

**CARNELIAN ASSET MANAGEMENT & ADVISORS PRIVATE LIMITED**  
**(Formerly CARNELIAN ASSET ADVISORS PVT. LTD.)**

**DISCLOSURE DOCUMENT**  
**For**  
**PORTFOLIO MANAGEMENT SERVICES**

The Document has been filed with the Board along with the certificate in the specified format in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020.

The purpose of the Disclosure Document is to provide essential information about the Portfolio Management Services of Carnelian Asset Management & Advisors Private Limited, in a manner to assist and enable the investors in making informed decisions for engaging Carnelian Asset Management & Advisors Private Limited as a Portfolio Manager.

The Disclosure Document contains necessary information about the Portfolio Manager, Carnelian Asset Management & Advisors Private Limited, required by an investor before investing. The investor is advised to retain the Disclosure Document for future reference.

The name, phone number, e-mail address of the Principal Officer so designated by the Portfolio Manager is:

Name of the Principal Officer	Mr. Kunal Shah
Phone	+91 22-6937 4100
E-mail	<a href="mailto:kunal@carneliancapital.co.in">kunal@carneliancapital.co.in</a>
Portfolio Manager	Carnelian Asset Management & Advisors Private Limited
Regd. Office and Business Address	1205/1206, One Lodha Place, Senapati Bapat Marg, Lower Parel (W), Mumbai – 400013, Maharashtra, India

Date: December 05, 2025  
Place: Mumbai

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## **PART - I – STATIC SECTION**

### **1. DISCLAIMER CLAUSE:**

This Document has been prepared in accordance with the SEBI (Portfolio Managers) Regulations, 2020 as amended till date and filed with SEBI. This Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Document.

The distribution of this Document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this Document are required to inform themselves about and to observe any such restrictions.

This document is not for public distribution and has been furnished solely for your information and may not be reproduced or redistributed to any person.

## 2. DEFINITIONS:

In this Disclosure Document, unless the context or meaning thereof otherwise requires, the following words and expressions shall have the meaning assigned to them hereunder respectively.

“Act” means the Securities and Exchange Board of India, Act 1992 (15 of 1992) as amended from time to time.

“Accreditation Agency” means a subsidiary of a recognized stock exchange or a subsidiary of a depository or any other entity as may be specified by SEBI from time to time.

“Accredited Investor” means any person who is granted a certificate of accreditation by an accreditation agency who:

- (i) in case of an individual, HUF, family trust or sole proprietorship has:
  - (a) annual income of at least two crore rupees; or
  - (b) net worth of at least seven crore fifty lakh rupees, out of which not less than three crores seventy-five lakh rupees is in the form of financial assets; or
  - (c) annual income of at least one crore rupees and minimum net worth of five crore rupees, out of which not less than two crore fifty lakh rupees is in the form of financial assets.
- (ii) in case of a body corporate, has net worth of at least fifty crore rupees;
- (iii) in case of a trust other than family trust, has net worth of at least fifty crore rupees;
- (iv) in case of a partnership firm set up under the Indian Partnership Act, 1932, each partner independently meets the eligibility criteria for accreditation:

Provided that the Central Government and the State Governments, developmental agencies set up under the aegis of the Central Government or the State Governments, funds set up by the Central Government or the State Governments, qualified institutional buyers as defined under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, Category I foreign portfolio investors, sovereign wealth funds and multilateral agencies and any other entity as may be specified by the Board from time to time, shall be deemed to be an accredited investor and may not be required to obtain a certificate of accreditation.

“Advisory Services” means advising on the portfolio approach, investment and divestment of individual Securities in the Client’s Portfolio, entirely at the Client’s risk, in terms of the Regulations and the Agreement.

“Agreement” or “Portfolio Management Services Agreement” or “PMS Agreement” means agreement executed between the Portfolio Manager and its Client for providing portfolio management services and shall include all schedules and annexures attached thereto and any amendments made to this agreement by the parties in writing, in terms of Regulation 22 and Schedule IV of the Regulations.

“Applicable Law/s” means any applicable statute, law, ordinance, regulation, rule, order, bye-law, administrative interpretation, writ, injunction, directive, judgment or decree or other instrument including the Regulations which has a force of law, as is in force from time to time.

“APMI” means Association of Portfolio Managers in India, an Industry body of Portfolio Managers in India.

“Application” means the application made by the Client to the Portfolio Manager as more particularly described in Schedule A to the Agreement, for investing the monies and/or Securities therein mentioned with the Portfolio Manager in the Products for rendering the services. Upon execution of the Agreement by the Parties, the Application shall be deemed to form an integral part of the Agreement. Provided that in case of any conflict between the contents of the Application and the provisions of the Agreement, the provisions of the Agreement shall prevail.

“Assets Under Management” or “AUM” means aggregate net asset value of the Portfolio managed by the Portfolio Manager on behalf of the Clients

“Assets” means (i) the Portfolio and/or (ii) the Funds (as the case may be) and includes all accruals, benefits, allotments, calls, refunds, returns, privileges, entitlements, substitutions, and/or replacements or any other beneficial interest, including dividend, interest, rights, bonus as well as residual cash balances, if any (represented both by quantity and in monetary value), in relation to or arising out of Assets.

“Associate” In respect of Investment of Client’s Funds in unrated securities of “Related Parties” or “Associates” shall mean— (i) 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 (ii) 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<sup>1</sup>.

“Bank Account” means one or more accounts opened, maintained, and operated by the Portfolio Manager with any of the Scheduled Commercial Banks in the name of the Client or the pool account managed in the name of the Portfolio Manager for the purpose of managing funds on behalf of the Clients (as may be applicable).

“Benchmark” means an index selected by the Portfolio Manager in accordance with the Regulations, in respect of each Investment Approach to enable the Clients to evaluate the relative performance of the Portfolio Manager.

“Board or 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.

“Business Day” means any day, which is not a Saturday, Sunday, or a day on which the banks or stock exchanges in India are authorized or required by Applicable Laws to remain closed or such other events as the Portfolio Manager may specify from time to time.

“Client(s)” / “Investor(s)” means any person who enters into an Agreement with the Portfolio Manager for availing the services of portfolio management as provided by the Portfolio Manager.

“Custodian(s)” means an entity registered with the SEBI as a custodian under the Applicable Laws and appointed by the Portfolio Manager, from time to time, primarily for custody of Securities of the Client and appointed by the Portfolio Manager for maintaining custody of funds and securities of the clients.

“Depository” means Depository as defined in the Depositories Act, 1996 (22 of 1996) and includes National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

“Depository Account” means an account of the Client or for the Client, maintained and operated by Portfolio Manager in the name of client or Product (as may be applicable) with any depository with an entity registered as a depository participant under the SEBI (Depositories and Participants) Regulations, 1996.

“Direct on-boarding” means an option provided to clients to be on-boarded directly with the Portfolio Manager without intermediation of persons engaged in distribution services.

“Disclosure Document” or “Document” means the disclosure document, as amended from time to time, for offering portfolio management services prepared in accordance with the Regulations.

“Discretionary Portfolio Management Services” shall mean the portfolio management services rendered to the Client, by the Portfolio Manager individually and independently, exercising its full discretion and/or advising and/or directing and/or undertaking on behalf of the Client, in respect of

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<sup>1</sup> Explanation to Regulation 24 (3C) of the Regulations

investments or management or administration of the Portfolio of the Assets of the Client in accordance with the various provisions of the Act, Rules, Regulations and/or laws in force and amendments made therein from time to time and on the terms and conditions set out in this Agreement.

“Distributor” means a person/entity who may refer a client to avail services of Portfolio Manager in lieu of commission/charges (whether known as Channel Partners, Agents, Referral Interfaces or by any other name).

“Eligible Investors” means a Person who: (i) complies with the Applicable Laws, and (ii) is willing to execute necessary documentation as stipulated by the Portfolio Manager.

“Fair Market Value” means the price that the Security would ordinarily fetch on sale in the open market on the particular date.

“Foreign Portfolio Investors” or “FPI” means a person registered with SEBI as a foreign portfolio investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 as amended from time to time.

“Financial year” means the year starting from April 1 and ending on 31st March of the following year.

“Funds” or “Capital Contribution” means the monies managed by the Portfolio Manager on behalf of the Client pursuant to the Agreement and includes the monies mentioned in the Application, any further monies that may be placed by the Client with the Portfolio Manager from time to time, for being managed pursuant to this Agreement, the proceeds of the sale or other realization of the Portfolio and interest, dividend or other monies arising from the Assets, so long as the same is managed by the Portfolio Manager.

“Group Company” shall mean an entity which is a holding, subsidiary, associate, subsidiary of a holding company to which it is also a subsidiary

“HUF” means the Hindu Undivided Family as defined in Section 2(31) of the IT Act.

“Investment Approach” is a broad outlay of the type of Securities and permissible instruments to be invested in by the Portfolio Manager for the Client, taking into account factors specific to Clients and Securities and includes any of the current Investment Approach or such Investment Approach that may be introduced at any time in future by the Portfolio Manager.

“IT Act” means the Income Tax Act, 1961, as amended and restated from time to time along with the rules prescribed thereunder.

“Large Value Accredited Investor” means an accredited investor who has entered into an agreement with the portfolio manager for a minimum investment amount of ten crore rupees.

“Non-resident Investors” or “NRI(s)” shall mean non-resident Indian as defined in Section 2 (30) of the IT Act.

“Net Asset Value” or “NAV” means the price that the investments in the Portfolio would ordinarily fetch on sale in the open market on the relevant date, less any receivables and fees due.

“NISM” means the National Institute of Securities Markets, established by the Board.

“Non-Discretionary Portfolio Management Services” shall mean service wherein Portfolio Manager shall manage the Assets in accordance with the directions of the Client under oral or written consents/ instructions.

“Parties” means the Portfolio Manager and the Client; and “Party” shall be construed accordingly.

“Person” includes an individual, a HUF, a corporation, a partnership (whether limited or unlimited), a limited liability company, a body of individuals, an association, a proprietorship, a trust, an institutional investor and any other entity or organization whether incorporated or not, whether Indian or foreign, including a government or an agency or instrumentality thereof.

“Portfolio” means the total holdings of all investments, Securities and Funds belonging to the Client and managed by the Portfolio Manager pursuant to the Agreement.

“Portfolio Manager” means Carnelian Asset Management & Advisors Private Limited (Formerly Carnelian Asset Advisors Private Limited), a company incorporated under the Companies Act, 2013, registered with SEBI as a portfolio manager bearing registration number INP000006387 dated February 22, 2019 and having its registered office at 1205/1206, One Lodha Place, Senapati Bapat Marg, Lower Parel- West, Delisle Road, Mumbai - 400013, Maharashtra.

“Principal Officer” means an employee of the Portfolio Manager who has been designated as such by the Portfolio Manager and is responsible for:

- i. the decisions made by the Portfolio Manager for the management or administration of Portfolio of Securities or the Funds of the Client, as the case may be;
- ii. all other operations of the Portfolio Manager.

“Portfolio Management Fees/Advisory Fee” shall have the meaning attributed thereto in Clause 7 of this Disclosure Document.

“RBI” means Reserve Bank of India, established under the Reserve Bank of India Act, 1934, as amended from time to time.

“Regulations” or “SEBI Regulations” means the Securities and Exchange Board of India (Portfolio Managers) Regulation, 2020, and as may be amended/modified and reinstated from time to time and including the circulars/notifications issued pursuant thereto.

“Related Party” means –

- (i) a director, partner or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, partner, manager or his relative is a partner;
- (iv) a private company in which a director, partner or manager or his relative is a member or director;
- (v) a public company in which a director, partner or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) any body corporate whose board of directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director, partner or manager;
- (vii) any person on whose advice, directions or instructions a director, partner or manager is accustomed to act:  
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any body corporate which is— (A) a holding, subsidiary or an associate company of the Portfolio Manager; or (B) a subsidiary of a holding company to which the Portfolio Manager is also a subsidiary; (C) an investing company or the venturer of the Portfolio Manager— The investing company or the venturer of the Portfolio Manager means a body corporate whose investment in the Portfolio Manager would result in the Portfolio Manager becoming an associate of the body corporate;
- (ix) a related party as defined under the applicable accounting standards;
- (x) such other person as may be specified by the Board:  
Provided that,
  - (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or (b) any person or any entity, holding equity shares:
    - (i) of twenty per cent or more; or

- (ii) of ten per cent or more, with effect from April 1, 2023; in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding Financial Year; shall be deemed to be a related party;

“Scheduled Commercial Bank” means any bank included in second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934).

“Product” means any current investment Products or such Products that may be introduced at any time in the future by the Portfolio Manager.

“Securities” means security as defined in Section 2(h) of the Securities Contract (Regulation) Act, 1956, provided that securities shall not include any securities which the Portfolio Manager is prohibited from investing in or advising on under the Regulations or any other law for the time being in force.

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

All references to the masculine shall include the feminine and all references, to the singular shall include the plural and vice-versa.



### 3. DESCRIPTION:

#### 3.1. History, Present Business and Background of the Portfolio Manager:

##### 3.1.1. Portfolio Management Services (PMS)

**Carnelian Asset Management & Advisors Pvt. Ltd.** is registered with SEBI vide SEBI Reg. No. **INP000006387** dated February 22, 2019 under erstwhile SEBI (Portfolio Managers) Regulations 1993 and carrying on the business of Portfolio Management services on Discretionary, Non-Discretionary and advisory basis. Company has its registered office at 1205/1206, One Lodha Place, Senapati Bapat Marg, Lower Parel (W), Mumbai – 400013, Maharashtra, India. The history of the Portfolio Manager is as follows.

##### History

- 3.1.1.1 **Carnelian Asset Management & Advisors Pvt. Ltd. (CAMA) (Formerly Carnelian Asset Advisors Private Limited** was originally incorporated as **Omniscient Capital Advisors LLP (OCA LLP)** on March 13, 2018 and had its registered office at H-529, Raheja Estate, Kulupwadi Road, Borivali East, Mumbai – 400066.
- 3.1.1.2 **OCA LLP changed its registered office to B-1013, Kanakia Wall Street, Andheri Kurla Road, Andheri (East), Mumbai – 400093 on September 24, 2018.**
- 3.1.1.3 **OCA LLP** was granted Portfolio Management Services (PMS) registration by SEBI vide SEBI Reg. No. **INP000006387** dated February 22, 2019 under SEBI (Portfolio Managers) Regulations 1993 and it started rendering Portfolio Management Services to Corporates, Individual and Non Individual Clients since May 2019.
- 3.1.1.4 **OCA LLP** thereafter changed its name to **Carnelian Asset Advisors LLP (CAA LLP)** and also shifted its registered office to B – 1405, One BKC, Bandra Kurla Complex, Bandra (East), Mumbai – 400051 on August 1, 2019. SEBI re-issued the Registration Certificate in the changed name w.e.f. 19 July 2019.
- 3.1.1.5 **Carnelian Asset Advisors LLP (CAA LLP)** thereafter converted itself from Limited Liability Partnership (LLP) to a Private Limited Company known as **Carnelian Asset Advisors Private Limited (CAAPL)** on 9<sup>th</sup> June 2020 at the same aforesaid Registered Office. SEBI re-issued the Registration Certificate in the changed name w.e.f. 17 August 2021.
- 3.1.1.6 **Carnelian Asset Advisors Private Limited (CAAPL)** thereafter changed its registered office to the existing address i.e. 1205/1206, One Lodha Place, Senapati Bapat Marg, Lower Parel (W), Mumbai – 400013, Maharashtra, India w.e.f. 25-07-2023.
- 3.1.1.7 **Carnelian Asset Advisors Private Limited (CAAPL)** thereafter changed its name too to its current name **Carnelian Asset Management & Advisors Pvt. Ltd. (hereinafter referred as “Carnelian”, “CAMA”, “Portfolio Manager” or “Company”)** i.e. w.e.f. 4<sup>th</sup> September, 2023 to reflect its expanded business activities. Carnelian is currently carrying on the business of Portfolio Management services on Discretionary, Non-Discretionary and advisory basis apart from acting as Investment Manager to Alternative Investment Funds.
- 3.1.1.8 **Portfolio Manager** is also registered with United States of America’s capital market regulator, Securities Exchange Commission (SEC), as Investment advisors by filing FORM ADV through IARD system making it eligible to onboard US based investors.

##### 3.1.2. Investment Manager to Alternative Investment Fund (AIF)

**Carnelian Asset Management & Advisors Pvt. Ltd.** is also an Investment Manager (IM) to the following funds:

- 3.1.2.1 schemes of Carnelian Alternative Investment Trust (CAIT), a Category – III Alternative Investment Fund (AIF) registered with SEBI vide registration number **IN/AIF3/18-19/0642** dated February 25, 2019 pursuant to business transfer agreement dated

15/09/2020 with Carnelian Asset Management LLP (CAM LLP) with requisite SEBI approval vide letter dated 13/09/2020.

- 3.1.2.2 Schemes of Carnelian AIF Category I Trust, a category – I Alternative Investment Fund - SME Fund registered with SEBI vide registration number **IN/AIF1/25-26/1787** dated April 07, 2025.

### **3.1.3. Investment Manager to Alternative Investment Fund (AIF) at Gift City/ International Financial Services Centre ('IFSC')**

- 3.1.3.1 **Carnelian Asset Management & Advisors Pvt. Ltd.** has incorporated an IFSC Branch office and registered the branch as 'Registered Fund management Entity (Non retail)' with International Financial Services Centres Authority ('IFSCA') vide registration number – IFSCA/FME/II/2023-24/085 having registered office of the branch at Unit No. 422 B, 4th Floor, Pragya Tower, Block 15A, Zone 1, Gift SEZ, Road 1C, Gift City, Gandhinagar, Gujarat – 382050.
- 3.1.3.2 Vide the aforementioned registration, the IFSC Branch acts as investment manager to 2 (two) Category-III AIF Schemes currently namely, Carnelian India AmritKaal Fund and Carnelian India Multi Strategy Fund.
- 3.1.3.3 The first scheme i.e. Carnelian India AmritKaal Fund is also registered with the U.S. SEC under Filer ID: 0002081443 making it eligible to onboard US based investors.

### **3.1.4. Sponsor to Mutual Fund**

- 3.1.4.1 Company had applied to SEBI to launch Mutual Fund and has been granted In-principle approval by SEBI, vide their letter dated 19th September 2025. The Company is currently in the process of setting-up the infrastructure for applying for final SEBI approval for the proposed mutual fund.
- 3.1.4.2 For this purpose, Company have incorporated one subsidiary company, i.e. Carnelian Investment Managers Private Limited to act as an Asset Management Company for the proposed Mutual Fund and incorporation of trustee company for the purpose of trusteeship is under process.

