

Manohar Chowdhry & Associates

CHARTERED ACCOUNTANTS

To,
The Directors,
Affirma Capital Investment Adviser India Private Limited,
Corporate Office,
2nd Floor, Office 14,
Adani Inspire, Bandra Kurla Complex, Bandra (E),
Mumbai, Maharashtra, India – 400051,

Dear Sirs,

We, Manohar Chowdhry & Associates, Mumbai, have verified the Disclosure Document and other relevant records and documents of Affirma Capital Investment Adviser India Private Limited for the year ended 31st March, 2023 and audited accounts as on 31st March, 2023. Based on our verification and information and explanations given to us, we hereby certify that the disclosures made in the disclosure document and annexed hereto are true, fair and adequate to enable the investors to make a well-informed decision. We further certify that disclosure document complies with the requirements specified in the Schedule V of Regulation 22 of Securities and Exchange Board (Portfolio Managers) Regulations, 2020.

Management Responsibility

The preparation of the information contained therein is the responsibility of the management of the Company including the preparation and maintenance of all accounting and other records supporting its contents. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the same and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Auditors' Responsibility

The auditor's responsibility is to provide a reasonable assurance whether the above calculations and information in the statements enclosed have been accurately extracted from the books and records produced before us. We conducted our examination of the information required to be furnished herein in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial



Information, and Other Assurance and Related Services Engagements. A reasonable assurance engagement includes performing procedures to obtain sufficient appropriate audit evidence on the applicable criteria. The procedures selected depend on the auditor's judgement.

The certificate is issued as per the requirement specified in Form C of Schedule I of Regulation 22 of the Securities and Exchange Board (Portfolio Managers) Regulations, 2020. The Disclosure Document forms an integral part of certificate.

Thanking you,

Yours faithfully,

For **Manohar Chowdhry & Associates**
Chartered Accountants
FRN: 001997S



Mitsu Dalal
Partner

M. No. 139219

UDIN: 24139219BKEJOK9989

Place: Mumbai

Date: 11th April, 2024



AFFIRMA
CAPITAL

AFFIRMA CAPITAL INVESTMENT ADVISER INDIA PRIVATE LIMITED
DISCLOSURE DOCUMENT

PMS REGISTRATION NO. INP000008321

AFFIRMA CAPITAL INVESTMENT ADVISER INDIA PRIVATE LIMITED

Portfolio Management Services – Disclosure Document

1. This disclosure document (“**Disclosure Document**”) has been filed with the Securities and Exchange Board of India along with the certificate in the specified format in terms of Regulation 22 of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.
2. The purpose of the Disclosure Document is to provide essential information about the portfolio services in a manner to assist and enable the investors in making informed decisions for engaging Affirma Capital Investment Adviser India Private Limited as a Portfolio Manager.
3. The necessary information about the Portfolio Manager required by an investor before investing is disclosed in the Disclosure Document. Investors should carefully read the entire Disclosure Document before making a decision to avail portfolio management services from Affirma Capital Investment Adviser India Private Limited and should retain the Disclosure Document for future reference.
4. Details of the Portfolio Manager are as follows:

Name of the Portfolio Manager : Affirma Capital Investment Adviser India Private Limited
SEBI Registration Number : INP000008321
Registered Office Address : 2nd Floor, Office 14, Adani Inspire, Bandra Kurla Complex, Bandra (E), Mumbai, Maharashtra, India – 400051.
Telephone number : +91-22-68422422
Fax number : NA
E-mail address : Central.Team@affirmacapital.com
Website : <https://affirmacapital.com>

5. Details of the Principal Officer designated by the Portfolio Manager are as follows:

Name of the Principal Officer : Mr. Udai Dhawan
Address : 2nd Floor, Office 14, Adani Inspire, Bandra Kurla Complex, Bandra (E), Mumbai, Maharashtra, India – 400051.
Telephone number : +91-22-68422422
E – mail address : Udai.Dhawan@affirmacapital.com ;
Central.Team@affirmacapital.com

This Disclosure Document is dated 11th April, 2024
UDIN:- 24139219BKEJOK9989

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1. DISCLAIMER

The particulars of this Disclosure Document have been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 (“**PMS Regulations**”) and filed with the Securities and Exchange Board of India (“**SEBI**”). This Disclosure Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Disclosure Document.

