances and in case of FII clients, as per availability of investment limits the asset allocation shall be as follows:

Type of Instruments	Minimum	Maximum
Indian Government Bonds	0%	100%
AAA India PSU Bonds – Bonds issued by Government owned Companies	0%	100%

**Description of types of securities:**

QAPL shall invest as per applicable Government policies for investments in:

- Securities issued by Central Government of India – Government Securities and Treasury Bills, Commercial Papers (CPs) of government owned companies
- Corporate Debt securities issued by government owned companies – Non Convertible Debentures (NCDs) and Bonds including Zero Coupon Bonds
- Debt obligations of government owned banks and financial institutions including perpetual and Upper Tier II bonds
- Floating rate Debt Instruments issued by Central Government and government owned companies, whose coupon rates are linked to a benchmark like the NSE MIBOR (Mumbai Inter-Bank Offer Rate) or the INBMK (Reuters Indian Government Bond Benchmark).

**Policies for investments in Associate or Group Companies & the maximum % of such investments:**

As per Firm’s Policy, it cannot invest in securities issued by any Related Party or Associate unless these are permitted under applicable regulations and prior consent of the client is obtained as provided under the applicable rules and regulations.

**Minimum Portfolio Size**

Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020 prohibits the Portfolio Manager from accepting from a client, funds and/or securities worth less than Rs. 50,00,000 (Rupees Fifty Lacs).

QAPL currently provides portfolio management services as below:

Accounts	Minimum account Size
Indian Private individual accounts	INR. 1,00,00,000/- (Rs. One Crore)
Equity focused Institutional private accounts (India Value equity strategy)	US \$20,000,000 (USD Twenty Million)
Equity focused Institutional private accounts (Q India Responsible Returns Strategy)	US \$1,000,000 (USD One Million)
Fixed Income-Focused institutional account	US \$50,000,000 (USD Fifty Million)

Minimum account sizes may vary, however, depending on the type of investment advisory services to be performed and may be negotiable (Subject to the regulatory threshold) in certain circumstances.

The Clients can either give a Cheque of a requisite amount or the securities having a minimum market value of a requisite amount, on the day, the Portfolio Management Agreement is signed. Alternatively, the assigned portfolio can be a mix of cash and securities having a minimum total value of a requisite amount.

**6. DETAILS OF INVESTMENT IN THE SECURITIES OF ASSOCIATES/RELATED PARTIES OF PORTFOLIO MANAGER**

As per Firm's Policy, it cannot invest in securities issued by any Related Party or Associate unless these are permitted under applicable regulations and prior consent of the client is obtained as provided under the applicable rules and regulations.

Firm has not made any investments of its clients' funds in the securities of its Related Parties or Associates as on March 31, 2023.

Sr. No.	Investment Approach, if any	Name of the associate/ related party	Investment amount (cost of investment) as on March 31, 2023 (INR in crores)	Value of investment as on March 31, 2023 (INR in crores)	Percentage of total AUM as on March 31, 2023
1	Q India Value Equity Strategy	NA	NIL	NIL	NIL
2	Q India Value Equity (Cash Cap) Strategy	NA	NIL	NIL	NIL
3	Q India Value Equity Strategy - Constrained V	NA	NIL	NIL	NIL
4	Q India Value Equity Strategy - Constrained XIII	NA	NIL	NIL	NIL
5	Q India Responsible Returns Strategy	NA	NIL	NIL	NIL
6	Q India Sovereign Focus Bond Strategy	NA	NIL	NIL	NIL





## **7. DETAILS OF THE DIVERSIFICATION POLICY OF THE PORTFOLIO MANAGER**

Portfolio diversification is a risk management strategy which helps to mitigate the associated risks on the overall investment portfolio. Portfolio diversification can be achieved by investment across different asset class or with same asset class.

Portfolio managers has different investment approaches which invest in 2 asset classes i.e., either in equity or debt/fixed income.

With respect to investment in equity, it is the Firm's policy to control risk by endeavoring to keep our clients' portfolio adequately diversified, both in terms of the sectors included in those portfolios, as well as with respect to the level of concentration in any specific security. However, the firm do not make sector calls. We make stock calls that lead to certain sector weights. We could have 100% of the investment in one sector, if valuations are attractive only in that sector. Generally, the minimum holding in any one stock is 2 % and the maximum is 6% at cost. Portfolio holding will be in range of 25 to 40 stocks in case of Q India Value Equity Strategy and 45 to 60 stocks in case of Q India Responsible Return Strategy.

With respect to our investment in Debt/Fixed Income, portfolio managers invest in Securities issued by Central Government of India – Government Securities and Treasury Bills, Commercial Papers (CPs) of government owned companies, Corporate Debt securities issued by government owned companies – Non Convertible Debentures (NCDs) and Bonds including Zero Coupon Bond, Debt obligations of government owned banks and financial institutions including perpetual and Upper Tier II bonds and floating rate Debt Instruments issued by Central Government and government owned companies.

## **8. RISK FACTORS**

The Risk disclosures mentioned below are the present risks envisaged by the Firm and the risks could be materially different from what actually occurs in the future:

### **(i) General Risk Factors**

General Risk Factors applicable to all Portfolios:

- Past performance of the Portfolio Manager does not indicate the future performance of the Portfolio Manager. Equity and equity related, fixed income and money market related instruments are by nature volatile and prone to price fluctuations. The investor may lose money over short or long period in response to factors such as economic and political developments, changes in interest rates, market movements and over longer period during market downturn. There can be no assurance or guarantee that the investment objective of different Investment approaches would be achieved.
- Investors may note that Fund Manager's investment decisions may not always be profitable, as actual market movements may be at variance with anticipated trends.
- **Reliance on the Advisory Team**  
The success of the Company's client portfolios depends largely on the abilities of the Company's advisory team to develop and implement investment strategies to achieve the clients' investment objectives. The Company may change the members of its advisory team and there can be no assurance that each member of our advisory team will continue to be employed with us, which could adversely affect our performance. Finally, if any of the



investment professionals or management team responsible for the investments were to become unwilling or unable to serve, as a result of death, illness or otherwise, our performance could also be adversely affected.

- ***Not a complete Investment Program***

An investment with the Company is not intended as a complete investment program. If the Company's strategies are not successful or it is unable to implement its strategies effectively, its clients could lose some or all of their capital.

- ***General Economic and Market Conditions***

The success of the Company's client's investments may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, developments in government regulation and national and international political circumstances and certain unforeseen events such as acts of God, war, acts of terrorism, civil disturbance, sovereign action, epidemics, pandemic, natural disasters and such other events. These factors may affect the success of the businesses in which our clients' portfolio companies are engaged as well as the markets for the securities clients hold. Unexpected volatility or illiquidity could impair our client's profitability or result in losses.

### **Certain Strategy Risks**

- ***Volatility***

The securities (both debt and equity) in which the Company invest on behalf of its clients are prone to price fluctuations on a daily basis due to both macro- and micro-factors, and this volatility may adversely affect clients.

- ***Liquidity and Settlement Risks***

Different segments of the financial markets have different settlement cycles, and these settlement cycles may be adversely impacted by unforeseen circumstances, leading to settlement risk and losses to our clients' portfolios. The liquidity of our clients' portfolios may be inherently restricted by trading volumes, transfer procedures and settlement periods. While we endeavor to avoid overly concentrated positions in securities of specific industries and sectors, because of liquidity restrictions or other factors, we cannot guarantee that our clients' portfolios will always be adequately diversified, which could amplify losses. Reduced liquidity may also have an adverse impact on market price and our ability to dispose of particular securities, when necessary, to meet our clients' liquidity needs or in response to specific economic events. Reduced liquidity may also impair our ability to restructure or rebalance our clients' portfolios when we believe such restructurings or rebalancing are necessary to protect performance.

- ***Risk specific to Q India Responsible Return Strategy***

The strategy proposes to invest primarily in equity and equity related securities following Quantum's Environment, Social and Governance (ESG) criteria. Evaluation of companies from ESG or sustainability perspective may exclude securities of certain issuers for non-investment reasons and therefore the strategy may forgo some market opportunities available to strategy that don't use ESG theme. Securities of companies with ESG practices may shift into and out of favour with stock market investors depending on market and economic conditions.

**(ii) Conflict of Interest related to services offered by group companies**

We may cause our clients to invest in Quantum Long Term Equity Value Fund (QLTEVF) a fund launched by one of our affiliates, Quantum Mutual Fund (QMF) or other funds associated with QMF (collectively, the “QMF Affiliated Funds”). Because of our relationship with QMF, we face inherent conflicts of interest in causing our clients to invest in any QMF Affiliated Fund, including QLTEVF, in preference to other funds whose sponsors are not affiliated with us. To address the conflict of interest that such investments present, we: (a) shall ensure that our clients do not bear “double” fees in connection with their investments in our Affiliated Funds and (b) in case the Client is a Fund, the aggregate expense ratio of the Fund shall not under any circumstances exceed the maximum expense ratio permissible under the Fund’s offering memorandum and (c) make such investments only if: (i) in case of a Private Account client, the portfolio management agreement with that client allows investments in our Affiliated Funds; and (ii) in case of a Fund client, the Fund’s offering memorandum permits investments in Affiliated Funds and contains adequate disclosures about the conflicts of interest that we face in connection with those investments and (iii) in the absence of a) client portfolio management agreement allowing such investments or b) adequate disclosures of conflict of interests in the Fund offering document, informed consent of the client is obtained by us in such a manner as prescribed by SEBI and the client may have an option to indicate dissent, when the client does not want to undertake any investments in associates/related parties of the Firm.

**9. CLIENT REPRESENTATION**

i.

Year	No. of Clients	Category of Clients		Funds managed (Rs. in Crores)		Discretionary/ Non-discretionary (if available)
		Associates/ Group Companies	Others	Associates/ Group Companies	Others	
As on March 31, 2023	06	01**	05	11.61	15,351.19	Discretionary
As on March 31, 2022	07	01**	06	6.19	20,157.07	Discretionary
As on March 31, 2021	09	01*	08	5.09	19,672.63	Discretionary

\* Associate /group companies include Firm’s investment under the offering viz., Q India Sovereign Focus Bond Strategy as these is a proprietary account.

\*\* Associate /group companies include Firm’s investment under the two offerings viz., Q India Responsible Returns Strategy & Q India Sovereign Focus Bond Strategy as these are proprietary accounts.

Apart from the above, Quantum Advisors Private Limited provides “Portfolio Advisory Services” on non – discretionary basis to one of its Mauritius based associate corporate client; QIEF Management LLC and the AUM of the Client as on March 31, 2023, is INR 173.66 Crores.



**ii. Disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India: (Source: As per audited books of accounts for the year ended March 31, 2022)**

Names of the related Companies and their relationships:

a. Subsidiary Companies:

1. Quantum Asset Management Company Private Limited
2. Quantum Trustee Company Private Limited

b. Associate Companies:

1. Primary Real Estate Advisors Private Limited

c. Entities having common control:

1. QIEF Management LLC, Mauritius
2. Q-India Corp (Formerly, Q Emerging Markets Corp.)

d. Others:

1. Quantum Advisors ESOP Trust
2. Quantum Advisors Private Limited Employee Group Gratuity Assurance Scheme (Trust)
3. HWIC Asia Fund Class Q Shares
4. Mr. Ajit Dayal
5. Mr. I. V. Subramaniam



**Quantum Advisors Private Limited**

Disclosure Document – April 2023

**TRANSACTIONS WITH RELATED PARTIES FOR THE FINANCIAL YEAR ENDED MARCH 31, 2022**

“Amounts in Rs (‘000)”

Sr. No.	Nature of Transactions	Subsidiary		Associates		Entities having common control		Key Managerial Personnel		Entity/Person exercising Significant Influence	
		31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
<b>1</b>	<b>Equity Shares Capital as at the end of the year</b>										
	HWIC Asia Fund (Class Q)									55,205	55,205
<b>2</b>	<b>Investment in Equity Shares as at the end of the year</b>										
	Quantum Asset Management Company Private Limited	799,856	799,856								
	Quantum Trustee Company Private Limited	100	100								
	Primary Real Estate Advisors Private Limited			12,785	12,785						
	Quantum India (Mauritius) Limited	6,113	-								
<b>3</b>	<b>Loan Balance Outstanding</b>										
	Quantum Advisors Private Limited-Employee Group Gratuity Assurance Scheme (Trust)					65	65				
	Quantum Advisors ESOP Trust					131,363	130,803				
<b>4</b>	<b>Trade Receivable Balance Outstanding</b>										
	Quantum Asset Management Company Pvt. Ltd		3,786	2,444							
	Primary Real Estate Advisors Pvt. Ltd				264	7					
	QIEF Management LLC						422	1,847			



**Quantum Advisors Private Limited**

Disclosure Document – April 2023

Sr. No.	Nature of Transactions	Subsidiary		Associates		Entities having common control		Key Managerial Personnel		Entity/Person exercising Significant Influence	
		31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
<b>5</b>	<b>Trade Payables Balance Outstanding</b>										
	QIEF Management LLC					7,673	7,088				
	Quantum Asset Management Company Private Limited	-	26,225								
<b>6</b>	<b>Security Deposit payable</b>										
	Quantum Asset Management Company Private Limited	1,347	1,037								
	Primary Real Estate Advisors Private Limited			1,278	1,589						
<b>7</b>	<b>Accrued Interest receivable</b>										
	Quantum Advisors ESOP Trust					16,199	9,409				
<b>8</b>	<b>Research/ Advisory Fees - (Expenses)</b>										
	Quantum Asset Management Company Private Limited	120,000	120,000								
<b>9</b>	<b>Recovery of Expenses (rent, electricity and others)</b>										
	Quantum Asset Management Company Private Limited	2,556	3,504								
	Primary Real Estate Advisors Private Limited			3,767	3,147						
	QIEF Management LLC					115	1,569				