## **3.2. Details of Promoters & Directors of the Portfolio Manager and their background:**

NAME	QUALIFICATION	BACKGROUND & EXPERIENCE
<b>Mrs. Swati Khemani</b> (Promoter, Director and CEO)	<b>Chartered Accountant</b>	Swati has 23 years of financial experience, she exemplifies the important role of the Indian modern professional and empowered woman. Her professional journey has taken her to leading roles in equity research, institutional sales, investment banking, client relationships and human capital management, all this, while raising a family and being an entrepreneur. Along with Vikas Khemani and Manoj Bahety, she founded Carnelian Asset Management where she currently holds the key position of managing the overall business and capital management. Her mentoring skills have been instrumental to lay the foundation of a strong, cohesive and winning investment management team. She enjoys a good relationship with the investor & corporate community.
<b>Mr. Vikas Khemani</b> (Promoter, Director and	<b>Chartered Accountant, Company Secretary &amp;</b>	Vikas Khemani, with 27 years of extensive experience in capital markets, is the founder of Carnelian Asset Management & Advisors. Established in 2019, this boutique investment management and advisory firm,

NAME	QUALIFICATION	BACKGROUND & EXPERIENCE
CIO)	<b>CFA Charterholder (USA)</b>	based in India, manages USD 1.5 bn across various portfolios. Prior to founding Carnelian, Mr. Khemani served as the CEO of Edelweiss Securities Ltd. for 17 years. During his tenure, he successfully incubated and developed several businesses into market leaders, including institutional equities, investment banking, and equity research. Mr. Khemani is recognized for his strong business acumen and profound understanding of capital markets, earning him a distinguished reputation within Corporate India. In 2014, he was honoured with the Young Professional Achievers Award for the service sector by the Institute of Chartered Accountants of India.
<b>Mr. Manoj Bahety</b> (Promoter and Director)	<b>Chartered Accountant &amp; CFA Charterholder (USA)</b>	Manoj has 27 years of financial services experience, currently serving as the fund manager of Carnelian Asset Management & Advisors. He is a distinguished financial professional known for his innovative approach to forensic research and portfolio management. Prior to co-founding Carnelian in 2019, Manoj held key roles at Edelweiss Securities, including Deputy Head of Institutional Equity Research, Head of Forensic Research, and Head of Thematic & Mid Cap Research. He is renowned for his non-consensus research approach and pioneering differentiated forensic research, famously known as "Analysis Beyond Consensus" (ABC Research). In addition to his professional accomplishments, Manoj has actively contributed to the CFA Institute, serving on several committees, including as Chairperson of the India Advocacy Committee and as a member of the Global Capital Markets Policy Council (CDPC) based in the USA.
<b>Mr. N S Srinivasan</b> (Independent Director)	<b>BSc, Chartered Accountant, CAIIB</b>	<p>Mr. N. S. Venkatesh is Independent Director and is currently the chief executive officer of Bharat InvITs Association since September 2024. He has over three decades of experience in the banking sector including over two decades in managing treasury and international banking.</p> <p>Prior to joining Bharat InvITs Association, he was the chief executive of Association of Mutual Funds in India (AMFI) from October 2017 until December 2023. He has spearheaded the various activities of AMFI including the financial literacy and outreach program of the association.</p> <p>Prior to joining AMFI, he was the executive director on the board of Lakshmi Vilas Bank, a mid-sized retail bank. Prior to that he served in Industrial Development Bank of India (IDBI) for over 19 years, where he held several senior positions, including that of the chief financial officer and the executive director. He had led a team which set up the stressed asset stabilization fund for managing the NPLs of IDBI, the first of its kind in India.</p> <p>Mr. Venkatesh was a member of Technical Advisory Committee of Reserve Bank of India (RBI) on Money</p>

NAME	QUALIFICATION	BACKGROUND & EXPERIENCE
		<p>Market, Securities Market &amp; Foreign Exchange from 2011 to 2016. He was also the Chairman of Fixed Income, Money Markets &amp; Derivatives Association (FIMMDA) during the same period and Management Committee Member of Foreign Exchange Dealers' Association of India (FEDAI). Mr. Venkatesh was a member of the following Committees constituted by RBI:</p> <ol style="list-style-type: none"> <li>1. Technical Committee on Services / Facilities to Exporters.</li> <li>2. Committee on Financial Benchmark.</li> <li>3. Working Group on Interest Rate Options.</li> <li>4. Working Group to Review Regulatory and Supervisory Framework for Core Investment Companies constituted by RBI.</li> </ol> <p>Mr. Venkatesh is an invitee - ex-officio as chief executive of AMFI on the SEBI Mutual Funds Advisory Committee. He was a member of the Corporate Bonds and Securitization Advisory Committee (CoBoSAC) of SEBI for 3 years.</p> <p>He was a Member of the Government of Maharashtra Advisory Committee to advise Chief Minister of Maharashtra on Cash Management and Government borrowing. He was also a member of the Hon. Chief Minister of Maharashtra Advisory Council on Fintech.</p>

**3.3. Group company/firm's information (i.e. information related to top 10 Group Companies / firms of the Portfolio Manager on turnover basis)**

- Carnelian Capital Advisors LLP
- Carnelian Investment Managers Private Limited

**3.4. Details of Services being offered:**

**3.4.1 The Portfolio Manager offer Discretionary PMS, Non-Discretionary PMS and Investment Advisory services.**

**Discretionary Services:**

The Portfolio Manager shall be acting in a fiduciary capacity with regard to Clients' Portfolio and shall have sole and absolute discretion to invest Clients' Funds in any type of Securities and in any market as he deems fit for the benefit of the Client as per the Discretionary Portfolio Management Service Agreement. The Securities invested / disinvested by the Portfolio Manager may differ from Client to Client. The Securities traded or held by the Portfolio Manager for different Client's Portfolios, even if invested in the same Investment approach, may differ from Client to Client. The Portfolio Manager's decision (taken in good faith) in deployment of the Client's Portfolio is absolute and final and cannot be called in question or be open to review at any time during the currency of the Agreement or any time thereafter except on the grounds of malafide, fraud, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant Acts, rules and regulations, guidelines, and notifications in force from time to time.

The Portfolio Manager shall invest funds of his clients in the securities listed or traded on a recognized stock exchange, money market instruments, units of Mutual Funds and other

securities as specified by SEBI from time to time, on behalf of their clients. "Money market instruments" includes commercial paper, trade bill, treasury bills, certificate of deposit and usance bills.

The portfolio manager may provide advice for investment up to 100% of the assets under management of the large value accredited investors in unlisted securities, subject to the terms agreed between the client and the portfolio manager.

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

However, the Portfolio Manager will not invest the clients' funds either in the portfolio managed or administered by another portfolio manager or based on the advice of any other entity.

#### **Non-Discretionary Services:**

Under these services, the assets of the Client are managed in consultation and in accordance with the instructions of the Client under the Non-Discretionary Portfolio Management Service Agreement between the Client and the Portfolio Manager. The Client has complete discretion and final decision-making authority on the investment (quantity and price or amount). The Portfolio Manager will provide Non-Discretionary Portfolio Management Services which shall be in the nature of investment management, and may include the responsibility of managing, renewing and reshuffling the portfolio, buying and selling the securities with the client's oral and/or written consent. Additionally, the Portfolio Manager will keep the safe custody of the securities and monitor book closures, dividend, bonus, rights etc. and any other benefits that accrue to the Client's Portfolio, for an agreed fee structure and for a definite period as described in the Products from time to time, entirely at the Client's risk.

The rights and obligations of the Portfolio Manager shall be exercised strictly in accordance with the relevant acts, rules and regulations, guidelines and notifications in force from time to time. Periodical statements in respect to Client's Portfolio shall be sent to the respective Client.

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

The portfolio manager may invest up to 100% of the assets under management of the large value accredited investors in unlisted securities, subject to the terms agreed between the client and the portfolio manager.

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

However, Portfolio Manager will not invest the clients' funds either in the portfolio managed or administered by another portfolio manager or based on the advice of any other entity.

#### **Advisory Services:**

The Portfolio Manager provides Advisory Services, in terms of the Regulations, which shall be in the nature of non-binding investment advisory and shall include the responsibility of advising on the Portfolio Investment approach, investment and divestment of individual Securities on the Clients Portfolio, for an agreed fee structure and for a period agreed in the Investment Advisory Agreement, entirely at the Client's risk, to all eligible categories of investors who can invest in Indian market. The Portfolio Manager shall be acting solely as an advisor to the Client Portfolio and shall not be responsible for the investment/divestment of securities and/or any administrative activities on the Client Portfolio.

The Portfolio Manager shall provide advisory services in accordance with such guidelines and/or directives issued by the regulatory authorities and /or the Client, from time to time, in this regard.

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

The portfolio manager may provide advice for investment up to 100% of the assets under management of the large value accredited investors in unlisted securities, subject to the terms agreed between the client and the portfolio manager.

### **3.4.2 Minimum Investment Amount:**

The client shall deposit with the Carnelian, an initial corpus consisting of Securities and / or funds of an amount prescribed by Carnelian for a specific Investment approach / portfolio which shall be subject to the minimum amount as specified by SEBI, as amended from time to time which is presently Rs. 50 lakh rupees. The client may make additional contributions in the form of securities and / or funds over and above the minimum threshold on one or more occasions or on a continual basis, subject to discretion of Carnelian. In the case of an Accredited Investor, the same shall be 50% of minimum amount or such other amount as may be specified by Regulations from time to time. In case of Large Value Accredited Investor, the same shall be Rs. 10 (Ten) Crore or such other amount as may be specified by Regulations from time to time.

### **3.4.3 Investors that can invest with us**

- Resident Individuals, Proprietorship Firms, HUFs, Partnership Firms, Registered / Unregistered Trusts, Corporate and any other eligible investors.
- Foreign Portfolio Investors (FPI), sub accounts
- Non-Residents Indians (NRI) are eligible to invest in this portfolio.

### **3.4.4 Direct Onboarding Options**

Client should note that pursuant to SEBI Master circular no. SEBI/HO/IMD/IMD-POD-1/P/CIR/2024/80 dated June 07, 2024, an option to invest directly i.e. without intermediation of persons engaged in distribution services, is available to the investors". At the time of onboarding no charges, except statutory charges, shall be levied.

Client has an option to invest with us directly without availing the services of Distributors. For more details the client can write to us on [sales@carneliancapital.co.in](mailto:sales@carneliancapital.co.in) Alternatively, the client can also reach out for this option via our website link <https://carneliancapital.co.in/contact/>.

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

All Cases of penalties imposed by SEBI or the directions issued by SEBI under the SEBI Act or Rules and Regulations made there under	None
The nature of the penalty / direction	Not Applicable
Penalties imposed for any economic offence and/or for violation of any securities laws	None
Any pending material litigation/ legal proceedings against the portfolio manager /key personnel with separate disclosures regarding pending criminal cases, if any	None
Any deficiency in the systems and operations of the portfolio manager observed by the Board or any regulatory agency	Refer Note 1
Any enquiry / adjudication proceedings initiated by the Board against the portfolio manager or its Directors, Principal Officer or employee or any person directly or indirectly connected with the portfolio manager or its Directors, Principal Officer or employee, under the Act or Rules or Regulations there under	None

Note 1 – SEBI has issued a letter dated July 25, 2025 for timely & accurate submission of full data to SEBI for the period Oct 24-Mar 25 and ensure to comply with the same for all submission in future. We had duly filed our response on August 07, 2025 and no further correspondence has been received from the SEBI in this regard.

## 5. SERVICES OFFERED BY THE PORTFOLIO MANAGER:

- 5.1. The Portfolio Manager offers the below mentioned **Discretionary Portfolio Management Services (DPMS)** as per the following Investment Approaches.

### 5.1.1 INVESTMENT APPROACH - CARNELIAN CAPITAL COMPOUNDER STRATEGY

- **Strategy Type**  
**Equity**

- **Investment objective**

Carnelian Capital Compounder Strategy is a long only, multi-cap, sector agnostic Investment Approach, with an objective to generate sustainable alpha and compound capital over a long period of time through the MCO framework. The Investment approach offers a unique & unconventional blend of Magic (accelerated growth), Compounder (stable growth) & Opportunistic companies.

Though reasonable endeavor will be made to achieve the objectives of Investment approach, there is no guarantee or assurance that the investment objective will be achieved. No guaranteed returns are being offered under these services.

- **Description of types of securities**

Under Carnelian Capital Compounder Strategy, clients' monies would be primarily invested in equity shares and equity linked instruments issued by companies which are listed in India. Some part of client monies might be invested in mutual funds, units of money market and any other asset classes and securities as permissible under the Regulations.

The Portfolio Manager shall make investments in the securities of associates/related parties under this approach only after obtaining the prior consent of the client and not beyond the Investment limit specified by the Client as well as mandated in the Regulations as amended from time to time.

The Portfolio Manager, however, shall not invest clients' funds in unrated securities of their associates/related parties.

In respect of any investment in debt and hybrid securities, Portfolio Manager shall not make any investment in below investment grade securities.

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

Carnelian Capital Compounder Strategy's investment approach is to identify and invest in good growth businesses, managed by great managements at fair valuations within our risk-reward framework amongst listed companies. Securities are identified using unique MCO (Magic, Compounder & Opportunistic) framework.

We follow unique 3-basket framework for portfolio construction (Magic, Compounder, Opportunistic), wherein ideas generated are subjected to a thorough diligence involving numerous filters using our MRFG and CLEAR framework.

**Magic** – In this basket we focus on capturing both earnings growth and valuation re-rating by investing into companies which get into an accelerated high growth phase due to a structural catalyst/change. Accelerated growth helps to capture higher earnings growth and is usually coupled with valuation re-rating. We have identified & back tested situations where this takes place and have created idea generation engines around those frameworks.



**Compounder** – This basket aims at capturing earnings growth over a fairly long period of time by investing in capital efficient businesses with large opportunity size, decades of proven leadership without any foreseeable disruption risk.

**Opportunistic** - This basket is designed to capture special situations like corporate events/valuation dislocations within Carnelian risk-reward framework.

Hence under this investment approach investments are primarily made in equity shares and equity linked instruments issued by companies listed in India. To keep some part of client monies in liquid form, such monies are either invested in units of money market funds or liquid fund or they are retained in the bank account in form of bank balance.

• **Allocation of portfolio across types of securities**

Type of Security	Allocation in Portfolio
Equity and equity linked instruments	= > 50%
Units of money market / Liquid fund/ Bank balance	Up to 50%

• **Benchmark to compare performance**

S&P BSE 500 Index TRI

• **Basis for choice of benchmark**

Investment approach is a long only sector agnostic and Multicap Investment approach with predominant focus on large cap and midcap hence out of 3 Benchmarks available to a Portfolio Manager to choose from under the Strategy type Equity, “S&P BSE 500 Index TRI” has been selected by Portfolio Manager as benchmark considering it to be most appropriate & closest benchmark among the list 3 benchmark under this Investment approach type w.e.f. 19-04-2023.

(Prior to the aforementioned date, “S&P BSE 200 Index TRI” used to be the benchmark for this Investment approach however in compliance of SEBI Circular dated 16-12-2022 and APMI Circular dated 23-03-2023, Portfolio Manager has now chosen this new benchmark)

• **Indicative tenure or investment horizon**

3 – 5 Years

• **Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

**5.1.2 INVESTMENT APPROACH - CARNELIAN SHIFT STRATEGY**

• **Strategy Type**

Equity

• **Investment objective**

The investment objective of this Investment approach is to seek long term capital appreciation through investment primarily into manufacturing, Technology and ancillary sectors which are likely to benefit on account of global shift/diversification of trade into India from other parts of the world, mainly China and acceleration in IT spending and digitization due to Covid 19.

• Though reasonable endeavors will be made to achieve the objectives of Investment approach, there is no guarantee or assurance that the investment objective will be achieved. No guaranteed returns are being offered under these services.

- **Description of types of securities**

Under Carnelian Shift strategy clients' monies would be primarily invested in equity shares and equity linked instruments issued by companies which are listed in India. Some part of client monies might be invested in mutual funds, units of money market and any other asset classes and securities as permissible under the Regulations.

The Portfolio Manager shall make investments in the securities of associates/related parties under this approach only after obtaining the prior consent of the client and not beyond the Investment limit specified by the Client as well as mandated in the Regulations as amended from time to time.

The Portfolio Manager, however, shall not invest clients' funds in unrated securities of their associates/related parties.

In respect of any investment in debt and hybrid securities, Portfolio Manager shall not make any investment in below investment grade securities.

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

The Investment approach will be investing in companies which are likely to benefit on account of import substitution, export opportunity, as well as market share consolidation. The Investment approach will mainly focus into manufacturing, Technology and other ancillary sectors, the Investment approach may also consider closely associated service sectors. Strong governance, cash flow generation and capital efficient businesses, are some of the financial parameters that form the key selection criteria of companies in this Investment approach. The Investment approach is Multicap with pre-dominant focus on small and midcap.

- **Allocation of portfolio across types of securities**

Type of Security	Allocation in Portfolio
Equity and equity linked instruments	=> 50%
Money Market / Liquid Funds / Bank Balance	Up to 50%

- **Benchmark to compare performance**

S&P BSE 500 Index TRI

- **Basis of Benchmark**

Investment approach is a long only with multi-cap orientation with predominant focus on small and mid-cap. hence out of 3 Benchmarks available to a Portfolio Manager to choose from under the Strategy type Equity, "S&P BSE 500 Index TRI" has been selected by Portfolio Manager as benchmark considering it to be most appropriate benchmark among the list of 3 benchmark under this strategy type w.e.f. 19-04-2023.

(Earlier also, Portfolio Manager had chosen same "S&P BSE 500 Index TRI" as benchmark in respect of this Investment approach and in compliance of SEBI Circular dated 16-12-2022 and APMI Circular dated 23-03-2023, Portfolio Manager has continued with same benchmark).

- **Indicative tenure or investment horizon**

3-5 Years

- **Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

### **5.1.3 INVESTMENT APPROACH – CARNELIAN LIQUID STRATEGY**

- **Strategy Type**

Debt

- **Investment objective**

This Investment approach is intended to aid investors who primarily are desirous of investing into equities but are unsure of market movements in the near term and do not want to invest all the funds in equity at one go. Such investors can invest into Carnelian Liquid Portfolio and can subsequently transfer funds to equity PMS over a period of time.

Though reasonable endeavor will be made to achieve the objectives of Investment approach, there is no guarantee or assurance that the investment objective will be achieved. No guaranteed returns are being offered under these services.

- **Description of types of securities**

Under this Investment approach clients' monies will be invested in Growth option of Liquid / Money Market Mutual Funds.

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

Since the objective of the portfolio is to park money temporarily, the above mentioned securities have been selected.

- **Allocation of portfolio across types of securities**

Type of Security	Allocation in Portfolio
Growth option of Liquid / Money Market Mutual Funds / Overnight Mutual funds	100%

- **Benchmark to compare performance**

Crisil Composite Bond Fund Index

- **Basis of Benchmark**

Since the objective of the portfolio is to park money temporarily hence out of 3 Benchmarks available to a Portfolio Manager to choose from under the Strategy type Debt, "Crisil Composite Bond Fund Index" has been selected by Portfolio Manager as benchmark considering it to be most appropriate and closest benchmark among the list of 3 benchmark under this strategy type w.e.f. 19-04-2023.

(Prior to this, "S&P BSE Liquid Rate Index" used to be the benchmark for this Investment approach however, in compliance of SEBI Circular dated 16-12-2022 and APMI Circular dated 23-03-2023, Portfolio Manager has now chosen this new benchmark).

- **Indicative tenure or investment horizon**

The tenure will be short Term with an objective of interim parking of money.

- **Risks associated with the investment approach**

Given that the portfolio invests in liquid / money market mutual funds, all risks applicable to such funds will be applicable. Few of them are as follows:

- Liquid / money market funds invest into fixed income securities and hence will be subject to interest rate risk, credit risk, liquidity risk, reinvestment risk, etc.
- Though the portfolio of such funds comprises of short –term deposits, government securities and money market instruments, they cannot be considered as totally risk free. This is because liquidity patterns and short-term interest rates change, sometimes on a daily basis, thereby making the fund susceptible. However, such interest rate changes though have a low impact on the fund.
- Please refer Clause 6 for All the Risk Factors

#### 5.1.4 INVESTMENT APPROACH - CARNELIAN BESPOKE PORTFOLIO

- **Strategy Type**  
**Equity**

- **Investment objective**

Carnelian Bespoke Portfolio is a long only, multi-cap, sector agnostic portfolio developed based on a customized need and goals of the clients, with an overarching objective to generate superior risk adjusted returns over a long period of time using our detailed fundamental research. Each client portfolio under the strategy may vary depending on each client's objective, timing of the fund investments or for any other reason warranted by the circumstances.

Though reasonable endeavor will be made to understand clients' objectives and achieve the objectives of the portfolio, there is no guarantee or assurance that the investment objective will be achieved. No guaranteed returns are being offered under these services.

- **Description of types of securities**

Under Carnelian Bespoke Portfolio, clients' monies would be primarily invested in equity shares and equity linked instruments issued by companies which are listed in India. Some part of clients' monies might be invested in mutual funds, units of money market and any other asset classes and securities as permissible under the Regulations.

The Portfolio Manager shall make investments in the securities of associates/related parties under this approach only after obtaining the prior consent of the client and not beyond the Investment limit specified by the Client as well as mandated in the Regulations as amended from time to time.

The Portfolio Manager, however, shall not invest clients' funds in unrated securities of their associates/related parties.

