



AUDITORS CERTIFICATE

We were appointed by FE Securities Private Limited to examine and certify the information provided in the Disclosure Document for the month of May 2025 to be submitted by the Company to Securities and Exchange Board of India (SEBI) under regulation 14 of SEBI (Portfolio Managers) Rules and Regulations, 1993. We have verified the attached Disclosure Documents of even date; of the Portfolio Management Services of the Company based on the books of accounts and other financial records maintained by the Company.

On the basis of our verification and information provided by the management, we certify that disclosures made in the attached document are fair and adequate for the investors to take informed decision.

This certificate is prepared solely for the purpose of submitting the same to Securities Exchange Board of India and sharing with clients.

Place: New Delhi

Date: 14-05-2025

UDIN: 25080048BMIDNY1346



For S.K. BHARTI & CO
Chartered Accountants
S.K. BHARTI
A.S.No.80048
Partner



F E SECURITIES PRIVATE LIMITED

DISCLOSURE DOCUMENT

PORTFOLIO MANAGEMENT SERVICES

Updated as on 08-May-2025

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KAUL

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by DIVIJ KAUL
Date: 2025.05.08
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F E SECURITIES PRIVATE LIMITED
DISCLOSURE DOCUMENT
As required under Regulations 22 of
Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020

DECLARATION:

- a) The Disclosure Document (hereinafter referred as the "Document") has been filed with the Securities and Exchange Board of India ("SEBI") along with the certificate in the prescribed format in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020 ("Regulations").
- b) The purpose of the Document is to provide essential information about the portfolio services in a manner to assist and enable the investors in making informed decision for engaging F E Securities Private Limited (hereinafter referred as the "Portfolio Manager") as the portfolio manager.
- c) The Document contains the necessary information about the Portfolio Manager required by an investor before investing and the investor may also be advised to retain the Document for future reference.
- d) **Details of Portfolio Manager**

Name of the Portfolio Manager	F E SECURITIES PRIVATE LIMITED
SEBI Registration Number	INP000009269
Registered office address	814 Arunachal Building, 19 Barakhamba Road, New Delhi-110001
Phone	+91 11 23350670
Website	https://www.fesecurities.in/

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

Name of the Principal Officer	SANJAY KAUL
Phone	+91 11 23350670
Email	fes@fesecurities.in
Registered office address	814 Arunachal Building, 19 Barakhamba Road, New Delhi-110001



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I. **CONTENTS:**

1. **Disclaimer**

- a. The Particulars in this Document have been prepared in accordance with the Regulations as amended till date and filed with SEBI.
- b. This Document has neither been approved or disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the Document.

2. **Definitions**

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

1. **Act:** means the Securities and Exchange Board of India, Act 1992 (15 of 1992) as amended from time to time.
2. **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.
3. **Accredited Investor:** means any person who fulfils the following eligibility criteria or such other criteria as may specified by SEBI from time to time and is granted a certificate of accreditation by an Accreditation Agency
The following persons shall be eligible to be considered as Accredited Investors:
 - i. Individuals, HUFs, Family Trusts and Sole Proprietorships, which meet the criteria as under:
 - a. Annual Income \geq INR 2 Crore; OR
 - b. Net Worth \geq INR 7.5 Crore, out of which at least INR 3.75 Crore is in the form of financial assets; OR
 - c. Annual Income \geq INR 1 Crore+ Net Worth \geq INR 5 Crore, out of which at least INR 2.5 Crore is in the form of financial assets;
 - ii. Partnership Firms set up under the Indian Partnership Act, 1932 in which each partner independently meets the criteria for accreditation.
 - iii. Trusts (other than family trusts) with net worth greater than or equal to INR 50 Crore.
 - iv. Body Corporates with net worth greater than or equal to INR 50 Crore.
4. **Agreement:** means the portfolio management services agreement entered between the Portfolio Manager and the Client/Investor, as amended, modified, supplemented, or restated from time to time together with all annexures, schedules, and exhibits, if any.
5. **Application :** means The application made by the Client to the Portfolio Manager to place the funds and/or securities mentioned therein with the Portfolio Manager for Portfolio Management Services. Upon execution of the Agreement by the Portfolio Manager, 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.
6. **Applicable Laws:** means any applicable Indian statute, law, ordinance, regulation including the Regulations, rule, order, bye-law, administrative interpretation, writ, injunction, directive, judgment or decree or other instrument which has a force of law in India, as is in force from time to time.
7. **Asset Under Management or AUM:** means (i) the value of Securities in the Client's Portfolio and/or (ii) the Funds and (iii) all accruals thereto and (iv) expenses due from the Client's Portfolio, payable by the Client as applicable.
For the purpose of calculating the asset under management, securities shall be valued at the fair market value/marked to market basis (as applicable).
8. **Asset Under Advise or AUA:** means the aggregate net asset value of securities and investment



products for which the Portfolio Manager has rendered investment advice irrespective of whether the implementation services are provided by the Portfolio Manager or concluded by the client directly or through other service providers.

9. **Associate:** means (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.
10. **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 a pool account in the name of Portfolio Manager to keep the Funds of all clients.
11. **Business Day:** means days other than:
- a. Saturday and Sunday
 - b. a day on which the Banks in Mumbai and/or RBI are closed for business/clearing,
 - c. a day on which the Bombay Stock Exchange and the National Stock Exchange are closed,
 - d. a day on which normal business could not be transacted due to storms, floods, bands, strikes etc.
12. **Capital Contribution:** means the sum of money or Securities or combination thereof, contributed by the Client simultaneously upon execution of the Agreement or any time thereafter, subject to a minimum of INR 50,00,000 (Indian Rupees Fifty Lakhs) or such other amount as may be specified by the Portfolio Manager in compliance with Applicable Laws.
13. **Chartered Accountant:** means a Chartered Accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act.
14. **Client / Investor:** means such person(s) whose money or portfolio is advised or directed or managed by Portfolio Manager and is specified in Schedule I of the Agreement.
15. **Co-investment Portfolio Manager:** means a Portfolio Manager who is a Manager of a Category I or Category II Alternative Investment Fund(s); and:
- (i) provides services only to the investors of such Category I or Category II Alternative Investment Fund(s); and
 - (ii) makes investment only in unlisted securities of investee companies where such Category I or Category II Alternative Investment Fund(s) make investments:
- Provided that the Co-investment Portfolio Manager may provide services to investors from any other Category I or Category II Alternative Investment Fund(s) which are managed by them and are also sponsored by the same Sponsor(s);]
16. **Custodian:** means one or more custodian appointed by the Portfolio Manager, from time to time, for maintaining custody of funds and/or Securities of the Client.
17. **Depository Account:** means one or more account or accounts opened, maintained and operated by the Portfolio Manager with any depository or depository participant registered under the SEBI (Depositories and Participants) Regulations, 1996 in accordance with the agreement entered into with the Client.
18. **Disclosure Document or Document:** means this document filed by the Portfolio Manager with SEBI as required under the Regulations and as may be amended by the Portfolio Manager from time to time.



19. **Discretionary Portfolio Management Services:** means the portfolio management services rendered to the Client, by the portfolio Manager on the terms and conditions contained in this Agreement, where under the Portfolio Manager exercises any degree of discretion in investments or management of assets of the Client
20. **Distributor:** means any person engaged by the Portfolio Manager for the purpose of sale or distribution of securities.
21. **Advisor:** means any person, who is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called; (whether known as Channel Partners, Agents, Referral Interfaces or by any other name).
22. **Eligible Investor:** means individuals, company, body corporate, partnership firm, association of persons, limited liability partnership, trust, hindu undivided family and such other persons as may be deemed by the Portfolio Manager, to be eligible to avail of the services of the Portfolio Manager from time to time under the PMS.
23. **Financial Year:** means the year starting from April 01 and ending on March 31 of the following year.
24. **Hurdle Rate:** means the rate of return or benchmark return above which the performance fee will be charged as per the terms of the Agreement.
25. **High Water Mark:** means value of the highest Closing NAV achieved by the Portfolio in any year during the subsistence of this Agreement (adjusted for any additional funds/withdrawals by the Client in that year) and net of Portfolio Management Fees, for that year.
26. **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 such investment approach that may be introduced by the Portfolio Manager, from time to time.
27. **Large Value Accredited Investor:** means an Accredited Investor who has entered into an agreement with the Portfolio Manager for a minimum Capital Contribution of ten crore rupees
28. **Management Fee:** means the management fee payable to the Portfolio Manager in accordance with the terms of the Agreement and this Document.
29. **Non-Resident Indian or NRI:** means an individual resident outside of India who is an Indian Citizen.
30. **Non-Discretionary Portfolio Management Services:** means the portfolio management service rendered to the client, by the Portfolio Manager on the terms and conditions contained in the Agreement with respect to the Assets (including the Portfolio and Funds) of the Client, where the Portfolio Manager shall provide advice in relation to assets but does not exercise any discretion with respect to investments or management of the Assets of the Client, and invests and manage the Assets only after seeking and taking approval from the Client, entirely at the Client's risk.
31. **Net Asset Value (NAV):** Net Asset Value is aggregate of the market value of assets in portfolio consisting of equity, derivative, debt, mutual funds units, cash, cash equivalents, accrued interest or benefits, receivables, if any etc. less payable, if any.
32. **Performance Fee:** means the performance-linked fee payable to the Portfolio Manager above the



Hurdle Rate in accordance with the terms of the Agreement and this Document.