**Quantum Advisors Private Limited**

Disclosure Document – April 2023

Sr. No.	Nature of Transactions	Subsidiary		Associates		Entities having common control		Key Managerial Personnel		Entity/Person exercising Significant Influence	
		31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
<b>10</b>	<b>Loan Given</b>										
	Loan given to ESOP Trust					560					
<b>11</b>	<b>Support Fees (Income)</b>										
	Quantum Asset Management Company Private Limited	5,218	6,503								
<b>12</b>	<b>Marketing Campaign fees (Income)</b>										
	Quantum Asset Management Company Private Limited	4,711	3,627								
<b>13</b>	<b>Interest Income on Loan</b>										
	Quantum Advisors ESOP Trust					7,545	10,172				
<b>14</b>	<b>Professional and Consultation Fees (Income)</b>										
	QIEF Management LLC					2,737	10,567				
<b>15</b>	<b>Marketing and Distribution Fees(Expenses)</b>										
	QIEF Management LLC					41,036	24,528				
<b>16</b>	<b>Remuneration</b>										
	Mr. I. V. Subramaniam							9,839	8,945		

**10. FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER FOR THE LAST 3 YEAR**
*(Based on the audited financial statements)*
*(Rs. '000)*

<b>Particulars</b>	<b>For FY ended March 31, 2022</b>	<b>For FY ended March 31, 2021</b>	<b>For FY ended March 31, 2020</b>
<i>Income</i>	781,608	653,687	655,165
<i>Expenditure</i>	407,647	394,266	404,575
<i>Profit After Tax</i>	278,142	191,042	182,800
<i>Networth</i>	2,471,187	2,476,510	2,285,469

**Notes:**

*Details of Financial Performances are as per audited accounts [as per regulation 22 of SEBI (Portfolio Managers) Regulations, 2020. The Accounts are last audited up to March 31, 2022.*

*Audited Financial Statements for immediately preceding three financial years shall be provided on receipt of specific request made by client.*

**11. PORTFOLIO MANAGEMENT PERFORMANCE OF THE PORTFOLIO MANAGER FOR THE LAST THREE YEARS, AND IN CASE OF DISCRETIONARY PORTFOLIO MANAGER DISCLOSURE OF PERFORMANCE INDICATORS CALCULATED USING TIME WEIGHTED RATE OF RETURN METHOD IN TERMS OF REGULATION 22 OF THE SEBI (PORTFOLIO MANAGERS) REGULATIONS, 2020**
**i. Performance for Q India Value Equity Strategy:**

The Time Weighted Rate of Return of the equity investment managed by the firm are described below along with its benchmark returns:

<b>Particulars</b>	<b>Returns for the financial year ended March 31, 2023</b>	<b>Returns for the financial year ended March 31, 2022</b>	<b>Returns for the financial year ended March 31, 2021</b>
Q India Value Equity Strategy Composite	1.69%	13.40%	77.53%
S&P BSE 200 (total return)	-0.61%	21.26%	76.26%
Q India Value Equity Strategy - Constrained V	1.37%	14.50%	81.00%
FTSE Global Equity Index Series (All Cap) India	-4.46%	20.65%	83.15%
Q India Value Equity Strategy - Constrained XIII	1.27%	13.69%	79.66%
MSCI India Index (Total Return Gross Dividend)	-4.24%	22.55%	71.05%
Q India Value Equity (Cash Cap) Strategy	7.17%	14.11%	79.17%
S&P BSE 200 (Total Return)	7.36%	21.26%	76.26%

**ii. Performance of Q India Responsible Returns Strategy:**

The Time Weighted Rate of Return of the equity investment managed by the firm are described below along with its benchmark returns:





Particulars	Returns for the financial year ended March 31, 2023	Returns for the financial year ended March 31, 2022	Returns for the financial year ended March 31, 2021
Q India Responsible Returns Strategy Composite #	-0.55%	14.16%	NA
<b>Benchmark returns</b>			
MSCI India Net #	-4.74%	22.26%	NA

# Inception date for the strategy is April 15, 2021. Both for the portfolio and the corresponding benchmark, the returns for the financial year ended March 31, 2022, represent return for the period from April 15, 2021 to March 31, 2022. Currently, the Composite comprises of only one account, which is the Firm's proprietary account.

### iii. Performance for Q India Sovereign Focus Bond Strategy:

The Time Weighted Rate of Return of the Fixed Income investment managed by the firm for fixed income product is described below along with its benchmark returns:

Particulars	Returns for the financial year ended March 31, 2023	Returns for the financial year ended March 31, 2022	Returns for the financial year ended March 31, 2021
Q India Sovereign Focus Bond Strategy Composite*	2.71%	4.50%	4.71%
<b>Benchmark returns</b>			
CRISIL Composite Bond Fund Index	3.80%	4.48%	7.69%

\* Client account has been terminated w.e.f from November 17, 2020. However, we have launched our Proprietary account under the same strategy on August 24, 2020. Currently, the Composite comprises of only one account, which is the Firm's proprietary account.

## 12. AUDIT OBSERVATIONS OF THE PRECEDING 3 YEARS

There were no *audit* observations in the last 3 years.

## 13. NATURE OF EXPENSES

Expenses to be borne/reimbursed by the Client:

### (i) Investment management and advisory fees; Performance fees

#### a. Standard fee schedules for "Individual – Resident and NRIs"

##### For Equity product:

QAPL's Standard annual fee for its long-only equity product for Resident and Non-Resident Indians is 1% p.a. of the total AUM of the client as on the last day of each calendar half-year, i.e. June 30 and December 31. However, in case of additional investments and / or partial withdrawals during the period of calendar half year, the fees shall be calculated on pro rata basis considering the number of days for which such



investments are managed. QAPL may raise separate invoice for the advisory fees on half-yearly basis or deduct the same from the client’s portfolio under management, as agreed mutually between the client and the portfolio manager.

Early withdrawals from the Portfolio may attract an exit fee of 0.5% of the amount withdrawn.

The actual fees charged to each client are mentioned in the respective client’s Investment Management Agreement.

**b. QAPL’s Standard fee schedule for the Institutional clients.**

**Separately Managed Accounts / Private Accounts:**

Each of our Discretionary Equity Focused Private Account clients pays us a management fee based on the net asset value (“NAV”) of the client’s portfolio as of the fee calculation date. For purposes of calculating our management fees, we generally define the NAV of a client’s Private Account to be the net asset value of securities and other investments held in the Account.

Our Discretionary Equity-Focused Private Account clients typically pay us management fees quarterly in arrears. These management fees may be calculated by applying our rate schedule (described below) to either: (i) the NAV of the Private Account on the last trading day of each calendar quarter; or (ii) to the average of the NAV of the Private Account at the end of each month in the calendar quarter.

**Our standard fee schedule for the Discretionary Advisory Service under the “Q India Value Equity Strategy” for Private Account clients is as follows:**

NAV in the Client’s Private Account	Fees per annum as % of NAV
On the first US \$ 100 million	1%
On the next US \$ 100 million	0.90%
On the assets in excess of US \$ 200million	0.80%

Currently, no management fee is charged to our proprietary account managed using Q India Responsible Returns Strategy.

**Our standard fee schedule for the Discretionary Advisory Service under the “Q India Responsible Returns Strategy” for Private Account clients is as follows:**

NAV in Client Account	Fixed Fee structure (As % of NAV p.a.)	Variable Fee Structure (As % of NAV p.a.)
On the first USD 50 mn	0.6%	0.5% Fixed Fee + Performance Fee
On the next USD 50 mn	0.5%	0.4% Fixed Fee + Performance Fee
On the assets in excess USD 100 mn	0.4%	0.3% Fixed Fee + Performance Fee

Performance fee – 10% of outperformance over MSCI India Index, calculated annually. Levy of performance fee shall be subject to the applicable laws.



**Our standard fee schedule for the Discretionary Advisory Service under the “Q India Sovereign Focus Bond” for Private Account Clients is as follows:**

<b>NAV in Client Account</b>	<b>Fees per annum as % of NAV</b>
On the first US \$ 100 million	0.25%
On the assets in excess of US \$ 100 million	0.20%

Currently, no fee is charged for the management service provided to proprietary account managed under Q India Sovereign Focus Bond Strategy. For other Discretionary Fixed Income-Focused Private Account, we shall charge management fee based on the net asset value (“NAV”) of the client’s portfolio as of the fee calculation date. The management fees shall be calculated on a day-to-day basis and be payable on a monthly basis in arrears. For purposes of calculating our management fees, we generally define the NAV of a client’s Private Account to be the net asset value of securities and other investments held in the Account.

For the payment of our management fees, we shall invoice our Equity-Focused Private Account clients on a quarterly basis and our Fixed Income-Focused Private Account clients on a monthly basis.

Regarding the Equity-Focused Private Accounts that are open for only part of a calendar quarter, we prorate our fees based on the number of days that the Private Account is open in that quarter. And in case of those Fixed Income-Focused Private Accounts that are open for only part of a calendar month, we prorate our fees based on the number of days that the Private Account is open in that month.

Upon receipt of a management fee invoice, the Private Account clients may either pay the fees directly, or they may authorize and direct the qualified custodian of the Private Account to disburse funds from the Private Account’s portfolio.

For the non-discretionary advisory services which QAPL provides to the Non-Discretionary Equity Focused Private Accounts, QAPL receives its advisory fees from the investment manager of these Private Accounts, i.e. QIEF Management LLC, Mauritius (herein after referred to as QIEF), the associate of QAPL. QAPL does not receive any fees from the Non-Discretionary Equity Focused Private Accounts. QIEF’s management fees are based on the relevant Private Account’s net asset value (or “NAV”) as of the fee calculation date. The Non-Discretionary Equity-Focused Private Account clients typically pay QIEF, its management fees quarterly in arrears. QIEF pays QAPL its fees directly from their assets, generally, after receiving their management fees from the private Accounts.

QIEF’s fee rates for the Non-Discretionary Equity Focused Private Accounts are the same standard fee rates that are indicated above and the fees that QIEF pays to QAPL, as its share is 10% of the fees received by QIEF from the Non-Discretionary Equity Focused Private Accounts. The agreement between QAPL and QIEF allows QAPL for a review of the fee rates on an annual basis.

The foregoing is only a description of QAPL’s standard fee arrangements, and in some cases, QAPL may negotiate the fees with the individual clients. In particular, QAPL may agree to charge individual Private Account clients, management fees according to a rate schedule that is different from the schedule set forth above and may also agree to charge performance-based fees (i.e. fees based on a share of capital gains on, or capital appreciation of, the client’s assets that we manage). To the extent that fees are



negotiated, as indicated above, some clients may pay more, or less, than the other clients for the same management services. If QAPL charge its US based clients any performance-based fees, it will be in a manner that complies with the Investment Advisers Act 1940, as amended, and relevant rules under the Investment Advisers Act 1940 (including Rule 205-3) as may be applicable.

### **Funds**

Each of the Fund Clients to whom QAPL provides discretionary advisory services, pays the management fee based on the relevant Fund's net asset value (NAV) as of the fee calculation date. These Equity focused Fund Clients typically pay us management fees quarterly in arrears. These fees may be calculated either (i) on a day-to-day basis or (ii) on the average of the NAV of the fund at the end of each month in the calendar quarter plus the NAV at the end of the last month in the previous quarter. In case of Fixed Income Focused Fund Client, the said fund client pays us management fees on a monthly basis in arrears, which is calculated on a day-to-day basis. The fee rate is as specified in the respective fund's offering document / Investment Management Agreement.

For the non-discretionary advisory services QAPL provides to the Funds, QAPL receives its advisory fees from the investment manager of these Funds i.e. QIEF. We do not receive any fees from the Funds directly. QIEF's management fees are based on the relevant Fund's net asset value (or "NAV") as of the fee calculation date. Depending on the Fund, the management fees to QIEF may be calculated on either weekly or daily basis and is charged either in advance or in arrears. QIEF pays our fees directly from their assets, generally after they receive their management fees from the Funds. Typically, we do not receive any fees in advance.

Depending on the Fund and the nature of services QAPL provides, QIEF's fee rates for the management services it provides to the Funds ranges from 0.20% to 1% per year and the fees that QIEF pays to QAPL ranges between 10% to 30% of the fees received by QIEF from these Funds. QAPL's agreement with QIEF allows for a review of our fee rates on an annual basis. However, QIEF's Fee rates for these Funds are not generally negotiable.

### ***c. Performance Based Fees and Side-By-Side Management***

Although, , QAPL's standard fee structure is as indicated above, , in some cases, , QAPL may negotiate fee arrangements with particular clients under which QAPL charge fees according to a rate schedule that is different from the schedule as noted above and QAPL may also agree to charge performance based fees (that is based on a share of capital gain on, or capital appreciation of, the client's assets that QAPL manage) or charge performance fees at rates that are different from the standard performance fee rates as noted above. QAPL serves as an investment adviser to a number of private account clients and for some of these clients, QAPL receives performance-based fees. In serving as investment adviser to multiple clients, some of whom may pay performance-based fees, QAPL faces potential conflict of interest, including the fact that QAPL may have incentives to favour those clients who pay performance-based fees.

To address these conflicts, QAPL has developed allocation policies and procedures that seek to ensure that it should allocate investment opportunities among its clients in a manner which it believe is fair and equitable.

Presently, we do not charge any performance fees to our Indian and Non-Resident Indian clients.



**(II) Custodian fees**

**a. Equity: Presently Custodian fees for equity product include the following:**

1. Fees for purchase or sale transaction shall be 2 basis point per Transaction on the acquisition cost i.e. quantity multiplied by Gross rate plus Brokerage plus applicable tax rates, subject to a maximum of Rs 500 per transaction.
2. Safe Custody Fees on logical holdings (On mark to market value) shall be 7 Basis Points per annum, subject to a minimum of Rs.500/- per month plus applicable tax rates.
3. Depository charges Rs.4.50/- per sale transaction plus applicable tax rates.

**b. Fixed Income: The indicative custodian fees for fixed income product include the following:**

1. Fees for purchase or sale transaction shall be INR 500 per transaction plus applicable tax rates.
2. Safe Custody Fees on logical holdings (On mark-to-market value) shall be:
  - i. INR 6,000 per annum, plus applicable tax rate upto an AUM of INR 15 Million.
  - ii. 4 Basis Points per annum, plus applicable tax rates for an AUM greater than INR 15 Million.