2. DEFINITIONS AND INTERPRETATION

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

2.2 “**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 the SEBI from time to time.

2.3 “**Accredited Investor**” means any person who has been granted a certificate by the Accreditation Agency who:

(a) in case of an individual, Hindu undivided family, family trust or sole proprietorship has:

(i) annual income of at least INR 2 crores; or

(ii) net worth of at least INR 7.5 crores, out of which not less than INR 3.75 crores is in the form of financial assets; or

(iii) annual income of at least INR 1 crore and minimum net worth of INR 5 crores out of which not less than INR 2.5 crores is in the form of financial assets.

(b) in case of a body corporate, has net worth of at least INR 50 crores;

(c) in case of a trust other than family trust, has net worth of at least INR 50 crores;

(d) in case of a partnership firm set up under the Indian Partnership Act, 1932, each partner independently meets the eligibility criteria for accreditation:

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

2.4 “**Advisory Services**” means the investment advisory in terms of the PMS Regulations and shall include the responsibility of advising on the portfolio strategy, investment and divestment of individual Securities in the Clients’ Portfolio, for an agreed fee structure and for a period hereinafter described, entirely at the Client’s risk, to all eligible categories of investors.

- 2.5 **“Agreement”** or **“Portfolio Management Services Agreement”** or **“PMS Agreement”** means the portfolio management agreement executed between the Portfolio Manager and its Clients in accordance with the PMS Regulations.
- 2.6 **“Client”** or **“Investor”** means any person who enters into an Agreement for availing the Portfolio Management Services offered by the Portfolio Manager.
- 2.7 **“Compliance Officer”** means the officer, not being the Principal Officer appointed in terms of Regulation 7(2)(d) of the PMS Regulations or employee of the Portfolio Manager appointed in terms of Regulation 7(2)(e) of the PMS Regulations, who shall be responsible for monitoring the compliance of the Portfolio Manager with the SEBI Act, 1992 rules and regulations, notifications, guidelines, instructions etc., issued by SEBI or the central government of India and for redressal of Clients’ grievances.
- 2.8 **“Discretionary Portfolio Management Services”** or **“Discretionary Services”** means portfolio management services rendered to the Client by the Portfolio Manager on the terms and conditions contained in the Agreement, where the Portfolio Manager exercises any degree of discretion in the investment or management of the Portfolio or the Funds of the Client, as the case may be.
- 2.9 **“Disclosure Document”** or **“Document”** means this document prepared in accordance with the PMS Regulations disclosing *inter-alia* following: (i) performance of the Portfolio Manager; (ii) portfolio risks; (iii) the quantum and manner of payment of fees payable by a Client; (iv) disclosures in relation to related party transactions as well as details of conflict of interest related to services offered by group companies or associates of group companies, etc.
- 2.10 **“Funds”** means the monies managed by the Portfolio Manager on behalf of the Client pursuant to the PMS Agreement and includes the investment amount mentioned in the account opening form, any monies placed by the Client with the Portfolio Manager from time to time for the purposes of being managed pursuant to the PMS Agreement, the proceeds of the sale or other realization of the Portfolio and interest, dividends and other monies arising from the Portfolio investments, so long as the same is managed by the Portfolio Manager.
- 2.11 **“INR”** means Indian Rupees.
- 2.12 **“Large Value Accredited Investor”** means an Accredited Investor who has entered into an agreement with the Portfolio Manager for a minimum investment amount of INR 10 crores.
- 2.13 **“Non-Discretionary Portfolio Management Services”** or **“Non-Discretionary Services”** means portfolio management services rendered to the Client by the Portfolio Manager on the terms and conditions contained in the Agreement, where the Portfolio Manager acts on the instructions received from the Client with regard to investment or management of Portfolio or Funds of the Client and the Portfolio Manager will exercise no discretion as to the investment or management of the Portfolio.
- 2.14 **“Parties”** shall refer to the Portfolio Manager and the Client collectively, and **“Party”** shall refer to the Portfolio Manager and the Client severally.
- 2.15 **“PMS Regulations”** means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, as amended, modified, restated, and/or re-enacted from time to time. The term **‘PMS Regulations’** shall also deem to include all guidelines, directions, regulations, rules and notifications issued by the government or any statutory or regulatory authority or SEBI