33. **Discretionary Portfolio Management Services:** means the portfolio management services rendered to the Client, by the portfolio Manager on the terms and conditions contained in this Agreement, where under the Portfolio Manager exercises any degree of discretion in investments or management of assets of the Client
34. **Distributor:** means any person engaged by the Portfolio Manager for the purpose of sale or distribution of securities.
35. **Advisor:** means any person, who is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called; (whether known as Channel Partners, Agents, Referral Interfaces or by any other name).
36. **Eligible Investor:** means individuals, company, body corporate, partnership firm, association of persons, limited liability partnership, trust, hindu undivided family and such other persons as may be deemed by the Portfolio Manager, to be eligible to avail of the services of the Portfolio Manager from time to time under the PMS.
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43. **Non-Resident Indian or NRI:** means an individual resident outside of India who is an Indian Citizen.
44. **Non-Discretionary Portfolio Management Services:** means the portfolio management service rendered to the client, by the Portfolio Manager on the terms and conditions contained in the Agreement with respect to the Assets (including the Portfolio and Funds) of the Client, where the Portfolio Manager shall provide advice in relation to assets but does not exercise any discretion with respect to investments or management of the Assets of the Client, and invests and manage the Assets only after seeking and taking approval from the Client, entirely at the Client's risk.
45. **Net Asset Value (NAV):** Net Asset Value is aggregate of the market value of assets in portfolio consisting of equity, derivative, debt, mutual funds units, cash, cash equivalents, accrued interest or benefits, receivables, if any etc. less payable, if any.
46. **Performance Fee:** means the performance-linked fee payable to the Portfolio Manager above the Hurdle Rate in accordance with the terms of the Agreement and this Document.



47. **Termination Fee:** means the withdrawal charge/s payable to the Portfolio Manager in accordance with the terms of the Agreement and this Document.

Words and expressions used and not defined in this Disclosure Document but defined in the Act shall have the meanings respectively assigned to them in the Act. 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 regulations governing Portfolio Management Services.

3. Description

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

F E Securities Pvt Ltd was established in 1995 in New Delhi, India by Sh. Sanjay Kaul, a chartered accountant and former Vice President of the Delhi Stock Exchange and Sh. Ajai Bahadur, a chartered accountant. Both of them have had a vast experience in the field of finance. Sh Ajai Bahadur took voluntary retirement in 2021 but Sh. Sanjay Kaul's son Divij Kaul who has a vast array of experience having worked across multiple industries in his career joined the company in early 2020. Divij kaul has a double masters degree in Marketing and looks after areas such as customer relationship management, business development, administrative work and coordination of front and back office. Sh. Sanjay Kaul continues to head the front office for the firm. The company has a vast domain of expertise within the financial markets spanning over 28 years.

(ii) Promoters and Directors of the Portfolio Manager, and their background:

A. Mr. Sanjay Kaul - Promoter & Director

Principal Officer and Chief Investment Officer
Qualification: Chartered Accountant

Experience:

Mr. Kaul possesses more than 33 years of rich experience in securities market and allied functions. He was selected as a member of Delhi Stock Exchange in year 1990 and subsequently expanded the trading business operations by promoting FE Securities Pvt. Ltd. in year 1995 and acquiring the membership of NSE, further in September 2005 the membership of BSE was acquired and in September 2006 became the Depository participant of the Depository CDSL. It is imperative to note that Mr. Kaul has been successfully leading the management of FE Securities Pvt. Ltd. since its inception. Further, having rich professional experience of over 44 years Mr. Kaul has also acquired skills and expertise in technical analysis, study of charts and market trends as well as financial management.

B. Mr. Divij Kaul - Director

Qualification: MBA Marketing – and MSc Marketing

Over 12 years of experience in Marketing and Management.

Mr. Divij Kaul has been fully involved in managing the overall affairs of the company over 5 years

Over the years, he has acquired skills and expertise in Technical Analysis, And Market Trends as well as Client Dealing.



C. Mr. Ajai Bahadur- Director

Qualification- Chartered Accountant

Experience

Mr. Ajai Bahadur was in service since qualifying as a Chartered Accountant in 1974

He has served for various organisations in the Finance sector both within the country and in the abroad approximately 17 years. Joined M/s Kaul & Co. (DSE member) in July 1992 and has been with the group since, which is a total of approx. 27 years. Mr. Ajai Bahadur was actively involved in the Investor Grievance Redressal process as an Arbitrator on the NSE (Delhi Centre) Arbitrators Panel.

D. Mrs. Nishi Kaul- Director- She has been associated with FE Securities Pvt Ltd since 2001.
Qualification- BA

Key Personnel of Portfolio Manager and their background

- a) Mr. Divij Kaul is Fund Manager at FE Securities Pvt Ltd. currently he serves as Head of Operations / Client Relationship Management /Business Development and across multiple roles in capital markets including equity research, fund management, structuring risk management and client dealing.
- b) Mr. Anil Kumar, is compliance Officer at FE Securities Pvt Ltd. He is engaged in Backoffice operations, Preparing and submitting required monthly, quarterly, and annual regulatory filings and reports to SEBI and other relevant authorities (e.g., custodians,). Ensuring timely and accurate reporting of all compliance-related matters. Training and educating staff on compliance policies and procedures
- c) Ms. Anju Saxena- is a key front office person- Mrs. Saxena has during these 25 years developed skill in all Front Office Operations especially in relation to client dealings, Market/ Market Trend Analysis, Technical Analysis like charts.
- d) Ms. Neelam Kumar, is Additional Employee for PMS Services currently she is working as dealer and responsible for sending trade related reports to clients.



4. **Details of the services being offered: Discretionary**

The Portfolio Manager primarily carry-on discretionary portfolio management Services.
F E Securities Private Ltd shall provide portfolio management services to following category of clients:

Client Category	Nature of services
Indian resident individuals, non – resident Indians, bodies corporate, partnership firms, trust, societies, association of persons, limited liability partnership and such other persons as may be deemed by the Portfolio Manager to be eligible to avail of the services of the Portfolio Manager	Discretionary
Foreign Portfolio Investors and their sub - accounts	Discretionary

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

Discretionary Portfolio Management Services

Under the Discretionary Portfolio Management Services, the Portfolio Manager shall deploy the Assets brought in by a Client by investing or divesting suitably in the capital markets as per the Act and Regulations. The Portfolio Manager shall be acting in a fiduciary capacity, as a trustee, with regard to the Client's account consisting of investments, 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). The Portfolio Manager will provide 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, keeping safe custody of the Securities and monitoring book closures, dividend, bonus, rights etc. so that all benefits accrue to the Client's Portfolio, for an agreed fee structure and for a definite period as described, entirely at the Client's risk. The Portfolio Manager shall have the sole and absolute discretion to invest on behalf of the Client in any type of security as per executed Agreement and make such changes in the investments and invest some or all of the Funds in such manner and in such markets as it deems fit. In case of Large Value Accredited Investors, the Portfolio Manager may invest up to hundred percent of the assets under management of such investors in unlisted securities, subject to the terms of the Agreement executed. The Portfolio Manager's decision (taken in good faith) in deployment of the Clients' account is absolute and final and cannot be called in question or be open to review at anytime during the currency of the Agreement or any time thereafter except on the ground of malafide, fraud, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant acts, rules and regulations, guidelines and notifications in force from time to time

5. **Services Offered**

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

Investment Objective

The investment objective of the Portfolio Manager under its PMS is to generate alpha, capital appreciation or preservation, regular returns or risk adjusted returns for client. The Portfolio Manager may invest Capital Contributions in any or all in any combination in Equity and/or related Securities, other debt products, fixed income products/instruments, mutual fund units, exchange traded fund/s, structured product/s, derivatives, and any other permissible securities/instruments/products in which the Portfolio Manager can invest as per Applicable Laws. The Portfolio Manager may, from time to time, hold any un-invested amount of Capital Contribution in cash or deploy the amount in liquid fund schemes, exchange traded liquid or index funds, debt- oriented schemes of mutual funds, gilt schemes, bank deposits or other short-term avenues for investments.



- ii. **Investment Approach of the Portfolio Manager**
Please refer to Annexure I for more details.

- iii. **The policies for investments in associates/group companies of the portfolio manager and the maximum percentage of such investments therein subject to the applicable laws/ regulations/ guidelines.**
The Portfolio Manager may invest up to a maximum of 30% of the Client's AUM in the securities of its associates/related parties subject to conditions under SEBI (Portfolio Managers) Regulations 2020 and its amendments.

The Portfolio Manager shall ensure compliance with the following limits:

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

*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.

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.

In the event of passive breach of the specified investment limits, (i.e., occurrence of instances not arising out of omission and/or commission of portfolio manager), a rebalancing of the portfolio shall be completed by Portfolio Manager within a period of 90 days from the date of such breach. The Client may give an informed, prior positive consent to the Portfolio Manager for waiver from the rebalancing of the portfolio to rectify any passive breach of the investment limits. Further, the Portfolio Manager shall not make any investment in below investment grade securities.