**c. Mutual Funds: Fees for purchase or sale transaction shall be INR 150 per transaction plus applicable tax rates.**

**(III) Brokerage including transaction cost and securities transaction tax:**

**a. Equity Product:**

QAPL shall conduct all purchases and sale transactions through a duly empanelled brokers which satisfies the firm's "empanelment criteria" at a brokerage/commission which is in line with market practices estimated between 0.3% to 0.5% of the value of each transaction. Client shall keep QAPL indemnified of such incidental charges.

In respect of FIIs, QAPL shall approve the broker if authorized to do so by the FII clients or follow the directions of the FII client for empanelling a particular broker. Brokerage for FII clients under QAPL is estimated between 0.1% to 0.3%.

**b. Fixed Income:**

QAPL shall conduct all purchases and sale transactions through duly empanelled brokers, who are registered as a Corporate Member in the wholesale debt segment of National Stock Exchange of India Limited (NSE) or of the Bombay Stock Exchange (BSE), at a brokerage /commission in line with market practices estimated between the range of 0.0025% to 0.01% of the value of each transaction.

**(IV) Operating expenses:**

Operating expenses excluding *brokerage, over and above the fees charged for Portfolio Management Service, will not exceed 0.50% per annum of the client's average daily Assets under Management (AUM).*



## 14. 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 Client only vis-à-vis the investments made through the Portfolio Management Scheme of the Company. 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 in the Portfolio Management Scheme 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 of the Company. Implications of any judicial decisions/ Double Tax Avoidance Treaties/the Multilateral Instrument ('MLI') signed by the Government of India with some countries, the Indian General Anti-Avoidance Rule (GAAR), etc. are not explained herein. The Client 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 client 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.

Tax implications of the following income received by certain categories of clients from investments in securities as per Income-tax Act, 1961 ('ITA') as amended by the Finance Act, 2023 are discussed as follows:

### I. Equity Product:

#### 1) *Taxability in the hands of Residents*

Any dividend received on shares and any income in respect of units of a mutual fund is taxable in the hands of the shareholders/investors and consequently tax is deductible at the time of credit or payment, whichever is earlier, in terms of the following provisions of the ITA:

Particulars	Section under which tax is deductible	TDS rate
Dividend on shares (*)	194	10%
Any income (otherwise than on capital gains) on mutual fund units (**)	194K	

(\*) No tax shall be deducted in case of a shareholder, being a resident individual, if:

- the dividend is paid by a domestic company by any mode other than cash and the dividend amount or the aggregate of dividend distributed or paid or likely to be distributed or paid during the financial year does not exceed Rs. 5,000/-.
- the dividend is credited or paid to an investor (i.e. Life Insurance Corporation of India, General Insurance Corporation of India or any other insurer or business trust) specified in the second proviso to section 194 of the ITA.

(\*\*) No tax shall be deducted if the amount of such income or the aggregate amounts of such income distributed or paid or likely to be distributed or paid during the financial year does not exceed Rs. 5,000/- or if the income is of nature of capital gains.



In terms of proviso to section 57 of the Act, no deduction shall be allowed from the dividend income or income in respect of units of a Mutual Fund specified under section 10(23D) or income in respect of units from a specified company defined in the Explanation to section 10(35) other than deduction on account of interest expense. However, such deduction too not exceed 20% of the dividend income or income in respect of such units included in the total income for the year without deduction under this section.

Further, in terms of section 206AB of the ITA (inserted by the Finance Act, 2021 and applicable w.e.f July 01, 2021), tax shall be deducted at the higher of the following rates on any sum paid or payable to a specified person:

- i. at twice the rate specified in the relevant provision of the Act; or
- ii. at twice the rate or rates in force; or
- iii. at the rate of five per cent.

For the purpose of this section, 'specified person' means a person who has not furnished the return of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be deducted, for which the time limit for furnishing the return of income under section 139(1) of the ITA has expired; and the aggregate of tax deducted at source and tax collected at source in his case is rupees fifty thousand or more in the said previous year.

Further, in terms of section 206AB(2) of the ITA, if the provisions of section 206AA (i.e. non-furnishing of PAN) are also applicable to the specified person, then in addition to section 206AB, tax shall be deducted at higher of two rates provided in section 206AB and in section 206AA respectively.

- a. In terms of Section 10(34A) of the ITA, any income arising to an assessee being a shareholder, on account of buy back of shares by a company as referred to in section 115QA is exempt from income-tax.
- b. In terms of Section 94(7) of the ITA, the losses arising on sale of securities or units of a mutual fund purchased within 3 months prior to the record date for entitlement of exempt dividends and sold within 3 months (or 9 months in case of units of mutual funds) after such record date, is to be ignored to the extent of the exempt dividend received or receivable on such securities or units for the purpose of computing the taxable income.
- c. In terms of Section 94(8) of the ITA, where additional securities or units of a mutual fund have been issued to any person without any payment, on the basis of existing securities or units held by such person, the loss on sale of the original securities or units shall be ignored for the purpose of computing income chargeable to tax, if the original securities or units were acquired within 3 months prior to the record date fixed for the receipt of additional securities or units and sold within 9 months from such record date. However, the loss so ignored shall be deemed to be the cost of acquisition of such additional securities or units held on the date of sale by such person.
- d. In terms of Section 2(42A) of the ITA, a capital asset will be considered as a short term capital asset if it is held by an assessee for a period of not more than 36 months (12 months in case of a shares held in a Company (other than a unit) listed on a recognized stock exchange in India or a unit of the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963) or a unit of an equity oriented fund or a zero coupon bond) immediately preceding the date of its transfer. Capital gain arising on the transfer of a short-term capital asset is termed as a short-term capital gain.



- e. The third proviso to section 2(42A) of the ITA (applicable from financial year starting on April 01, 2016 i.e. Assessment Year 2017-18), provides that a capital asset being shares of a company (not being a share listed in a recognized stock exchange in India) will be considered as short term capital asset if it is held by an assessee for a period of not more than 24 months.
- f. In terms of section 50AA of the ITA (inserted by Finance Act, 2023), in case of specified mutual fund acquired on after 01 April 2023, the full value of consideration received / accrued on transfer or redemption as reduced by the cost of acquisition and expenditure incurred wholly and exclusively in connection with the transfer shall be deemed to be the capital gains arising from transfer of a short term capital asset.

The term 'specified mutual fund' has been defined in the Explanation to section 50AA of the Act to mean a Mutual Fund, where not more than 35% of its total proceeds is invested in the equity shares of domestic companies.

- g. In terms of Section 111A of the ITA, the, short term capital gains, arising on sale of equity shares in a Company or units of an equity oriented mutual fund or units of business trust which is chargeable to securities transaction tax, are taxed at a rate of 15% plus applicable surcharge and cess. Further, the short-term capital gains arising on transfer of equity shares in a company or units of a mutual fund on which securities transaction tax (STT) is not chargeable are taxed at normal tax rates (plus applicable surcharge and cess).

Further, in terms of the second proviso to section 111A(1) applicable w.e.f April 01, 2017, the short term capital gains arising on transaction undertaken on a recognized stock exchange located in any International Financial Services Centre ,where STT is not chargeable and consideration is paid or payable in foreign currency, shall be taxed at the rate of 15% (plus applicable surcharge and cess).

With effect from 01 April 2023, sub-section (3) to section 111A has been omitted and hence, no rebate(s) as stated therein shall be allowed.

- h. In terms of the Finance Act, 2021, section 2(29A) of the ITA which defined 'a long-term capital asset' has now been numbered as section 2(29AA) of the ITA, a long term capital asset to mean a capital asset which is not a short term capital asset. Further, in terms of section 2(29B) of the ITA, the capital gain arising on transfer of a long-term capital asset is termed as a long-term capital gain.

In terms of the fourth proviso to section 10(38) (applicable from financial year starting on April 01, 2018 i.e. Assessment Year 2019-20), any income arising from the transfer of long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust, made on or after 01 April 2018 shall not be exempt

In terms of section 112A of the ITA (applicable from financial year starting on April 01, 2018 i.e. Assessment Year 2019-20), the long-term capital gains arising on transfer of a long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at the rate of 10% (plus applicable surcharge and cess) if the total long-term capital gains in a year exceeds one lakh rupees and the STT has been paid as follows–

- i. In a case where the long-term capital asset is in the nature of an equity share in a company, STT has been paid on acquisition and transfer of such capital asset [Further the





Central Government has by notification in the Official Gazette, specified the nature of acquisition in respect of which the said provision shall not apply]; or

- ii. In a case where the long-term capital asset is in the nature of a unit of an equity-oriented fund or a unit of a business trust, STT has been paid on transfer of such capital asset.

Further, in terms of section 112A(3) of the ITA, the long term capital gains arising on transactions undertaken on a recognized stock exchange located in any International Financial Services Centre, where STT is not paid and the consideration is paid or payable in foreign currency, shall be taxed at the rate of 10% (plus applicable surcharge and cess).

Further, in terms of sub-section 5 and 6 of section 112A, deductions under Chapter VI-A and rebate u/s. 87A of the ITA shall not be allowed in relation to such income.

In terms of the grandfathering provision i.e. section 55(2)(ac) (w.e.f April 01, 2018 the cost of acquisition in relation to a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust referred to in section 112A, acquired before the 1st day of February, 2018 shall be higher of:

- i. The cost of acquisition of such asset; and
- ii. Lower of:
  - a. Fair market value of such asset; and
  - b. Full value of consideration received or accruing as a result of the transfer of capital asset.

Further, the method of determining the fair market value for various long-term capital assets has also been provided in the explanation to section 55(2)(ac).

- i. In terms of section 112 of the ITA, the long-term capital gains arising on transfer of capital assets is chargeable to tax at the rate of 20% with indexation benefits. In case of long-term capital gains arising from transfer of securities (other than a unit) listed on recognized stock exchange not taxable under section 112A of the ITA or a zero coupon bond is chargeable to tax at the rate of 20% (with indexation) or at the rate of 10% (without indexation), whichever is more beneficial to the assessee (plus applicable surcharge and cess). In case of long-term capital gains arising from transfer of units (other than units of an equity-oriented fund taxable under section 112A of the ITA) listed on recognized stock exchange in India, tax is chargeable at the rate of 20% (plus applicable surcharge and cess) with indexation benefits.

Further, for the purpose of calculation of long-term capital gains (with indexation), the base year for indexation has been shifted from 1981 to 2001 (applicable from financial year starting on April 01, 2017 i.e. Assessment Year 2018-19). In other words, if an asset is acquired prior to April 01, 2001, the fair market value as on April 01, 2001 will have to be considered as the cost of acquisition and the indexed cost of acquisition will have to be worked out accordingly with the cost of inflation for the year 2001 (. The CBDT has vide Notification No. SO 1790(E) [No. 44/2017 (F.No. 370142/11/2017 – TPL)] dated June 05, 2017 notified the revised cost inflation index u/s. 48 of the ITA. [The benefit of indexation as provided in the second proviso to section 48 of the ITA is not available to long-term capital gains taxable u/s. 112A of the ITA]

- j. In case of an individual or HUF, being a resident of India, where the total income as reduced by such long term capital gains or short term capital gains is below the maximum amount which is not chargeable to income-tax then such long term capital gains or short term capital gains shall be reduced by such shortfall amount and only the remaining balance of such long term capital gains or short term capital gains shall be subject to tax at the applicable rate.

- k. The benefit of deduction under Chapter VIA of the ITA shall be allowed from the gross total income as reduced by such capital gains. However, in case of Individuals and HUFs, AOP, BOI or artificial juridical person opting for the new tax regime in terms of the provisions of section 115BAC, the benefit of deduction under Chapter VIA of the ITA (other than sections 80CCD(2), 80CCH(2) and 80JJAA) will not be available.
- l. The STT paid is neither allowed as a deduction in computing the income chargeable under the head “capital gains” nor allowed as a deduction from the amount of income tax payable on capital gains. Hence, the STT paid on purchase/sale trade is reduced/ added respectively from the settlement amount for the purpose of the ITA.

**2) Taxability in the hands of Non-Residents**

- a. In case of foreign investors, the taxation of income will be governed by the provisions of the ITA read with the provisions of the applicable treaty i.e. double tax avoidance agreement, in force if any. As per Section 90(2) of the ITA, the provisions of the ITA would apply to the extent they are more beneficial than the provisions of the treaty.
- b. In terms of section 90(4) of the ITA, the benefit of a double tax avoidance agreement would not be available to a non-resident assessee unless a certificate of his/her/it being a resident of the other country is obtained from the Government of that country. Hence a tax residency certificate certifying the residence of the assessee would be required to be furnished if the benefit of a treaty is sought to be claimed by a non-resident assessee. Further, in terms of section 90(5) of the ITA the assessee is also required to furnish documents and information as prescribed in Form No. 10F vide Notification No. 57/2013/ F.No.142/16/2013-TPL/ SO 2331(E) dated 01 August 2013 issued by the Central Board of Direct Taxes.

In addition to the above, in terms of Explanation 4 to section 90 of the ITA, it has been further clarified that where any term has been used in an agreement entered into under sub-section 1 of section 90 and the said terms is defined therein, the said term shall have the meaning assigned to it in the agreement, however, if a term has not been defined in the agreement but has been defined in the ITA, it shall have the same meaning as assigned to it in the ITA and explanation, if any, given to it by the Central Government.

- c. Any income by way of dividend on shares and any income in respect of units of a Mutual Fund is taxable in the hands of the shareholders/investors and consequently tax is deductible at the time of credit or payment, whichever is earlier, in terms of the following provisions of the ITA:

Particulars	Section under which tax is deductible	TDS rate
Dividend on shares	195	20% (plus applicable surcharge and cess) However, in case of income by way of dividend received from a Unit in an International Financial Services Centre, as referred to in section 80LA (1A), shall be 10%.
Any income in respect of units of mutual fund units	196A	20% (plus applicable surcharge and cess). However, where Agreement referred in section 90(1) or 90A(1) applies and the payee has furnished the tax residency certificate, the tax shall be deducted at the rate of 20% or the rates provided in the agreement, whichever is lower.