for the operation and management of portfolio managers, or any legislation in regard thereto, if applicable to the Portfolio Manager.

- 2.16 **“Portfolio Manager”** means Affirma Capital Investment Adviser India Private Limited, a private limited company incorporated under the Companies Act, 2013 having its registered office at 2nd Floor, Office 14, Adani Inspire, Bandra Kurla Complex, Bandra (E), Mumbai, Maharashtra, India – 400051.
- 2.17 **“Portfolio”** means the total holdings of Securities and Funds managed by the Portfolio Manager on behalf of the Client pursuant to the PMS Agreement and includes any Securities and Funds mentioned in the account opening form, any further Securities and Funds placed by the Client with the Portfolio Manager for the purposes of being managed pursuant to such Agreement, Securities or other realisations of the Portfolio acquired by the Portfolio Manager through investment of Funds and bonus and rights shares on account of any corporate actions in respect of Securities forming part of the Portfolio, so long as the same are managed by the Portfolio Manager pursuant to the PMS Agreement.
- 2.18 **“Principal Officer”** means an employee of the Portfolio Manager who has been designated as such by the Portfolio Manager and is responsible for (i) the decisions made by the Portfolio Manager in terms of the management or administration of Portfolio of Securities and Funds of the Client; and (ii) operations of the Portfolio Manager.
- 2.19 **“SEBI”** means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act, 1992, as amended from time to time.
- 2.20 **“Securities”** means security as defined in Section 2(h) of the Securities Contract (Regulation) Act, 1956, provided that securities shall not include any securities which the Portfolio Manager is prohibited from investing in or advising on under the PMS Regulations or any other law for the time being in force.

3. INTERPRETATION

- 3.1 Words and expressions used in this disclosure document and not expressly defined shall be interpreted according to their general meaning and usage.
- 3.2 The definitions are not exhaustive and have been included only for the purpose of clarity and shall, in addition, be interpreted according to their general meaning and usage and shall not carry meaning assigned to them in PMS Regulations governing portfolio management services.
- 3.3 All references to the masculine shall include the feminine and all references, to the singular shall include the plural and vice-versa.

4. DESCRIPTION

4.1 History, present business and background of the Portfolio Manager

- 4.1.1 Affirma Capital Investment Adviser India Private Limited (**“Affirma Capital”**) is a private limited company incorporated under the Companies Act, 2013 on 31 January 2019, bearing Corporate Identification Number U67110MH2019FTC320460 and having its registered office at 2nd Floor, Office 14, Adani Inspire, Bandra Kurla Complex, Bandra (E), Mumbai, Maharashtra, India – 400051.

4.1.2 Affirma Capital has been providing investment advisory services to Affirma Capital Managers (Singapore) Pte. Ltd. since 2nd August 2019. Affirma Capital serves as the Investment Manager to Agastya Capital India Trust, a Category II Alternative Investment Fund (“AIF”), registration number IN/AIF2/23-24/1266.

4.1.3 In addition to the above, Affirma Capital may also conduct research activities in investment and / or securities: gathering, collating and analyzing market information regarding financial, economic and political trends etc. in relation to Indian capital market.