- iv. **Onboarding Clients:** The Portfolio Manager may:
- Empanel Distributors/Registered Investment Advisors to on-board the Client.
 - On-board the Client directly without intermediation of any Distributors. For more details about the same, the Client is requested to contact fes@fesecurities.in
- v. **Services offered to Accredited Investors and Large Value Accredited Investors:**
The below regulatory concessions are available to Accredited Investor and Large Value Accredited Investor under SEBI (Portfolio Managers) Regulations, 2020:

Particulars	Applicability
Contents of agreement specified under Schedule IV of SEBI (Portfolio Managers) Regulations, 2020 shall not apply to the agreement between the Portfolio Manager and Large Value Accredited Investor	Large Value Accredited Investor
The requirement of minimum Capital Contribution per client shall not apply	Accredited Investor
The Portfolio Manager may offer discretionary or non-discretionary or advisory services for investment up to hundred percent of the assets under management in unlisted securities subject to the terms agreed between the client and the Portfolio Manager	Large Value Accredited Investor
The quantum and manner of exit load applicable to the client of the Portfolio Manager shall be governed through bilaterally negotiated contractual terms	Large Value Accredited Investor



The detailed framework for Accredited Investors and Large Value Accredited Investors is available on the website of the Portfolio Manager at <https://www.fesecurities.in/>

6. Risk factors

General Risk:

- a) Securities investments are subject to market risk and there is no assurance or guarantee that the objectives of the PMS will be achieved.
- b) The Portfolio Manager has obtained a license to function as a portfolio manager on February 28, 2025. The Principal Officer and other key management personnel of the Portfolio Manager have rich individual experience.
- c) The past performance of the Portfolio Manager does not indicate its future performance.
- d) Any act, omission or commission of the Portfolio Manager under the Agreement would be solely at the risk of the Client and the Portfolio Manager will not be liable for any act, omission or commission or failure to act save and except in cases of gross negligence, willful default and/or fraud of the Portfolio Manager.
- e) The Client Portfolio may be affected by settlement periods and transfer procedures.
- f) The PMS is subject to risk arising out of non-diversification as the Portfolio Manager under its PMS may invest in a particular sector, industry, few/single portfolio entity/ies. The performance of the Client Portfolio would depend on the performance of such companies/industries/sectors of the economy.
- g) The services rendered by the Portfolio Manager will be subject to conflict of interest relating to FE Securities Private Limited as Portfolio Manager and various other affiliates, associates, holdings companies, subsidiaries, partners, officers and employees of the Portfolio Manager ("Relevant Parties"), which are engaged in a broad spectrum of activities in the financial sector.

Some of the possible conflicts of interest and potential conflicts of interest are outlined below:

- a) The Portfolio Manager and/or any of the Relevant Parties may act as an investment business by identifying, evaluating and recommending investments to its clients. Any conflict arising out of such relationships would be managed by the Portfolio Manager subject to Applicable Laws and SEBI Regulations.
- b) There could be multiple portfolios under the management of FE Securities Private Limited as a Portfolio Manager/Investment Manager/Advisor to other funds/schemes and/or any of the Relevant Parties, thereby presenting possibility of conflict of interest in allocating investment opportunities amongst the various portfolios. The Portfolio Manager will endeavour to resolve any such conflicts in a reasonable manner as it deems fit.
- c) The Portfolio Manager and/or any of the Relevant Parties, while managing the funds of Client, may from time-to-time effect transactions in securities in which the Portfolio Manager may have a financial or other business interest.
- d) The Relevant Parties providing services to the Client will have, in addition to their responsibilities for the Client, responsibilities for other companies, projects and clients. Accordingly, they may have conflicts of interests in allocating management time and other resources amongst the Fund and such other projects and clients.
- e) The Portfolio Manager and/or any of the Relevant Parties can act as manager/Advisor to any of the Portfolio Entity/ies, charge fee for the services rendered to them, provide broad range of financial services, from time to time and earn fee in addition to the fee charged to the Client under this Agreement. Any conflict arising out of any such relationships would be managed by the Portfolio Manager subject to Applicable Law and SEBI Regulations.
- f) The Portfolio manager and/or any of the Relevant Parties and/or its advisory clients or managed clients like AIF/FPI may have existing similar or contra positions in the stocks/ recommended in the client's account and may execute their trades at different timeline based on their execution strategy which may not match with trade execution in the PMS.
- g) 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.
- h) Certain Relevant Parties may also serve as employees or partner(s) /director(s) of the company



within the group. In such situations, the employee or partner is considered to be in a "dual hat" situation, which may result in conflicts of interest due to duties to differing entities.

- i) Considering FE Securities Private Limited is acting as Portfolio Manager, Investment Manager and also providing advisory services, a potential conflict of interest could be perceived between the investments and disinvestments undertaken by the Investment Manager for the schemes of AIF and various investment strategies under the PMS and investments and disinvestments advise provided to investment advisory clients.
- j) The attorneys, accountants, and other professionals, who perform services for the FE Securities Private Limited may, and in some cases do, also perform services for the Relevant Parties.
- k) The services rendered by the Portfolio Manager will be subject to conflict of interest relating as Portfolio Manager and various other affiliates, associates, holdings companies, subsidiaries, partners, officers, employees and other group entities of the Portfolio Manager, which are engaged in a broad spectrum of activities in the financial sector.

Conflict of interest would be inherent between the activities of the Portfolio Manager, Portfolio Entity/ies and the Relevant Parties. FE Securities Private Limited has adopted, inter alia, 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. The Portfolio Manager shall ensure fair treatment to all its clients in case of conflicts of interest. The attorneys, accountants, and other professionals, who perform services for the FE Securities Private Limited may, and in some cases do, also perform services for the Relevant Parties.

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

Risks associated with investments in equity and equity linked securities

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

Risk Factors associated with investments in derivatives

- a) Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of such strategies to be persuaded by the Portfolio Manager involve uncertainty and decision of the Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager shall be able to identify or execute such strategies.
- b) The risks associated with the use of derivatives are different from or possibly greater than, the risk associated with investing directly in securities and other traditional investments. As and when the Portfolio Manager on behalf of Clients would trade in the derivatives market there are risk factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself.



- c) Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is a possibility that loss may be sustained by the Portfolio as a result of the failure of another party (usually referred as the "counter party") to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value.
- d) The options buyer's risk is limited to the premium paid, while the risk of an options writer is unlimited. However, the gains of an options writer are limited to the premiums earned.
- e) The writer of a put option bears the risk of loss if the value of the underlying asset declines below the exercise price. The writer of a call option bears a risk of loss if the value of the underlying asset increases above the exercise price.
- f) Investments in index futures face the same risk as the investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks.

Risks associated with investments in fixed income Securities/products

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

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

Investment and Liquidity Risks: There may be no active secondary market for investments of the kind the Portfolio Manager may make for the Client Portfolio. Such investments may be of a



medium-to-long term nature. There are a variety of methods by which unlisted investments may be realized, such as the sale of investments on or after listing, or the sale or assignment of investments to joint-venture partners or to third parties subject to relevant approvals. However, there can be no guarantee that such realizations shall be achieved, and the Portfolio's investments may remain illiquid.

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

Identification of Appropriate Investments: The success of the PMS as a whole depends on the identification and availability of suitable investment opportunities and terms. The availability and terms of investment opportunities will be subject to market conditions, prevailing regulatory conditions in India where the Portfolio Manager may invest, and other factors outside the control of the Portfolio Manager. Therefore, there can be no assurance that appropriate investments will be available to, or identified or selected by, the Portfolio Manager.

Management and Operational risks

Reliance on the Portfolio Manager

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

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

Non-diversification risks: This risk arises when the Portfolio is not sufficiently diversified by investing in a wide variety of instruments. However, the Portfolio Manager will attempt to maintain a diversified portfolio in order to minimize this risk.

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

India-related Risks

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

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



respective Indian state governments could have a significant effect on the Indian economy, which could adversely affect private sector companies, market conditions, prices and yields of the portfolio entity/ies.

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

Legal and Tax risks:

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

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

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

Risk pertaining to Investments

Investment in Securities/Instruments

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



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

Risks associated with Investments into securities of Associates/Related Parties

The associates/related parties providing services will have, responsibilities for other companies, projects and clients. Accordingly, they may have conflicts of interests in allocating management time and other resources amongst the Portfolio Manager and such other projects and clients.

Further, the Client Portfolio may be invested in listed securities of the associates/related parties and as such may be subject to the market risk associated with the vagaries of the capital market.

7. Client Representation:

- The details of client representation have been provided in **Annexure II**.
- Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India.

- Name of KMP and/or related parties as per Audited financial statements for year ended 31st March, 2024

Nature of Relationship	Name of the Party
Shareholder/Director (Presently Director and Shareholder of FE Securities Private Limited)	Sanjay Kaul
Designated Director	Divij Kaul
Relative of Partner/Director	Nishi Kaul

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

	As on March 31, 2023	As on March 31, 2024	As on March 31, 2025
Net Profit			

9. Performance of the Portfolio Manager

The Portfolio Manager has been granted registration on February 28, 2025

Performance (in CAGR)	Data as on 31 st March 2025						
	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	Since Inception



Strategy Performance Computation is based on TWRR on Pooled basis, post fees & expenses

10. Audit Observations for preceding three years

The details of PMS client audit observation are as follows:

Particulars	Audit Observations
FY 2021-2022	No Audit Observations
FY 2022-2023	No Audit Observations
FY 2023-2024	No Audit Observations

11. Nature of expenses

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

i. Management Fee:

i) Portfolio Management Fees:

Portfolio Management Fees relates to the fee payable by the Client for the Portfolio Management Services offered to the Clients by the Portfolio Manager. This fee is (as a percentage) related to the Net Realizable Value* or NRV of the Portfolio under investment management and may be fixed, variable or a combination of both, as set out in the client Agreement. Brief details of the fees are given below:

a) Fixed management fees:

- The Fixed Fees are charged to the Client at the end of every year @ a pre decided date pre- defined fixed rate on quantum of funds being managed as agreed in the agreement plus taxes. In the event Client makes any partial or complete withdrawal(s), the Client shall be liable to pay the Fixed Fees thereon on pro rata basis calculated up to and until the date of such withdrawal(s).

b) Performance Fee:

- Frequency of charging Performance Fee varies from 1 year to 3 year
- and is generally charged on the Client's anniversary date or year end on 31/12 as specified in agreement.
- Performance fee is subject to the Portfolio Manager achieving a minimum investment & could be up to return over and above the hurdle rate (with High water mark principles).
- In the event Client makes any partial or complete withdrawal(s), the Client shall be liable to pay the Performance Fees thereon on pro rata basis calculated up to and until the date of such withdrawal(s) and the Hurdle rate shall be applicable pro rata.
- The hurdle rate shall be applicable pro rata in respect of any further sums placed by the Client from the date of such placement till the date of calculating performance fee.