Further, in terms of section 206AB of the ITA (inserted by the Finance Act, 2021 and applicable w.e.f July 01, 2021), tax shall be deducted at the higher of the following rates on any sum paid or payable to a specified person:

- i. At twice the rate specified in the relevant provision of the Act; or
- ii. At twice the rate or rates in force; or
- iii. At the rate of five per cent.

For the purpose of this section, 'specified person' means a person who has not furnished the returns of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be deducted, for which the time limit for furnishing the return of income under section 139(1) of the ITA has expired; and the aggregate of tax deducted at source and tax collected at source in his case is rupees fifty thousand or more in the said previous year.

The 'specified' person shall not include a non-resident who does not have a permanent establishment in India or a person who is not required to furnish the return of income for the relevant assessment year and is notified by the Central Government in the Official Gazette in this behalf.

Further, in terms of section 206AB(2) of the ITA, if the provisions of section 206AA (i.e. non-furnishing of PAN) are also applicable to the specified person, then in addition to the section 206AB, tax shall be deducted at higher of two rates provided in section 206AB and in section 206AA respectively.

- d. However, in terms of Rule 37BC, a relaxation has been provided to non-residents from deduction of tax at higher rate of 20% [viz., section 206AA] in the absence of PAN subject to them providing specified information and documents (like Tax Residency Certificate ("TRC"), Tax Identification Number ("TIN"), etc.)
- e. Further in terms of the IT (Nineteenth Amdt.) Rules, 2020, Rule 37BC(3) has been inserted w.e.f. August 10, 2020 to provide that provisions of section 206AA shall not apply in respect of payments made to a person being a non-resident, not being a company, or a foreign company if the provisions of section 139A do not apply to such person on account of rule 114AAB<sup>1</sup>
- f. In terms of Section 10(34A) of the ITA, any income arising to an assessee being shareholder, on account of buy back of shares by a company as referred to in section 115QA of the ITA is exempt from income-tax.
- g. In terms of Section 94(7) of the ITA, the loss arising on sale of securities or units of a mutual fund purchased within 3 months prior to the record date for entitlement of exempt dividends and sold within a period of 3 months (or 9 months in case of units of mutual funds) after such record date, is to be ignored to the extent of the dividend received or receivable on such securities or units for the purpose of computing the taxable income.
- h. In terms of Section 94(8) of the ITA, where additional securities or units of a mutual fund have been issued to any person without any payment, on the basis of existing securities or units held by such person, the loss on sale of the original securities or units shall be ignored for the purpose of computing the income chargeable to tax, if the original securities or units were acquired within a period of 3 months prior to the record date fixed for the receipt of additional

---

<sup>1</sup> See Notification No. 58/2020 dated August 10, 2020.

securities or units and sold within a period of 9 months from such record date. However, the loss so ignored shall be deemed to be the cost of acquisition of all or any of the additional units held on the date of sale by such units.

- i. In accordance to the first proviso to section 48 of the ITA, the capital gains arising from the transfer of capital assets being shares /debentures of an Indian company acquired in foreign currency, shall be computed by converting the cost of acquisition, the expenditure in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer of the capital asset into the same foreign currency as was initially utilized in the purchase of the shares/debentures and the capital gains so computed in such foreign currency shall thereafter be reconverted into Indian currency for the purpose of taxation.

The aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/arising from every reinvestment thereafter and sale of shares/debentures of an Indian company.

The aforesaid proviso is not applicable to units of mutual funds and the computation of capital gains on units is made on similar lines as in the case of a resident.

Further, in terms of the third proviso to section 48, the aforesaid proviso is not applicable to income arising from long-term capital gains which are taxable u/s. 112A of the ITA.

- j. In terms of Section 111A of the ITA, short term capital gains arising to an investor from the sale of equity shares or a unit of an equity-oriented fund or units of business trust which is chargeable to STT, are taxed at the rate of 15% (plus applicable surcharge and cess). Further the short-term capital gains arising on transfer of equity shares in a company or units of a mutual fund on which STT is not charged, are taxable at the normal tax rates (plus applicable surcharge and cess).

In terms of section 111A of the ITA, the short-term capital gains arising on transaction undertaken on a recognized stock exchange located in any International Financial Services Centre, where STT is not chargeable and the consideration is paid or payable in foreign currency, will also to be taxed at a rate of 15% (plus applicable surcharge and cess).

With effect from 01 April 2023, sub-section (3) to section 111A has been omitted and hence, no rebate(s) as stated therein shall be allowed.

- k. In terms of section 10(38), long term capital gains arising on sale of equity shares in a company or units of an equity oriented mutual fund or units of Business trust, which are chargeable to STT, were exempt from income tax upto 31 March 2018.
- l. In terms of the fourth proviso to section 10(38), any income arising from the transfer of long-term capital asset being an equity share in a company or a unit of an equity-oriented fund or a unit of a business trust, made on or after 01 April 2018 shall not be exempt
- m. Further, in terms of section 112A of the ITA, the aforesaid long-term capital gains arising on transfer of a long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at the rate of 10% (plus applicable surcharge and Health and Education cess) if the total long-term capital gains in a year exceeds one lakh rupees and the STT has been paid as follows–

- i. In a case where the long-term capital asset is in the nature of an equity share in a company, STT has been paid on acquisition and transfer of such capital asset [Further the Central Government by notification in the Official Gazette has specified the nature of acquisition in respect of which the said provision shall not apply]; or
- ii. In a case where the long-term capital asset is in the nature of a unit of an equity-oriented fund or a unit of a business trust, STT has been paid on transfer of such capital asset.

Further, in terms of section 112A(3) of the ITA, the long term capital gains arising on transactions undertaken on a recognized stock exchange located in any International Financial Services Centre, where STT is not paid and the consideration is paid or payable in foreign currency, shall be taxed at the rate of 10% (plus applicable surcharge and cess).

Further, in terms of sub-section 5 and 6 of section 112A, deductions under Chapter VI and rebate u/s. 87A of the ITA shall not be allowed in relation to such income.

In terms of the grandfathering provision i.e. section 55(2)(ac), the cost of acquisition in relation to a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust referred to in section 112A, acquired before the 1st day of February, 2018 shall be higher of:

- i. The cost of acquisition of such asset; and
- ii. Lower of:
  - a. The fair market value of such asset; and
  - b. The full value of consideration received or accruing as a result of the transfer of the capital asset.

Further, the method of determining the fair market value for various long-term capital assets has also been provided in the explanation to section 55(2)(ac).

- n. In terms of Section 112 of the ITA, long term capital gains arising on sale of listed securities (other than units) not taxable under section 112A of the ITA or zero coupon bonds are subject to tax at the rate of 20% (plus applicable surcharge and cess) with indexation benefits/ after adjustment of foreign exchange rate fluctuation as the case may be or at the rate of 10% (plus applicable surcharge and cess) without indexation benefit whichever is more beneficial to the assessee. However, long term capital gains arising from the transfer of unlisted securities or shares of a company not being a company in which the public are substantially interested) are subject to tax at the rate of 10% (plus applicable surcharge and cess) without indexation benefits and the adjustment in respect to foreign exchange rate fluctuations. Long term capital gains arising from transfer of long-term capital asset being units (other than units of equity-oriented fund taxable under section 112A of the ITA listed on recognized stock exchange in India is chargeable to tax at the rate of 20% (plus applicable surcharge and cess).

Further, for the purpose of calculation of long-term capital gains (with indexation), the base year for indexation has been shifted from 1981 to 2001 (applicable from financial year starting on April 01, 2017 i.e. Assessment Year 2018-19). In other words, if an asset is acquired prior to April 01, 2001, the fair market value as on April 01, 2001, will have to be considered as the cost of acquisition and the indexed cost of acquisition will have to be worked out accordingly with the cost of inflation for the year). The CBDT has vide Notification No. SO 1790(E) [No. 44/2017 (F.No. 370142/11/2017 – TPL)] dated June 05, 2017, notified the revised cost inflation index u/s. 48 of the ITA. [The benefit of indexation as provided in the second proviso to section 48 of the ITA, 1961 is not available to long-term capital gains taxable u/s. 112A of the ITA]

- o. In terms of Section 115AB of the ITA, if the total income of an assessee, being an overseas financial organization (Offshore Fund) includes income received in respect of units purchased in foreign currency or income by way of long-term capital gains arising on transfer of units purchased in foreign currency, tax will be charged @ 10% (plus applicable surcharge and cess).
- p. In terms of Section 115AD of the ITA, if the total income of a Foreign Institutional Investor or a specified fund includes any income received in respect of securities (other than units referred to in Section 115AB as defined under the Securities Contracts (Regulations) Act, 1956 (including dividend received in respect of securities), tax shall be charged-
  - i. @ 20% (plus applicable surcharge and cess) in case of a foreign institutional investor; and
  - ii. @10% (plus applicable surcharge and cess) in case of a specified fund

and tax is deductible at the time of credit to the account of the payee or payment whichever is earlier in terms of section 196D of the ITA.

The income by way of short-term capital gains (other than capital gains taxable u/s. 111A chargeable @ 15%) is taxable @ 30% (plus applicable surcharge and cess) and income chargeable by way of long-term capital gains is taxable @ 10% (plus applicable surcharge and cess).

Further, in terms of the proviso to section 115AD of the ITA, any income arising from the transfer of a long-term capital asset being an equity share in a company or a unit of an equity-oriented fund or a unit of a business trust shall be taxed at the rate of 10% (plus applicable surcharge and cess) if the total long-term capital gains in a year exceeds one lakh rupees.

Further in terms of the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020, sub- section (1A) has been inserted w.e.f. April 01, 2021 to mean that in case of a 'specified fund' the provision of this section shall apply only to the extent of income that is attributable to units held by non-residents (not being a permanent establishment of a non-resident in India) calculated in the prescribed manner.

Further sub- section (1B) has been inserted by the Finance Act, 2021 w.e.f. April 01, 2022 [Assessment Year 2022-2023] to mean that where the specified fund is investment division of an offshore banking unit, the provisions of this section shall apply to the extent of income that is attributable to the investment division of such banking units, referred to in sub-clause (ii) of clause (c) to the Explanation to clause (4D) of section 10, as a Category-I portfolio investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 made under the Securities and Exchange Board of India Act, 1992 (15 of 1992), calculated in such manner as may be prescribed.

The term 'specified fund' has been inserted by the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 (applicable w.e.f April 01, 2021) and shall have the meaning assigned to it in clause (c) of the Explanation to clause (4D) of section 10 as under:

- i. a fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate:
  - a. which has been granted a certificate of registration as a Category III Alternative Investment Fund and is regulated under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012, made under the Securities and



- Exchange Board of India Act, 1992 (15 of 1992) or International Financial Services Centre Authority Act, 2019 (50 of 2019);
  - b. which is located in any International Financial Services Centre; and
  - c. of which all the units other than unit held by a sponsor or manager are held by non-residents; or
- ii. investment division of an offshore banking unit, which has been:
- a. granted a certificate of registration as a Category-I foreign portfolio investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) and which has commenced its operations on or before the 31st day of March 2024; and
  - b. fulfils such conditions including maintenance of separate accounts for its investment division, as may be prescribed.
- q. Any STT paid is neither allowed as a deduction in computing the income chargeable under the head “capital gains” nor allowed as a deduction from the amount of income tax payable on capital gains. Hence, STT paid on purchase / sale trade is reduced / added respectively from the settlement amount for the purposes of the ITA.
- r. Any other short term capital gains would be liable to tax at the rates prescribed in the schedule to the Finance Act for the relevant year.

**3) Special provisions applicable to incomes of Non-Resident Indian (NRI):**

- a. In case of foreign investors, the taxation of income will be governed by the provisions of the ITA the provisions of the applicable treaty i.e. double tax avoidance agreement, whichever is more beneficial to the assessee.
- b. In terms of section 90(4) of the ITA the benefit of a double tax avoidance agreement would not be available to a non-resident assessee unless a certificate of his/her/it being a resident of the other country is obtained from the Government of that country. Hence a tax residency certificate certifying the residence of the assessee would be required to be furnished if the benefit of a treaty is sought to be claimed by a non-resident assessee. Further, in terms of section 90(5) of the ITA the assessee is also required to furnish documents and information as prescribed in Form No. 10F vide Notification No. 57/2013/ F.No.142/16/2013-TPL/ SO 2331(E) dated August 01, 2013 issued by the Central Board of Direct Taxes.

In terms of Rule 37BC, a relaxation has been provided to non-residents from deduction of tax at higher rate of 20% [Viz., section 206AA] in the absence of PAN subject to them providing specified information and documents (like Tax Residency Certificate (“TRC”), Tax Identification Number (“TIN”), etc.).

Chapter XII-A of the ITA comprises of sections 115C to 115-I of the ITA which contains special provisions governing computation and taxation of the total income of NRIs.

- c. Any dividend received on shares and any income in respect of units of mutual funds is taxable in the hands of the shareholders/investors and tax is deductible at the time of credit or payment, whichever is earlier, in terms of the provisions of the ITA as under:



Particulars	Section under which tax is deductible	TDS rate
Dividend on shares	195	20% (plus applicable surcharge and cess) However, in case of income by way of dividend received from a Unit in an International Financial Services Centre, as referred to in section 80LA (1A), shall be 10%.
Any income in respect of units of mutual fund	196A	20% (plus applicable surcharge and cess). However, where Agreement referred in section 90(1) or 90A(1) applies and the payee has furnished the tax residency certificate, the tax shall be deducted at the rate of 20% or the rates provided in the agreement, whichever is lower.

- d. Further, in terms of section 206AB of the ITA (inserted by the Finance Act, 2021 and applicable w.e.f July 01, 2021), tax shall be deducted at the higher of the following rates on any sum paid or payable to a specified person:
- i. At twice the rate specified in the relevant provision of the Act; or
  - ii. At twice the rate or rates in force; or
  - iii. At the rate of five per cent.