In respect of any investment in debt and hybrid securities, Portfolio Manager shall not make any investment in below investment grade securities.

The portfolio manager may invest up to 100% of the assets under management of the large value accredited investors in unlisted securities, subject to the terms agreed between the client and the portfolio manager.

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

Carnelian Bespoke Portfolio's investment approach is to identify and invest in good growth businesses, managed by great managements at fair valuations within our risk-reward framework amongst listed companies. Securities are identified using unique MCO (Magic, Compounder & Opportunistic) framework.

We follow unique 3-basket framework for portfolio construction (Magic, Compounder, Opportunistic), wherein ideas generated are subjected to a thorough diligence involving numerous filters using our MRFG and CLEAR framework.

**Magic** – In this basket we focus on capturing both earnings growth and valuation re-rating by investing into companies which get into an accelerated high growth phase due to a structural catalyst/change. Accelerated growth helps to capture higher earnings growth and is usually coupled with valuation rerating. We have identified & back tested situations where this takes place and have created idea generation engines around those frameworks.

**Compounder** – This basket aims at capturing earnings growth over a fairly long period of time by investing in capital efficient businesses with large opportunity size, decades of proven leadership without any foreseeable disruption risk.

**Opportunistic** – This basket is designed to capture special situations like corporate events/valuation dislocations within Carnelian risk-reward framework.

While this is the overall general Investment approach & approach, stock selection for individual clients may vary to suit the clients' objectives.

**Allocation of portfolio across types of securities**

Type of Security	Allocation in Portfolio
Equity and equity linked instruments	= > 0-100%
Units of money market / Liquid fund/ Bank balance	=> 0-100%

**• Benchmark to compare performance**

S&P BSE 500 Index TRI

**• Basis for choice of benchmark**

Investment approach is a long only sector agnostic and Multicap Investment approach with predominant focus on large cap and midcap hence out of 3 Benchmarks available to a Portfolio Manager to choose from under the Strategy type Equity, "S&P BSE 500 Index TRI" has been selected by Portfolio Manager as benchmark considering it to be most appropriate and closest benchmark for among the list of 3 benchmark under this strategy type w.e.f. 19-04-2023.

(Prior to this, "S&P BSE 200 Index TRI" used to be the benchmark for this Investment approach however in compliance of SEBI Circular dated 16-12-2022 and APMI Circular dated 23-03-2023, Portfolio Manager has now chosen this new benchmark)

**• Indicative tenure or investment horizon**

3 – 5 Years

**• Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

**5.1.5 INVESTMENT APPROACH – CARNELIAN CONTRA PORTFOLIO STRATEGY**

**• Strategy Type**

Equity

**• Investment objective**

Carnelian Contra Portfolio Strategy is a long-only, multi-cap, sector agnostic portfolio which provides investments in companies which are structural growth stories facing temporary headwinds. Our endeavor is to identify best out of beaten down stocks with contrarian style of investing providing a good hedge across market cycles.

Though reasonable endeavor will be made to understand clients' objectives and achieve the objectives of the portfolio, there is no guarantee or assurance that the investment objective will be achieved. No guaranteed returns are being offered under these services.

**• Description of types of securities**

Under Carnelian Capital Contra Portfolio Strategy, clients' monies would be primarily invested in equity shares and equity linked instruments issued by companies which are listed in India. Some part of client monies might be invested in mutual funds, units of money market and any other asset classes and securities as permissible under the Regulations.

The Portfolio Manager shall make investments in the securities of associates/related parties under this approach only after obtaining the prior consent of the client and not beyond the Investment limit specified by the Client as well as mandated in the Regulations as amended from time to time.

The Portfolio Manager, however, shall not invest clients' funds in unrated securities of their associates/related parties.

In respect of any investment in debt and hybrid securities, Portfolio Manager shall not make any investment in below investment grade securities.

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

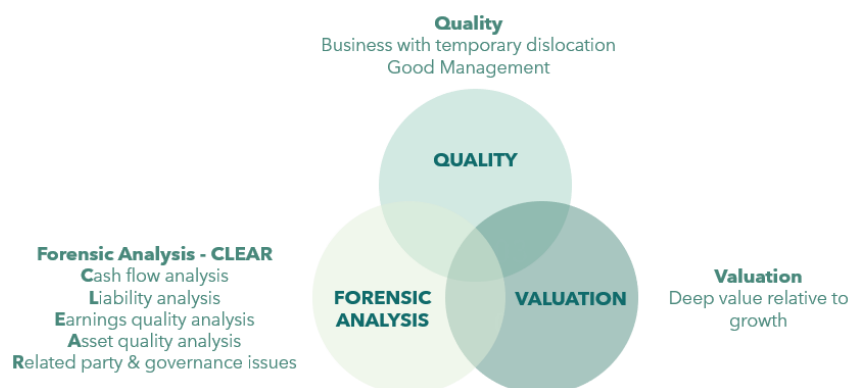
Carnelian Contra Portfolio Strategy's investment approach is to identify and invest in stocks which offers investment opportunities in companies which are:

- structural growth companies facing temporary dislocation,
- cyclical business at the bottom of the cycles with visibility for improvement,
- deep value stocks,
- special situation stocks like merger, open offer, acquisitions etc.

The objective is to create a portfolio which can offer a combination of companies which have moderate earnings growth, reasonable valuations with potential re-rating driven by improvement in business cycle and improvement in temporary headwinds leading to generating higher risk adjusted returns.

Stocks under this Investment approach are selected from a universe of stocks having attractive earnings yield with reasonable valuations relative to the growth after applying carnelian filters on ROE/ROCE & numerous other forensic checks. Stocks selected under this investment approach will be filtered applying Carnelian quality framework which ensures good management team with strong corporate governance.

**Stock selection framework**



While above is the overall general Investment approach, stock selection for individual clients may vary to suit the client's objectives.

- **Allocation of portfolio across types of securities**

Type of Security	Allocation in Portfolio
Equity and equity linked instruments	= > 50%
Units of money market / Liquid fund/ Bank balance	Up to 50%

- **Benchmark to compare performance**

S&P BSE 500 Index

- **Basis for choice of benchmark**

Investment approach is a long only sector agnostic and Multicap Investment approach with predominant focus on large cap and midcap hence out of 3 Benchmarks available to a Portfolio Manager to choose from under the Strategy type Equity, "S&P BSE 500 Index TRI" has been selected by Portfolio Manager as benchmark considering it to be most appropriate and closest benchmark among the list 3 benchmark under this strategy type w.e.f. 19-04-2023.

(Prior to the aforementioned date, "S&P BSE India 10 Year Sovereign Bond Index + 200 Bps" used to the benchmark for this Investment approach however in compliance of SEBI Circular dated 16-12-2022 and APMI Circular dated 23-03-2023, Portfolio Manager has now chosen this new benchmark)

- **Indicative tenure or investment horizon**

3 – 5 Years

- **Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

Note: Prior to February 5, 2025, this Investment Approach was named "Carnelian YnG Strategy." With continued focus on building a long-only, multi-cap, and sector-agnostic equity portfolio, the change reflects an improvement to the investment objectives. Earlier, the strategy targeted investment opportunities in companies offering reasonable dividend yields, moderate earnings growth, potential re-rating catalysts, inflation hedges, and a margin of safety in valuations. The objective of the strategy is now evolved to create a portfolio consisting of companies with moderate earnings growth, reasonable valuations with potential rerating driven by improvement in business cycle and improvement in temporary headwinds leading to generating higher risk adjusted returns.

- 5.2. The Portfolio manager offers the below-mentioned **Non-Discretionary Portfolio Management Services (NDPMS)** as per the following Investment Approaches.

**5.2.1 INVESTMENT APPROACH – CARNELIAN NON-DISCRETIONARY CAPITAL COMPOUNDER STRATEGY**

- **Strategy Type**

Equity

- **Investment objective**

Carnelian Non-Discretionary Capital Compounder Strategy is a long only, multi-cap, sector agnostic Investment approach, with an objective to generate sustainable alpha and compound capital over a long period of time through the MCO framework. The Investment approach offers a unique & unconventional blend of Magic (accelerated growth), Compounder (stable growth) & Opportunistic companies.

Though reasonable endeavor will be made to achieve the objectives of Investment approach by recommending stock ideas to the clients and taking exposure only after receiving client

confirmation, there is no guarantee or assurance that the investment objective will be achieved. No guaranteed returns are being offered under these services.

• **Description of types of securities**

Under Carnelian Non-Discretionary Capital Compounder Strategy, clients' monies would be primarily invested in equity shares and equity linked instruments issued by companies which are listed in India, after the due consent of the client. Some part of clients' monies might be invested in mutual funds, units of money market and any other asset classes and securities as permissible under the Regulations.

The Portfolio Manager shall make investments in the securities of associates/related parties under this approach only after obtaining the prior consent of the client and not beyond the Investment limit specified by the Client as well as mandated in the Regulations as amended from time to time.

The Portfolio Manager, however, shall not invest clients' funds in unrated securities of their associates/related parties.

In respect of any investment in debt and hybrid securities, Portfolio Manager shall not make any investment in below investment grade listed securities. However, Portfolio Manager may invest upto 10% of the Asset under Management in unlisted unrated securities of issuers other than associates/related parties of Portfolio Manager. The said investment in unlisted unrated debt and hybrid securities shall be within the maximum specified limit of 25% for Investment in unlisted securities. The aforesaid limits shall be revised appropriately as may be specified in the Regulations from time to time.

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

Carnelian Non-Discretionary Capital Compounder Strategy's investment approach is to identify and in good growth businesses, managed by great managements at fair valuations within our risk-reward framework amongst listed companies. Securities are identified using unique MCO (Magic, Compounder & Opportunistic) framework.

We follow unique 3-basket framework for portfolio construction (Magic, Compounder, Opportunistic), wherein ideas generated are subjected to a thorough diligence involving numerous filters using our MRFG and CLEAR framework.

**Magic** – In this basket we focus on capturing both earnings growth and valuation re-rating by investing into companies which get into an accelerated high growth phase due to a structural catalyst/change. Accelerated growth helps to capture higher earnings growth and is usually coupled with valuation rerating. We have identified & back tested situations where this takes place and have created idea generation engines around those frameworks.

**Compounder** – This basket aims at capturing earnings growth over a fairly long period of time by investing in capital efficient businesses with large opportunity size, decades of proven leadership without any foreseeable disruption risk.

**Opportunistic** - This basket is designed to capture special situations like corporate events/valuation dislocations within Carnelian risk-reward framework.

Hence under this investment approach investments are primarily made in equity shares and equity linked instruments issued by companies listed in India. To keep some part of client monies in liquid form, such monies are either invested in units of money market funds or liquid fund or they are retained in the bank account in form of bank balance.



- **Allocation of portfolio across types of securities**

Type of Security	Allocation in Portfolio
Equity and equity linked instruments	= > 50%
Units of money market / Liquid fund/ Bank balance	Up to 50%

- **Benchmark to compare performance**

S&P BSE 500 Index TRI

- **Basis for choice of benchmark**

Investment approach is a long only sector agnostic and Multicap Investment approach with predominant focus on large cap and midcap hence out of 3 Benchmarks available to a Portfolio Manager to choose from under the Strategy type Equity, “S&P BSE 500 Index TRI” has been selected by Portfolio Manager as benchmark considering it to be most appropriate and closest benchmark among the list 3 benchmark under this strategy type w.e.f. 19-04-2023.

(Prior to the aforementioned date, Portfolio Manager had chosen “S&P BSE 200 Index TRI” as benchmark in respect of this Investment approach however, in compliance of SEBI Circular dated 16-12-2022 and APMI Circular dated 23-03-2023, Portfolio Manager has now chosen this new benchmark)

- **Indicative tenure or investment horizon**

3 – 5 Years

- **Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

## 5.2.2 INVESTMENT APPROACH - CARNELIAN NON-DISCRETIONARY SHIFT STRATEGY

- **Strategy Type**

Equity

- **Investment objective**

The investment objective of this Investment approach is to seek long term capital appreciation through investment primarily into manufacturing, Technology and ancillary sectors which are likely to benefit on account of global shift/diversification of trade into India from other parts of the world, mainly China and acceleration in IT spending and digitization due to Covid 19.

Though reasonable endeavor will be made to achieve the objectives of Investment approach by recommending stock ideas to the clients and taking exposure only after receiving client confirmation, there is no guarantee or assurance that the investment objective will be achieved. No guaranteed returns are being offered under these services.

- **Description of types of securities**

Under Carnelian Non-Discretionary Shift Strategy clients’ monies would be primarily invested in equity shares and equity linked instruments issued by companies which are listed in India. Some part of client monies might be invested in mutual funds, units of money market and any other asset classes and securities as permissible under the Regulations.

The Portfolio Manager shall make investments in the securities of associates/related parties under this approach only after obtaining the prior consent of the client and not beyond the Investment limit specified by the Client as well as mandated in the Regulations as amended from time to time.

The Portfolio Manager, however, shall not invest clients’ funds in unrated securities of their associates/related parties.

In respect of any investment in debt and hybrid securities, Portfolio Manager shall not make any investment in below investment grade listed securities. However, Portfolio Manager may invest upto 10% of the Asset under Management in unlisted unrated securities of issuers other than associates/related parties of Portfolio Manager. The said investment in unlisted unrated debt and hybrid securities shall be within the maximum specified limit of 25% for Investment in unlisted securities. The aforesaid limits shall be revised appropriately as may be specified in the Regulations from time to time.

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

The Investment approach will be investing in companies which are likely to benefit on account of import substitution, export opportunity, as well as market share consolidation. Investment approach will mainly focus into manufacturing, Technology and other ancillary sectors, the Investment approach may also consider closely associated service sectors. Strong governance, cash flow generation and capital efficient businesses, are some of the financial parameters that form the key selection criteria of companies in this Investment approach. Investment approach is Multicap with pre-dominant focus on small and midcap.

• **Allocation of portfolio across types of securities**

Type of Security	Allocation in Portfolio
Equity and equity linked instruments	=> 50%
Money Market / Liquid Funds / Bank Balance	Up to 50%

• **Benchmark to compare performance**

S&P BSE 500 Index TRI

• **Basis of Benchmark**

Investment approach is a long only with multi-cap orientation with predominant focus on small and mid-cap. hence out of 3 Benchmarks available to a Portfolio Manager to choose from under the Strategy type Equity, "S&P BSE 500 Index TRI" has been selected by Portfolio Manager as benchmark considering it to be most appropriate benchmark among the list of 3 benchmark under this strategy type w.e.f. 19-04-2023.

(Earlier also, Portfolio Manager had chosen same "S&P BSE 500 Index TRI" as benchmark in respect of this Investment approach and in compliance of SEBI Circular dated 16-12-2022 and APMI Circular dated 23-03-2023, Portfolio Manager has continued with same benchmark).

• **Indicative tenure or investment horizon**

3-5 Years

• **Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

**5.2.3 INVESTMENT APPROACH - CARNELIAN NON-DISCRETIONARY LIQUID STRATEGY**

• **Strategy Type**

Debt

• **Investment objective**

The portfolio is intended to aid investors who primarily are desirous of investing into equities but are unsure of market movements in the near term and do not want to invest all the funds in equity at one go. Such investors can invest into Carnelian Non-Discretionary Liquid Portfolio and can subsequently transfer funds to equity PMS over a period of time.

Though reasonable endeavor will be made to achieve the objectives of Investment approach by recommending investment ideas to the clients and taking exposure only after receiving

client confirmation, there is no guarantee or assurance that the investment objective will be achieved. No guaranteed returns are being offered under these services.

- **Description of types of securities**

Under this Investment approach clients' monies will be invested in Growth option of Liquid / Money Market Mutual Funds.

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

Since the objective of the portfolio is to park money temporarily, the above mentioned securities have been selected.

- **Allocation of portfolio across types of securities**

Type of Security	Allocation in Portfolio
Growth option of Liquid / Money Market Mutual Funds / Overnight Mutual funds	100%

- **Benchmark to compare performance**

Crisil Composite Bond Fund Index

- **Basis of Benchmark**

Since the objective of the portfolio is to park money temporarily, hence out of 3 Benchmarks available to a Portfolio Manager to choose from under the Strategy type Debt, "Crisil Composite Bond Fund Index" has been selected by Portfolio Manager as benchmark considering it to be most appropriate and closest benchmark among the list of 3 benchmark under this strategy type w.e.f. 19-04-2023.

(Prior to the aforementioned date, "S&P BSE Liquid Rate Index" used to be the benchmark for this Investment approach however in compliance of SEBI Circular dated 16-12-2022 and APMI Circular dated 23-03-2023, Portfolio Manager has now chosen this new benchmark).

- **Indicative tenure or investment horizon**

The tenure will be short Term with an objective of interim parking of money.

- **Risks associated with the investment approach**

Given that the portfolio invests in liquid / money market mutual funds, all risks applicable to such funds will be applicable. Few of them are as follows:

- Liquid / money market funds invest into fixed income securities and hence will be subject to interest rate risk, credit risk, liquidity risk, reinvestment risk, etc.
- Though the portfolio of such funds comprises of short-term deposits, government securities and money market instruments, they cannot be considered as totally risk free. This is because liquidity patterns and short-term interest rates change, sometimes on a daily basis, thereby making the fund susceptible. However, such interest rate changes though have a low impact on the fund.
- Please refer Clause 6 for All the Risk Factors.

#### **5.2.4 INVESTMENT APPROACH - CARNELIAN NON-DISCRETIONARY BESPOKE PORTFOLIO**

- **Strategy Type**  
**Equity**

- **Investment objective**

Carnelian Bespoke Portfolio is a long only, multi-cap, sector agnostic portfolio developed based on a customized need and goals of the clients, with an overarching objective to generate superior risk adjusted returns over a long period of time using our detailed fundamental

research. Each client portfolio under the strategy may vary depending on each client's objective, timing of the fund investments or for any other reason warranted by the circumstances.

Though reasonable endeavor will be made to understand clients' objectives and achieve the objectives of the portfolio, by recommending stock ideas to the clients and taking exposure only after receiving client confirmation, there is no guarantee or assurance that the investment objective will be achieved. No guaranteed returns are being offered under these services.

• **Description of types of securities**

Under Carnelian Bespoke Portfolio, clients' monies would be primarily invested in equity shares and equity linked instruments issued by companies which are listed in India. Some part of clients' monies might be invested in mutual funds, units of money market and any other asset classes and securities as permissible under the Regulations.

The Portfolio Manager shall make investments in the securities of associates/related parties under this approach only after obtaining the prior consent of the client and not beyond the Investment limit specified by the Client as well as mandated in the Regulations as amended from time to time.

The Portfolio Manager, however, shall not invest clients' funds in unrated securities of their associates/related parties.

In respect of any investment in debt and hybrid securities, Portfolio Manager shall not make any investment in below investment grade listed securities. However, Portfolio Manager may invest upto 10% of the Asset under Management in unlisted unrated securities of issuers other than associates/related parties of Portfolio Manager. The said investment in unlisted unrated debt and hybrid securities shall be within the maximum specified limit of 25% for Investment in unlisted securities. The aforesaid limits shall be revised appropriately as may be specified in the Regulations from time to time.

The portfolio manager may invest up to 100% of the assets under management of the large value accredited investors in unlisted securities, subject to the terms agreed between the client and the portfolio manager.

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

Carnelian Bespoke Portfolio's investment approach is to identify good growth businesses, managed by great managements at fair valuations within our risk-reward framework amongst listed companies. Securities are identified using unique MCO (Magic, Compounder & Opportunistic) framework.

We follow a unique 3-basket framework for portfolio construction (Magic, Compounder, Opportunistic), wherein ideas generated are subjected to a thorough diligence involving numerous filters using our MRFG and CLEAR framework.

**Magic** – In this basket we focus on capturing both earnings growth and valuation re-rating by investing into companies which get into an accelerated high growth phase due to a structural catalyst/change. Accelerated growth helps to capture higher earnings growth and is usually coupled with valuation rerating. We have identified & back tested situations where this takes place and have created idea generation engines around those frameworks.

**Compounder** – This basket aims at capturing earnings growth over a fairly long period of time by investing in capital efficient businesses with large opportunity size, decades of proven leadership without any foreseeable disruption risk.