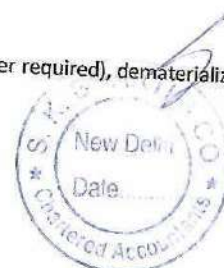
ii. Termination Fee:

Subject to regulatory limits, the Portfolio Manager may charge the following early withdrawal fee as a percentage of the value of the Portfolio /withdrawn Portfolio as per the terms and conditions of a particular Product as agreed in the Agreement.

- For exit within Year 1 from the date of each investment allocation- up to 3% plus applicable taxes.
- For exit within Year 2 from the date of each investment allocation- up to 2% plus applicable taxes.
- For exit within Year 3 from the date of each investment allocation- up to 1% plus applicable taxes.

ii) Depository & Custodian charges:

- These charges relate to opening and maintenance of Depository Accounts (wherever required), dematerialization



of scrips and their transfer charges in connection with the operation and management of the Client's Portfolio account.

- These charges are accrued and charged to Clients at actuals on monthly basis.
- The Custodians charge the Portfolio Manager based on rates negotiated with them.
- The indicative rates are given in the table below.

iii) Brokerage and transaction costs:

- These costs relate to charges payable to the broker for execution of transactions on the stock exchange or otherwise on purchase and sale of shares, bonds, debentures, units, and other instruments.
- These charges are on actual basis as charged by the broker.
- The brokers charge the Portfolio Manager on each transaction and the same is passed onto the Client as a part of transaction cost and is included in cost of investment.
- The indicative rates are given in the table below

iv) Registrar and transfer agent fee: NIL

v) Miscellaneous Expenses:

- Expenses in connection with, operation of bank accounts, documentation, Auditing and certification such as stamp duty attestations, notary, legal services, goods and service tax (GST), insurance charges and any other outsourcing/administrative charges, etc. All charges are on an actual basis
- The indicative rates are given in the table below

vi) All the above expenses are subject to GST as per applicable rates.

12. Taxation

12.1 General

This summary on Indian tax matters contained herein is based on existing law as on the date of this memorandum. 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 retroactive effect.

The following is a summary of certain relevant provisions of the Income-tax Act, 1961 ('ITA') as amended by the Finance Act, 2024¹ ('Finance Act') read along with Income-tax Rules, 1962, ('IT Rules') and various circulars and notifications issued thereunder from time to time.

The summary is based on laws, regulations, rulings and judicial decisions now in effect, and current administrative rules, practices and interpretations, all of which are subject to change, with possible retrospective effect.

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 schemes of the Portfolio Manager. Implications of any judicial decisions/ double tax avoidance agreements 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 inform themselves as to any income tax or other tax consequences arising in the jurisdictions in which they are resident or domiciled or have any other presence for tax purposes, which are relevant to their particular circumstances in connection with the acquisition, holding or disposal of the 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.

12.2 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 2024-25 (Assessment year 2025-26). The rate of surcharge and health and education cess are as under:

12.2.1 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 less than INR 1 Crore	If income exceeds INR 1 Crore but less than INR 2 Crores	If income exceeds INR 2 Crores but less than INR 5 Crores	If income exceeds INR 5 crores
Individual, HUF, AOP, BOI (Resident and non-resident)	Nil	10%	15%	25%	37%

¹ This document is currently updated for interim budget (Finance Act, 2024) and shall be revisited for tax rates once the Final Budget is released by the Government.

Note 1: In case where the total income includes dividend income (only residents) or any income referred to in section 111A or section 112 or section 112A of the ITA, surcharge on such income shall not exceed 15%.

Note 2: In case where the total income of foreign portfolio investor ('FPI') includes any short-term capital gains or long-term capital gains or dividend income, surcharge on such income shall not exceed 15%.

Note 3: The rates provided under section 115BAC(1A) of the ITA shall be applicable unless an option is exercised under section 115BAC(6) to opt out of the regime. Further, the option of opting back to the regime under section 115BAC(1A) of the ITA can be exercised only once by a taxpayer earning income from business or profession. However, a person not having income from business or profession shall be able to exercise this option every year. Under this regime, the rate of surcharge shall be capped at 25% (instead of 37%). This section is also applicable to association of persons [other than a cooperative society], or body of individuals, whether incorporated or not, or an artificial juridical person.

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 less than 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: The applicable surcharge rate on income chargeable to tax under sections 115BAA or 115BAB of the ITA shall be 10% irrespective of the income threshold.

Health and education cess



In addition to the above, health and education cess at the rate of 4% is leviable on aggregate of tax and surcharge.

12.2.2 In this tax chapter, we have used the term 'applicable slab rates' at many places. The slab rates which are applicable for individuals / HUF / AOP / BOI are as follows:

Alternate 1: Old Tax Regime

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: Section 87A of the ITA provides for a rebate on tax on total income of up to INR 5,00,000 for resident 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: New Tax Regime

The new tax regime under section 115BAC of the ITA is the default tax regime unless an option is exercised to opt out of this regime as provided under section 115BAC(6) of the ITA.

Total Income	Tax rates (refer notes below)
Up to 3,00,000	Nil
From 3,00,001 to 6,00,000	5%
From 6,00,001 to 9,00,000	10%
From 9,00,001 to 12,00,000	15%
From 12,00,001 to 15,00,000	20%
Above 15,00,000	30%

Note 1: Section 87A of the ITA provides for a rebate on tax on total income of up to INR 7,00,000 for individual assessee. Further, marginal relief is available to the extent incremental income tax liability exceeds incremental income in excess of Rs 7,00,000 if the resident individual has opted for new tax regime.

Note 2: The option to pay tax under this regime shall be available only if the total income of assessee is computed without claiming specified exemptions or deductions specified under the ITA.

Note 3: Section 115BAC is also applicable to association of persons [other than a cooperative society], or body of individuals, whether incorporated or not, or an artificial juridical person.

12.3 Tax Deductions, liability and payments

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



As prescribed under the ITA, investors shall understand the liability of payment of TDS, if any, on the management fee/ other fees charged by the Portfolio Manager and will deposit the same as per prevailing IT Rules and provide TDS certificate to the Portfolio Manager within the requisite time period. Investor who wishes to register under the GST information should provide their written request along with the copy of GST Certificate at the time of onboarding or before the beginning of the new quarter for any prospective changes in invoicing

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

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

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

12.4.1 Dividend income on shares

As per section 115-O of the ITA, the Indian company declaring dividend would not be required to pay any dividend distribution tax on dividend distributed/paid/declared to its shareholders. The dividend income would be taxable in the hands of the shareholders under the ITA at applicable rates. Further, the shareholder can claim a deduction of interest expenditure incurred for the purpose of earning such dividend income and such deduction would be restricted to 20% of the gross dividend income.

Further, as per section 80M of the ITA, any Indian company which receives dividend from another Indian company and the dividend is distributed by the first mentioned Indian company to its shareholders before the specified due date (i.e., one month prior to the date of filing tax return under section 139 of the ITA), then the first mentioned Indian company can claim a deduction of the dividend received by it from the other Indian company.

The Indian Company declaring dividend would be required to deduct tax at 10% in case of payment to resident investors (provided amount exceeds INR 5,000) and at 20% or rates in force, 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 ITA is 20% (plus applicable surcharge and cess), unless a lower rate is specified in the relevant tax treaty.

Accordingly, the dividend income (net of deductions, if any) will be taxable at the following rates:

Resident investors

Dividend income earned by	Tax rate for domestic investors
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 case of domestic companies having total turnover or gross receipts not exceeding INR 400 crores in the Financial Year 2022-23 (Assessment Year 2023-24), the applicable tax rate would be 25%.

Note 2: The tax rates for domestic companies exercising the option under section 115BAA and section 115BAB of the ITA shall be 22% and 15% respectively, subject to fulfilment of conditions prescribed in the said sections.

Note 3: The rates provided under section 115BAC(1A) of the ITA shall be applicable unless an option is exercised under section 115BAC(6) to opt out of the regime. Further, the option of opting back to the regime under section 115BAC(1A) of the ITA can be exercised only once by a taxpayer earning income from business or profession. However, a person not having income from business or profession shall be able to exercise this



option every year. Under this regime, the rate of surcharge shall be capped at 25% (instead of 37%). This section is also applicable to association of persons [other than a cooperative society], or body of individuals, whether incorporated or not, or an artificial juridical person. At present, the highest slab rate has been captured.

Non-resident investors

As per section 115A(1)(a)(i) of the ITA, the dividend income would be taxable at the rate of 20% (plus applicable surcharge and health and education cess) in case of non-resident shareholders, subject to beneficial tax rate under the relevant tax treaty.

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

12.4.2 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 2022-23 (Assessment Year 2023-24), the applicable tax rate would be 25%.

Note 2: Further, the tax rates for domestic companies exercising the option under section 115BAA and section 115BAB of the ITA shall be 22% and 15% respectively, subject to fulfilment of conditions prescribed in the said sections.

Note 3: The rates provided under section 115BAC(1A) of the ITA shall be applicable unless an option is exercised under section 115BAC(6) to opt out of the regime. Further, the option of opting back to the regime under section 115BAC(1A) of the ITA can be exercised only once by a taxpayer earning income from business or profession. However, a person not having income from business or profession shall be able to exercise this option every year. Under this regime, the rate of surcharge shall be capped at 25% (instead of 37%). This section is also applicable to association of persons [other than a cooperative society], or body of individuals, whether incorporated or not, or an artificial juridical person. At present, the highest slab rate has been captured.

Non-resident investors

As per the provisions of the ITA, 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 ITA 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 40%/ as per slab under the provisions of the ITA.