For the purpose of this section, ‘specified person’ means a person who has not furnished the returns of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be deducted, for which the time limit for furnishing the return of income under section 139(1) of the ITA has expired; and the aggregate of tax deducted at source and tax collected at source in his case is rupees fifty thousand or more in the said previous year.

The ‘specified’ person shall not include a non-resident who does not have a permanent establishment in India or a person who is not required to furnish the return of income for the relevant assessment year and is notified by the Central Government in the Official Gazette in this behalf.

Further, in terms of section 206AB(2) of the ITA, if the provisions of section 206AA (i.e. non-furnishing of PAN) are also applicable to the specified person, in addition to the section 206AB, tax shall be deducted at higher of two rates provided in section 206AB and in section 206AA respectively.

- e. In terms of Section 10(34A) of the ITA, any income arising to an assessee being shareholder, on account of buy back of shares by a company as referred to in section 115QA is exempt from income-tax.
- f. In terms of Section 94(7) of the ITA, losses arising on sale of securities or units of a mutual fund purchased within a period of 3 months prior to the record date for entitlement of exempt dividends and sold within a period of 3 months (or 9 months in case of units of mutual funds) after such record date, is to be ignored to the extent of the dividend received or receivable on such securities or units for the purpose of computing the taxable income.
- g. In terms of Section 94(8) of the ITA, where additional securities or units of a mutual fund have been issued to any person without any payment, on the basis of existing securities or units held by such person, the loss on sale of the original securities or units shall be ignored for the purpose of computing income chargeable to tax, if the original securities or units were acquired within a period of 3 months prior to the record date fixed for the receipt of additional





securities or units and sold within 9 months from such record date. However, the loss so ignored shall be deemed to be the cost of acquisition of all or any of the additional securities or units held on the date of sale of such units.

- h. In terms of Section 111A of the ITA, short-term capital gains arising to an NRI from the sale of equity shares or units of an equity-oriented fund or units of business trust transacted through a recognized stock exchange in India, where such transaction is charged to securities transaction tax, is chargeable to tax at the rate of 15% (plus applicable surcharge and cess). Short term capital gains arising on transfer of equity shares in a company or units of a mutual fund on which STT is not charged are chargeable at normal tax rates (plus applicable surcharge and cess).

In terms of section 111A the short-term capital gains arising on transaction undertaken on a recognized stock exchange located in any International Financial Services Centre and, where STT is not chargeable and the consideration is paid or payable in foreign currency, will also to be taxed at a rate of 15% (plus applicable surcharge and cess).

- i. In accordance with Section 115D of the ITA, no deduction in respect of any expenditure or allowance shall be allowed in computing the investment income of a NRI.
- j. As per Section 115F of the ITA, the long-term capital gains arising to a NRI on transfer of a foreign exchange asset is exempt from tax if the net consideration from such transfer is invested in any specified assets or savings certificates (referred to in section 10(4B) within six months from the date of such transfer, subject to the extent and conditions specified in that section.

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

- k. In terms of Section 115G of the ITA, where the total income of a NRI consists only of investment income or long-term capital gains or both and tax due thereon has been deducted at source in accordance with the provisions of the ITA, the NRI is not required to file a return of income.

However, an assessee has an option of choosing not to be governed by the provisions of Chapter XII-A (comprising of sections 115C to 115-I) in view of section 115-I of the ITA.

In such a case the assessee will be covered by the provisions of section 112(1)(c) read with the second proviso to section 48 of the ITA. In terms thereof:

- long term capital gains on sale of listed securities (other than units) not taxable under section 112A of the ITA or zero coupon bonds are subject to tax at the rate of 20% (plus applicable surcharge and cess) with indexation benefits/ after adjustment of foreign exchange fluctuation as the case may be or at the rate of 10% (plus applicable surcharge and cess) without indexation benefit whichever is more beneficial to the assessee.
  - However, long term capital gains arising from the transfer of unlisted securities or shares of a company not being a company in which the public are substantially interested are subject to tax at the rate of 10% (plus applicable surcharge and cess) without indexation benefits and the adjustment in respect to foreign exchange rate fluctuations.
- l. In case of long-term capital gains arising from transfer of long term capital asset being units (other than units of an equity oriented fund taxable under section 112A of the ITA) listed on a



recognized stock exchange in India is charged to tax at the rate of 20% (plus applicable surcharge and cess).

In terms of section 112A the long-term capital gains arising on transfer of a long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust on which STT has been paid, shall be taxed at the rate of 10% (plus applicable surcharge and cess) if the total long-term capital gains in a year exceeds one lakh rupees and the STT has been paid as follows:

- i. In a case where the long-term capital asset is in the nature of an equity share in a company, STT has been paid on acquisition and transfer of such capital asset [Further the Central Government has by notification in the Official Gazette, specify the nature of acquisition in respect of which the said provision shall not apply]
- ii. In a case where the long-term capital asset is in the nature of a unit of an equity-oriented fund or a unit of a business trust, STT has been paid on transfer of such capital asset.

Further, in terms of section 112A(3) of the ITA, the long term capital gains arising on transactions undertaken on a recognized stock exchange located in any International Financial Services Centre, where STT is not paid and the consideration is paid or payable in foreign currency, shall be taxed at the rate of 10% (plus applicable surcharge and cess).

Further, in terms of sub-section 5 and 6 of section 112A, deductions under Chapter VI-A and rebate u/s. 87A of the ITA shall not be allowed in relation to such income.

In terms of the grandfathering provision i.e. section 55(2)(ac), the cost of acquisition in relation to a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust referred to in section 112A, acquired before the 1st day of February, 2018 shall be higher of

- i. The cost of acquisition of such asset; and
- ii. Lower of:
  - a. The fair market value of such asset; and
  - b. The full value of consideration received or accruing as a result of the transfer of the capital asset.

Further, the method of determining the fair market value for various long-term capital assets has also been provided in the explanation to section 55(2)(ac).

- m. The benefit of deduction under Chapter VIA of the ITA shall be allowed from the gross total income as reduced by such capital gains. However, in case of Individuals, HUFs, AOP, BOI or artificial juridical person opting for the new tax regime in terms of the provisions of section 115BAC of the Act, the benefit of deduction under Chapter VIA (other than sections 80CCD(2), 80CCH(2) and 80JJAA) will not be available.
- n. Any STT paid is neither allowed as a deduction in computing the income chargeable under the head “capital gains” nor allowed as a deduction from the amount of income tax payable on capital gains. Hence, STT paid on purchase / sale trade is reduced / added respectively from the settlement amount for the purposes of the ITA.



## **II. Fixed Income Products:**

The taxation of the income from fixed income investment in India is governed by the provisions of the ITA and in case of foreign investors it will be governed by the provisions of the ITA read with the provisions of the applicable treaty i.e. the double tax avoidance agreement in force. As per section 90(2) of the ITA, the provisions of the ITA would apply to the extent they are more beneficial than the provisions of the Treaty.

In terms of section 90(4) of the ITA, the benefit of a double tax avoidance agreement would not be available to a non-resident assessee unless a certificate of his/her/it being a resident of the other country is obtained from the Government of that country. Hence a tax residency certificate certifying the residence of the assessee would be required to be furnished if the benefit of a treaty is sought to be claimed by a non-resident assessee. Further, in terms of section 90(5) of the ITA the assessee is also required to furnish documents and information as prescribed in Form No. 10F vide Notification No. 57/2013/ F.No.142/16/2013-TPL/ SO 2331(E) dated August 01, 2013 issued by the Central Board of Direct Taxes.

In terms of Rule 37BC, a relaxation has been provided to non-residents from deduction of tax at higher rate of 20% in the absence of PAN subject to them providing specified information and documents (like Tax Residency Certificate (“TRC”), Tax Identification Number (“TIN”), etc.)

The fixed income investment is expected to generate income in the form of capital gains, dividend on preference shares and interest.

### **1) Taxability for Residents:**

#### **Tax on Income by way of Capital Gains**

A capital gain arises on transfer of a capital asset. The taxability of capital gain depends upon the duration for which the capital asset is held and thus there are two types of capital assets – short term capital assets and long-term capital assets. Following are the various provisions relating to capital gains and the taxability of such gains:

- a. **Short Term Capital Gains:** A short term capital gain arises on transfer of short-term capital assets. Short term capital assets means a capital asset held by an assessee for not more than 36 months, immediately prior to its date of transfer (12 months in the case of shares of a Company (other than a unit) listed on a recognized stock exchange in India or units of the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963) or a unit of an equity oriented fund or a zero coupon bond; 24 months in the case of shares of a company which is not listed on a recognized stock exchange.

In terms of section 50AA of the ITA (inserted by Finance Act, 2023), in case of specified mutual fund acquired on after 01 April 2023 or a Market Linked Debenture, the full value of consideration received / accrued on transfer or redemption as reduced by the cost of acquisition and expenditure incurred wholly and exclusively in connection with the transfer shall be deemed to be the capital gains arising from transfer of a short term capital asset.

The term ‘specified mutual fund’ has been defined in the Explanation to section 50AA of the Act to mean a Mutual Fund, where not more than 35% of its total proceeds is invested in the equity shares of domestic companies.



The term 'Market Linked Debenture' has been defined in the Explanation to section 50AA of the Act to mean a security by whatever name called, which has an underlying principal component in the form of a debt security and where the returns are linked to market returns on other underlying securities or indices and include any security classified or regulated as a Market Linked Debenture by the Securities and Exchange Board of India.

Short-term capital gains (other than capital gains taxable u/s. 111A chargeable @ 15%) is charged to tax at the normal rates (plus applicable surcharge and cess) as applicable to the respective assessee depending on their total taxable income.

In terms of Section 111A of the ITA, short term capital gains arising to an investor from the sale of equity shares or units of an equity-oriented fund or units of business trust which is chargeable to securities transaction tax, are taxed at the rate of 15% (plus applicable surcharge and cess).

In terms of section 111A the short-term capital gains arising on transaction undertaken on a recognized stock exchange located in any International Financial Services Centre and where STT is not chargeable and the consideration is paid or payable in foreign currency, will also to be taxed at a rate of 15% (plus applicable surcharge and cess).

With effect from 01 April 2023, sub-section (3) to section 111A has been omitted and hence, no rebate(s) as stated therein shall be allowed.

- b. Long Term Capital Gains: A long term capital gain arises on the transfer of a long-term capital assets. Long term asset is a capital asset which is held by the assessee for more than 36 months prior to the date of transfer (12 months in the case of a security (other than a unit) listed on a recognized stock exchange in India or units of the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963) or a unit of an equity oriented fund or a zero coupon bond ; 24 months in the case of shares of a company which is not listed on a recognized stock exchange).

In terms of the fourth proviso to section 10(38) (applicable from financial year starting on April 01, 2018 i.e. Assessment Year 2019-20), any income arising from the transfer of long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust, made on or after April 01, 2018 shall not be exempt

In terms of section 112A of the ITA (applicable from financial year starting on April 01, 2018 i.e. Assessment Year 2019-20), the long-term capital gains arising on transfer of a long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at the rate of 10% (plus applicable surcharge and cess) if the total long-term capital gains in a year exceeds one lakh rupees and the STT has been paid as follows:

- i. In a case where the long-term capital asset is in the nature of an equity share in a company, STT has been paid on acquisition and transfer of such capital asset [Further the Central Government has by notification in the Official Gazette, specified the nature of acquisition in respect of which the said provision shall not apply]; or
- ii. In a case where the long-term capital asset is in the nature of a unit of an equity-oriented fund or a unit of a business trust, STT has been paid on transfer of such capital asset.

Further, in terms of section 112A(3) of the ITA, the long term capital gains arising on transactions undertaken on a recognized stock exchange located in any International Financial Services Centre, where STT is not paid and the consideration is paid or payable in foreign currency, shall be taxed at the rate of 10% (plus applicable surcharge and cess).

Further, in terms of sub-section 5 and 6 of section 112A, deductions under Chapter VI-A and rebate u/s. 87A of the ITA shall not be allowed in relation to such income.

In terms of the grandfathering provision i.e. section 55(2)(ac) the cost of acquisition in relation to a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust referred to in section 112A, acquired before the 1st day of February, 2018 shall be higher of:

- i. The cost of acquisition of such asset; and
- ii. Lower of:
  - a. The fair market value of such asset; and
  - b. The full value of consideration received or accruing as a result of the transfer of the capital asset.

Further, the method of determining the fair market value for various long-term capital assets has also been provided in the explanation to section 55(2)(ac).

In terms of section 112 of the ITA, the long-term capital gains arising to resident investors on transfer of listed securities (other than units) not taxable under section 112A of the ITA or zero coupon bonds is charged to tax at the rate of 20% (plus applicable surcharge and cess) with indexation benefits or 10% (plus applicable surcharge and cess) without indexation benefits whichever is more beneficial to the assessee. However, the benefit of indexation is not available in case of transfer of bonds or debentures other than capital indexed bonds issued by the Government or Sovereign gold bonds issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015. Long term capital gains in respect of units (other than units of an Equity oriented fund taxable under section 112A of the ITA) listed on recognized stock exchange in India will be taxed at the rate of 20% (plus applicable surcharge and cess) with indexation benefits.

Further, for the purpose of calculation of long term capital gains (with indexation), the base year for indexation has been shifted from 1981 to 2001. In other words, if an asset is acquired prior to April 01, 2001, the fair market value as on April 01, 2001 will have to be considered as the cost of acquisition and the indexed cost of acquisition will have to be worked out accordingly with the cost of inflation for the year 2001. The CBDT has vide Notification No. SO 1790(E) [No. 44/2017 (F.No. 370142/11/2017 – TPL)] dated June 05, 2017 notified the revised cost inflation index u/s. 48 of the ITA. [The benefit of indexation as provided in the second proviso to section 48 is not available to long-term capital gains referred to in section 112A of the ITA]

In terms of section 47(xix) of the ITA, any transfer made by a unit holder of a capital asset, being a unit or units, held by him in the consolidating plan of a mutual fund scheme, made in consideration of the allotment to him of a capital asset, being a unit or units, in the consolidated plan of that scheme of the mutual fund will not be regarded as transfer of capital asset.