4.2 Promoters of the Portfolio Manager, Directors and their background

Affirma Capital (Singapore) Pte. Ltd, is a Singapore private limited company and is the promoter of Affirma Capital. The details of Affirma Capital (Singapore) Pte. Ltd are provided below:

- **PAN:** AAXCA7160K
- **Address:** 152 Beach Road #06-03 / 04 Gateway East Singapore 189721
- **Telephone No.:** +65 6500 7920
- **Email:** Central.Team@affirmacapital.com

Directors: (i) Mr. Udai Dhawan; (ii) Mr. Vijay Nallan Chakravarthi and (iii) Mr. Ivo Philipps are the directors of Affirma Capital Investment Adviser India Private Limited.

| No. | Name | Designation | Brief experience |
|-----|-----------------|------------------------------------|--|
| 1 | Mr. Udai Dhawan | Founding Partner and Head of India | Udai Dhawan is a Founding Partner and Head of India Private Equity at Affirma Capital, and is based in Mumbai. Prior to Affirma Capital, Udai was Managing Director and Head of India for Standard Chartered Private Equity (SCPE). Having joined SCPE in 2008, Udai was responsible for building the India franchise and was involved with several of the fund’s investments including Endurance, Fortis Healthcare, GMR Airports, Interglobe, Northern Arc Capital, Prime Focus, Prodapt, Redington, Sterlite Powergrid, Travel Boutique Online, Tirupati Medicare and Varun Beverages. Prior to SCPE, Udai worked for over a decade in corporate investing, M&A and corporate finance, across India and the United States with JP Morgan, Sabre Inc., Kotak Mahindra Capital and Arthur Andersen. Udai has 24 years of financial services experience, and has also previously served on the Executive Committee of the IVCA, India’s premier private equity industry body. Udai has an MBA from the Wharton School, University of Pennsylvania and is also a chartered accountant from the Institute of Chartered Accountants of India. |

| No. | Name | Designation | Brief experience |
|-----|-------------------------------|--|---|
| 2 | Mr. Ivo Philipps | Founding Partner and Chief Operating Officer | Ivo Philipps is a Founding Partner at Affirma Capital and the firm's Chief Operating Officer. He is based in Singapore. Prior to Affirma Capital, Ivo was COO of Standard Chartered Private Equity (SCPE) having previously managed the Mezzanine and Alternative Solutions business, structuring mezzanine growth capital and balance sheet solutions for clients across Asia, Africa, and the Middle East. He joined SCPE in 2009. Prior to joining SCB, Ivo spent 7 years at Barclays in the UK, where he held senior management roles in Barclays Wealth, the Barclays mortgage business, and the Barclays risk function. Before Barclays, he was an executive Board Director at a division of Misy Plc in London. Ivo started his career in advertising and subsequently worked for the United Nations in East Africa. Ivo has an MBA from INSEAD and a BSc in Politics and Economics from Bristol University. |
| 3 | Mr. Vijay Nallan Chakravarthi | Managing Director | Vijay Chakravarthi is a Managing Director in the India team for Affirma Capital and is based in Mumbai. Vijay has over 20 years of relevant experience, including 11 years of India private equity experience. Prior to Affirma Capital, Vijay was with Standard Chartered Private Equity since 2012 and has a strong track record of investing and generating exits at attractive returns. During his tenure with SCPE, Vijay has been involved with several of the fund's investments including Northern Arc, Varun Beverages, Fortis Healthcare, Cafe Coffee Day and Devadarshini. Prior to SCPE, Vijay worked in private equity, strategy consulting and operations management across various locations including Mumbai and Chennai in India and Chicago and Milwaukee in the United States. Vijay's roles have included Vice President at Bain Capital where he concluded and managed multiple private equity investments of over USD 650 million, Project Leader at The Boston Consulting Group focused on private equity and M&A, and Six Sigma Black Belt and Operations Leader at General Electric Company. Vijay has an MBA from the Kellogg School of Management, Northwestern University, MS from The Ohio State University and Bachelor of Engineering from University of Madras. |

4.3 Top 10 group companies / firms of the Portfolio Manager on turnover basis

| S. No. | Name of the entity |
|--------|---------------------------------------|
| 1. | Affirma Capital (Singapore) Pte. Ltd. |

4.4 Details of services being offered by the Portfolio Manager

The Portfolio Manager offers portfolio management services under discretionary, non-discretionary and advisory categories.