**Opportunistic** - This basket is designed to capture special situations like corporate events/valuation dislocations within Carnelian risk-reward framework.

While this is the overall general Investment approach, stock selection for individual clients may vary to suit the clients' objectives.

• **Allocation of portfolio across types of securities**

Type of Security	Allocation in Portfolio
Equity and equity linked instruments	= > 0-100%
Units of money market / Liquid fund/ Bank balance	= > 0-100 %

• **Benchmark to compare performance**

S&P BSE 500 Index TRI

• **Basis for choice of benchmark**

Investment approach is a long only sector agnostic and Multicap Investment approach with predominant focus on large cap and midcap hence, out of 3 Benchmarks available to a Portfolio Manager to choose from under the Strategy type Equity, "S&P BSE 500 Index TRI" has been selected by Portfolio Manager as benchmark considering it to be most appropriate and closest benchmark for among the list of 3 benchmark under this strategy type w.e.f. 19-04-2023.

(Prior to the aforementioned date, "S&P BSE 200 Index TRI" used to the benchmark for this Investment approach however, in compliance of SEBI Circular dated 16-12-2022 and APMI Circular dated 23-03-2023, Portfolio Manager has now chosen this new benchmark)

• **Indicative tenure or investment horizon**

3 – 5 Years

• **Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

**5.2.5 INVESTMENT APPROACH - CARNELIAN NON-DISCRETIONARY CONTRA PORTFOLIO STRATEGY**

• **Strategy Type**

Equity

• **Investment objective**

Carnelian Contra Portfolio Strategy is a long only, multi-cap, sector agnostic portfolio which provides investments in companies which are structural growth stories facing temporary headwinds. Our endeavor is to identify best out of beaten down stocks with contrarian style of investing providing a good hedge across market cycles.

Though reasonable endeavor will be made to understand clients' objectives and achieve the objectives of the portfolio, there is no guarantee or assurance that the investment objective will be achieved. No guaranteed returns are being offered under these services.

• **Description of types of securities**

Under Carnelian Capital Contra Portfolio Strategy, clients monies would be primarily invested in equity shares and equity linked instruments issued by companies which are listed in India. Some part of client monies might be invested in mutual funds, units of money market and any other asset classes and securities as permissible under the Regulations.

The Portfolio Manager shall make investments in the securities of associates/related parties under this approach only after obtaining the prior consent of the client and not beyond the Investment limit specified by the Client as well as mandated in the Regulations as amended from time to time.

The Portfolio Manager, however, shall not invest clients' funds in unrated securities of their associates/related parties.

In respect of any investment in debt and hybrid securities, Portfolio Manager shall not make any investment in below investment grade securities.

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

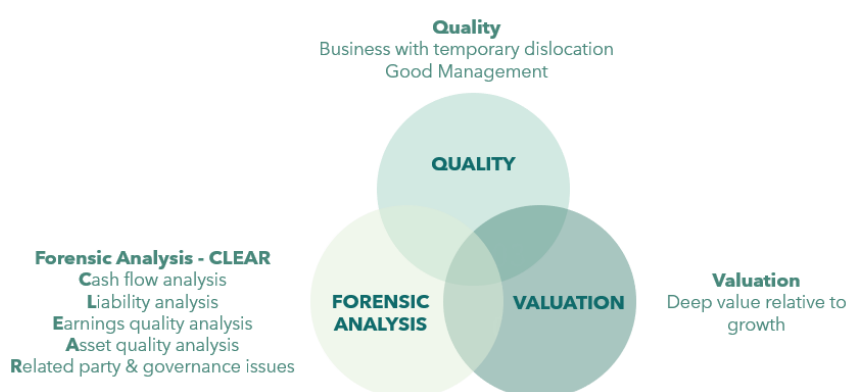
Carnelian Contra Portfolio Strategy's investment approach is to identify and invest in stocks which offers investment opportunities in companies which are:

- structural growth companies facing temporary dislocation,
- cyclical business at the bottom of the cycles with visibility for improvement,
- deep value stocks,
- special situation stocks like merger, open offer, acquisitions etc.

The objective is to create a portfolio which can offer a combination of companies which have moderate earnings growth, reasonable valuations with potential re-rating driven by improvement in business cycle and improvement in temporary headwinds leading to generating higher risk adjusted returns.

Stocks under this Investment approach are selected from a universe of stocks having attractive earnings yield with reasonable valuations relative to the growth after applying carnelian filters on ROE/ROCE & numerous other forensic checks. Stocks selected under this investment approach will be filtered applying Carnelian quality framework which ensures Good management team with strong corporate governance.

**Stock selection framework**



While above is the overall general Investment approach, stock selection for individual clients may vary to suit the client's objectives.

• **Allocation of portfolio across types of securities**

Type of Security	Allocation in Portfolio
Equity and equity linked instruments	= > 50%
Units of money market / Liquid fund/ Bank balance	Up to 50%

• **Benchmark to compare performance**

S&P BSE 500 Index

- **Basis for choice of benchmark**

Investment approach is a long-only sector agnostic and Multicap Investment approach with predominant focus on large cap and midcap hence out of 3 Benchmarks available to a Portfolio Manager to choose from under the Strategy type Equity, "S&P BSE 500 Index TRI" has been selected by Portfolio Manager as benchmark considering it to be most appropriate and closest benchmark among the list 3 benchmark under this strategy type w.e.f. 19-04-2023.

(Prior to the aforementioned date, "S&P BSE India 10 Year Sovereign Bond Index + 200 Bps" used to the benchmark for this Investment approach however, in compliance of SEBI Circular dated 16-12-2022 and APMI Circular dated 23-03-2023, Portfolio Manager has now chosen this new benchmark)

- **Indicative tenure or investment horizon**

3 – 5s Years

- **Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

Note: Prior to February 5, 2025, this Investment Approach was named "Carnelian YnG Strategy." With continued focus on building a long-only, multi-cap, and sector-agnostic equity portfolio, the change reflects an improvement to the investment objectives. Earlier, the strategy targeted investment opportunities in companies offering reasonable dividend yields, moderate earnings growth, potential re-rating catalysts, inflation hedges, and a margin of safety in valuations. The objective of the strategy now evolved to create a portfolio consisting of companies with moderate earnings growth, reasonable valuations with potential rerating driven by improvement in business cycle and improvement in temporary headwinds leading to generating higher risk adjusted returns.

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

**5.3.1.** The Portfolio Manager may make investments in the securities of its related parties or its associates only after obtaining the prior consent of the client in such manner as may be specified by SEBI from time to time. However, the Portfolio Manager shall not invest clients' funds in unrated securities of their related parties or their associates. The Portfolio Manager shall ensure compliance with the following limits:

Security Type	Limit for investment in single associate/related party (as percentage of Client's AUM)	Limit for investment across multiple associates/related parties (as percentage of Client's AUM)
Equity	15%	25%
Debt and hybrid securities*	15%	25%
Equity + Debt + Hybrid securities	30%	

\*Hybrid securities includes units of Real Estate Investment Trusts (REITs), units of Infrastructure Investment Trusts (InvITs), convertible debt securities and other securities of like nature.

**5.3.2.** The aforementioned limits shall be applicable only to direct investments by Portfolio Manager in equity and debt/hybrid securities of its Associates/Related parties and not to any investments in the Mutual Funds.

**5.3.3.** Further, Portfolio Manager shall ensure compliance with the following:

- With respect to investments in debt and hybrid securities, under discretionary portfolio management services, the Portfolio Manager shall not make any investment in unrated and below investment grade securities.
- Under Discretionary PMS, the portfolio manager shall invest in the securities listed or traded on a recognized stock exchange, money market instruments, units of Mutual Funds
- With respect to investments in debt and hybrid securities, under non-discretionary portfolio management services, the Portfolio Manager shall not make any investment in unrated below investment grade listed securities.
- Under Non-Discretionary or Advisory PMS, the portfolio manager may invest or provide advice upto 25% of the assets under management in unlisted securities in addition to the securities permitted under discretionary PMS.
- Investments in mutual funds shall be through direct plans only.



## **6. RISK FACTORS**

### **6.1. General Risks Factors**

- 6.1.1.** Investment in Securities, whether on the basis of fundamental or technical analysis or otherwise, is subject to market risks which include price fluctuations, impact cost, basis risk etc.
- 6.1.2.** The Portfolio Manager does not assure that the objectives of any of the Investment Approach will be achieved and investors are not being offered any guaranteed returns. The investments may not be suitable to all the investors.
- 6.1.3.** Past performance of the Portfolio Manager does not indicate the future performance of the same or any other Investment Approach in future or any other future Investment Approach of the Portfolio Manager.
- 6.1.4.** The names of the Investment Approach do not in any manner indicate their prospects or returns.
- 6.1.5.** Appreciation in any of the Investment Approach can be restricted in the event of a high asset allocation to cash, when stock appreciates. The performance of any Investment Approach may also be affected due to any other asset allocation factors.
- 6.1.6.** When investments are restricted to a particular or few sector(s) under any Investment Approach; there arises a risk called non-diversification or concentration risk. If the sector(s), for any reason, fails to perform, the Portfolio value will be adversely affected.
- 6.1.7.** Each Portfolio will be exposed to various risks depending on the investment objective, Investment Approach and the asset allocation. The investment objective, Investment Approach and the asset allocation may differ from Client to Client. However, generally, highly concentrated Portfolios with lesser number of stocks will be more volatile than a Portfolio with a larger number of stocks.
- 6.1.8.** The values of the Portfolio may be affected by changes in the general market conditions and factors and forces affecting the capital markets, in particular, level of interest rates, various market related factors, trading volumes, settlement periods, transfer procedures, currency exchange rates, foreign investments, changes in government policies, taxation, political, economic and other developments, closure of stock exchanges, etc.
- 6.1.9.** The ability of Portfolio Manager to timely identify, finalize, invest and disinvest a good Investment opportunity in listed as well as unlisted securities also impact the performance of the portfolio. Similarly, the ability of the Portfolio Manager to get best valuation at the time of investment and disinvestment consistently also impact the performance of the Portfolio.
- 6.1.10.** The Portfolio Manager may, considering the overall level of risk of the portfolio, invest in lower rated/unrated securities offering higher yield. This may increase the risk of the portfolio. Any default upto principal value even in Investment grade and above rated debt securities can't be ruled out. Such investments shall however be subject to the scope of investments as laid down in the Agreement and governed by SEBI Regulations.

- 6.1.11.** The Portfolio Manager may, subject to authorization by the Client in writing, participate in securities lending. The Portfolio manager may not be able to sell/lend out securities, which can lead to temporary illiquidity. There are risks inherent in securities lending, including the risk of failure of the other party, in this case the approved intermediary to comply with the terms of the agreement. Such failure can result in a possible loss of rights to the collateral, the inability of the Approved Intermediary to return the securities deposited by the lender and the possible loss of corporate benefit accruing thereon.
- 6.1.12.** Any act, omission, or commission of the Portfolio Manager under this agreement will be solely at the risk of the client and the Portfolio Manager will not be liable for any act, omission or commission taken or failure to act save and except on the ground of malafide, fraud, conflict of interest or gross negligence, willful default and/or fraud of the Portfolio Manager.
- 6.1.13.** The Portfolio Manager shall act in fiduciary capacity in relation to the Client's Funds and shall endeavour to mitigate any potential conflict of interest that could arise while dealing in a manner which is not detrimental to the Client.

## **6.2. Risk associated with equity and equity related instruments**

- 6.2.1** Equity and equity related instruments by nature are volatile and prone to price fluctuations on a daily basis due to macro and micro economic factors. The value of equity and equity related instruments may fluctuate due to factors affecting the securities markets such as volume and volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies of the government, taxation laws, political, economic or other developments, which may have an adverse impact on individual Securities, a specific sector or all sectors. Consequently, the value of the Client's Portfolio may be adversely affected.
- 6.2.2** Equity and equity related instruments listed on the stock exchange carry lower liquidity risk, however the Portfolio Manager's ability to sell these investments is limited by the overall trading volume on the stock exchanges. In certain cases, settlement periods may be extended significantly by unforeseen circumstances. The inability of the Portfolio Manager to make intended Securities purchases due to settlement problems could cause the Client to miss certain investment opportunities. Similarly, the inability to sell Securities held in the Portfolio may result, at times, in potential losses to the Portfolio, should there be a subsequent decline in the value of Securities held in the Client's Portfolio.
- 6.2.3** In case of any Investment in unlisted securities as may be permitted by SEBI Regulations, there may be no active secondary market or possibility to exit in any other mode and as such, there is no guarantee or assurance that such investment will have any realization value and portfolio's investment may remain illiquid for long time. Similarly, poor performance by any one or multiple investment in unlisted securities, may affect the total return of the portfolio.
- 6.2.4** Risk may also arise due to an inherent nature/risk in the stock markets such as, volatility, market scams, circular trading, price rigging, liquidity changes, de-listing of Securities or market closure, relatively small number of scrip's accounting for a large proportion of trading volume among others.

## **6.3. Risk associated with debt and money market securities**

- 6.3.1** Interest Rate Risk - Fixed income and money market Securities run interest-rate risk. Generally, when interest rates rise, prices of existing fixed income Securities fall and when interest rate falls, the prices increase. In case of floating rate Securities, an additional risk could arise because of the changes in the spreads of floating rate Securities. With the increase in the spread of floating rate Securities, the price can fall and with decrease in spread of floating rate Securities, the prices can rise.
- 6.3.2** Liquidity or Marketability Risk - The ability of the Portfolio Manager to execute sale/purchase order is dependent on the liquidity or marketability. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. The Securities that are listed on the stock exchange carry lower liquidity risk, but the ability to sell these Securities is limited by the overall trading volumes. Further, different segments of Indian financial markets have different settlement cycles and may be extended significantly by unforeseen circumstances.
- 6.3.3** Credit Risk - Credit risk or default risk refers to the risk that an issuer of a fixed income security may default (i.e., will be unable to make timely principal and interest payments on the security). Because of this risk corporate debentures are sold at a higher yield above those offered on government Securities which are sovereign obligations and free of credit risk. Normally, the value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk.
- 6.3.4** Reinvestment Risk - This refers to the interest rate risk at which the intermediate cash flows received from the Securities in the Portfolio including maturity proceeds are reinvested. Investments in fixed income Securities may carry re-investment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the debt security. Consequently, the proceeds may get invested at a lower rate.

#### **6.4. Risk associated with derivatives instruments**

- 6.4.1** The use of derivative requires an understanding not only of the underlying instrument but of the derivative itself. Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of the strategies to be pursued by the Portfolio Manager involve uncertainty and decision of Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager will be able to identify or execute such strategies.
- 6.4.2** Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price of interest rate movements correctly. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Other risks include settlement risk, risk of mispricing or improper valuation and the inability of the derivative to correlate perfectly with underlying assets, rates and indices, illiquidity risk whereby the Portfolio Manager may not be able to sell or purchase derivative quickly enough at a fair price.

- 6.4.3** Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price rate movement correctly. There is a possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the “counter party”) to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.
- 6.4.4** Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value. Also, the market for derivative instruments is nascent in India.

**6.5. Risk associated with investments in mutual fund schemes**

- 6.5.1.** Mutual funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the schemes will be achieved. The various factors which impact the value of the scheme’s investments include, but are not limited to, fluctuations in markets, interest rates, prevailing political and economic environment, changes in government policy, tax laws in various countries, liquidity of the underlying instruments, settlement periods, trading volumes, etc.
- 6.5.2.** As with any securities investment, the NAV of the units issued under the schemes can go up or down, depending on the factors and forces affecting the capital markets.
- 6.5.3.** Past performance of the sponsors, Asset Management Company (AMC)/ fund does not indicate the future performance of the schemes of the fund.
- 6.5.4.** The Portfolio Manager shall not be responsible for liquidity of the scheme’s investments which at times, be restricted by trading volumes and settlement periods. The time taken by the scheme for redemption of units may be significant in the event of an inordinately large number of redemption requests or of a restructuring of the schemes.
- 6.5.5.** The Portfolio Manager shall not responsible, if the AMC/ fund does not comply with the provisions of SEBI (Mutual Funds) Regulations, 1996 or any other circular or acts as amended from time to time. The Portfolio Manager shall also not be liable for any changes
- 6.5.6.** The Portfolio Manager shall not be liable for any default, negligence, lapse error or fraud on the part of the AMC/ the fund.
- 6.5.7.** While it would be the endeavor of the Portfolio Manager to invest in the schemes in a manner, which will seek to maximize returns, the performance of the underlying schemes may vary which may lead to the returns of this portfolio being adversely impacted.
- 6.5.8.** The scheme specific risk factors of each of the underlying schemes become applicable where the Portfolio Manager invests in any underlying scheme. Investors who intend to invest in this portfolio are required to and are deemed to have read and understood the risk factors of the underlying schemes

## **6.6. Risk arising out of Non-diversification**

**6.6.1.** The investment according to investment objective of a Portfolio may result in concentration of investments in a specific security / sector/ issuer, which may expose the Portfolio to risk arising out of non-diversification. Further, the portfolio with investment objective to invest in a specific sector / industry would be exposed to risk associated with such sector / industry and its performance will be dependent on performance of such sector / industry. Similarly, the portfolios with investment objective to have larger exposure to certain market capitalization buckets, would be exposed to risk associated with underperformance of those relevant market capitalization buckets. Moreover, from the style orientation perspective, concentrated exposure to value or growth stocks based on the requirement of the mandate/strategy may also result in risk associated with this factor.

## **6.7. Risk arising out of investment in Associate, Related Party transactions and Conflict of Interest**

- 6.7.1** All transactions of purchase and sale of securities by portfolio manager and its employees who are directly involved in investment operations shall be disclosed if found having conflict of interest with the transactions in any of the client's portfolio.
- 6.7.2** The Portfolio Manager may utilize the services of its group companies or associates for managing the portfolios of the client. In such scenarios, the Portfolio Manager shall endeavor to mitigate any potential conflict of interest that could arise while dealing with such group companies/associates by ensuring that such dealings are at arm's length basis.
- 6.7.3** The Portfolio Manager may invest in its Associates/ Related Parties relating to portfolio management services subject to appropriate approvals in terms of client agreement with each such respective client and its investment policy and thus conflict of interest may arise while investing in securities of the Associates/Related Parties of the Portfolio Manager. Portfolio Manager shall ensure that such transactions shall be purely on arms' length basis and to the extent and limits permitted under the Regulations. Accordingly, all market risk and investment risk as applicable to securities may also be applicable while investing in securities of the Associates/Related Parties of the Portfolio Manager.
- 6.7.4** There is no conflict of interest related to services offered by group companies of the Portfolio Manager as none of the group companies are offering same services which are common to the services being offered by Portfolio Manager as on the date of this document. Further, the Portfolio Manager will endeavor to resolve any such above identified or unidentified conflicts in a reasonable manner as it deems fit on case-to-case basis.
- 6.7.5** Risk arising out of Conflict of interest would be inherent between the activities of the Portfolio Manager and Portfolio entity/ies, affiliates, group entities, management, and employees (Related Parties). Portfolio Manager have adopted certain policies and procedures intended to protect the interest of all the investors. It is intended for such conflicts to be managed primarily by complying with the Applicable laws, acting in good faith to develop equitable resolutions of known conflicts and developing policies to reduce the possibilities of such conflict. Portfolio Manager shall ensure fair treatment to all clients while providing unbiased services and render high standards of services and shall also ensure to put the clients' interest above all. Portfolio Manager will make best efforts to ensure that such conflicts of interest are

identified and managed and that clients' interests are protected. Some of the possible conflicts of interest are outlined below.