In terms of section 49 (2AF) of the ITA, the cost of acquisition of the units in the consolidated plan shall be the cost of units in consolidating plan of mutual fund scheme and in terms of section 2(42A)(hg) of the ITA the period of holding of the units of consolidated plan shall



include the period of holding for which the units in consolidating plan of mutual fund scheme were held.

Also, in terms of section 47(xb), any transfer by way of conversion of preference shares of a company into equity shares of that company will not be regarded as transfer of capital asset.

Further, in terms of section 49(2AE), where the capital asset, being equity share of a company, became the property of the assessee in consideration of transfer referred in section 47(xb) referred to above, the cost of acquisition of the asset shall be deemed to be that part of the cost of the preference share in relation to which such asset is acquired by the assessee. In terms of section 2(42A)(hf), the period of holding of the equity shares acquired u/s. 47(xb) shall include the period for which the preference shares were held by the assessee.

In terms of section 49(2AG) of the ITA applicable with effect from April 01, 2020, cost of acquisition of a unit or units in the segregated portfolio shall be the amount which bears, to the cost of acquisition of a unit or units held by the assessee in the total portfolio, the same proportion as the net asset value of the asset transferred to the segregated portfolio bears to the net asset value of the total portfolio immediately before the segregation of portfolios. Further, as per section 2(42A)(hh) applicable with effect from April 01, 2020 the period of holding of the units in a segregated portfolio shall include the period for which the original unit or units in the main portfolio were held by the assessee.

Further, in terms of section 49(2AH) applicable w.e.f 01 April 2020, the cost of acquisition of the original units held by the unit holder in the main portfolio shall be deemed to have been reduced by the amount as so arrived u/s. 49(2AG) of the Act.

In terms of section 47(viiac) of the ITA, any transfer, in a relocation, of a capital asset by the original fund to resulting fund will not be regarded as transfer of capital asset.

Further, in terms of section 47(viiad) of the ITA, any transfer by a shareholder or unit holder or interest holder, in a relocation, of a capital asset being a share or unit or interest held by him in the original fund in consideration for the share or unit or interest in resultant fund will not be regarded as transfer of capital asset.

The term “original fund”, “relocation” and “resultant fund” have been defined in the explanation thereto.

The benefit of deduction under Chapter VIA of the ITA shall be allowed from the gross total income as reduced by such capital gains. However, in case of Individuals, HUFs, AOP, BOI or artificial juridical person opting for the new tax regime in terms of the provisions of section 115BAC inserted by the Finance Act, 2020 w.e.f. April 01, 2021 (i.e. from the financial year starting from April 01, 2020 i.e. Assessment Year 2021-21), the benefit of deduction under Chapter VIA (other than sections 80CCD(2), 80CCH(2) and 80JJAA) will not be available.

**The taxation of interest earned would be as follows:**

Interest income arising from securities (which includes bonds, debentures, other marketable securities of a like nature and Government securities) and interest on bank, corporate deposits is charged to tax at normal rates and the same will be subject to tax deducted at source at the rate of 10% on gross interest.



Further, with effect from 01 April 2023, the exemption from deduction of tax at source from interest payable on any security issued by a company, where such security is in dematerialised form and is listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and the rules made thereunder has been removed by way of an amendment in section 193 of the ITA.

Further, in terms of section 206AB of the ITA (inserted by the Finance Act, 2021 and applicable w.e.f July 01, 2021), tax shall be deducted at the higher of the following rates on any sum paid or payable to a specified person:

- i. At twice the rate specified in the relevant provision of the Act; or
- ii. At twice the rate or rates in force; or
- iii. at the rate of five per cent.

For the purpose of this section, 'specified person' means a person who has not furnished the returns of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be deducted, for which the time limit for furnishing the return of income under section 139(1) of the ITA has expired; and the aggregate of tax deducted at source and tax collected at source in his case is rupees fifty thousand or more in the said previous year.

Further, in terms of section 206AB(2) of the ITA, if the provisions of section 206AA (i.e. non-furnishing of PAN) are also applicable to the specified person, then in addition to section 206AA, tax shall be deducted at higher of two rates provided in section 206AB and in section 206AA respectively.

## **2) Taxability for Non Residents-**

The various provisions applicable to Non-residents in respect of Income from fixed Income products are summarized below:

In terms of Section 115AB of the ITA, if the total income of an assessee, being an overseas financial organization (Offshore Fund) includes income received in respect of units purchased in foreign currency or income by way of long-term capital gains arising on transfer of units purchased in foreign currency, tax is charged @ 10% (plus applicable surcharge and cess).

In terms of Section 115AC of the ITA, if the total income of a non-resident, includes income by way of interest on bonds of an Indian Company issued in accordance with the notified scheme i.e. 'Issue of Foreign Currency Exchangeable Bonds Scheme, 2008'/'Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993/ Depository Receipts Scheme 2014' or on bonds of public sector company sold by the government and purchased by the investor in foreign currency or income by way of dividends on GDR or income by way of long term capital gains arising on transfer of above bonds or GDR's, will be taxed at the rate of 10% (plus applicable surcharge and cess).

In terms of section 47(viiaa), any capital asset being rupee denominated bonds of an Indian Company issued outside India, transferred by a non-resident outside India to another non-resident shall not be regarded as a transfer.

Further, in terms of section 47(viiab) of the ITA, any transfer of a capital asset, being –

- i. Bond or Global Depository Receipt referred to in sub-section (1) of section 115AC; or
- ii. Rupee denominated bond of an Indian Company; or



- iii. Derivative; or
- iv. Such other securities as may be notified by the Central Government in this behalf (inserted by the Finance (No. 2) Act, 2019 w.e.f. April 01, 2020 (i.e. Assessment Year 2020-21).

made by a non-resident on a recognized stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in foreign currency shall not be regarded as a transfer.

In terms of Section 115AD of the ITA, if the total income of a Foreign Institutional Investor or a specified fund includes any income received in respect of securities (other than units referred in Section 115AB) as defined under the Securities Contracts (Regulations) Act, 1956 (including dividend received in respect of securities), tax shall be charged:

- i. @ 20% (plus applicable surcharge and cess) in case of a Foreign Institutional Investor; and
- ii. @ 10% (plus applicable surcharge and cess) in case of a specified fund and tax is deductible at the time of credit to the account of the payee or payment whichever is earlier in terms of section 196D of the ITA.

The income by way of short-term capital gains (other than capital gains taxable u/s. 111A chargeable @ 15%) is taxable @ 30% (plus applicable surcharge and cess) and income chargeable by way of long term capital gains) is taxable @ 10% (plus applicable surcharge and cess).

In terms of the proviso to clause (i) section 115AD (1) of the ITA, the income by way of interest of a Foreign Institutional Investor or a specified fund received on a rupee denominated bond of an Indian company or Government securities (as referred in section 194LD of the ITA) is taxed @ 5% (plus applicable surcharge and cess).

Further, in terms of the proviso to clause (iii) to section 115AD(1) of the ITA any income arising to the Foreign Institutional Investors or a specified fund, from the transfer of a long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed @10% (plus applicable surcharge and cess) if the total long-term capital gains in a year exceeds one lakh rupees as per section 112A of the ITA.

The term 'specified fund' has been inserted by the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 (applicable w.e.f April 01, 2021) and shall have the meaning assigned to it in clause (c) of the Explanation to clause (4D) of section 10 as under:

- i. A fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate:
  - a. which has been granted a certificate of registration as a Category III Alternative Investment Fund and is regulated under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012, made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or International Financial Services Centre Authority Act, 2019 (50 of 2019);
  - b. which is located in any International Financial Services Centre; and
  - c. of which all the units other than unit held by a sponsor or manager are held by non-residents; or
- ii. Investment decision of an offshore banking unit, which has been:
  - a. granted a certificate of registration as a Category-I foreign portfolio investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) and which has commenced its operations on or before the 31st day of March 2024; and



- b. fulfils such conditions including maintenance of separate accounts for its investment division, as may be prescribed’;

In terms of Section 112 of the ITA, long term capital gains on sale of listed securities (other than units) not taxable under section 112A of the ITA or zero coupon bonds are subject to tax at the rate of 20% (plus applicable surcharge and cess) with indexation benefits/ after adjustment of foreign exchange rate fluctuation as the case may be or at the rate of 10% (plus applicable surcharge and cess) without indexation benefit whichever is more beneficial to the assessee. However, long term capital gains arising from the transfer of unlisted securities or shares of a company not being a company in which the public are substantially interested applicable are subject to tax at the rate of 10% (plus applicable surcharge and cess) without indexation benefits and the adjustment in respect to foreign exchange rate fluctuations. In case of long-term capital gains arising from transfer of long-term capital asset being units (other than units of an Equity oriented fund taxable under section 112A of the ITA) listed on recognized stock exchange in India is charged to tax at the rate of 20% (plus applicable surcharge and cess).

The provisions of section 10(38) of the ITA vis-à-vis exemption of long-term capital gains arising from the transfer of long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust are not applicable w.e.f April 01, 2018.

In terms of provisions of section 112A (applicable from financial year starting on April 01, 2018 i.e. Assessment Year 2019-20) the long-term capital gains arising on transfer of a long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at the rate of 10% (plus applicable surcharge and cess) if the total long-term capital gains in a year exceeds one lakh rupees and the STT has been paid as follows–

- i. In a case where the long-term capital asset is in the nature of an equity share in a company, STT has been paid on acquisition and transfer of such capital asset [Further the Central Government has by notification in the Official Gazette, specified the nature of acquisition in respect of which the said provision shall not apply]; or
- ii. In a case where the long-term capital asset is in the nature of a unit of an equity-oriented fund or a unit of a business trust, STT has been paid on transfer of such capital asset.

Further, in terms of section 112A(3) of the ITA, the long term capital gains arising on transactions undertaken on a recognized stock exchange located in any International Financial Services Centre, where STT is not paid and the consideration is paid or payable in foreign currency, shall be taxed at the rate of 10% (plus applicable surcharge and cess).

Further, in terms of sub-section 5 and 6 of section 112A, deductions under Chapter VI-A and rebate u/s. 87A of the ITA shall not be allowed in relation to such income.

In terms of the grandfathering provision i.e. section 55(2)(ac), the cost of acquisition in relation to a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust referred to in section 112A, acquired before the 1st day of February, 2018 shall be higher of:

- i. The cost of acquisition of such asset; and
- ii. Lower of:
  - a. The fair market value of such asset; and
  - b. The full value of consideration received or accruing as a result of the transfer of the capital asset.

Further, the method of determining the fair market value for various long-term capital assets has also been provided in the explanation to section 55(2)(ac).

In terms of clause (ix) to section 10(15) w.e.f April 01, 2020 any income by way of interest payable to a non-resident by a unit located in an International Financial Services Centre in respect of monies borrowed by it on or after September 01, 2019 shall be exempt from tax.

**3) Special provisions applicable to incomes of Non-Resident Indian (NRI):**

Chapter XIIA of the ITA comprising of sections 115C to 115-I of the ITA contains special provisions governing computation and taxation of the total income of NRIs.

- a. Any dividend received by investors on shares and any income in respect of units of mutual funds is taxable in the hands of the investors and tax shall be deducted at the time of credit or payment, whichever is earlier, in terms of the provisions of the Act as under:
- b.

Particulars	Section under which tax is deductible	TDS rate
Dividend on shares	195	20% (plus applicable surcharge and cess) <i>However, in case of income by way of dividend received from a Unit in an International Financial Services Centre, as referred to in section 80LA (1A), shall be 10%.</i>
Any income (otherwise than on capital gains) on mutual fund units	196A	20% (plus applicable surcharge and cess). <i>However, where Agreement referred in section 90(1) or 90A(1) applies and the payee has furnished the tax residency certificate, the tax shall be deducted at the rate of 20% or the rates provided in the agreement, whichever is lower.</i>

- c. Further, in terms of section 206AB of the ITA (inserted by the Finance Act, 2021 and applicable w.e.f July 01, 2021), tax shall be deducted at the higher of the following rates on any sum paid or payable to a specified person:
  - i. At twice the rate specified in the relevant provision of the Act; or
  - ii. At twice the rate or rates in force; or
  - iii. At the rate of five per cent.

For the purpose of this section, ‘specified person’ means a person who has not furnished the returns of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be deducted, for which the time limit for furnishing the return of income under section 139(1) of the ITA has expired; and the aggregate of tax deducted at source and tax collected at source in his case is rupees fifty thousand or more in the said previous year.

The ‘specified’ person shall not include a non-resident who does not have a permanent establishment in India or a person who is not required to furnish the return of income for the relevant assessment year and is notified by the Central Government in the Official Gazette in this behalf.

Further, in terms of section 206AB(2) of the ITA, if the provisions of section 206AA (i.e. non-furnishing of PAN) are also applicable to the specified person, in addition to the section

206AB, tax shall be deducted at higher of two rates provided in section 206AB and in section 206AA.

- d. In terms of Section 10(34A) of the ITA, any income arising to an assessee being shareholder, on account of buy back of shares by a company as referred to in section 115QA is exempt from income-tax.
- e. In terms of Section 111A of the ITA, short term capital gains arising to the NRI from the sale of equity share or a unit of an equity-oriented fund or units of business trust transacted through a recognized stock exchange in India, where such transaction is charged to securities transaction tax, is charged to tax at the rate of 15% (plus applicable surcharge and cess).

In terms of section 111A the short-term capital gains arising on transaction undertaken on a recognized stock exchange located in any International Financial Services Centre, where STT is not chargeable and consideration is paid or payable in foreign currency, will also to be taxed at a rate of 15% (plus applicable surcharge and cess).

With effect from 01 April 2023, sub-section (3) to section 111A vis-à-vis rebate under section 88 of ITA has been omitted by the Finance Act, 2023.

- f. Income from investments and long-term capital from assets (other than specified assets) arising to a NRI is taxable at the rate of 20% (plus applicable surcharge and cess).

No deduction is allowed from such income in respect of any expenditure or allowance or deductions under Chapter VI-A of the ITA. Income by way of long-term capital gains on specified assets is taxable at 10% (plus applicable surcharge and cess).