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

12.4.3 Gains on sale of securities

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): -

- Intention at the time of acquisition - capital appreciation;
- Low transaction frequency;
- Long period of holding;
- Shown as investments in books of accounts (not stock in trade);
- Use of owned funds (as opposed to loan) for acquisition; and
- 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:

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

Gains characterised as capital gains

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

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

Type of instrument	Period of holding	Characterisation
Listed Securities (other than a unit), units of equity-oriented mutual funds, units of Unit Trust of India and Zero- Coupon bonds	More than 12 months	Long-term Capital Asset
	12 months or less	Short-term Capital Asset
Shares of a company (other than shares listed on a recognised stock exchange)	More than 24 months	Long-term Capital Asset
	24 months or less	Short-term Capital Asset
Other securities (other than Market Linked Debentures and unit of a Specified Mutual Fund)	More than 36 months	Long-term Capital Asset
	36 months or less	Short-term Capital Asset

Capital gains on redemption/ transfer/ maturity of Specified Mutual Fund (i.e. a mutual fund where not more than 35% is invested in equity shares of an Indian company) acquired on or after 1 April 2023 or Market Linked Debentures shall be deemed to be capital gains arising from a Short-Term Capital Asset (STCG), irrespective of the period of holding.

Taxability of capital gains under the ITA (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	STCG on transfer of listed equity shares on a recognized stock exchange, to be listed equity shares sold through offer for sale or units of equity oriented mutual fund, and on which Securities Transaction Tax ("STT") has been paid (Section 111A)	15%	15%	15%
2	Any other short-term capital gains	30% [Note 1]	30% (in case of firms/LLP/ foreign non-corporates [Note 1] / 40% (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] (Section 112A)	10% [Note 3] [on income in excess of INR 1 lakh]	10% [Note 3] [on income in excess of INR 1 lakh]	10% [Note 3] [on income in excess of INR 1 lakh]
4	Long term capital gains on sale of listed bonds or listed debentures (Section 112)	10% (without indexation) [Note 4]	10% (without indexation) [Note 4]	10% (without indexation) [Note 3]
5	Long-term capital gains on transfer of unlisted bonds or unlisted debentures (Section 112)	20% (without indexation)	10% [Note 3]	10% [Note 3]
6	Long-term capital gains on transfer of unlisted securities (other than unlisted bonds and unlisted debentures) (Section 112) [Note 5]	20% (with indexation)	10% [Note 3 a and 4]	10% [Note 3]

Note 1:

Assuming highest slab rates for individual investors.

In case of domestic companies having total turnover or gross receipts not exceeding INR 400 crores in the Financial Year 2022-23 (Assessment Year 2023-24), the applicable tax rate would be 25%.

Further, the tax rates for domestic companies exercising the option under section 115BAA and section 115BAB of the ITA shall be 22% and 15% respectively, subject to fulfilment of conditions prescribed in the said sections subject to a cap of 15% for capital gains earned under section 111A or 112A or 112 of the ITA. As per section 115BAC of the ITA, resident Individual and HUF will have an option to pay tax on its total income at the reduced tax rates. The income would, however, have to be computed without claiming prescribed deductions or exemptions.

The rates provided under section 115BAC(1A) of the ITA shall be applicable unless an option is exercised under section 115BAC(6) to opt out of the regime. Further, the option of opting back to the regime under section 115BAC(1A) of the ITA can be exercised only once by a taxpayer earning income from business or profession.



However, a person not having income from business or profession shall be able to exercise this option every year. Under this regime, the rate of surcharge shall be capped at 25% (instead of 37%). This section is also applicable to association of persons [other than a cooperative society], or body of individuals, whether incorporated or not, or an artificial juridical person.

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:
 - o Fair market value as on 31 January 2018, determined in the prescribed manner; and
 - o 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 ITA 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:

The Indian Tax Authorities may disregard the said position and apply a tax rate of 20%.

Note 5:

As per section 50CA of the ITA, 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.

12.4.4 Gains are characterised as 'business income'

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. In case of domestic companies having total turnover or gross receipts not exceeding INR 400 crores in the Financial Year 2022-23 (Assessment Year 2023-24), the applicable tax rate would be 25%. Kindly note, we have assumed highest rate for resident individual investors. Further, the tax rates for domestic companies exercising the option under section 115BAA and section 115BAB of the ITA shall be 22% and 15% respectively, subject to fulfilment of conditions prescribed in the said sections.

If the gains are characterised as business income, then the same should be taxable on net income basis at 40% 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.

12.4.5 Proceeds on buy-back of shares by a domestic company

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 buy-back 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.

12.5 Other tax considerations

12.5.1 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 ITA.

As per Section 6 of the ITA, 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.

12.5.2 Tax deduction at source

Section 206AA of the ITA

Section 206AA of the ITA provides that where a recipient of income (who is subject to withholding provisions) does not furnish its Permanent Account Number ('PAN'), then tax is required to be deducted by the payer at the higher of the following i.e.,

- rates specified in the relevant provisions of the ITA;
- rates in force; or
- 20%.

In the case of non-residents not having a PAN, this provision requiring tax deduction at a higher rate shall not apply if they furnish certain prescribed information / documents. The CBDT had issued a notification granting certain relaxations from deduction of tax at a higher rate in the case of non-resident investors or a foreign company. The provisions of section 206AA of the ITA does not apply in respect of payments to be made which are in the nature of interest, royalty, fees for technical services and payments on transfer of any capital asset, provided the deductee furnishes certain details and specified documents to the deductor.

Section 206AB of the ITA

Section 206AB of the ITA applies where any sum or income or amount is paid, or payable or credited, by a person to a specified person and tax is required to be deducted at source as per provisions of the ITA (except under sections 192, 192A, 194B, 194BA, 194BB, 194LBC, 194N 194-IA, 194-IB, or 194M of the ITA).

The term 'specified person' has been defined to mean a person who has not filed the return of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be deducted, for which the time limit of filing return of income under section 139(1) has expired; and the aggregate of tax deducted at source and tax collected at source in his case is INR 50,000 or more in the said previous year. Further, specified person shall not include a non-resident who does not have a permanent establishment in India and a person who is not required to furnish the return of income for the assessment year relevant to the said previous year and who is notified by the Central Government in the Official Gazette.

In case the aforesaid section is applicable, tax shall be deducted at higher of the followings rates:

- twice the rate specified in the relevant provision of the ITA; or
- twice the rate or rates in force; or
- the rate of five per cent.

If provisions of section 206AA and section 206AB of the ITA are applicable to a specified person, then, tax shall be deducted at higher of the two rates provided under the respective sections of the ITA.



Withholding tax on purchase of goods

Section 194Q of the ITA provides that any person (i.e. buyer) who is responsible for paying any sum to any resident (i.e. seller) for the purchase of any goods (likely to include shares and securities) of the value or aggregate of such value exceeding INR 50 lakhs in any previous year, shall deduct an amount equal to 0.1% of such sum exceeding INR 50 lakhs. The buyer shall be required deduct such tax at the time of credit of such sum to the account of the seller or at the time of payment thereof by any mode, whichever is earlier.

Further, the term 'buyer' has been defined to mean a person whose total sales, gross receipts or turnover from the business carried on by him exceeds INR 10 crores during the financial year immediately preceding the financial year in which the purchase of goods is carried out.

The section further provides that if any sum is credited to any account, whether called "suspense account" or by any other name, in the books of the buyer liable to pay such income, such credit of income shall be deemed to be the credit of such income to the account of the payee (i.e. seller) and the provisions of this section shall apply accordingly.

However, the provisions of section 194Q of the ITA shall not apply to transactions on which:

- (a) tax is deductible under any of the provision of the ITA; and
- (b) tax is collectible under the provisions of section 206C of the ITA other than transaction to which section 206C(1H) of the ITA applies.

The CBDT, in order to clarify on the applicability of the provisions of section 194Q of the ITA on transactions carried through various stock exchanges, issued a circular dated 30 June 2021. Per the said circular, it was clarified that the provisions of section 194Q should not be applicable to transactions in securities traded through recognized stock exchange or cleared and settled by the recognized clearing corporation.

The said circular further clarified that the provisions of section 194Q of the ITA shall not apply to a non-resident whose purchase of goods from seller resident in India is not effectively connected with the permanent establishment of such non-resident in India. For this purpose, "permanent establishment" shall mean to include a fixed place of business through which the business of the enterprise is wholly or partly carries on.

The CBDT further issued guidelines to address various issues arising on applicability of the provisions of section 194Q of the ITA.

Collection of tax at source

Section 206C(1H) of the ITA mandates a seller to collect tax at source at the rate of 0.1% of the consideration value of the goods (likely to include shares and securities) sold exceeding value of INR 50 lakhs.

The seller has been defined to mean a person whose total sales, gross receipts or turnover from the business carried on by him exceeds INR 10 crores during the specific earlier year.

If the buyer does not provide PAN or Aadhaar number to the seller, then the tax rate shall be collected at rate higher of the following:

- at twice the rate specified in the relevant provision of this ITA
- At the rate of 1%.

In a situation, where the buyer is liable to undertake withholding obligations and has undertaken the said obligation, the seller will not be liable to collect tax at source.



Having said the above, the CBDT vide its Circular No. 17 of 2020, dated 29 September 2020, stated that the provisions of 206C(1H) shall not apply to transactions in securities and commodities which are traded through recognized stock exchanges.

The CBDT further issued guidelines to address various issues arising on applicability of the provisions of section 206C(1H) of the ITA.

Section 206CCA of the ITA

Section 206CCA of the ITA deals with collection of tax at higher rates on payments made to non-filers of income-tax returns. The said section applies where tax is required to be collected at source under the provisions of Chapter XVII-BB, on any sum or amount received by a person from a specified person, the tax shall be collected at the higher of the following two rates:

- at twice the rate specified in the relevant provision of the ITA; or
- 5%.

In this context, the term 'specified person' means a person who has not filed the tax return for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be collected, for which the time limit of filing return of income under section 139(1) has expired; and the aggregate of tax deducted at source and tax collected at source in his case is INR 50,000 or more in the said previous year. Further, the specified person shall not include a non-resident who does not have a permanent establishment in India and a person who is not required to furnish the return of income for the assessment year relevant to the said previous year and who is notified by the Central Government in the Official Gazette.