- 6.7.5.1.** Multiple Portfolio/Investment Approach: There could be multiple Investment approaches and/or multiple Portfolio under the management of Portfolio Manager as Manager or Advisor, thereby presenting possibility of conflict of interest in allocating investment opportunities amongst the various portfolios. Such conflict could pertain to many factors not just limited to Industry, security type, allocation percentage, Time difference in Investment or divestment etc.
- 6.7.5.2.** Timing: Portfolio Manager providing services will have, in addition to their responsibilities for the client, responsibilities for other companies, projects and clients. Accordingly, they may have conflicts of interest in allocating management time and other resources amongst the Fund and such other projects and clients.
- 6.7.5.3.** The Portfolio Manager can act as Manager/Advisor to any of the Portfolio Entity/ies, charges fees for the services rendered to them, provide broad range of eligible investment management services from time to time and earn fee in addition to the fee charged to the client under the agreement.
- 6.7.5.4.** The Portfolio Manager and its Advisory clients or Managed Clients like AIF/IA/FPI may have existing similar or contra positions in the stocks/recommended in the Client Account and may execute their trades at different timelines based on their execution strategy which may not match with trade execution in the PMS.
- 6.7.5.5.** The Portfolio Manager may or may not have a similar position as PMS in its other products/services/funds/vehicle where it acts as Investment Manager or Advisor.
- 6.7.5.6.** Portfolio Manager is also acting as Investment Manager to AIF under different SEBI registration and hence, a possible conflict of interest could be perceived between the investments and disinvestments activities undertaken by the Portfolio Manager as Investment Manager or Investment Advisor for such AIF.
- 6.7.5.7.** The Portfolio Manager may avail services of third party who may be providing similar services to other Portfolio Manager and any risk of conflict of interest arising out of common service provider can't be ruled out.
- 6.7.5.8.** All transactions of purchase and sale of securities by Portfolio Manager and its employees including directors, fund manager and key management personnel who are directly involved in investment operations are guided by Policy on prohibition of Insider Trading.

## **7. Nature of Expenses**

The Following are indicative types of costs and expenses for clients availing the Portfolio Management Services. The exact basis of charge relating to each of the following services shall be annexed to the Portfolio Management Agreement or the Agreements for each of the services availed by the client at the time of execution of such agreements.

### **7.1. Portfolio Management Fees/ Investment Management / Advisory Fees:**

It relates to the fees payable by the client for the Portfolio Management Services offered to the Clients by the Portfolio Manager. This fee may be a fixed charge or a percentage of quantum of funds managed or linked to portfolio on return achieved or a combination of any of these or Advisory Fee, as set out in the Portfolio Management Service Agreements / annexure / schedules attached thereto. Performance based fee is charged when there is incremental profit, commonly known as High Water Marking with a pre-decided hurdle rate. The detailed fee schedule is available as a part of agreement and depends on the nature of Investment approach. For Carnelian Liquid Strategy, no Portfolio Management Fees/ Investment Management / Advisory Fees will be charged as the money will be parked on a temporary basis in this Investment approach.

### **7.2. Depository, Custodian and Fund Accounting charges:**

These charges relate to opening and maintenance of Depository Accounts and/or custody fee and charges (wherever required) paid to the Custodians and/or Depository Participants, dematerialization of scrips, Securities lending & borrowing & their transfer charges in connection with the operation and management of the Clients' Portfolio account which may be charged and recovered from the Client. Custody and Fund Accounting charges shall be in the range of 1 – 10 basis points p.a. on the Asset under Management (AUM). Depository charges shall be at actuals as applicable from time to time. All charges shall be subject to GST @ 18%.

### **7.3. Registrar and transfer agent fee:**

A fee payable to the Registrar and Transfer Agents for effecting transfers of Securities and includes stamp charges, notary charges, cost of affidavits; courier, post, etc. may be charged and recovered from the Client. These charges shall be in the range of 1-10 basis points charged at actuals as applicable from time to time. Additional applicable taxes shall be charged on the amount of registrar and transfer agent fee.

### **7.4. Brokerage and transaction cost:**

These costs relate to charges payable to the broker for account opening charges, execution of transactions on the stock exchange or otherwise on purchase & sale of shares, bonds, debentures, units, and other instruments and includes charges like service charges, stamp duty, service tax, turnover tax, transaction cost, security transaction tax, entry and/ or exit load on sale or purchase of mutual fund, etc. as applicable from time to time which may be charged and recovered from the Client. Brokerage shall be in the range not exceeding 25 basis points of the Transaction value. All applicable taxes, duties, statutory charge shall be charged at actual.

### **7.5. Certification and professional charges:**

Charges payable for outsourced professional services like accounting, auditing, taxation and legal services etc. for documentation, notarizations, certifications, attestations required by bankers or regulatory authorities including legal fees etc. may be charged and recovered from the Client on actual basis. Additional applicable taxes shall be charged on the amount of fees.

### **7.6. Bank Charges:**

At actuals as applicable from time to time

**7.7. Upfront and Exit Load:**

- a. Portfolio Manager will not charge any Upfront Fees to the clients directly or indirectly on any of the Investment approach.
- b. Portfolio Manager shall not charge any fees to Clients at the time of onboarding except the specific charges applicable for execution of the agreement and related documents for account opening.
- c. No Exit load will be charged on the Carnelian Liquid Strategy.
- d. However, as agreed between Portfolio Manager and client on case-to-case basis, the Portfolio Manager may charge the client an exit load or Early Withdrawal Charges on Full or Partial redemption / withdrawal on all equity-oriented strategies as follows. The Exit load, if levied on a particular portfolio shall be calculated and applicable on Gross redemption proceeds (Full or partial as the case may be).

Exit within Period (For each tranche of corpus inflow)	Exit Load
Within 1 Year	3.00%
Within 2 Year	2.00%
Within 3 Year	1.00%
After 3 Year	-

**7.8. Incidental expenses:**

Charges in connection with day-to-day operations like courier expenses, stamp duty, GST, postal, telegraphic, Audit Fees, opening and operation of demat account, bank account or any other out of pocket expenses as may be incurred by the Portfolio Manager will be charged at actuals.

**7.9. Goods and Services Tax:**

At actuals as applicable from time to time on all type of fees, expenses, exit loads.

**7.10. Other Operating Expenses:**

Operating expenses (excluding brokerage, fees charged for Portfolio Management Service and statutory charges, taxes and duties) shall not exceed 0.50% per annum of the client's average daily Assets under Management (AUM).



## **8. TAXATION**

### **8.1. General**

This summary on Indian tax matters contained herein is based on existing law as on the date of this document. No assurance can be given that future legislation, administrative rulings or court decisions will not significantly modify the conclusions set forth in this summary, possibly with retrospective effect.

The following is a summary of certain relevant provisions of the Income-tax Act, 1961 ('IT Act'). The IT Act is amended every year by the finance act of the relevant year and this summary reflects changes to the date of this summary. The tax rates specified below are for the Financial Year 2025-26 (Assessment Year 2026-27) as prescribed under the Finance Bill 2025 (also referred to as 'Finance Act').

The following information is based on the tax laws in force in India as of the date of this Disclosure Document and reflects the Portfolio Manager's understanding of applicable provisions. The tax implications for each Client may vary significantly based on residential status and individual circumstances. As the information provided is generic in nature, Clients are advised to seek guidance from their own tax advisors or consultants regarding the tax treatment of their income, losses, and expenses related to investments in the portfolio management services. The Client is responsible for meeting advance tax obligations as per applicable laws.

Further, the statements with regard to benefits mentioned herein are expressions of views and not representations of Portfolio manager to induce any client, prospective or existing, to invest in the portfolio management Investment approaches of Portfolio manager. Implications of any judicial decisions/ double tax avoidance treaties etc. are not explained herein.

In view of the nature of tax consequences, each client is advised to consult their own tax advisor with respect to the specific tax consequences arising to them from participation in any of the investments.

It is the responsibility of all prospective clients to be abreast with any income tax or other tax consequences arising in the jurisdictions in which they are resident or domiciled or have any other presence for tax purposes, which are relevant to their particular circumstances in connection with the acquisition, holding or disposal of the securities. The Portfolio Manager accepts no responsibility for any loss suffered by any Investor as a result of current taxation law and practice or any changes thereto for any jurisdiction.

### **8.2. Tax Deducted at Source ('TDS')**

In the case of resident clients, the income arising by way of dividend, interest on securities, income from units of mutual fund, etc. from investments made in India are subject to the provisions of TDS. Residents without Permanent Account Number (PAN) are subjected to a higher rate of TDS.

In the case of non-residents, any income received or accrues or arises; or deemed to be received or accrue or arise to him in India is subject to the provisions of tax deduction at source under the IT Act. The authorized dealer is obliged and responsible to make sure that all such relevant compliances are made while making any payment or remittances from India to such non-residents. Also, if any tax is required to be withheld on account of any future legislation, the Portfolio Manager shall be obliged to act in accordance with the regulatory requirements in this regard. Non-residents without PAN or tax residency certificate (TRC) of the country of his residence are currently subjected to a higher rate of TDS.

The Finance Act, 2021 introduced a special provision to levy higher rate for TDS for the residents who are not filing income-tax return in time for previous two years and aggregate of TDS is INR 50,000 or more in each of these two previous years. This provision of higher TDS is not applicable to a non-

resident who does not have a permanent establishment in India and to a resident who is not required to furnish the return of income.

With effect from July 1, 2021, a buyer whose sales, turnover or gross receipts from business exceeds INR 10 Crores during the immediately preceding financial year, shall be liable to deduct TDS at the rate of 0.1% on consideration paid to a resident seller in excess of INR 50 lakhs for sale of goods. TDS would need to be deposited with the Indian Government to the credit of the seller, basis which seller would get credit of such taxes deducted by buyer. It has been clarified that this provision would not be applicable where a buyer is liable to deduct TDS under any other provisions of the IT Act or if TCS provisions are applicable. Further, it is also clarified that in case TCS on goods applies (as discussed above) and there is conflict with this proposed TDS provision, then TDS provisions will apply instead of TCS provisions.

Similar to TCS provisions and consequent to the ambiguity caused by the TCS provisions, there is no clarity as to whether securities are intended to be covered as 'goods' and whether TDS shall apply in case of transaction in securities. Clarity is awaited from the Government on this aspect.

### 8.3. Long term capital gains

Where investment under portfolio management services is treated as investment, the gain or loss from transfer of Securities shall be taxed as capital gains under section 45 of the IT Act.

#### Period of Holding

The details of period of holding for different capital assets for the purpose of determining long term or short term capital gains are explained hereunder:

Securities	Position upto 22 July 2024 Period of Holding	Position on or after 23 July 2024 Period of Holding	Characterization
Listed Securities (other than unit) and unit of equity oriented mutual funds, unit of UTI, zero coupon bonds	More than twelve (12) months	More than twelve (12) months	Long-term capital asset
	Twelve (12) months or less	Twelve (12) months or less	Short-term capital asset
Unlisted shares of a company	More than twenty-four (24) months	More than twenty-four (24) months	Long-term capital asset
	Twenty-four (24) months or less	Twenty-four (24) months or less	Short-term capital asset
Other Securities (other than Specified Mutual Fund or Market Linked Debenture acquired on or after 1 April 2023; or unlisted bond or unlisted debenture)	More than Thirty-six (36) months	More than twenty-four (24) months	Long-term capital asset
	Thirty-six (36) months or less	Twenty-four (24) months or less	Short-term capital asset
Specified Mutual Fund or Market Linked Debenture acquired on or after 1 April 2023	Any period	Any period	Short-term capital asset
Unlisted bond or unlisted debenture	More than 36 months		Long-term capital asset
	36 months or less	Any period	Short-term capital asset

- **Definition of Specified Mutual Fund:**

Before 1st April 2025:

*“Specified Mutual Fund” means a Mutual Fund by whatever name called, where not more than thirty-five per cent of its total proceeds is invested in the equity shares of domestic companies.*

On and after 1st April 2025:

*“Specified Mutual Fund” means, —*

*(a) a Mutual Fund by whatever name called, which invests more than sixty-five per cent. of its total proceeds in debt and money market instruments; or*

*(b) a fund which invests sixty-five per cent. or more of its total proceeds in units of a fund referred to in sub-clause (a).*

- **Definition of debt and money market instruments:**

*“debt and money market instruments” shall include any securities, by whatever name called, classified or regulated as debt and money market instruments by the Securities and Exchange Board of India.*

- **Definition of Market Linked Debenture:**

*“Market Linked Debenture” means 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 the market returns on other underlying securities or indices, and includes any security classified or regulated as a market linked debenture by SEBI.*

- **For listed equity shares in a domestic company or units of equity oriented fund or business trust:**

The Finance Act 2018 changed the method of taxation of long-term capital gains from transfer of listed equity shares and units of equity oriented fund or business trust.

As per section 112A of the IT Act, long term capital gains exceeding INR 1 lakh arising on transfer of listed equity shares in a company or units of equity oriented fund or units of a business trust is taxable at 10% , provided such transfer is chargeable to STT. This exemption limit has been increased from INR 1 lakh to INR 1.25 lakh and tax rate has been increased from 10% to 12.5% with effect from 23 July 2024. Further, to avail such concessional rate of tax, STT should also have been paid on acquisition of listed equity shares, unless the listed equity shares have been acquired through any of the notified modes not requiring to fulfil the pre-condition of chargeability to STT.

Long term capital gains arising on transaction undertaken on a recognized stock exchange located in any International Financial Services Centre and consideration is paid or payable in foreign currency, where STT is not chargeable, is also taxed at a rate of 10%. This benefit is available to all assesseees. This tax rate is increased from 10% to 12.5%.

The long term capital gains arising from the transfer of such Securities shall be calculated without indexation. In computing long term capital gains, the cost of acquisition (COA) is an item of deduction from the sale consideration of the shares. To provide relief on gains already accrued upto 31 January 2018, a mechanism has been provided to “step up” the COA of Securities. Under this mechanism, COA is substituted with FMV, where sale consideration is higher than the FMV. Where sale value is higher than the COA but not higher than the

FMV, the sale value is deemed as the COA.

Specifically in case of long term capital gains arising on sale of shares or units acquired originally as unlisted shares/units upto 31 January 2018, COA is substituted with the “indexed COA” (instead of FMV) where sale consideration is higher than the indexed COA. Where sale value is higher than the COA but not higher than the indexed COA, the sale value is deemed as the COA. This benefit is available only in the case where the shares or units, not listed on a recognised stock exchange as on the 31 January 2018, or which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31 January 2018 by way of transaction not regarded as transfer under section 47 (e.g. amalgamation, demerger), but listed on such exchange subsequent to the date of 17 transfer, where such transfer is in respect of sale of unlisted equity shares under an offer for sale to the public included in an initial public offer.

The CBDT has clarified that 10% withholding tax will be applicable only on dividend income distributed by mutual funds and not on gain arising out of redemption of units.

No deduction under Chapter VI-A or rebate under Section 87A will be allowed from the above long term capital gains.

- **For other capital assets (securities and units) in the hands of resident of India**

Long-term capital gains in respect of capital asset (all securities and units other than listed shares and units of equity oriented mutual funds and business trust) is chargeable to tax at the rate of 20% plus applicable surcharge and education cess, as applicable. The capital gains are computed after taking into account cost of acquisition as adjusted by cost inflation index notified by the Central Government and expenditure incurred wholly and exclusively in connection with such transfer. This tax rate is reduced from 20% to 12.5%; but no indexation benefit will be available with effect from 23 July 2024.

As per Finance Act, 2017, the base year for indexation purpose has been shifted from 1981 to 2001 to calculate the cost of acquisition or to take Fair Market Value of the asset as on that date. Further, it provides that cost of acquisition of an asset acquired before 1 April 2001 shall be allowed to be taken as Fair Market Value as on 1 April 2001.

- **For capital assets in the hands of Foreign Portfolio Investors (FPIs)**

As per section 2(14) of the IT Act, any investment in securities made by FPIs in accordance with the regulations made under the Securities and Exchange Board of India is treated as a capital asset. Consequently, any income arising from transfer of securities by FPIs are to be treated as capital gains.

Long term capital gains, arising on sale of debt Securities, debt oriented units (other than units purchased in foreign currency and capital gains arising from transfer of such units by offshore funds referred to in section 115AB) are taxable at the rate of 10% under Section 115AD of the IT Act. This tax rate has been increased from 10% to 12.5% with effect from 23 July 2024. Such gains would be calculated without considering benefit of (i) indexation for the COA and (ii) determination for capital gain/loss in foreign currency and reconversion of such gain/loss into the Indian currency.

Long term capital gains, arising on sale of listed shares in the company or units of equity oriented funds or units of business trust and subject to conditions relating to payment of STT, are taxable at 10%. This tax rate has been increased from 10% to 12.5% with effect from 23 July 2024.

Under section 115AD of the IT Act, interest and dividend income earned by FPIs should be taxable at 20%. However, interest referred to in section 194LD of the IT Act should be taxable at 5% subject to fulfillment of conditions.

As per section 196D of the IT Act, no deduction of tax shall be made from any income by way of capital gains arising from the transfer of securities referred to in section 115AD which is payable to an FPI. However, tax shall be deducted under section 196D of the IT Act with respect to interest income (other than referred to in section 115AD of the IT Act) and dividend at the rate of 20%.

- **For other capital asset in the hands of non-resident Indians**

Under section 115E of the IT Act, any income from investment or income from long-term capital gains of an asset other than specified asset as defined in Section 115C (specified assets include shares of Indian company, debentures and deposits in an Indian company which is not a private company and Securities issued by Central Government or such other Securities as notified by Central Government) is chargeable at the rate of 20%. Income by way long-term capital gains of the specified asset is, however, chargeable at the rate of 10% plus applicable surcharge and cess (without benefit of indexation and foreign currency fluctuation). This tax rate has been increased from 10% to 12.5% with effect from 23 July 2024.

#### **8.4. Short term capital gains**

Section 111A of the IT Act provides that short-term capital gains arising on sale of listed equity shares of a company or units of equity oriented fund or units of a business trust are chargeable to income tax at a concessional rate of 15% plus applicable surcharge and cess, provided such transactions are entered on a recognized stock exchange and are chargeable to Securities Transaction Tax (STT). This tax rate has been increased from 15% to 20% with effect from 23 July 2024. However, the above shall not be applicable to transaction undertaken 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. Further, Section 48 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing Capital Gains.

Short term capital gains in respect of other capital assets (other than listed equity shares of a company or units of equity oriented fund or units of a business trust) are chargeable to tax as per the relevant slab rates or fixed rate, as the case may be.

The Specified Mutual Funds or Market Linked Debentures acquired on or after 1 April 2023 will be treated as short term capital asset irrespective of period of holding as per Section 50AA of the IT Act. The unlisted bonds and unlisted debentures have been brought within the ambit of Section 50AA of the IT Act with effect from 23 July 2024.

#### **Key tax rates are summarised as under:**

Taxability of capital gains under the IT Act (without considering the benefits under the tax treaties for non-resident investors) should be as follows:

Sr.No	Particulars	Resident investors	Non-resident investors	FPI
		Tax rate (%) excluding applicable surcharge and health and education cess		
1	Short-term capital gains on transfer of listed equity shares and units of an equity oriented mutual fund on which securities transaction tax	Upto 22 Jul 2024 - 15%/ 20% w.e.f. 23	Upto 22 Jul 2024 - 15%/ 20% w.e.f. 23 Jul	Upto 22 Jul 2024 - 15%/ 20% w.e.f. 23

Sr.No	Particulars	Resident investors	Non-resident investors	FPI
		Tax rate (%) excluding applicable surcharge and health and education cess		
	('STT') has been paid	Jul 2024	2024	Jul 2024
2	Any other short-term capital gains	30% [Note 1]	30% (in case of firms/ LLP/ foreign non-corporates)/ 35% (in case of foreign company)	30%
3	Long-term capital gains on transfer of: (i) listed equity shares on which STT has been paid both at the time of acquisition and sale of such shares; and (ii) units of equity oriented mutual fund on which STT has been paid on transfer [Note 2]	Upto 22 Jul 2024 - 10% [on income in excess of INR 1 lakh]  w.e.f. 23 Jul 2024 – 12.5% [on income in excess of INR 1.25 lakh]  [Note 3]	Upto 22 Jul 2024 - 10% [on income in excess of INR 1 lakh]  w.e.f. 23 Jul 2024 – 12.5% [on income in excess of INR 1.25 lakh]  [Note 3]	Upto 22 Jul 2024 - 10% [on income in excess of INR 1 lakh]  w.e.f. 23 Jul 2024 – 12.5% [on income in excess of INR 1.25 lakh]  [Note 3]
4	Long term capital gains on sale of listed bonds or listed debentures	Upto 22 Jul 2024 - 10% (without indexation) [Note 4]  W.E.F. 23 Jul 2024 – 12.5% (Indexation not allowed)	Upto 22 Jul 2024 - 10% (without indexation)[Note 4]  W.E.F. 23 Jul 2024 – 12.5% (Indexation not allowed)	Upto 22 Jul 2024 - 10% (without indexation) [Note 3]  W.E.F. 23 Jul 2024 – 12.5% (Indexation not allowed)
5	Long-term capital gains on transfer of unlisted bonds or unlisted debentures	Upto 22 Jul 2024 - 20% (without indexation)  W.E.F. 23 Jul 2024 – Considered as short-term capital asset	Upto 22 Jul 2024 - 10% [Note 3 and 4]  W.E.F. 23 Jul 2024 – Considered as short-term capital asset	Upto 22 Jul 2024 - 10% [Note 3]  W.E.F. 23 Jul 2024 – Considered as short-term capital asset
6	Long-term capital gains on transfer of unlisted securities (other than unlisted bonds and unlisted debentures) [Note 5]	Upto 22 Jul 2024 - 20% (with indexation)  W.E.F. 23 Jul 2024 – 12.5% (Indexation not allowed)	Upto 22 Jul 2024 - 10% [Note 3 and 4]  W.E.F. 23 Jul 2024 – 12.5% (Indexation not allowed)	Upto 22 Jul 2024 - 10% [Note 3]  W.E.F. 23 Jul 2024 – 12.5% (Indexation not allowed)

**Note 1 : Assuming the highest slab rates for individual investors.**

In the case of domestic companies having total turnover or gross receipts not exceeding INR 400 crores in the FY 2021-22 (AY 2022-23), the tax rate would be 25% (plus surcharge and health and education cess).