‘Specified asset’ means shares in an Indian Company, debentures issued by an Indian public Company, deposits with an Indian public Company and any security of the Central Government as defined in Public Debt Act.

However, an assessee has an option not to be governed by the provisions of Chapter XII-A (comprising of sections 115C to 115-I) in terms of section 115-I of the ITA.

- g. In terms of Section 115D of the ITA, no deduction in respect of any expenditure or allowance shall be allowed in computing the investment income of a NRI.
- h. In terms of Section 115F of the ITA, long term capital gains arising to a NRI on transfer of a foreign exchange asset is exempt from tax if the net consideration from such transfer is invested in the specified assets or savings certificates referred to in section 10(4B) within six months from the date of such transfer, subject to the extent and conditions specified in that section.

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

- i. In terms of Section 115G of the ITA, where the total income of a NRI consists only of investment income or long-term capital gains or both and tax thereon has been deducted at source in accordance with the Act, the NRI is not required to file a return of income.

In such a case the assessee will be covered by the provisions of section 112(1)(c) read with the second proviso to section 48. In terms thereof:



- long term capital gains on sale of listed securities (other than units) or zero coupon bonds are subject to tax at the rate of 20% (plus applicable surcharge and cess) with indexation benefits/ after adjustment of foreign exchange fluctuation rate as the case may be or at the rate of 10% (plus applicable surcharge and cess) without indexation benefit whichever is more beneficial to the assessee.
- However, long term capital gains arising from the transfer of unlisted securities are subject to tax at the rate of 10% (plus applicable surcharge and cess) without indexation benefits and adjustment in respect to foreign exchange rate fluctuations.
- In case of long-term capital gains arising from the transfer of a long term capital asset being units listed on recognized stock exchange in India is charged to tax at the rate of 20% (plus applicable surcharge and cess).

In terms of the provisions of section 112A long-term capital gains arising from transfer of long-term capital assets being equity share in a company or unit of an equity oriented fund or a unit of a business trust, subject to the provisions of the said section, shall be taxable at the rate of 10%, if the total long-term capital gains exceeds one lakh rupees and the STT has been paid as follows:

- i. In a case where the long-term capital asset is in the nature of an equity share in a company, STT has been paid on acquisition and transfer of such capital asset [Further the Central Government has by notification in the Official Gazette, specified the nature of acquisition in respect of which the said provision shall not apply]; or
- ii. in a case where the long-term capital asset is in the nature of a unit of an equity oriented fund or a unit of a business trust, STT has been paid on transfer of such capital asset.

Further, in terms of section 112A(3) of the ITA, the long term capital gains arising on transactions undertaken on a recognized stock exchange located in any International Financial Services Centre, where STT is not paid and the consideration is paid or payable in foreign currency, shall be taxed at the rate of 10% (plus applicable surcharge and cess).

Further, in terms of sub-section 5 and 6 of section 112A, deductions under Chapter VI-A and rebate u/s. 87A of the ITA shall not be allowed in relation to such income.

In terms of the grandfathering provision i.e section 55(2)(ac) the cost of acquisition in relation to a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust referred to in section 112A, acquired before the 1st day of February, 2018 shall be higher of:

- i. The cost of acquisition of such asset; and
- ii. Lower of:
  - a. The fair market value of such asset; and
  - b. The full value of consideration received or accruing as a result of the transfer of the capital asset.

Further, the method of determining the fair market value for various long-term capital assets has also been provided in the explanation to section 55(2)(ac).

- c. The benefit of deduction under Chapter VIA of the ITA shall be allowed from the gross total income as reduced by such capital gains. However, in case of Individuals, , HUFs, AOP, BOI or



artificial juridical person opting for the new tax regime in terms of the provisions of section 115BAC inserted by the Finance Act, 2020 w.e.f. April 01, 2021 (i.e. from the financial year starting from April 01, 2020 i.e. Assessment Year 2021-22), the benefit of deduction under Chapter VIA (other than sections 80CCD(2), 80CCH(2) and 80JJAA) will not be available.

- d. Any STT paid is neither allowed as a deduction in computing the income chargeable under the head “capital gains” nor allowed as a deduction from the amount of income tax payable on capital gains. Hence, STT paid on purchase / sale trade is reduced / added respectively from the settlement amount for the purposes of the ITA.

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

In terms of Section 70 read with Section 74 of the ITA, 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. Long term capital loss arising on sale of shares or units of equity-oriented fund subject to STT will not be allowed to be carried forward for set off upto March 31, 2018.

The income-tax and other direct taxes’ liability on the investments and funds managed, the yield or other returns thereon, will be borne by the client. In the event of there being any withholding tax or tax deducted at source relating to any income from investment, the credit in respect thereof shall be that of the clients for which QAPL shall send Tax Deducted at Source (TDS) Certificates on receipt from the investee Companies.

In terms of Section 206AA any person who is entitled to receive an income on which tax is deductible, shall furnish his Permanent Account Number (‘PAN’) to the person responsible for deducting such tax. If he doesn’t furnish any PAN or the PAN furnished by him is incorrect, tax shall be deducted at higher of the rate specified in the relevant provision of the ITA/relevant Finance Act or at the rate of twenty percent. No declaration under section 197A (1) or section 197A (1A) or section 197A (1C) for non-deduction of tax at source will be valid unless PAN is furnished in such declaration.

In terms of Rule 37BC, a relaxation has been provided to non-residents from deduction of tax at higher rate of 20% [viz., 206AA] in the absence of PAN subject to them providing specified information and documents (like Tax Residency Certificate (“TRC”), Tax Identification Number (“TIN”), etc.

Since the individual nature of tax consequences may differ in each case on its merits and facts, each Client is best advised to consult its/his/her own tax adviser/Professional consultant for appropriate counsel on specific tax treatments/implications arising out of participation in any Securities / Portfolio transactions.

**15. ACCOUNTING POLICIES**

Separate Accounts for each client shall be maintained on accrual basis as per the Institute of Chartered Accountants of India “ICAI” guidelines. The important accounting policies are as follows:



**(i) Income Recognition for Equity & Fixed Income Product**

Dividend income shall be recognized on the ex-dividend date. Interest income on bank balances held with the bank is recognized on cash basis. Interest income on fixed income securities is recognized on accrual basis. Profit or loss on sale of investments shall be recognized on the trade dates on first-in –first – out basis.

**(ii) Recognition of fees and other expenses for Equity & Fixed Income Product**

***Portfolio Management Fees:***

**PMS Clients (HNI – Resident and NRIs)**

Portfolio Management Fee is accounted on half yearly basis in arrears. Portfolio valuation as of the last day of the half yearly period will be considered for purpose of calculation of management fees. The management fee is being paid by the client separately, from his own account. In the event of any deposit or withdrawal, QAPL calculates its fees by separating into separate periods the portion of the billing period occurring before the event and the portion of the billing period following it, and then calculating fees for each period pro rata based on the number of days in the given period and the market value of the account at the end of the period.

**PMS Clients (Separately Managed Accounts)**

The management fee is accounted as per the terms of the Portfolio Management Agreement. Mostly it is accounted quarterly in arrears. In case of some of the clients the management fee amount is paid by the client out of the portfolio, while in some of the cases the amount of management fee is paid out by the client separately.

**PMS Clients (Funds)**

Where the Portfolio Management Services is offered to a Fund, the management fee would be calculated based on the Fund's prospectus.

**Brokerage:**

Brokerage is treated as a part of the investment cost and hence it is included in the investment cost.

**(iii) Valuation of Investments:**

**a. Equity Product**

**Traded Securities:**

Following are the criteria for valuation of listed stocks:

- Closing prices of NSE of India shall be used for valuing the listed equity portfolio.
- For stocks that are not traded on the NSE, the BSE closing prices will be used. However, if required by the Client IMA, valuation may be done based on BSE closing prices or the last traded prices of NSE or BSE, as the case may be.
- When on a particular valuation day, a security has not been traded on the selected stock exchange the value at which it is traded on another stock exchange is used.
- When a security is not traded on any of the stock exchanges on a particular valuation day, it should be valued based on the last available closing price on the selected stock



exchange or any other stock exchange provided such date is not more than 30 days prior to the valuation day.

**Valuation Criteria for Thinly and Non Traded Securities:**

If the equity and equity related securities are not traded on NSE or BSE for a period of thirty days prior to the valuation date or it is thinly traded security as per SEBI norms of trading less than 50,000 shares in a month or where the trading value is less than Rs. 5 lakhs in a month, then it should be valued as per the norms given below:

- Both the thinly traded and non-traded securities will be valued at fair value as determined in good faith by the firm.
- For the purpose of valuation of non-traded and thinly traded securities, the following principles will be adopted;
- The value per share as per the net worth value described in method 1 and the capital earning value calculated as per the method 2 shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.

**Method: 1**

- Net worth per share = [Share capital + reserves (excluding revaluation reserves) - Miscellaneous expenditure and Debit Balance in P&L A/c] Divided by No. of Paid-up shares
- The net worth shall be calculated based on the latest available balance sheet.

**Method: 2**

- Average capitalization rate (P/E ratio) for the industry based upon either NSE or BSE data (which should be followed consistently and changes, if any noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the industry average P/E shall be taken as capitalization rate ( P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.
- In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earning.
- In case where the latest balance sheet of a company is not available within nine months from the close of the year, unless the accounting year is changed, the share of such companies shall be valued at zero.

**Suspended Securities:**

- If the equity security is suspended up to 30 days, then the last reported closing price would be taken for valuation of that security.
- If the equity security is suspended for more than 30 days, then the fair valuation of Non-Traded /Thinly traded security would be applied.

**Unlisted Securities:**

Unlisted securities will be valued at fair market value based price at which a most recent transaction has taken place in such securities / valued at fair value as determined in good faith by the firm. These guidelines are similar to the guidelines for non-traded / thinly traded securities.

**Mutual Fund Unit:**

Mutual fund units will be valued at the same day NAV as available on the relevant fund's website. If the same day NAV is not available it will be valued at latest available NAV





**Exchange Traded Fund (ETF):**

ETFs are valued at closing prices available on the NSE. If the closing price is not available on NSE then the closing prices available on BSE is considered. If the price at both BSE & NSE are not available the latest NAV of the Fund be considered.

**Warrants:**

In case the warrants are traded separately, they would be valued as per the valuation guidelines applicable to equity shares.

In case the warrants are not traded, the warrants can be valued at the Price of the underlying equity shares reduced by the amount which would be payable on exercise of the warrant. Appropriate illiquidity discount shall be provided with approval of the Valuation Committee. If the amount payable on exercise of the warrants is higher than the value of the share, the value of the warrants should be taken as zero.

**Compulsorily Convertible Debentures (CCD):**

Traded CCDs would be valued based on the closing market price reported in the exchange. If traded price is not available for the security to be valued, then it would be valued as follows:

- Ascertain
  - The number of shares to be received after conversion.
  - Whether the shares would be entitled for dividend on a pari passu basis for dividend on conversion.
  - The rate of last declared dividend.
  - Whether the shares are presently traded or non-traded/thinly traded.
  - Market rate of shares on the date of valuation
  
- In case the shares to be received, on the date of valuation, are thinly traded / non traded, then, these shares to be received on conversion are to be valued as thinly traded / non traded shares as stated above.
  
- In case the shares to be received on conversion are not non-traded or thinly traded on the date of valuation and would be traded pari passu for dividend on conversion:
  - Number of shares to be received on conversion, per convertible debenture, multiplied by the present market rate.
  - Determine the discount for non-tradability of the shares on the date of valuation. (This discount should be determined in advance and to be used uniformly for all the convertible securities. Rate of discount should be documented and approved by the Valuation Committee.) Value = (a)\*market rate [1-(b)].
  
- In case the shares to be received on conversion are not non-traded or thinly traded on the date of valuation but would not be traded pari passu for dividend on conversion:
  - Number of shares to be received on conversion, per convertible debenture, multiplied by the present market rate.
  - Arrive at the market value of the shares on the date of valuation by reducing the amount of last paid dividend.
  - Determine the discount for non-tradability of the shares on the date of valuation.





*(This discount should be determined in advance and to be used uniformly for all the convertible securities. Rate of discount should be documented and approved by the Valuation Committee) Value = (a)\*{b- [1- (c)]}*

- In case of optionally convertible debentures, values must be determined assuming that the option will be exercised and also assuming that the option will not be exercised.
  - If the option rests with the issuer, the lower of the two values shall be taken as the valuation of the optionally convertible portion, and;
  - If the option rests with the investor, the higher of the two values shall be taken.

#### **Valuation of Non - Convertible Debentures (NCD):**

Traded NCDs would be valued based on the closing market price reported in the exchange. If traded prices are not available and/or does not represent fair valuation then the security would be valued based on the price provided by ICRA Management Consulting Services Limited (IMACS).

Valuation of Shares on De-merger and Other Corporate Action Events:

#### **Demerger**

- **Both the shares are traded immediately on de-merger:** In this case both the shares are valued at respective traded prices.
- **Shares of only one company continue to be traded on de-merger:** The cost of demerged entity will be bifurcated between 2 companies based on demerger ratio. The price of shares which is listed and traded after demerger will be valued at that price. The price of shares which is not listed will be valued at price arrived at by computing the difference in price between closing price before demerger (cum price) less the closing price of shares which is traded post demerger (Ex-date). It will also be ensured that total market value of both securities added together post de merger is equivalent to the pre demerger market value. This will be followed till 30 days. Post that if the prices are not available, then it will be valued based on fair price with approval of the Valuation Committee.
- **Both the shares are not traded on de-merger:** Shares of de-merged companies are to be valued at the pre de-merger value up to a period of 30 days from the date of de-merger. The total cost of shares post demerger should be bifurcated in the demerger ratio and should be equivalent to the pre demerger cost. The market price also will be bifurcated in same manner till both the companies are listed and traded post demerger. If post 30 days the prices are not available then it will be valued based on fair price with approval of the Valuation Committee.

In case of any other type of capital corporate action event, the same shall be valued at fair price on case-to-case basis with approval of the Valuation Committee.