If both the above-mentioned provisions are applicable (i.e. section 206CC and 206CCA), it has been proposed that the tax will be collected at the higher of the two rates derived in both the sections.

The applicability of these provisions w.r.t. shares and securities are required to be tested.

12.5.3 Foreign Portfolio Investors

As per section 2(14) of the ITA, 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. Under section 115AD of the ITA, long-term capital gains arising from transfer of securities shall be taxable at the rates mentioned in paragraph 12.4.3 above.

Under section 115AD of the ITA, interest and dividend income earned by FPIs should be taxable at 20%. However, interest referred to in section 194LD of the ITA should be taxable at 5% on interest payments up to 30 June 2023, subject to fulfilment of conditions. The Finance Act 2023 has done away with the concessional tax rate under section 194LD of the ITA for interest income arising on rupee-denominated bonds or government securities after 30 June 2023. Effective 1 July 2023, interest income paid to FPIs is taxable at the rate of 20% (plus applicable surcharge and cess) under section 115AD of the ITA, unless a lower rate is specified in the relevant tax treaty.

As per section 196D of the ITA, 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 ITA with respect to interest income (other than referred to in section 115AD of the ITA) and dividend income at the rate of 20%.

12.5.4 Tax treaty Benefits for Non-Resident investors

As per Section 90(2) of the ITA, the provisions of the ITA, would apply to the extent they are more beneficial than the provisions of the tax treaty between India and the country of residence of the non-resident investor (subject to General Anti Avoidance Rules ('GAAR') provisions discussed below and to the extent of availability



of tax treaty benefits to the non-resident investors).

As per, section 90(1) of the ITA, 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 based 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 ITA.

12.5.5 Securities Transaction Tax (STT):

STT is applicable on various transactions as follows:

- (a) 0.10% on the purchase of equity shares in a company or a unit of a business trust where the contract for purchase is settled by the actual delivery or transfer of shares;
- (b) 0.10% on the sale of equity shares in a company or sale of units of a business trust on a recognised stock exchange in India where the contract for sale is settled by the actual delivery or transfer of shares;
- (c) 0.001% on the sale of units of equity oriented funds on a recognised stock exchange in India where the contract for sale is settled by the actual delivery or transfer of units
- (d) 0.025% on the sale of equity shares in a company or units of equity oriented funds or units of a business trust on a recognised stock exchange in India where the contract for sale is settled otherwise than by the actual delivery or transfer of shares or unit;
- (e) 0.0125% on the sale of futures in securities;
- (f) 0.0625% on the sale of options in securities;
- (g) 0.125% of the difference between the strike price and settlement price of the option, where the options are exercised;
- (h) 0.2% on sale of unlisted equity shares under an offer for sale

12.5.6 Transfer of unquoted shares at less than fair market value

As per section 50CA of ITA, 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 ITA.

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.

12.5.7 Deemed income on investment in securities

Section 56(2)(x) of the ITA provides that if any assessee receives any property (including securities) without consideration or for inadequate consideration in excess of INR 50,000 as compared to the fair market value, fair market value in excess of such consideration shall be taxable in the hands of the recipient as 'Income from Other Sources'. The above rates would be subject to availability of benefits under the tax treaty, if any in case of non-resident assessee.



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

12.5.8 GAAR:

The GAAR regime as introduced in the ITA shall be effective from 1 April 2017. GAAR may be invoked by the 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 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 ITA;
- 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 recharacterise 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;
- Reallocating and re-characterizing equity into debt, capital into revenue, etc.
- Disregarding or treating any accommodating party and other party as one and the same person; or
- Deeming persons who are connected to each other parties to be considered as one and the same person for the purposes of determining tax treatment of any amount.

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

12.5.9 FATCA Guidelines

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

- a. the name, address, taxpayer identification number [('TIN') (assigned in the country of residence)] and date and place of birth ['DOB' and 'POB' (in the case of an individual)];
- b. where an entity has one or more controlling persons that are reportable persons:
 - i. the name and address of the entity, TIN assigned to the entity by the country of its residence; and
 - ii. the name, address, DOB, POB of each such controlling person and TIN assigned to such controlling



- person by the country of his residence;
- c. account number (or functional equivalent in the absence of an account number);
- d. account balance or value (including, in the case of a cash value insurance contract or annuity contract, the cash value or surrender value) at the end of the relevant calendar year; and
- e. the total gross amount paid or credited to the account holder with respect to the account during the relevant calendar year.

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

Furthermore, section 271FAA of the Act provides that if there is any inaccuracy in the statement of financial transactions submitted by a prescribed reporting financial institution and such inaccuracy is due to false or inaccurate information submitted by the account holder, a penalty of INR 5000 shall be imposed on such institution, in addition to the penalty leviable on such financial institution in the said section, if any. This penalty shall be levied by the income tax authority prescribed under section 285BA of the Act. The reporting financial institution may recover the amount so paid on behalf of the account holder or retain out of any money that may be in its possession or may come to it from every such reportable account holder.

12.5.10 Multilateral Convention to implement tax treaty related measures to prevent Base Erosion and Profit Shifting

The Organisation of Economic Co-operation and Development ('OECD') released the Multilateral Convention to implement tax treaty related measures to prevent Base Erosion and Profit Shifting.

MLI is an agreement negotiated under Action 15 of the OECD/G20 BEPS Project. As opposed to bilateral tax treaty, the MLI is intended to allow jurisdictions to swiftly amend their tax treaties to include the tax treaty-related BEPS recommendations in multiple Tax Treaties. MLI seeks to curb tax planning strategies that have the effect of shifting profits to low or no tax jurisdictions, supplements or modifies existing tax treaties etc.

The final impact of the MLI on a tax treaty is dependent on both the contracting states to the tax treaty having deposited their respective instruments of ratification with their final MLI Positions with the OECD Depository. The MLI includes both mandatory provisions (i.e. the minimum standards under the BEPS Project) as well as non-mandatory provisions.

India has been an active participant in the entire discussion and its involvement in the BEPS project has been intensive. In a ceremony held in Paris on 7 June 2017, various countries including India, signed the MLIs. The Union Cabinet of India issued a press release dated 12 June 2019, approving the ratification of the MLI to implement tax treaty related measures to prevent BEPS. The application of MLI to a tax treaty is dependent on ratification as well as positions adopted by both the countries signing a tax treaty. On 25 June 2019, India has taken the final step for implementation of MLI by depositing its instrument of ratification with the OECD. The MLI entered into force from 1 October 2019 and operational with effect from the financial year beginning from 1 April 2020 in respect of certain treaties signed by India.

Once MLI evolves and is implemented in future, one would need to analyse its impact at that point in time on the existing tax treaties that India has entered into with other countries. There is limited guidance or jurisprudence at present on how the above will be interpreted by the Tax authorities and applied

1.1.1.1 Minimum Alternate Tax

MAT at the rate of 15% plus surcharge and cess shall be levied on domestic companies. As per the ITA, 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 ITA provides for the



framework for computation of book profit for Indian Accounting Standards ('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 ITA, 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.

1.1.2 Alternate Minimum Tax

As per the ITA, 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.

Above provisions are not applicable in case of a person who exercises the option referred to in section 115BAC or section 115BAD of the ITA.

1.1.3 Bonus stripping

Any person who buys or acquires any units of a mutual fund or the Unit Trust of India within a period of three months prior to the record date (i.e., the date that may be fixed by a Mutual Fund or the Administrator of the specified undertaking or the specified company, for the purposes of entitlement of the holder of the units to receive additional unit without any consideration) and such person is allotted additional units (without any payment) on the basis of holding of the aforesaid units on the record date, and if such person sells or transfers all or any of the original units within a period of nine months after the record date while continuing to hold all or any of the additional units, then any loss arising to him on account of such purchase and sale of all or any of the 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 units as are held by him on the date of sale or transfer of original units.

Bonus stripping provisions cover all securities and units (including units of a business trust, i.e., units of a REIT/InvIT and beneficial interest of an investor in an AIF registered with SEBI).

1.1.4 Income Stripping

As per section 94(1) of the ITA, where any person owning securities sells or transfers the same or similar securities and buys back or reacquires those securities and the result of the transaction is that any interest becoming payable in respect of the securities is receivable otherwise than by such owner, the said interest payable, whether it would or would not have been chargeable to income tax apart from the provisions of

section 94(1) of the ITA, would be deemed to be the income of the owner of the securities and not to be the income of any other person subject to certain specified conditions.

As per section 94(2) of the ITA, where any person has had at any time during any previous year any beneficial interest in any securities, and the result of any transaction relating to such securities or the income thereof is that, in respect of such securities within such year, either no income is received by him or the income received by him is less than the sum to which the income would have amounted if the income from such securities had accrued from day to day and been apportioned accordingly, then the income from such securities for such year shall be deemed to be the income of such person.

12.5.11 Carry-forward of losses and other provisions (applicable irrespective of the residential status)



In terms of section 70 read with section 74 of the ITA, short term capital loss arising during a year can be set-off against short term as well as long term capital gains. 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, subject to tax return filing being undertaken with the prescribed due dates.

Business loss can be set off against the income from any other source under the same head or income under any other head (except income from salary) in the same assessment year. Further, if such loss cannot be set off against any other head in the same assessment year, then it will be carried forward and shall be set off against the profits and gains of the business, within the period of eight subsequent assessment years.

12.5.12 Expenditure incurred in relation to income not includible in the total income

Per the provisions of section 14A of the ITA read with Rule 8D of the IT Rules, if any income of the taxpayer does not form part of the total income or is exempt under the provisions of the ITA, then any expenditure incurred by the taxpayer, directly or indirectly, in relation to such income will not be allowed as deduction for the purpose of calculating the total taxable income of the taxpayer. Further, it is also provided that this section shall always apply in a case where exempt income has not accrued or arisen or has not been received during the previous year relevant to an assessment year and the expenditure has been incurred during the said previous year in relation to such exempt income.