Also, as per the Taxation Laws (Amendment) Act, 2019, domestic companies have the option to pay tax on total income at the rate of 15% or 22% (plus applicable surcharge and health and Education cess).

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

**Note 2:** The cost of acquisition of equity shares or units of an equity oriented mutual funds acquired before 1 February 2018, shall be higher of:

- the actual cost of acquisition; and
- Lower of:
  - i. Fair market value as on 31 January 2018, determined in the prescribed manner; and
  - ii. Value of consideration received or accruing upon transfer.

The CBDT issued a notification dated 1 October 2018, wherein the list of transactions has been specified in respect of which the provision of sub-clause (a) of clause (iii) of sub-section (1) of section 112A of the IT Act shall not apply i.e. payment of STT on acquisition of equity shares.

**Note 3:** Without considering indexation and foreign exchange fluctuation benefit.

**Note 4:** IT Authorities may disregard the said position and apply a tax rate of 20%.

**Note 5:** As per section 50CA of the IT Act, where the consideration received or accruing on account of transfer of unlisted shares is less than the fair market value of such share, determined in the prescribed manner, the fair value as determined should be deemed to be the full value of consideration for the purpose of computing capital gains.

### **8.5. Tax collection on source ("TCS") on 'goods'**

Under the provisions of the IT Act, with effect from October 1, 2020, a seller whose sales, turnover or gross receipts from business exceeds INR 10 Crores during the immediately preceding financial year, shall be liable to collect TCS at the rate of 0.1% on consideration received from a buyer in excess of INR 50 lakhs for sale of goods. TCS would need to be collected by the seller from buyer (over and above the sale consideration) and be deposited with the Indian Government to the credit of the buyer, basis which buyer would get credit of such taxes collected by the seller. It has been clarified that TCS provisions would not be applicable where a buyer is liable to deduct tax at source on the transaction and has deducted such tax at source on transaction.

Indian Revenue authorities have clarified vide Circular no. 17 dated September 29, 2020 that TCS would not be applicable on transactions in securities undertaken on a recognized stock exchange. This has led to an ambiguity on whether securities are intended to be covered within the meaning of the term "goods" and hence, whether TCS provisions could apply to transactions in securities other than those sold on a recognized stock exchange. Clarity is awaited from the Government on this aspect. Also, exemption has been provided from applicability of TCS provisions in case of export of goods out of India or import of goods into India; however, it is unclear how such exemptions will be applied for transactions in securities.

## **8.6. Deemed income on investment in shares / securities**

In terms of section 56(2)(x) of the IT Act, if shares / securities are received for less than the fair market value of the shares / securities (computed as per prescribed rules), the difference between the price paid and fair value thereof shall be deemed as ordinary income of the recipient.

Separately, if shares other than “quoted shares” are transferred for less than the fair value of the shares (computed as per prescribed rules), the fair value of such unquoted shares shall be deemed to be the sale consideration for the seller, for computing its capital gains for Indian tax purposes. “Quoted share” is defined as “the share quoted on any recognised stock exchange with regularity from time to time, where the quotation of such share is based on current transaction made in the ordinary course of business.”

## **8.7. Profits and gains of business or profession**

If the Securities under the portfolio management services are regarded as business/trading asset, then any gain/loss arising from sale of such Securities would be taxed under the head “Profits and Gains of Business or Profession” under section 28 of the IT Act. The gain/ loss is to be computed under the head “Profits and Gains of Business or Profession” after allowing normal business expenses (inclusive of the expenses incurred on transfer) according to the provisions of the IT Act.

Gains arising from the transfer of securities held in the investee company or portfolio company may be treated either as ‘Capital Gains’ or as ‘Business Income’ for tax purposes, depending upon whether such securities were held as a capital asset or a trading asset (i.e., stock-in-trade). Traditionally, the issue of characterisation of gains (whether taxable as Business Income or Capital Gains) has been a subject matter of litigation with the tax authorities. There have been judicial pronouncements on whether gains on transfer of securities should be taxed as ‘Business Income’ or as ‘Capital Gains’. However, these pronouncements, while laying down certain guiding principles have largely been driven by the facts and circumstances of each case. Also, the Central Board of Direct Taxes (‘CBDT’) has provided guidance, vide its Instruction: No. 1827, dated 31 August 1989 (‘CBDT Instructions’) and Circular No. 4/2007, dated 15 June 2007 (‘CBDT Circular 2007’), in respect of characterisation of gains as either Capital Gains or Business Income.

Following are the key illustrative factors indicative of Capital Gains characterisation (not Business Income): -

- i. Intention at the time of acquisition - capital appreciation;
- ii. Low transaction frequency;
- iii. Long period of holding;
- iv. Shown as investments in books of accounts (not stock in trade);
- v. Use of owned funds (as opposed to loan) for acquisition; and
- vi. Main object in constitution document is to make investments.

Further, the CBDT had issued a circular no. 6/2016 dated 29 February 2016 (‘CBDT Circular 2016’), clarifying the issue of taxability of gains arising on sale of listed shares and securities. The CBDT Circular 2016, laid down guiding principles to characterise the gains from sale of listed shares and securities, either as Business Income or Capital Gains. It had clarified that the income-tax officer would not dispute any income arising from transfer of listed shares and securities held for more than 12 (twelve) months, if the same was treated as, and offered to tax under, the head ‘Capital Gains’, subject to genuineness of the transaction being established. However, the CBDT Circular 2016 did not deal with the treatment of Capital Gains arising on transfer of unlisted shares.

To avoid disputes/ litigation and to have a consistent view in assessments, the CBDT had issued an instruction on 2 May 2016, to the tax department, on determining the tax treatment of income arising from transfer of unlisted shares, providing that the income from transfer of unlisted shares



would be treated as 'Capital Gains' irrespective of period of holding. However, the CBDT has carved out the following 3 (three) exceptions for the tax department to take an appropriate view, if:

- i. The genuineness of transactions in unlisted shares itself is questionable;
- ii. The transfer of unlisted shares is related to an issue pertaining to lifting of corporate veil; or
- iii. The transfer of unlisted shares is made along with the control and management of underlying business.

If the gains are characterised as business income, then the same should be taxable on net income basis at the rate of 30% for resident investors. The Finance Act has reduced the tax rate to 25% in case of domestic companies having a total turnover or gross receipts not exceeding 400 crores in the FY 2021-22 (AY 2022-23). Kindly note, we have assumed highest rate for resident individual investors. Also, as per the Taxation Laws (Amendment) Act, 2019, domestic companies have the option to pay tax on total income at the rate of 15% or 22%.

If the gains are characterised as business income, then the same should be taxable on net income basis at 35% for foreign company if it has a business connection/ permanent establishment in India, and such income is attributable to the business connection/ permanent establishment of the non-resident in India. Further, for non-resident investors (other than a foreign company) a tax rate of 30% should be levied.

Interest income arising on Securities could be characterized as 'Income from other sources' or 'business income' depending on facts of the case. Any expenses incurred to earn such interest income should be available as deduction, subject to the provisions of the IT Act.

#### **8.8. Losses under the head capital gains/business income**

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

Business loss is allowed to be carried forward for 8 assessment years and the same can be set off against any business income.

#### **8.9. General Anti Avoidance Rules (GAAR)**

GAAR may be invoked by the Indian income-tax authorities in case arrangements are found to be impermissible avoidance arrangements. A transaction can be declared as an impermissible avoidance arrangement, if the main purpose of the arrangement is to obtain a tax benefit and which satisfies one of the 4 (four) below mentioned tainted elements:

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

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

- Disregarding or combining or recharacterising any step in, or a part or whole of the arrangement;

- Ignoring the arrangement for the purpose of taxation law;
- Relocating place of residence of a party, or location of a transaction or situation of an asset to a place other than provided in the arrangement;
- Looking through the arrangement by disregarding any corporate structure; or
- Recharacterising equity into debt, capital into revenue, etc.

The GAAR provisions would override the provisions of a treaty in cases where GAAR is invoked. In other words, Where GAAR is invoked, the taxpayer may also be denied the benefits otherwise available under the relevant tax treaty.

The necessary procedures for application of GAAR and conditions under which it should not apply, have been enumerated in Rules 10U to 10UC of the Income-tax Rules, 1962. The Income-tax Rules, 1962 provide that GAAR should not be invoked unless the tax benefit in the relevant year does not exceed INR 3 crores.

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

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

#### **8.10. FATCA Guidelines**

According to the Inter-Governmental Agreement read with the Foreign Account Tax Compliance Act (FATCA) provisions and the Common Reporting Standards (CRS), foreign financial institutions in India are required to report tax information about US account holders and other account holders to the Indian Government. The Indian Government has enacted rules relating to FATCA and CRS reporting in India. A statement is required to be provided online in Form 61B for every calendar year by 31 May. The reporting financial institution is expected to maintain and report the following information with respect to each reportable account:

- (a) the name, address, taxpayer identification number and date and place of birth;
- (b) where an entity has one or more controlling persons that are reportable persons:
  - (i) the name and address of the entity, TIN assigned to the entity by the country of its residence; and
  - (ii) the name, address, date of birth, place of birth of each such controlling person and TIN assigned to such controlling person by the country of his residence.
- (c) account number (or functional equivalent in the absence of an account number);
- (d) account balance or value (including, in the case of a cash value insurance contract or annuity contract, the cash value or surrender value) at the end of the relevant calendar year; and
- (e) the total gross amount paid or credited to the account holder with respect to the account during the relevant calendar year.

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

## 8.11. Other Key Provisions

### 8.11.1 Tax Rates

The tax rates stated in this tax chapter are exclusive of surcharge and health and education cess(unless stated otherwise). The tax rates are applicable for the financial year 2025-26 (Assessment year 2026-27).

Health and Education Cess are applicable at the rate of 4% on the amount of income-tax plus surcharge payable, irrespective of the amount of income earned.

Note that IT Act provides for two tax regimes viz. old tax regime and new tax regime. The rate of surcharge and health and education cess under Old Tax Regime are mentioned as under:

- i. Surcharge rates are provided below:

Type of Investor	Surcharge rate as a % of income-tax (refer notes below)				
	If income is up to INR 50 lakhs	If income exceeds INR 50 lakhs but up to INR 1 Crore	If income exceeds INR 1 Crore but up to INR 2 Crores	If income exceeds INR 2 Crores but up to INR 5 Crores	If income exceeds INR 5 Crores
Individual, HUF, AOP, BOI (Resident and non-resident)	Nil	10%	15%	25%	37%

**Note 1:** In case where the total income includes any income referred to in Section 111A, Section 112, Section 112A, Section 115AD of the IT Act, and dividend income, surcharge on such incomes shall not exceed 15%.

**Note 2:** As per changes in Finance (No.2) Bill 2024, in case of AOP having only corporate members, the rate of surcharge is restricted to 15% of such Income-tax, where the total income exceeds one crore rupees.

**Note 3:** In case where the total income of foreign portfolio investor ('FPI') includes any short-term capital gains, long-term capital gains and dividend, surcharge on such income shall not exceed 15%.

Type of Investor	Surcharge rate as a % of income-tax (refer notes below)		
	If income does not exceed 1 crore	If income exceeds INR 1 crore but up to INR 10 crores	If income exceeds INR 10 crores
Partnership firm	Nil	12%	12%
Domestic Company	Nil	7%	12%
Foreign Company, including FPIs	Nil	2%	5%

**Note 1:** As per the Taxation Laws (Amendment) Act, 2019, the applicable surcharge rate on income chargeable to tax under sections 115BAA or 115BAB of the IT Act shall be 10% irrespective of the income threshold.

In this tax chapter, slab rates under Old Tax Regime which are applicable for individuals / HUF / AOP / BOI are as follows:

**Alternate 1:**

Total Income	Tax rates (refer notes below)
Up to INR 2,50,000	Nil
From INR 2,50,001 to INR 5,00,000	5%
From INR 5,00,001 to INR 10,00,000	20%
INR 10,00,001 and above	30%

**Note 1:** The Central Government vide the Finance (No. 2) Act, 2019, has provided for a rebate on tax on total income of up to INR 5,00,000 for individual assessee.

**Note 2:** In the case of a resident individual of the age of 60 years or more but less than 80 years, the basic exemption limit is INR 3,00,000.

**Note 3:** In the case of a resident individual of the age of 80 years or more, the basic exemption limit is INR 5,00,000.

**Alternate 2:**

The Finance Act, 2023 has made the New Tax Regime u/s 115BAC as “Default Regime”. The slab rate under new tax regime for individual, HUF, AOP are as under:

Total Income	Tax Rates
Upto Rs. 4,00,000/-	Nil
Rs. 4,00,001/- to Rs. 8,00,000/-	5%
Rs. 8,00,001/- to Rs. 12,00,000/-	10%
Rs. 12,00,001/- to Rs. 16,00,000/-	15%
Rs. 16,00,001/- to Rs. 20,00,000/-	20%
Rs. 20,00,001/- to Rs. 24,00,000/-	25%
Above Rs. 24,00,000/-	30%

**Note 1:** The Central Government vide the Finance Act, 2023, has provided for a rebate on tax on total income of up to INR 12,00,000 and allow marginal relief if the total income marginally exceeds INR 12,00,000 - for individual assessees. The rebate is not applicable on incomes taxed at specific rates.

**Note 2:** The option to pay tax at lower rates shall be available only if total income of assessee is computed without claiming specified exemptions / deductions specified under the IT Act.

Surcharges in applicable at the rate for A.Y 2025-26 (For Taxation under New Tax Regime)

Income Slab	Surcharge Rates	
	Individual	
Total Income	Income Taxable u/s 111A, 112, 112A & Dividend	Other Income
Upto Rs. 50 Lakhs	Nil	Nil
Total Income > 50 Lakhs <= 1 Crore	10%	10%
Total Income > 1 Crore <= 2 Crore	15%	15%
Total Income > 2 Crores	15%	25%

### 8.11.2 Advance tax payments

It will be the responsibility of the investors to meet the advance tax obligation payable on a quarterly basis as prescribed under the IT Act.

**8.11.3** It is envisaged that the investor, including FPIs, could also earn the following streams of income from investments made in the portfolio investments:

- Dividend income;
- Interest income; and
- Gains on buy-back of shares.

The tax implications of each stream of income are provided below:

#### **8.11.3.1. Dividend income on shares**

The Indian Company declaring dividend on or after 1 April 2020, would not be required to pay any Dividend Distribution Tax (DDT) on dividend distributed/ paid/ declared to its shareholders. The dividend income shall be taxable in the hands of the shareholders at the applicable rates. Further, the taxpayer can claim a deduction of interest expenditure under section 57 of the IT Act against such dividend income up to 20% of the dividend income.

Section 80M is introduced by the Finance Act. As per Section 80M, in case any Indian company receives dividend from another Indian company or foreign company or business trust and the dividend is distributed by the first mentioned Indian company before the specific due date (i.e. one month prior to the date of filing tax return under section 139 of the IT Act), then deduction can be claimed by such Indian company of so much of dividend received from such another Indian company or foreign company or business trust.

The Indian Company declaring dividend of Rs. 5,000 or above would be required to deduct tax at 10% in case of payment to resident investors and at rates in force i.e. 20% (no threshold) in case of payment to non-resident investors. In case, the dividend income is paid to FPIs, the rate of tax deduction at source as per section 196D of the IT Act is 20%.

As per the amended provisions, the dividend income (net of deductions, if any) shall be taxable at the following rates:

#### **Resident investors**

<b>Dividend income earned by</b>	<b>Tax rate for domestic investors</b>
Resident companies (Refer Note 1 and 2)	30%
Firms / Limited Liability Partnerships (LLPs)	30%
Others (Refer Note 3)	As per applicable slab rates, maximum being 30%

**Note 1:** In the case of domestic companies having total turnover or gross receipts not exceeding INR 400 crores in the Financial Year 2021-22 (Assessment Year 2022-23) the tax rate is 25%.

**Note 2:** As per the Taxation Laws (Amendment) Act, 2019, the tax rates for resident companies exercising the option under section 115BAA and section 115BAB of the IT Act shall be 22% and 15% respectively (plus applicable surcharge and health and education cess), subject to the fulfilment of conditions prescribed in the said sections.

**Note 3:** The Finance Act 2020 has inserted a new section 115BAC in the IT Act. As per the

said section, resident Individual and HUF will have an option to pay tax on their total income at the reduced tax rates (New Tax Regime). The income would, however, have to be computed without claiming prescribed deductions or exemptions.

### **Non-resident investors**

Dividend income (net of deductions, if any) shall be taxable in the hands of the non-resident investors at the rate of 20% under the IT Act. As per the provisions of the IT Act, in case of taxability of a non-resident who is a tax resident of a country with which India has a Double Taxation Avoidance Agreement ('Tax Treaty') for granting relief of tax, the provisions of the IT Act, shall apply to the extent they are more beneficial.

Taxation of dividend income in the hands of FPI has been discussed separately.

### **8.11.3.2. Interest income on debt securities**

#### **Resident investors**

Interest income earned by	Tax rate for domestic investors
Resident companies (Refer Note 1 and 2)	30%
Firms / LLPs	30%
Others (Refer Note 3)	As per applicable slab rates, maximum being 30%

#### **Note 1:**

In case of domestic companies having total turnover or gross receipts not exceeding INR 400 crores in the Financial Year 2021-22 (Assessment Year 2022-23) the tax rate is 25%.

**Note 2:** As per the Taxation Laws (Amendment) Act, 2019, the tax rates for resident companies exercising the option under section 115BAA and section 115BAB of the IT Act shall be 22% and 15% respectively, subject to the fulfillment of conditions prescribed in the said sections.

**Note 3:** The Finance Act has inserted a new section 115BAC in the IT Act. As per the said section, resident Individual and HUF will have an option to pay tax on their total income at the reduced tax rates (New Tax Regime). The income would, however, have to be computed without claiming prescribed deductions or exemptions.

#### **Non-resident investors**

As per the provisions of the IT Act, in case of taxability of non-resident who is a tax resident of a country with which India has a Tax Treaty for granting relief of tax, the provisions of the IT Act shall apply to the extent they are more beneficial.

The interest income earned by the non-resident investors (being corporate entity / non-corporate entity) shall be generally (unless certain conditions are satisfied) taxable at the rate of 30%/ 35% under the provisions of the IT Act.

Taxation of interest income in the hands of FPI has been discussed separately.