#### **Non Traded/Thinly Traded Rights Entitlements:**

- Where right entitlements are not traded and it is decided not to subscribe the rights, the right entitlements have to be valued at zero.
- Where right entitlements are not subscribed to but are to be renounced, and where renouncements are being traded, the right entitlements have to be valued at traded renunciation value.



- Valuations of non-traded/thinly traded/Unlisted rights entitlement, SEBI Regulations have explained this with the help of following formula and the security will be valued accordingly:

$V_r = (P_{ex} - P_{of})$  Where in

$V_r$  = Value of Rights

$P_{ex}$  = Ex-right price

$P_{of}$  = Rights offer price

- Where the rights are not treated *pari passu* with the existing shares (or resultant share is not an equity share), suitable adjustment should be made to the value of rights.
- In case the Rights Offer Price is greater than the ex-rights price, the value of the rights share is to be taken as zero.
- In case original shares on which the right entitlement accrues are not traded on the Stock Exchange, right entitlement should be valued at zero.

#### **Valuation for special trading session:**

In India the stock markets are open for trading even on certain public holidays but only for some hours of that day (1 hour), and not for the full working hours (from IST 9:15 am to 3:30 pm-6 hrs 15 minutes) of a normal trading day. On the Diwali holiday (a popular festival in India) the Indian stock markets are open for-what is called as Muhurat (auspicious) trading for 1 hour (as compared to a normal working day of 6 hours 15 minutes).

During the special trading sessions (such as the Muhurat Trading), trading volumes at the stock exchanges are generally, just a fraction of the average daily trading volumes, usually witnessed on a normal trading day. Due to lack of adequate volume, closing prices of securities traded on special trading session are not the true representation of the stock prices.

Therefore, for valuation of client's portfolio, the following method will be adopted:

**Equity Securities:** Securities will be valued as per closing prices of the full day trading session immediately prior to the special trading session. For the purpose of arriving at the securities holdings, trades executed on the special trading session would be considered into the next valuation day.

**Cash:** For client accounts which have cash balances in multiple currencies, these are retranslated into the account's base currency at the rate of exchange prevailing on the special trading day.

#### **Valuation of Partly Paid-up Equity Shares :**

If the partly paid-up equity shares are traded in market separately then the same shall be valued at traded price (like any other equity instrument). If the same is not traded separately then partly paid equity shares shall be valued at underlying equity shares price as reduced by the balance call money payable with illiquidity discount as suggested by the Valuation Committee.

If the said partly paid equity shares are not traded for more than 30 days, the same shall be valued as per valuation norms given for non-traded shares with necessary illiquidity discount as decided by valuation committee.



**b. Fixed Income Product:**

- For government bonds, Treasury-Bills, State Development Loans (SDL), the Firm will use daily Mark-to-Market prices as provided by The Clearing Corporation of India Limited (CCIL).
- The valuation of all other debt and money market instruments held in the portfolio will be done on daily basis. The Firm may appoint valuation agency for the same at the time of investing in such instruments. Securities shall be valued at the prices provided by this rating agency.
- Investment in new type of securities / assets other than mentioned in this policy shall be made only after establishment of the valuation methodologies for such securities / assets by the Valuation Committee comprising of Chief Compliance Officer, Head of Risk Control and two representatives from the operations team.

**16. AUDIT**

QAPL shall maintain separate client-wise portfolio accounts. QAPL shall get client's Portfolio Transaction Account, duly audited annually by an independent Chartered Accountant appointed by QAPL and thereon a copy of the Audit Report shall be provided to the clients. It is clarified that the aforesaid is not applicable to clients who have availed only Advisory Portfolio Management Services.

If any client intends to get these transactions audited at their end such appointment of an independent Chartered Accountant will be at the cost of the client and QAPL shall be entitled to a copy of the Audit Report. It is clarified that the aforesaid is not applicable to clients who have availed only Advisory Portfolio Management Services.

**17. PREVENTION OF MONEY LAUNDERING**

The Prevention of Money Laundering Act, 2002 (PMLA Act) came into force with effect from July 1, 2005, in India, forming the core of the legal framework to combat money laundering. As per the provisions of the PMLA Act and SEBI guidelines on Know Your Customer (KYC) Standards and Anti-Money Laundering (AML), all intermediaries, including portfolio managers, have certain obligations regarding verification of the identity of their clients, maintaining records and furnishing information to the Financial Intelligence Unit – India (FIU - IND). SEBI vide its various circulars has directed all Intermediaries, including portfolio managers to formulate and implement policies and procedures for dealing with money laundering and adoption of '**Know Your Customer' (KYC) Policy**'. The client should ensure that the amount invested in the Portfolio Management Service is through legitimate sources only and does not involve and is not designed for the purpose of any contravention or evasion of any Act, Rules, Regulations, Notifications or Directions or the provisions of the Prevention of Money Laundering Act, 2002 and the rules made thereunder, Income Tax Act, Anti Money Laundering Guidelines issued by SEBI, Anti-Corruption Act, SEBI Act and or any other applicable laws enacted by the Government of India from time to time.

QAPL reserves all the rights to take all steps and actions, including recording clients' telephonic calls, and /or obtain and retain documentation for establishing the identity of the client, proof of residence, source of funds, etc. in accordance with the applicable laws, from the client/ custodian, as may be required to ensure appropriate identification / verification/ re-verification of the client, the sources of fund etc. under the KYC policy. If at any time QAPL believes that the transaction is suspicious in nature within applicable laws, QAPL shall have the absolute discretion to report the suspicious transaction to FIU – IND and/or any other statutory body. QAPL is bound to do so from time to time. QAPL can also reject any application, freeze the account, compulsorily close the



account of the client and the termination proceeds shall be paid to the client at Net Asset Value (NAV) subject to the payment of fees and expenses, if any, of QAPL. QAPL shall have no obligation to inform / advise the client or its agents / power of attorney (POA) holder of such reporting.

QAPL and its Directors, employees, agents and persons acting on its behalf shall not be responsible/liable for any loss to the Client(s) in any manner whatsoever due to reporting to the FIU-IND, the rejection of any application or freezing of the accounts or compulsory closure of a the account or termination of the agreement entered into between the client and QAPL, due to non-compliance by the Client(s) with the provisions of the laws, rules, regulations, KYC policy etc. and / or where QAPL makes reporting to FIU – IND of suspicious transaction.

## 18. INVESTOR SERVICES

### i. Details of the Investor Relation Officer/s of Quantum Advisors Private Limited:

Clients may contact the following executive for their queries:

Name	Designation	E-mail
Mr. I.V. Subramaniam	Managing Director, and Group Head - Equities	Subbu@QASL.com

**Mailing Address:** 6<sup>th</sup> Floor, Hoechst House, Nariman Point, Mumbai 400021.

**Tel. No.:** 91-22-6144 7902; **Fax No.:** 91 22 2285 4318/2287 5111

### ii. Portfolio Clients' Grievance redressal and dispute settlement mechanism:

All Clients are advised to send their complaints at the email id designated for receiving client complaints i.e. [Complaint@QASL.com](mailto:Complaint@QASL.com). The Firm's senior management staff i.e. MD, CEO and CCO has access to the said e-mail id.

For any queries/clarifications and for timely and prompt redressal of grievances, the Clients may contact the above-mentioned executive of the Portfolio Manager.

As a part of the firm's clients' grievance redressal and dispute settlement mechanism, all the disputes arising in connection with the Client's Portfolio Management Agreement shall, to the extent possible be settled amicably by prompt negotiations between the representatives of the parties at the earliest.

In the event of failure to settle the disputes by mutual negotiations, it may be referred to and finally resolved by arbitration in accordance with and subject to the provisions of the Arbitration and Conciliation Act, 1996 or any statutory modification or re-enactment thereof for the time being in force or any other arbitration law or rules of arbitration as mentioned in the Portfolio Management Agreement.

The place of arbitration shall be Mumbai, India unless specified otherwise in the Portfolio Management Agreement and be conducted in English language. The costs of arbitration shall be borne, as the arbitrators shall decide on a majority of votes. The Parties agree that any award of the arbitrator shall be final and binding on them from the date it is made.



iii. **SEBI Complaints Redressal System (SCORES):**

SEBI has set up a centralized web-based complaints redress system (SCORES) for easy retrieval and tracking of complaints of the investors.

Clients may also lodge and follow up their complaints and track the status of such complaint from anywhere through SCORES by visiting [www.scores.gov.in](http://www.scores.gov.in). QAPL will receive and redress the complaints lodged against it by any of its client in accordance with the procedure prescribed by SEBI in this regard.

It would, however, be advisable that Clients may initially take up their grievances for redressal with QAPL's Investor Relation Officer mentioned above for handling issues relating to compliance and redressal of investor grievances.

**For Quantum Advisors Private Limited**

**SD/-**

**I. V. Subramaniam**  
**Managing Director, and**  
**Group Head- Equities**  
**DIN (00253917)**  
Place: Mumbai  
Date: May 10, 2023

**SD/-**

**Hormazdiyaar Vakil**  
**Director**  
**DIN (00060835)**  
Place: Mumbai  
Date: May 10, 2023

**For JHS & Associates, LLP**  
**Chartered Accountants**  
**FRN: 133288W/W100099**

**SD/-**

**Sr. Partner**  
**Huzeifa Unwala**  
**M. No.: 105711**  
Place: Mumbai  
Date: May 10, 2023

## FORM C

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

<b>Name</b>	Quantum Advisors Private limited (QAPL)
<b>CIN</b>	U65990MH1990PTC055279
<b>Address.</b>	6 <sup>th</sup> Floor, Hoechst House Nariman Point, Mumbai - 400 021
<b>Tel Nos.</b>	91 22- 6144 7900/2383 0322
<b>Fax no</b>	91 22 -2285 4318/2287 5111
<b>Email</b>	<a href="mailto:info@qasl.com">info@qasl.com</a>
<b>Website</b>	<a href="http://www.QASL.com">www.QASL.com</a>

**We confirm that:**

- (i) the Disclosure Document forwarded to the 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 in the Portfolio Management; and
- (iii) this Disclosure Document dated April 28, 2023, has been duly certified by an Independent Chartered Accountant, M/S JHS & Associates LLP, Chartered Accountants, having registered office at 504, 5<sup>th</sup> floor, Meadows, Sahar Plaza Complex, Andheri- Kurla Road, J.B Nagar, Andheri (East), Mumbai- 400 059, Firm's Registration No: 133288W.

**Date: May 10, 2023**

**SD/-**

**I.V. Subramaniam  
(Principal Officer)**

Ref No. JHS/MUM/2023-24/119

To,  
The Managing Director, CEO & CIO  
Quantum Advisors Pvt. Ltd.,  
6<sup>th</sup> Floor, Hoechst House,  
Nariman Point,  
Mumbai - 400 021.

**Independent Practitioner's Certificate on Disclosure Documents ('the Document') of Quantum Advisors Private Limited ('the Company') prepared in accordance with Schedule V, Regulation 22 of Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.**

1. This Certificate is issued in accordance with the terms of our engagement.
2. Quantum Advisors Private Limited having CIN U65990MH1990PTC055279 was established on 31 January 1990 to provide Portfolio Management Services ('PMS') and Advisory services to its clients. The company is registered with Securities and Exchange Board of India ('SEBI') under the SEBI (Portfolio Managers) Regulations, 2020 vide registration number INP000000187.

#### Management's Responsibility

3. The accompanying Disclosure Documents, including the creation and maintenance of all accounting and other records, is solely the responsibility of the Company. The Company's Management is responsible for the designing, implementing and maintaining internal control relevant to the preparation and presentation of the document, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
4. The Management of the Company is responsible for ensuring that the Company complies with all the provisions of Schedule V, Regulations 22 of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.
5. The Management of the Company is responsible for providing us with the audited financial statement for the financial year ended 31 March 2022 and all the relevant documents and information in accordance with Schedule V, Regulation 22 of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.

#### Practitioner's Responsibility

6. It is our responsibility to report on the Disclosure Document as on 28 April 2023 based on our examination of the matters with reference to the audited financial statements for the financial year ended 31 March 2022 and all other relevant documents and information.
7. In this regard, we have referred the audited financial statements for the financial year ended 31 March 2022 and all other relevant documents and information provided by the company. Our review of disclosure document was conducted in accordance with the Standards on Auditing and

**Registered Office**  
C-701, Mary Ellen,  
Ceasars Cross Road,  
Amboli, Andheri (W),  
Mumbai - 400 058  
Tel : +91 98 2005 1936

**Mumbai Office**  
504, 5<sup>th</sup> Floor, Meadows,  
Sahar Plaza Complex, Andheri-Kurla  
Road, J.B. Nagar, Andheri East,  
Mumbai - 400 059  
Tel : +91 80970 95060

**Vadodara Office**  
3rd Floor, TNW Business Centre,  
Above Mcdonald's, Near Manisha  
Cross Road, Old Padra Road,  
Vadodara - 390 007  
Tel : +91 26 5233 3698 / 230 4800

**Kolkata Office**  
Suite No. 402, 4th Floor,  
Vardhan Complex,  
25A Camac Street,  
Kolkata - 700 016  
Tel : +91 98 3115 0209

**Delhi Office**  
306, DLF Centre,  
Savitri Cinema Complex,  
Greater Kailash - II,  
New Delhi 110048  
Tel : +91 11 41437282

other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India.

8. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
9. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

### **Opinion**

10. Based on our examination, as above, and the information and explanations given to us, we report that the Disclosure Document as on 28 April 2023 gives all the information as required by Schedule V, Regulation 22 of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 and the information is adequate to enable the investors to make well informed decision.

### **Restriction on Use**

11. This certificate has been prepared at the request of the company solely to comply with Schedule V, Regulation 22 of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020. It should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing.

For  
**JHS & Associates LLP**  
Chartered Accountants  
ICAI Firm Registration No.: FRN133288W/W100099

Sd/-

Mr. Huzeifa Unwala  
Sr. Partner  
Membership. No. 105711  
UDIN: - 23105711BGS HSC8502  
Date: - 10 May 2023