12.5.13 Goods and Services Tax

From 1 July 2017 onwards, India has introduced Goods and Service Tax (GST). Post introduction of GST, many Indirect tax levies (including service tax) have been subsumed and GST should be applicable on services provided by the Portfolio Manager to Clients. GST rate on such services is currently 18%.

THERE CAN BE NO GUARANTEE THAT THE ABOVE POSITION REGARDING TAXATION WOULD BE NECESSARILY ACCEPTED BY THE INDIAN TAX AUTHORITIES UNDER THE INCOME TAX ACT. NO REPRESENTATION IS MADE EITHER BY THE PORTFOLIO MANAGER OR ANY EMPLOYEE, PARTNER OR AGENT OF THE MANAGER IN REGARD TO THE ACCEPTABILITY OR OTHERWISE OF THE ABOVE POSITION REGARDING TAXATION BY THE INDIAN TAX AUTHORITIES UNDER THE ITA. INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS IN THIS REGARD.

13. Accounting and Valuation policies

Investments in Equities, Exchange Traded Fund (ETF), Mutual Funds and Debt instruments are stated at cost. Cost of the investments includes brokerage, Goods and Service Tax, stamp duty, transaction charges and turnover tax wherever applicable. However, securities transaction tax incurred on buying and selling of securities is recognized as expense. Transactions for purchase or sale of investments are recognized as of the trade date and not, as of the settlement date, so that the effect of all investments traded during the year is recorded and reflected in the financial statements for that year.

- I. **Market Value of Investments:** For the purpose of computation of net asset value and management fee, investments are valued as follows: -
 - Equity instruments are valued at the closing market price of the security on the National Stock Exchange (NSE) on the valuation date.
 - Mutual fund units are valued at the Net Asset Value declared for the relevant scheme by the Mutual Fund.
 - In case market price / net asset value as mentioned above is not available on the valuation date, the latest available price on the NSE/BSE or the most recent Net Asset Value is considered. In case the latest available price is more than 3 months old, market value is considered as Zero.
 - Pending listing on NSE/BSE, securities resulting from demerger have been valued at their apportioned cost as per the ratios/book values published by the companies.



II. Revenue Recognition:

- i. **Realized Gains** : Realized gain/loss is recorded on the date of sale and is the difference between the purchase cost and sale price of the security sold. Realized gains/losses are calculated by applying the First-in-First out principle. Such gains/ losses also include gains/ losses on sale of securities received as corpus.

In case of securities withdrawn by client at the time of redemption of portfolio, notional gain/loss being the difference between the purchase cost and the market value of respective securities as on the date on which securities are withdrawn by client are reflected in Profit and Loss Account under Realized Gain/Loss for the purpose of calculation of performance of the portfolio. However, such notional gain/loss does not form part of Statement of Capital Gain/Loss since the same is not considered as an actual transfer of security as per Income Tax provisions.

- ii. **Dividend** : Dividend on shares is accounted on accrual basis i.e. income is recorded on the ex-dividend date. Such dividend also includes dividend earned on securities brought in as corpus.
- iii. **Interest Income** : Interest income received from bank, if any, is recorded on receipt basis
- iv. Cash received against fractional quantity arising out of corporate action is accounted on receipt basis

III. Fees and Expenses

- i. **Management fees**: Management fees have been charged within the rates specified in the terms of the portfolio management services agreement. Management fees is charged at the close of relevant quarter and at the time of redemption.
- ii. **Performance Based Fees, wherever applicable**: Wherever applicable, Performance Based Fees have been charged within the rates specified in the terms of the portfolio management services agreement.

- iii. **Exit Load**: Exit Load is charged at the time of redemption as per the terms of the portfolio management services agreement.

- iv. **Custody Charges** : Custody fees has been accrued monthly on the basis of the actual expense incurred/ or within the terms of the agreement.

IV. Accounting and valuation of additions and withdrawal to AUM in the form of Securities.

- The securities received toward corpus and added to the portfolio are valued and accounted at the previous day/same day's closing rate of NSE/BSE and the same is construed as cost of acquisition for the purpose of computing capital gains. However, if the actual purchase cost of the securities received as corpus is provided by the client, the same is considered as cost of acquisition for the purpose of computing capital gains.
- The securities withdrawn as corpus are valued and accounted at the closing rate of NSE/BSE on the date of withdrawal.

- V. Addition to corpus in form of cash are accounted subject to KYC & PMLA clearance of additional fund.
- VI. Realized gains/losses are calculated by applying the First-in-First out principle. Such gains/ losses also include gains/ losses on sale of securities received as corpus.
- VII. Securities Transaction Tax levied on purchase/sale of securities and derivatives during the financial year is recognized as an expense in the books of accounts.
- VIII. Securities Transaction Tax levied on purchase/sale of securities and derivatives during the year is recognized as an expense in the books of accounts.
- IX. Custody fees if charged have been accrued on the basis of actual expense incurred/ or within the terms of the agreement. Further such fees charged may include expenses pertaining to previous year.
- X. Other expenses if charged have been accrued within the terms of the agreement.
- XI. Wherever applicable, Tax Deducted at Source on sale of shares / mutual funds, interest or any other income on which tax is deducted is accounted as corpus out, since such amounts are not available



- to the Portfolio Manager for investment purposes.
- XII. Opening balances are considered on the basis of system's closing balance as on last day of previous financial year.
 - XIII. Unlisted/de-listed/suspended stocks brought by client is generally not accepted as corpus in and hence not accounted and not forming part of holding. However, the same may be accepted exceptionally. If unlisted/de-listed/suspended stocks brought by the client are accepted as corpus, the same are valued at zero.
 - XIV. Unrealized gain/loss is the difference between the current market value/ Net Asset Value and the historical cost of the securities.
 - XV. If an Investor's account with Portfolio Manager is held jointly by two or more persons, the portfolio performance summary and all the related reports would reflect the name of the first holder only.

14. Custody of Securities

- i. Custody of all Securities of the Client shall be with the Custodian who shall be appointed, from time to time, at the discretion of the Portfolio Manager. Currently, the Portfolio Manager uses the custodial/depository/fund administration services of HDFC Bank Ltd, ICICI Bank Ltd, Kotak Mahindra Bank Limited and may appoint more custodians in future if required
- ii. The Custodian shall act on instructions of the Portfolio Manager.
- iii. All such custodian or fund accounting fees, charged by the Custodian shall be payable by the Client.
- iv. The Portfolio Manager shall not be liable for any act of the Custodian, done with or without the instruction of the Portfolio Manager, which may cause or is likely to cause any loss or damage to the Client.

15. Investors services

The Portfolio Manager seeks to provide the portfolio clients a high standard of service. The Portfolio Manager is committed to put in place and upgrade on a continuous basis the systems and procedures that will enable effective servicing through the use of technology and RTA agents.

SEBI vide its circular SEBI/HO/IMD/IMD-POD-1/P/CIR/2024/80 dated June 07, 2024, on 'Publishing of Investor Charter and disclosure of Investor Complaints by Portfolio Managers on their websites' ("Circular") has directed all the Portfolio Managers to provide relevant information to the investors about the various activities pertaining to PMS by way of an Investor Charter. In view of the same, please find Investor Charter at

The Client servicing essentially involves:

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

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

Name	Ms. Anju Saxena
Designation	Head- Customer Services
Address	814 Arunachal Building, 19 Barakhamba Road, New Delhi-110001
Telephone No	+91 11 23350670
Email id	fes@fesecurities.in

The official mentioned above will ensure prompt investor services. The portfolio manager will ensure that this official is vested with the necessary authority, independence and the means to handle investor complaints.

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



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

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

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

Name	Mr. Anil Kumar
Designation	Compliance Officer
Address	814 Arunachal Building, 19 Barakhamba Road, New Delhi-110001
Telephone No	+91 11 23350670
Email id	anil@fesecurities.in

a. **Grievance redressal and dispute settlement mechanism:**

Grievances, if any, that may arise pursuant to the Portfolio Management Services Agreement entered into shall as far as possible be redressed through the administrative mechanism by the Portfolio Manager and are subject to SEBI (Portfolio Managers) Regulations 2020 and any amendments made thereto from time to time. However, all the legal actions and proceedings are subject to the jurisdiction of court in Mumbai only and are governed by Indian laws.

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

It is Mandatory for the Client having grievance to take up the matter directly with the Portfolio Manager. The Portfolio Manager shall redress the grievance within 21 (Twenty-one) calendar days from the date of



receipt of the complaint. The soft copies / hard copies of the complaints received from the customers are preserved by the Portfolio Manager for future reference, if required.

If Clients are still not satisfied with the response from FESPL, they can lodge their grievances with SEBI at <https://scores.sebi.gov.in/> or may also write to any of the offices of SEBI or contact SEBI Office on Toll Free Helpline at 1800 266 7575 / 1800 22 7575. The complaint shall be lodged on SCORES within one year from the date of cause of action,

- The complainant has approached FESPL, for redressal of the complaint and, FESPL has rejected the complaint or,
- The complainant has not received any communication from FESPL or,
- The complainant is not satisfied with the reply received or the redressal action taken by FESPL.

SCORES may be accessed through SCORES mobile application as well. If the investor is not satisfied with the extent of redressal of grievance by FESPL, there is a one-time option for 'review' of the extent of the redressal, which can be exercised within 15 days from the date of closure of the complaint on SCORES. Thereafter, the complaint shall be escalated to the supervising official of the dealing officer of SEBI.