### **8.11.3.3. Proceeds on buy-back of shares by a domestic company**

Upto 30 September 2024, gains arising on buy back of shares (listed and unlisted) shall be exempt in the hands of investors. However, a distribution tax at the rate of 20% (plus applicable surcharge of 12% and health and education cess of 4%) shall be payable by

the Indian company on distribution of income by way of buyback of its shares if the buyback is in accordance with the provisions of any law for the time being in force relating to companies. Such distribution tax shall be payable on the difference between consideration paid by such Indian company for purchase of its own shares and the amount that was received by the Indian company at the time of issue of such shares. With effect from 1 October 2024, any distributions received by the Fund pursuant to buyback of shares will be taxable as dividend under section 2(22)(f) and the value of consideration received by fund shall be deemed to be NIL for the purpose of capital gain working.

#### **8.11.3.4. Other tax considerations**

##### **a. Non-resident investors (including FPI):**

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

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

As per Section 6 of the IT Act, a foreign company will be treated as a tax resident in India if its place of effective management ('POEM') is in India in that year. POEM has been defined to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity are, in substance made. In case, the foreign company has a POEM in India, it would qualify as resident of India for tax purposes and consequently, its worldwide income would be taxable in India.

##### **b. Tax Treaty Benefits for Non-Resident investors**

As per Section 90(2) of the IT Act, the provisions of the IT Act, would apply to the extent they are more beneficial than the provisions of the Tax Treaty between India and the country of residence of the non-resident investor (subject to General Anti Avoidance Rules provisions discussed below and to the extent of availability of Tax Treaty benefits to the non-resident investors).

Section 90(1) provides that the Central Government may enter into a Tax Treaty for granting relief in respect of income tax, without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty shopping arrangements aimed at obtaining reliefs provided in the said agreement for the indirect benefit of residents of any other country or territory).

Having said the above, it may be noted that no assurance can be provided that the Tax Treaty benefits will be available to the non-resident investors or the terms of the Tax Treaty will not be subject to amendment or reinterpretation in the future.

In order to claim Tax Treaty benefits, the non-resident investor has to furnish the Tax Residency Certificate ('TRC') issued by the foreign tax authorities. Further, the non-resident investor shall be required to furnish such other information or document as may be prescribed. In this connection, the CBDT vide its notification dated 1 August 2013 has prescribed certain information in Form No. 10F to be produced along with the TRC, if the same does not form part of the TRC.

The tax authorities may grant Tax Treaty benefit (after verifying the TRC) based on the facts of each case. This chapter does not discuss the tax implications applicable to the non-residents under a beneficial Tax Treaty, which would need to be analysed

separately on the specific facts.

The taxability of such income of the non-resident investors, in the absence of Tax Treaty benefits or from a country with which India has no Tax Treaty, would be as per the provisions of the IT Act.

c. **STT:** STT is applicable on various transactions as follows:

Sr. No.	Taxable Securities Transaction	STT Rates w.e.f. 01-10-2024	STT Rates upto 30-09-2024	Payable by
1	Purchase of an equity share in a company or a unit of a business trust, where transaction is entered into in a recognized stock exchange and such contract is settled by the actual delivery or transfer of such share or unit.	0.10 %	0.10 %	Purchaser- on the value of taxable securities transaction based on the volume weighted average price.
	Purchase of a unit of an equity oriented fund, where such contract is settled by the actual delivery or transfer of such share or unit.	NIL	NIL	NA
2	Sale of an equity share in a company or a unit of a business trust, where transaction is entered into in a recognized stock exchange and such contract is settled by the actual delivery or transfer of such share or unit	0.10 %	0.10 %	Seller - on the value of taxable securities transaction based on the volume weighted average price.
	Sale of a unit of an equity oriented fund, where transaction is entered into in a recognized stock exchange and such contract is settled by the actual delivery or transfer of such share or unit	0.001 %	0.001 %	Seller - on the value of taxable securities transaction based on the volume weighted average price.
3	Sale of an equity share in a company or a unit of an equity oriented fund or a unit of a business trust, where transaction is entered into in a recognized stock exchange and such contract is settled otherwise than by the actual delivery or transfer of such share or unit.	0.025 %	0.025 %	Seller - on the value of taxable securities transaction based on the volume weighted average price.
4a	Sale of an option in securities	0.1 %	0.0625 %	Seller - on the option premium.
4b	Sale of an option in securities, where option is exercised	0.125 %	0.125 %	Purchaser - On Intrinsic value w.e.f. 01.09.2019
4c	Sale of a futures in securities	0.02 %	0.0125 %	Seller - on the price at which such futures is traded.

Further, as per SEBI guidelines, FII's are required to settle the transactions by delivery



only and therefore Sr. No. 3 of the above table is not applicable in case of FIIs.

**d. Transfer of unquoted shares at less than fair market value**

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

As per the Finance (No. 2) Act, 2019, the provision of section 50CA shall not apply to any consideration received/ accruing on transfer by certain class of persons and subject to fulfillment of conditions, as may be prescribed.

**e. Minimum Alternate Tax**

The Taxation Laws (Amendment) Act, 2019 has reduced the base rate of MAT from 18.5% to 15% (plus applicable surcharge and cess), which shall be applicable w.e.f. 1 April 2020 i.e. financial year 2019- 2020.

As per the IT Act, if the income-tax payable on total income by any company is less than 15% (excluding applicable surcharge and health and education cess) of its book profits, the company will be required to pay MAT which will be deemed to be 15% of such book profits (excluding applicable surcharge and health and education cess). Further, MAT provisions shall not be applicable to a foreign company if such company is a resident of a country or a specified territory with which India has a Tax Treaty and the company does not have a permanent establishment in India. Also, MAT provisions are not applicable if the company is a resident of a country or a specified territory with which India does not have a Tax Treaty, but the company is not required to seek registration under any law in relation to companies.

Further, the MAT credit is allowed to be carried forward up to 15 assessment years. The Finance Act, 2017, has introduced the framework for computation of book profit for IndAS compliant companies in the year of adoption and thereafter. In case where the domestic company opts to be taxed as per the rates and manner prescribed under Section 115BAA and 115BAB of the IT Act, then MAT provisions shall not be applicable to such domestic companies. Also, MAT credit (if any) shall not be allowed to be carried forward once the company exercises the option to avail reduced tax rates as mentioned above.

**f. Alternate Minimum Tax**

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

Further, as per Finance Act, the above provisions are not applicable in case of a person who exercises the option referred to in section 115BAC or section 115BAD of the IT Act.

**g. Bonus stripping**

Where any person buys or acquires any securities; or units of a mutual fund or the Unit Trust of India or business trust or Alternate Investment Fund within a period of three months prior to the record date (i.e., the date that may be fixed by a company or a Mutual Fund or the Administrator of the specified undertaking or the business trust or Alternate Investment Fund or the specified company, for the purposes of entitlement of the holder of the securities or units to receive additional security or unit, as the case may be, without any consideration) and such person is allotted additional securities or units (without any payment) on the basis of holding of the aforesaid securities or units on the record date, and if such person sells or transfers all or any of the original securities or units within a period of nine months after the record date while continuing to hold all or any of the additional securities or units, then any loss arising to him on account of such purchase and sale of all or any of the securities or units would be ignored for the purpose of computing his income chargeable to tax. Further, the loss so ignored would be deemed to be the cost of acquisition of such additional securities or units as are held by him on the date of sale or transfer of original securities or units.

**h. Carry-forward of losses and other provisions (applicable irrespective of the residential status)**

In terms of section 70 read with section 74 of the IT Act, short term capital loss arising during a year can be set-off against short term as well as long term capital gains. 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 for set-off against capital gains during the subsequent 8 assessment years.

**i. Goods and Services Tax**

Goods and Services Tax (GST) will be applicable on services provided by the Portfolio Manager to its Clients. The current GST rate of 18% would be levied on fees if any, payable towards portfolio management fee.

**There can be no guarantee that the above position or our interpretation thereof regarding taxation or other laws or regulations would be necessarily true, correct and accepted by the Indian tax or other regulatory authorities under the income tax act or other acts as applicable. No representation is made either by the portfolio manager, its group company or any employee, director or agent of the portfolio manager in regard to the acceptability or applicability or otherwise of the above stated position regarding taxation or other laws by the Indian tax or other authorities under the said acts. Investors are urged to consult their own other tax advisers in this regard for confirming their position. The portfolio manager or any other related person shall not be held liable for any errors/omissions in the above regulatory section.**

## **9. ACCOUNTING POLICIES**

**Following accounting policies are followed for the portfolio investments of the Client:**

### **9.1. Client Accounting**

- 9.1.1.** The Portfolio Manager shall maintain a separate Portfolio record in the name of the Client in its book for accounting the assets of the Client and any receipt, income in connection therewith as provided under Regulations. Proper books of accounts, records, and documents shall be maintained to explain transactions and disclose the financial position of the Client's Portfolio at any time.
- 9.1.2.** The books of account of the Client shall be maintained on an historical cost basis.
- 9.1.3.** Transactions for purchase or sale of investments shall be recognised as of the trade date and not as of the settlement date, so that the effect of all investments traded during a Financial Year are recorded and reflected in the financial statements for that year.
- 9.1.4.** All expenses will be accounted on due or payment basis, whichever is earlier.
- 9.1.5.** The cost of investments acquired or purchased shall include brokerage, stamp charges and any charges customarily included in the broker's contract note. In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of the investment. Sales are accounted based on proceeds net of brokerage, stamp duty, transaction charges and exit loads in case of units of mutual fund. Securities transaction tax, demat charges and Custodian fees on purchase/ sale transaction would be accounted as expense on receipt of bills. Transaction fees on unsettled trades are accounted for as and when debited by the Custodian. In respect of privately placed debt instruments, any front-end discount offered shall be reduced from the cost of the investment.
- 9.1.6.** Investment Management fees would preferably be calculated on daily weighted average AUM and charged on monthly basis on the last day of subsequent month subject to applicable GST. The same would be however subject to any other mutually agreed terms between Portfolio Manager and the specific client.
- 9.1.7.** Tax deducted at source (TDS) shall be considered as withdrawal of portfolio and debited accordingly
- 9.1.8.** Investments introduced by the client in portfolio will be booked at the market value as of the date of introduction to the portfolio.

### **9.2. Recognition of portfolio investments and accrual of income**

- 9.2.1** In determining the holding cost of investments and the gains or loss on sale of investments, the "First In First Out" (FIFO) method will be followed.
- 9.2.2** Unrealized gains/losses are the differences, between the current market value/ NAV and the historical cost of the Securities. For derivatives and futures and options, unrealized gains and losses will be calculated by marking to market the open positions.
- 9.2.3** Dividend on equity shares and interest on debt instruments shall be accounted on accrual basis. Further, mutual fund dividend shall be accounted on receipt basis. For investments not quoted on any stock exchange, dividend income shall be recognized as on the date of receipt.

- 9.2.4** Bonus shares/units to which the security/scrip in the portfolio becomes entitled will be recognized only when the original share/scrip on which bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.
- 9.2.5** Similarly, right entitlements will be recognized only when the original shares/security on which the right entitlement accrues is traded on the stock exchange on the ex-right basis.
- 9.2.6** In respect of all interest-bearing Securities, income shall be accrued on a day-to-day basis as it is earned. In case, where such interest cannot be accrued, Interest shall be accounted on its due date or receipt, whichever is earlier. At the time when such investments are purchased, interest paid for the period from the last interest due date up to the date of purchase shall not be treated as a cost of purchase but shall be debited to Interest Accrued Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale shall not be treated as an addition to sale value but shall be credited to Interest Accrued Account.
- 9.2.7** Where investment transactions take place outside the stock exchange, for example, acquisitions through private placement or purchases or sales through private treaty, the transactions shall be recorded, in the event of a purchase, as of the date on which the scheme obtains an enforceable obligation to pay the price or, in the event of a sale, when the scheme obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.

### **9.3. Valuation of portfolio investments**

- 9.3.1.** Portfolio Manager shall follow SEBI and/or APMI prescribed standardized valuation norms and may engage one or more APMI empaneled valuation agency wherever required for the valuations of securities.
- 9.3.2.** Investments in listed equity shall be valued at the last quoted closing price on the stock exchange. When the Securities are traded on more than one recognised stock exchange, the Securities shall be valued at the last quoted closing price on the stock exchange where the security is principally traded. It would be left to the portfolio manager to select the appropriate stock exchange, but the reasons for the selection should be recorded in writing. There should, however, be no objection for all scrips being valued at the prices quoted on the stock exchange where a majority in value of the investments are principally traded. 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 may be used. When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to the valuation date. In case of Portfolio Manager, Investments in listed equity instruments will be valued at the closing market prices on the National Stock Exchange (NSE). If the securities are not traded on the NSE on the valuation day, the closing price of the security on the Bombay Stock Exchange will be used for valuation of securities.
- 9.3.3.** Investments in units of a mutual fund are valued at NAV of the relevant scheme. Provided investments in mutual funds shall be through direct plans only.
- 9.3.4.** Investments in listed debt and money market securities will be valued at the closing market prices on the National Stock Exchange (NSE). If such securities are not traded on the NSE on the valuation day, the closing price of such securities on the Bombay

Stock Exchange will be used for valuation of securities. Further, if the closing price of such securities is not available on Bombay Stock Exchange also or in case of such securities are not traded on the valuation date, the last available traded price of such securities on above exchanges or any other SEBI registered clearing house including reporting platforms shall be used for the valuation of such securities.

- 9.3.5.** Debt Securities and money market Securities shall be valued as per the prices given by third party valuation agencies or in accordance with guidelines prescribed by Association of Portfolio Managers in India (APMI) from time to time.
- 9.3.6.** Unlisted equities are valued at prices provided by independent valuer appointed by the Portfolio Manager basis the International Private Equity and Venture Capital Valuation (IPEV) Guidelines on a semi-annual basis.
- 9.3.7.** Open positions of derivative, will be marked to market on the date of the valuation.
- 9.3.8.** In case of any other Securities, the same are valued as per the standard valuation norms applicable to the mutual funds.

The Investor may contact the customer services official of the Portfolio Manager for the purpose of clarifying or elaborating on any of the above policy issues.

The Portfolio Manager may change the valuation policy for any particular type of security consequent to any regulatory changes or change in the market practice followed for valuation of similar Securities. However, such changes would be in conformity with the Regulations.

The Portfolio Manager and the client can adopt any specific norms or methodology for valuation of investments or accounting the same as may be mutually agreed between them on a case specific basis, if the same is permissible in accordance with Regulations.

## 10. INVESTOR SERVICE

**10.1.** The Portfolio Manager seeks to provide high standard of service to Clients and is committed to put in place and upgrade on a continuous basis the system and procedures in this regard. The servicing will essentially involves:

**10.1.1.** Reporting portfolio transactions, Clients' Statement of Accounts at pre-defined frequency as defined by regulations

**10.1.2.** Attending to and addressing any Clients' query within minimum possible time.

**10.1.3.** Review of Portfolio on continuous basis

**10.2.** Name, address and telephone number of the Investor Relations Officer who shall attend to the Clients' queries and complaints are as below:

Name	Mrs. Swati Khemani
Designation	Head- Investor Relation Officer
Address	1205/1206, One Lodha Place, Senapati Bapat Marg, Lower Parel (W), Mumbai – 400013, Maharashtra, India
Telephone	+91-22 6937 4100
Email	<a href="mailto:investorgrievance@carneliancapital.co.in">investorgrievance@carneliancapital.co.in</a>

### 10.3. Grievance Redressal and Dispute Settlement mechanism:

**10.3.1.** An investor/client shall first take up his/her/their grievance with the Portfolio Manager by lodging a complaint directly with the Portfolio Manager by writing to Investment Relation Officer(s) at [investorgrievance@carneliancapital.co.in](mailto:investorgrievance@carneliancapital.co.in). The officer shall endeavour to take appropriate steps to resolve the issue/queries or grievances to the satisfaction of the client in a reasonable manner and promptly. The Portfolio Manager will ensure that this officer is vested with the necessary authority, independence and access to concerned activity to handle client complaints and issues

**10.3.2.** If the grievance is not redressed satisfactorily, the investor/client may, in accordance with the SCORES guidelines, escalate the same through the SEBI's web-based complaints redress system (SCORES) portal i.e. (<https://scores.sebi.gov.in>) in accordance with the process laid out therein. The Client may also make use of the SCORES facility for any escalations on redressal of their grievances.

**10.3.3.** SEBI vide press release PR No. 80/2012 dated August 30, 2012 has extended its toll-free helpline service for Investors (1800 22 7575 / 1800 266 7575) to Saturday and Sunday from the existing Monday to Friday. The service on Saturday and Sunday would be available initially to investors from all over India in English, Hindi, Marathi, and Gujarati from 9:30 a.m. to 5:30 p.m. For any queries/ feedback or assistance, the Client may also e-mail to [asksebi@sebi.gov.in](mailto:asksebi@sebi.gov.in).

**10.3.4.** After exhausting all available options for resolution of the grievance, if the investor/client is still not satisfied with the outcome, he/she/they can initiate dispute resolution through the Online Dispute Resolution Portal (ODR Portal). The Portfolio Manager may also initiate dispute resolution through the ODR Portal after having given due notice of atleast 15 calendar days to the investor/client for resolution of the dispute which has not been satisfactorily resolved between them. ODR Portal can be accessed at <https://smartodr.in/> w.e.f. 15th September 2023.

- 10.3.5.** The dispute resolution through the ODR Portal can be initiated when the complaint/dispute is not under consideration in terms of the paragraph above or SCOREs guidelines as applicable or not pending before any arbitral process, court, tribunal or consumer forum or are non-arbitrable in terms of Indian law (including when moratorium under the Insolvency and Bankruptcy Code is in operation due to the insolvency process or if liquidation or winding up process has been commenced against the Portfolio Manager). All disputes raised through ODR Portal shall be resolved in accordance with the guidelines of such ODR mechanism which may include conciliation, online arbitration.
- 10.3.6.** The dispute resolution through the ODR Portal can be initiated when within the applicable law of limitation (reckoned from the date when the issue arose/occurred that has resulted in the complaint/date of the last transaction or the date of disputed transaction, whichever is later).
- 10.3.7.** SEBI vide its circular no. SEBI/HO/OIAE/OIAE\_IAD-1/P/CIR/2023/131 dated July 31, 2023 read with SEBI/HO/OIAE/OIAE\_IAD-1/P/CIR/2023/135 dated August 4, 2023 and SEBI/HO/OIAE/OIAE\_IAD-3/P/CIR/2023/191 dated December 20, 2023, had issued guidelines for online resolution of disputes in the Indian securities market through establishment of a common ODR Portal which harnesses online conciliation and online arbitration for resolution of disputes arising between Clients and Portfolio Manager. These regulatory norms as stated in the aforesaid SEBI circulars are consolidated within the SEBI master circular SEBI/HO/OIAE/OIAE\_IAD-3/P/CIR/2023/195 dated December 28, 2023. Also, SEBI circular SEBI/HO/OIAE/IGRD/CIR/P/2023/156 dated September 20, 2023 explained in detail the mechanism for invoking Redressal of investor grievances through the SEBI SCORES Platform and linking it to ODR Platform i.e. <https://smartodr.in/login>.
- 10.3.8.** All matters that are appealable before the Securities Appellate Tribunal in terms of Section 15T of SEBI Act, 1992 (other than matters escalated through SCOREs portal in accordance with SEBI SCOREs Circular), Sections 22A and 23L of Securities Contracts (Regulation) Act, 1956 and 23A of Depositories Act, 1996 shall be outside the purview of the ODR Portal.
- 10.3.9.** The venue and seat of the online proceedings under ODR Portal shall be deemed to be the place as specified in Master Circular For Online Dispute Resolution (SEBI/HO/OIAE/OIAE\_IAD-1/P/CIR/2023/131 dated July 31, 2023).
- 10.3.10.** If the Investor remains dissatisfied with the remedies offered or the stand taken by the Portfolio manager, the Client and the Portfolio Manager have the alternative option to follow Arbitration Mechanism wherein all disputes, differences, claims and questions whatsoever arising between the Client and the Portfolio Manager and/or their respective representatives shall be settled through Arbitration process as described in the Portfolio Investment Management Agreement or any Supplemental Agreement thereto subject to SEBI (Portfolio Managers) Regulations 2020 and any amendments made thereto from time to time. Further, all the legal actions and proceedings are subject to the jurisdiction of court in Mumbai only and are governed by Indian laws.

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

**11.1.** This policy is designed to ensure that investment risk is distributed across various asset classes, issuers, and time horizons, in alignment with the principles outlined under the respective investment approach.

**11.2. Policy Approach**

The Portfolio Manager will adopt the philosophy of avoiding concentration risk—essentially, ensuring that investments are not overly exposed to any single avenue. A balanced allocation across suitable assets will be maintained in accordance with the investment objective and the strategy specified herein. This approach is expected to help the Portfolio Manager manage risk more effectively over time.

**11.3.** Further, the Portfolio Manager will operate within a clearly defined investment universe supported by research. Portfolio construction will remain restricted to this universe, ensuring that diversification across securities is carried out within the limits prescribed by SEBI Regulations. The Portfolio Manager will also conduct periodic reviews of the portfolio, taking into account the investor's financial goals, prevailing market conditions, risk appetite, and liquidity needs. These evaluations will guide the maintenance of an optimal asset mix that supports diversification while helping investors work toward their long-term objectives.

**11.4.** Type of Securities where investments may be made by the Portfolio Manager under any of the abovementioned Services:

- Shares, scrips, stocks, bonds, or other marketable securities of a like nature in or of any incorporated company or other body corporate;
- Derivative(s);
- Units or any other instrument issued by any collective investment scheme; 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;
- Government securities, Units or any other such instrument issued to the investors under any scheme of mutual fund, alternative investment fund, venture capital fund; However, the investment in units of Mutual funds is done only through Direct Plan
- Any certificate or instrument (by whatever name called), issued to any investor by any issuer being a special purposes 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;
- Such other instruments as may be declared by the Central Government to be securities; Rights or interest in securities;

**11.5.** The securities mentioned above are only illustrative. The Portfolio Manager may invest in a wide range of equity and equity-linked instruments, such as convertible or non-convertible preference shares, cumulative or non-cumulative preference shares, convertible or cumulative/non-cumulative debentures, bonds, and warrants that provide rights to subscribe to equity. Investments may also extend to units of mutual funds, alternative investment funds, exchange-traded funds, and any other instruments permitted under applicable Regulations from time to time. Idle cash balances may, as considered appropriate, be deployed in liquid mutual fund schemes.

**11.6.** Investments may be made in listed or unlisted securities (wherever permitted by SEBI), and across structures such as convertible, non-convertible, secured, unsecured, rated, unrated, and across various maturities. These may be acquired through secondary market transactions, RBI auctions, open market operations, IPOs, public issues, rights issues, placements, negotiated deals, and other permissible modes.



**11.7.** The debt universe includes all forms of fixed-income securities—such as securitised debt, pass-through certificates, debentures (fixed rate, floating rate, variable coupon, and equity-/index-linked), bonds, government securities issued or backed by the Central or State Governments, non-convertible portions of partially convertible securities, corporate bonds across public and private sectors, instruments issued by banks and development financial institutions, bank deposits, commercial papers, certificates of deposit, trade bills, treasury bills, and other money market instruments. Investments may also be made in units of mutual funds, SEBI-registered AIFs and Venture Capital Funds, floating-rate instruments, and fixed-income derivatives like interest rate swaps or forward rate agreements, to the extent allowed under the governing Acts, Rules, Regulations, and applicable guidelines.

**11.8.** The following investment limits shall apply to allocations in debt and hybrid instruments:

- A. The Portfolio Manager shall refrain from investing Client funds in unrated securities issued by Associate Companies or Related Parties.
- B. For Discretionary Portfolio Management Services, investments shall not be made in securities that fall below investment grade.
- C. For Non-Discretionary Portfolio Management Services, investments in listed securities that are below investment grade are not permitted. However, the Portfolio Manager may allocate up to 10% of the Client's assets under management to unlisted and unrated debt or hybrid instruments issued by entities other than Associate Companies or Related Parties.

Such exposure to unlisted and unrated debt or hybrid securities shall remain within the overall 25% ceiling on investments in unlisted securities, as prescribed under Regulation 24(4) of the Regulations.

- D. All investments of Client funds shall be guided by the credit rating standards and criteria specified by SEBI from time to time.

**11.9.** The above-mentioned limits on investments in unlisted and unrated debt or hybrid securities shall not apply to portfolios managed under Co-investment PMS, advisory mandates, or client categories that manage funds under government-directed programs or operate under specific legislative frameworks established by the State or Parliament.

**11.10.** All investments made in debt and hybrid instruments across the strategies described herein shall adhere to the provisions outlined above, along with any SEBI circulars or guidelines issued from time to time.

**11.11.** The asset classes available for investment will remain subject to the mutually agreed scope between the Portfolio Manager and the Client, as defined through any formal agreement—whether explicit or implied—including this Disclosure Document, any addendum, supplementary documents, written communications, and duly authenticated email exchanges between the client and Carnelian Asset Management & Advisors Pvt. Ltd.

## **12. CUSTODIAN SERVICES**

- 12.1.** Custody of all funds and securities of the Client shall be with the Custodian who shall be appointed, at the discretion of the Portfolio Manager. Currently, the portfolio Manager currently uses the Custodial/Depository/fund administration services of Nuvama Custodian Services Ltd. (Formerly Edelweiss Capital Services Ltd.) and may appoint more or different custodians in future, if required.
- 12.2.** The custodian shall act on instructions of the Portfolio Manager in respect of all the discretionary and non-discretionary Portfolio accounts.
- 12.3.** All custodian fees charged by the Custodian shall be payable by the Client.
- 12.4.** The Portfolio Manager shall not be liable for any error, failure or unauthorised act of the Custodian, which may cause or is likely to cause any loss or damage to the Client.

### **13. FUND ACCOUNTANT SERVICES**

- 13.1.** Accounting and Fund administration of all funds and securities of the Client shall be with the Fund Accountant who shall be appointed, at the discretion of the Portfolio Manager. Currently, the portfolio Manager uses the fund accountant services of Nuvama Clearing Services Ltd. (Formerly Edelweiss Custodial Services Ltd.) and may appoint more or different Fund Accountant in future, if required.
- 13.2.** The Fund Accountant shall act on instructions of the Portfolio Manager in respect of all the discretionary and non-discretionary Portfolio accounts.
- 13.3.** All Fund Accounting fees charged by the Custodian shall be payable by the Client.
- 13.4.** The Portfolio Manager shall not be liable for any error, failure or unauthorised act of the Fund Accountant, which may cause or is likely to cause any direct or indirect loss or damage to the Client.

## PART - II – DYNAMIC SECTION

### 14. CLIENT REPRESENTATION

#### 14.1. Portfolio Management or Advisory business details (Last 3 Years):

Category of Clients / Financial Year	No of Clients	Funds Managed* (Rs. Crores)	Discretionary/ Non-Discretionary/ Advisory
<b>Associates/ Group Companies</b>			
as at 31-03-2023	Nil	Nil	Nil
as at 31-03-2024	Nil	Nil	Nil
as at 31-03-2025	Nil	Nil	Nil
as at 31-10-2025	Nil	Nil	Nil
<b>Others</b>			
as at 31-03-2023	405	848.24	Discretionary
as at 31-03-2024	1,322	3,184.99	Discretionary
as at 31-03-2025	3,417	5,970.08	Discretionary
as at 31-10-2025	4,755	9,063.08	Discretionary
as at 31-03-2023	Nil	Nil	Non-Discretionary
as at 31-03-2024	Nil	Nil	Non-Discretionary
as at 31-03-2025	Nil	Nil	Non-Discretionary
as at 31-10-2025	Nil	Nil	Non-Discretionary
as at 31-03-2023	7	727.90	Advisory
as at 31-03-2024	6	1,244.13	Advisory
as at 31-03-2025	2	45.64	Advisory
as at 31-10-2025	1	1.69	Advisory

\*Funds Managed indicates market value of Assets under Management under all Investment approaches under all type of strategies.

#### 14.2. Disclosures in respect of Transactions with Related Parties as Per Accounting Standard “Related Party Disclosure” Specified by The Institute of Chartered Accountants of India

##### 14.2.1. Related Parties

- **Directors who are exercising significant influence over the Company:**

Mr. Manoj Bahety  
Mr. Vikas Khemani  
Mrs. Swati Khemani

- **Enterprises over which significant influence is exercised by above Directors:**

Carnelian Asset Management LLP (CAM LLP)  
Carnelian Capital Advisors LLP (CCA LLP)

##### 14.2.2. Transactions and balances with related parties of *Carnelian Asset Management & Advisors Private Limited* (Formerly *Carnelian Asset Advisors Pvt. Ltd.*) for the last 3 financial years are given as under:

	<b>CAMA</b>	<b>CAMA*</b>	<b>CAAPL</b>
<b>Particulars</b>	<b>2024-25</b>	<b>2023-24</b>	<b>2022-23</b>
<b>Equity Shares issued</b>			
Vikas Khemani	-	2,70,75,000,	-
Swati Khemani	-	1,94,25,000,	-
<b>Loan Received during the year from Directors</b>			
Vikas Khemani	-	4,70,00,000	2,55,00,000
Manoj Bahety	-	-	20,00,000
<b>Loan (Returned) during the year</b>			
Vikas Khemani	-	(6,50,00,000)	(75,00,000)
Manoj Bahety	-	-	(20,00,000)
<b>Salary/Remuneration/Sitting Fees paid</b>			
Vikas Khemani	3,60,000	3,38,400	1,12,800
Manoj Bahety	23,24,400	19,66,050	25,69,250
Swati Khemani	77,826	-	-
<b>Closing balance as on March 31<sup>st</sup></b>			
<b>Equity Share Balances</b>			
Vikas Khemani	3,44,25,000	3,44,25,000	73,50,000
Swati Khemani	3,44,25,000	3,44,25,000	1,50,00,000
Manoj Bahety	76,50,000	76,50,000	76,50,000
<b>Loan Payable</b>			
Vikas Khemani	-	-	1,80,00,000

\* **Carnelian Asset Advisors Private Limited (CAAPL)** thereafter changed its name to its current name **Carnelian Asset Management & Advisors Pvt. Ltd. (hereinafter referred as “Carnelian”, “CAMA”, “Portfolio Manager” or “Company”)** i.e. w.e.f. 4<sup>th</sup> September, 2023 to reflect its expanded business activities. Refer Clause 3 for details.

**15. THE FINANCIAL PERFORMANCE OF PORTFOLIO MANAGER:**

Audited Financial highlights of *Carnelian Asset Management & Advisors Private Limited* (Formerly Carnelian Asset Advisors Pvt. Ltd.) for the last 3 years are given as under:

Particulars	March 31, 2025 (Rs)	March 31, 2024 (Rs)	March 31, 2023 (Rs)
Profit/(Loss) before depreciation & tax and after Exceptional & Extraordinary Items	77,88,68,432	20,69,40,317	88,75,479
Other income	-	-	-
Less: Depreciation	(46,97,471)	(25,62,617)	(9,73,949)
Less: Provision for tax	(19,60,00,000)	(5,20,00,000)	(15,00,000)
Less/(Add): Deferred Tax	9,05,196	4,68,031	2,77,566
Short / (Excess) Income Tax Provision	(656)	1,17,308	3,23,800
Profit/(Loss) for the year after tax	57,90,75,501	15,29,63,039	70,02,896

## 16. PERFORMANCE OF THE PORTFOLIO MANAGER FOR THE LAST 3 YEARS:

The aggregate performance of the Portfolio manager of last 3 years in case of discretionary portfolio management services for each Investment Approach of respective Strategy type are as below: The Portfolio Manager has obtained a certificate of registration to function as a portfolio manager on February 22, 2019 and had commenced portfolio management services after May 15, 2019. s

Strategy Name / Investment Approach / Benchmark <sup>\$</sup>		YTD Oct 31, 2025*	FY 2024- 2025	FY 2023- 2024	FY 2022- 2023	Inception Date
<b>Strategy Type – Equity</b>						
A	<b>Carnelian Capital Compounder Strategy</b>	26.63%	7.91%	54.49%	-1.12%	May 15, 2019
	S&P BSE 500 Index TRI	11.77%	5.96%	40.16%	2.00%	
B	<b>Carnelian Shift Strategy</b>	11.01%	18.2%	73.53%	2.45%	Oct 06, 2020
	S&P BSE 500 Index TRI	11.77%	5.96%	40.16%	-2.26%	
C	<b>Carnelian Contra Portfolio Strategy<sup>^</sup></b>	9.83%	6.33%	92.63%	13.01%	Jan 27, 2022
	S&P BSE 500 Index TRI	11.77%	5.96%	40.16%	5.66%	
D	<b>Carnelian Bespoke Portfolio</b>	25.23%	6.94%	69.13%	9.79%	Oct 05, 2021
	S&P BSE 500 Index TRI	11.77%	5.96%	40.16%	-2.00%	
<b>Strategy Type – Debt</b>						
E	<b>Carnelian Liquid Strategy</b>	2.81%	5.78%	6.12%	5.21%	Feb 18, 2021
	Crisil Composite Bond Fund Index	3.57%	8.79%	8.26%	5.54%	

\* For the period from 1<sup>st</sup> April 2025 to 31<sup>st</sup> October 2025. Note that returns are presented for the said period only on absolute basis.

\$ Old Benchmark till the date of introduction of new Benchmark for the respective Strategy in terms of SEBI Circular dated 16-12-2022 and APMI Circular dated 23-03-2023 as given in Section 5 of this Disclosure Document.

<sup>^</sup> Formerly, named as Carnelian YnG Strategy

### Notes:

- Calculation of return is done on the basis of Time Weighted Average Rate of Return method
- All cash holdings and investments in liquid funds have been considered for calculation of performance.
- Performance data is net of all management fees and all expenses.
- Performance data, Investment Approach provided is not verified by any regulatory authority.

## 17. AUDIT OBSERVATIONS:

In terms of SEBI Regulations, Internal audit has been conducted on financial year basis and the Internal Auditor has conducted Internal Audit upto March 2025 and the details of major audit observation are as follows.

Financial year	Audit Observation
2021-22	NIL
2022-23	NIL
2023-24	NIL
2024-25	NIL



## 18. DETAILS OF INVESTMENTS IN THE SECURITIES OF RELATED PARTIES OF THE PORTFOLIO MANAGER

**18.1.** The Portfolio Manager will not invest client's money or Advice to Invest in its associate or Related Party of Portfolio Manager under any of the Investment approaches without specific prior consent and beyond the Investment limit specified by the Client as well as mandated in Regulations as amended from time to time.

**18.2.** Portfolio Manager has not invested client's money or advised to Invest in its associates or Related Party of Portfolio Manager in the last 3 years under any Investment Approach. Hence the following "details of Investments in the securities of related parties of the Portfolio Manager" required to be disclosed in the Disclosure Document is not applicable, to that extent.

### 18.3. Investments in the securities of associates/related parties of Portfolio Manager:

Sr. No.	Investment Approach, if any	Name of the associate/ related party	Investment amount (cost of investment) as on last day of the previous calendar quarter (INR in crores)	Value of investment as on last day of the previous calendar quarter (INR in crores)	Percentage of total AUM as on last day of the previous calendar quarter
N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

**For Carnelian Asset Management & Advisors Private Limited**  
**(Formerly Carnelian Asset Advisors Pvt. Ltd.)**

**Date:** December 05, 2025  
**Place:** Mumbai

<b>Vikas Khemani</b> Director	
<b>Manoj Bahety</b> Director	

Form C

SECURITIES AND EXCHANGE BOARD OF INDIA (PORTFOLIO MANAGERS) REGULATIONS, 2020  
(Regulation 22)

**CARNELIAN ASSET MANAGEMENT & ADVISORS PRIVATE LIMITED**  
(Formerly Carnelian Asset Advisors Pvt. Ltd.)

Address: 1205/1206, One Lodha Place,  
Senapati Bapat Marg, Lower Parel (W)  
Mumbai – 400013  
Contact details: +91 22-6937 4100  
E-mail: [kunal@carneliancapital.co.in](mailto:kunal@carneliancapital.co.in)

We confirm that:

- the Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by the Board from time to time;
- the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to us / investment through the Portfolio Manager.
- the Disclosure Document has been duly certified by an independent chartered accountant as on December 05, 2025. The copy of the certificate is enclosed. The details of the Chartered Accountant are as follows:

Name of the Firm	NGS & Co. LLP
Partner/Proprietor	R.P. Soni
Membership No	104796
Address	B-46, 3rd Floor, Pravasi Estate, V N Road, Goregaon (E), Mumbai – 63
Telephone No	+91-22-49084401

**For Carnelian Asset Management & Advisors Private Limited**  
(Erstwhile Carnelian Asset Advisors Private Limited)

*Kunal*



**Name of Principal Officer:** Kunal Shah

**Address:** 1205/1206, One Lodha Place, Senapati Bapat Marg, Lower Parel (W), Mumbai – 400013

**Date:** December 05, 2025

**Place:** Mumbai

The Head – Compliance

**Carnelian Asset Management & Advisors Private Limited  
(Formerly Carnelian Asset Advisors Pvt. Ltd.)**

1205/1206, One Lodha Place,  
Senapati Bapat Marg, Lower Parel (W)  
Mumbai – 400013

**Certificate under regulation 22 of Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020**

We have been requested by **Carnelian Asset Management & Advisors Private Limited (Formerly Carnelian Asset Advisors Pvt. Ltd.)** (the “Company”) having registered office at 1205/1206, One Lodha Place Senapati Bapat Marg, Lower Parel (W), Mumbai – 400013 and having SEBI Registration No. INP000006387, to certify the contents and information provided in the Disclosure Document dated December 05, 2025 (“Disclosure Document”) required to be filed with the Securities and Exchange Board of India (SEBI) as per Regulation 22 of SEBI (Portfolio Managers) Regulations, 2020.

**Management's responsibility**

The management of the Company is responsible for the maintenance of the books of account and such other relevant records as prescribed by applicable laws, which includes collecting, collating and validating data and designing, implementing and monitoring of internal controls relevant for the preparation and presentation of Disclosure Document.

The Disclosure Document and compliance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 is the responsibility of the management of the Company.

**Auditor's responsibility**

We have not performed an audit, the objective of which would be expression of an opinion on the financial statements, specified elements, accounts or items thereof, for the purpose of this certificate. Accordingly, we do not express such an opinion.

For the purpose of this certificate, we have planned and performed the required procedures to determine whether anything has come to our attention that causes us to believe that the aforementioned Disclosure Document is not in compliance with the SEBI Regulations.

We have verified Disclosure Document and the details with the respective documents by the Management of the Company and have relied on various representations made to us by the Management wherever necessary.



B - 46, 3rd Floor, Pravasi Estate, V. N. Road, Goregaon (E), Mumbai - 400 063.

Tel. : +91. 22. 49084401 | Email: info@ngsco.in

www.ngsco.in

We have relied on the representation given by the management about the penalties or litigation against the Portfolio Manager mentioned in the Disclosure Document. We are unable to comment on the same.

#### **Conclusion**

Based on the procedures performed by us, evidence obtained and information and explanations provided by the Company, nothing has come to our attention that causes us to believe that the Disclosure Document is not, in all material aspects, in compliance with the SEBI Regulations.

Based on our examination of attached Disclosure Document and other relevant records and information furnished by Management, we certify that the disclosures made in the attached Disclosure Document for Portfolio Management are true, fair and adequate to enable the investors to make a well informed decision.

This certificate is issued solely to comply with Regulation 22 of Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 (as amended from time to time) and may not be suitable for any other purpose. Accordingly, our certificate should not be quoted or referred to in any other document or made available to any other person or persons other than being part of Disclosure Document without our prior written consent. Also, we neither accept nor assume any duty or liability for any other purpose or to any other party to whom our certificate is shown or into whose hands it may come without our prior written consent.

For NGS & Co. LLP  
Chartered Accountants  
Firm Registration No.: 119850W

  
R. P. Soni

Partner

Membership No.: 104796



UDIN: 25104796BMHQLM5267

Place: Mumbai

Date: December 05, 2025