After exhausting all aforementioned options for resolution, if the client is not satisfied, they can initiate dispute resolution through the Online Dispute Resolution Portal (ODR) at <https://smartodr.in/login>

Alternatively, the client can directly initiate dispute resolution through the ODR Portal if the grievance lodged with the Portfolio Manager is not satisfactorily resolved or at any stage of the subsequent escalations mentioned above.

The dispute resolution through the ODR Portal can be initiated when the complaint/dispute is not under consideration in SCORES guidelines or not pending before any arbitral process, court, tribunal or consumer forum or are non-arbitrable in terms of Indian law.

The process on Online Dispute Resolution Mechanism is available at /

16. General

Prevention of Money Laundering

The Government of India has put a policy framework to combat money laundering through the Prevention of Money Laundering Act, 2002 (PMLA 2002). Director, FIU-IND and Director (Enforcement) have been conferred with exclusive and concurrent powers under relevant sections of the Act to implement the provisions of the Act. Consequently, SEBI has mandated that all registered intermediaries to formulate and implement a comprehensive policy framework on anti-money laundering and adopt 'Know Your Customer' (KYC) norms.

Further, SEBI vide Master Circular No. SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78 dated June 06, 2024 (which supersedes all the earlier circular) issued a 'Master Circular for Guidelines on Anti Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) / Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules frame thereunder' consolidating all the requirements/instructions/obligations of Securities Market Intermediaries.

Accordingly, the investors should ensure that the amount invested by them is through legitimate sources only and does not involve and are not designed for the purpose of any contravention or evasion of any Act, Rules, Regulations, Notifications or Directions of the provisions of Income Tax Act, Prevention of Money Laundering Act, Anti-Corruption Act and or any other applicable laws enacted by the Government of India from time to time. The Portfolio Manager is committed to complying with all applicable anti money laundering laws and regulations in all of its operations.



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

To ensure appropriate identification of the Client(s) under its KYC policy and with a view to monitor transactions in order to prevent money laundering, the Portfolio Manager (itself or through its nominated agency as permissible under Applicable Laws) reserves the right to seek information, record investor's telephonic calls and/or obtain and retain documentation for establishing the identity of the investor, proof of residence, source of funds, etc. Where the funds invested are for the benefit of a person (beneficiary) other than the person in whose name the investments are made and/or registered, the Client shall provide an undertaking that the Client is holding the funds/Securities in his name is legally authorised/entitled to invest the said funds through the services of the Portfolio Manager, for the benefit of the beneficiaries.

The Portfolio Manager will not seek fresh KYC from the Clients who are already KYC Registration Agency (KRA) compliant except the information required under any new KYC requirement. The Clients who are not KRA compliant, the information will be procured by the Portfolio Manager and uploaded. The Portfolio Manager, and its partners, employees, agents and service providers shall not be liable in any manner for any claims arising whatsoever on account of freezing the Client's account/rejection of any application or mandatory repayment/returning of funds due to non-compliance with the provisions of the PML Laws and KYC policy and/or where the Portfolio Manager believes that transaction is suspicious in nature within the purview of the PML Laws and/or for reporting the same to FIU-IND. Notwithstanding anything contained in this Document, the provisions of the Regulations, PML Laws and the guidelines there under shall be applicable. Clients/Investors are advised to read the Document carefully before entering into an Agreement with the Portfolio Manager.

For and on behalf of FE Securities Private Limited

Mr. Sanjay Kaul Director	SANJAY KAUL Digitally signed by SANJAY KAUL Date: 2025.05.08 16:31:09 +05'30'
Mr. Divij Kaul Director	DIVIJ KAUL Digitally signed by DIVIJ KAUL Date: 2025.05.08 16:30:47 +05'30'



Place: Delhi

Date:

Annexure – I: Investment Philosophy and Approach

Investment Philosophy

The investment objective to provide appropriate risk adjusted returns for the Client shall be driven by following philosophies:

- **Alpha generators**
 - **Growth companies:** Companies where profitability is expected to grow at a rate higher than the average market rate.
 - **Value companies:** Fundamentally under-priced stock with reasonable growth expectations
 - **Micro/small & Mid-cap companies:** Invest in small companies having scalable business models and potential of becoming large caps in medium term long term.
- **Fundamentals for investment**
 - Bottom up research with a focus on balance sheet/ Profit & Loss/ Cash flow
 - Focuses on numbers rather than presentations and hype.
 - Returns ultimately are all about earnings.
- **Independent investment process**
 - Follows a proficient and responsive process for evaluating investment opportunities and does not get carried away by market views and peer / management talks.
 - Disciplined to follow the investment thesis.
- **Agile and flexible**
 - Each investment opportunity is evaluated based on individual merit.
 - Not constrained to a particular theme or style.
- **Distinctive style of investing**
 - Prefer to be first, early and/or only investors.
 - Not inclined towards chasing the momentum.
 - Open to look at companies across different sectors, market caps and business cycle.
 - Preference toward companies based in Delhi/ NCR region.
- **Long term investor**
 - Buy and hold
 - Invest in a stock as if investing in a business.
 - Think like a partner
- **Risk reward equation**
 - Expected returns have to justify the risk / uncertainty taken.
 - A good company might not necessarily be a good stock.
 - Focus on the price paid and value derived.

Investment framework includes a deep analysis of:

1. Management- Quality, Track Record, Responsiveness
2. Business Model- Understanding of business and growth trajectory



3. Earnings- Projected vs Actuals, Long Term Earning
4. Disruptions or big events within company or industry
5. Timing of entry and exit into stock cycle
6. Moat of the business and TAM (Total Addressable Market)

Asset classes generally considered for deployment of investment amount:

Subject to the Investment Approach (as provided herein below) chosen by the Client and the Regulations, the Portfolio Manager shall invest the Client's fund in any of the following securities: -

- i. shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or a pooled investment vehicle other body corporate;
- ii. derivative;
- iii. units or any other instrument issued by any collective investment scheme to the investors in such schemes;
- iv. security receipt as defined in clause (zg) of section 2 of the Securitizations and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
- v. units or any other such instrument issued to the investors under any mutual fund scheme (direct plans only);
- vi. units or any other instrument issued by any pooled investment vehicle;
- vii. any certificate or instrument (by whatever name called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt, as the case may be;
- viii. Government securities;
- ix. such other instruments as may be declared by the Central Government to be securities; and
- x. rights or interest in securities or any other security allowed as per applicable laws

The above-mentioned securities are illustrative in nature.

Asset classes for deployment shall be always subject to the scope of investments as agreed upon between the Portfolio Manager and the Client in the Agreement and as per prevailing Regulations.

Detailed Investment Approach

We will be following a singular investment approach for our discretionary Portfolio management services as below for now.

Strategy: Equity

Name: FE Securities Focused Approach (FOCUS)

Investment Objective: Generating alpha and risk adjusted returns for our clients in a focused micro and small cap portfolio benchmarked against the performance of a broader index.

Benchmark: BSE 500 TRI- Since we are investing in micro, small and mid cap companies only across sectors, we feel a broad based benchmark would be ideal and appropriate given our strategy.

Description of types of securities: Primarily investing in equity opportunities in accordance with all applicable laws.

Basis of selection of such types of securities as part of the investment approach: We seek to get returns for our clients through price appreciation over a period of time. The idea is to employ a rigid and stringent stock selection process with a medium to long term focus. Our



focus will be on companies located within the Delhi/ NCR region which makes it easier for us to track the business. This approach will be able to generate returns in the medium to long term horizon in set of listed equities across market capitalization within the applicable laws.

Allocation of portfolio across types of securities: This approach will be focused on equity holdings yet diversified across multiple sectors and a few different styles of market capitalization as well.

Indicative tenure or investment horizon: With our strategy our ideal tenure would be around 3-5 years.

Risks associated with our investment approach:

- **Company risk:** The performance of the investment approach will depend upon the business performance of the Portfolio Entity and its future prospects. Portfolio Manager's focus on studying the business and the sustainability with focus on studying the balance sheet will help the Portfolio Manager in mitigating these sector or company risks.
- **Valuation risk:** Portfolio Manager will assess the Portfolio Entities from varied valuation parameters in order to establish whether the valuations are reasonable while investing and reassess the same from time to time.
- **Market risk:** Portfolio Manager endeavours to invest in companies using bottom up fundamental research rather than trying to time the markets. However, the Portfolio Manager will monitor the market and economic circumstances from time to time that may affect the performance of the Portfolio Entities.
- **Liquidity risk:** While investing in equities and Portfolio Entities, liquidity constraints are potential near- term risk while investing and disinvesting the Portfolio Entities. The Portfolio Manager endeavours to mitigate the risks by investing with a medium to long term time horizon.
- **Concentration Risk:** Endeavor to have adequately diversified portfolio across sectors and stocks.

Other salient features, if any.

N.A.



FORM C

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

Name	F E SECURITIES PRIVATE LIMITED
Address	814 Arunachal Building, 19 Barakhamba Road, New Delhi-110001
Phone	+91 11 23350670
Fax Number	-
Email	fes@fesecurities.in

We confirm that:

- I. The Disclosure Document forwarded to SEBI is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by SEBI from time to time;
- II. The disclosures made in the Document are true, fair and adequate to enable the investors to make a well-informed decision regarding entrusting the management of the portfolio to us / investment through the Portfolio Manager;
- III. The Disclosure Document has been duly certified by an independent Chartered Accountant, as on 08.05.2025. The details of the Chartered Accountants are as follows:

Name of the Firm : M/s S. K. BHARTI & CO.
Registration Number : 003047N
Proprietor : Partner
Membership Number : 80048
Address : 302 Surya Tower, 31 DDA Community Centre, Paschim Vihar New Delhi-110063
Telephone Number : 9811122572 (M) 011- 45151889

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

For and on behalf of F E Securities Private Limited

**DIVIJ
KAUL**

Digitally signed
by DIVIJ KAUL
Date: 2025.05.08
16:31:46 +05'30'