4.5 Direct on-boarding of clients by Portfolio Managers

4.5.1 Clients shall have the option to be on-boarded directly to avail the services of the Portfolio Manager, without intermediation of persons engaged in distribution services.

4.5.2 At the time of onboarding of Clients directly, no charges except statutory charges will be levied by the Portfolio Manager.

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

5.1 All cases of penalties imposed by SEBI or the directions issued by SEBI under the Securities and Exchange Board of India Act, 1992, rules or regulations made thereunder – **NIL**.

5.2 The nature of the penalty/direction – **NIL**

5.3 Penalties imposed for any economic offence and/or for violation of any securities laws – **NIL**.

5.4 Any pending material litigation/legal proceedings against the portfolio manager/key personnel with separate disclosure regarding pending criminal cases, if any – **NIL**.

5.5 Any deficiency in the systems and operations of the Portfolio Manager observed by SEBI or any regulatory agency – **NIL**.

5.6 Any enquiry/adjudication proceedings initiated by SEBI against the Portfolio Manager or its directors, Principal Officer or employee or any person directly or indirectly connected with the Portfolio Manager or its directors, Principal Officer or employee, under the Securities and Exchange Board of India Act, 1992, or rules and regulations made thereunder –

5.6.1 For Portfolio Manager, its directors, Principal Officers or employees: **NIL**.

5.6.2 For any person directly or indirectly connected with the Portfolio Manager or its directors, Principal Officer or employee: **NIL**.

6. SERVICES OFFERED

- 6.1 Affirma Capital shall offer Discretionary Portfolio Management Services, Non-Discretionary Portfolio Management Services and Advisory Services.

6.1.1 *Discretionary Portfolio Management Services*

Under these services, the choice as well as the timings of the investment decisions rest solely with the Portfolio Manager and the Portfolio Manager can exercise any degree of discretion in the investments or management of Portfolio of the Client in accordance with the Client Contract Agreement ("**PMS Agreement**"). Under Discretionary Portfolio Management Services, the Portfolio Manager may invest Clients' Funds in listed securities, securities which are traded on a recognized stock exchange, money market instruments (including, but not limited to, commercial paper, trade bill, treasury bills, certificate of deposit and usance bills), units of mutual funds and other securities as specified by SEBI from time to time, on behalf of the Clients, in accordance with Applicable Law.

The Securities invested / disinvested by the Portfolio Manager for Clients may differ from client to client. Separate client-wise account shall be maintained by the Portfolio Manager with a scheduled commercial bank. The Portfolio Manager's decision (taken in good faith) in deployment of the Client's Funds is absolute and final and can never be called in question or be open to review at any time during the currency of the Agreement or at any time thereafter except on the ground of error of judgment, wilful misfeasance or gross negligence adjudicated by the highest court of competent jurisdiction. This right of the Portfolio Manager shall be exercised strictly in accordance with Applicable Law.

While discharging the Discretionary Portfolio Management Services, the Portfolio Manager shall ensure that the liability of the client will not exceed its investment with the Portfolio Manager. The Portfolio Manager shall individually and independently manage the funds of each client in accordance with the needs of the Client, in a manner which does not partake character of a mutual fund. In case of the Client falling under the category of Large Value Accredited Investor, the Portfolio Manager may invest up to 100% of the assets under management in unlisted Securities. Further, unless otherwise agreed, periodical statement / report (not exceeding a period of 3 months) in respect of Client's Portfolio shall be sent to the respective Clients.

6.1.2 *Non-Discretionary Portfolio Management Services*

Under the Non-Discretionary Portfolio Management Services, the Portfolio of the Client will be managed as per the PMS Agreement under the explicit instructions of the Client from time to time. The Portfolio Manager shall execute orders as per the mandate received from Client and the Client will have complete discretion to decide on the investment (quantity and price or amount). The Portfolio Manager shall *inter alia* manage transaction execution, accounting, providing research, investment advice, recording or corporate benefits, valuation and reporting aspects on behalf of the Client entirely at the Client's risk. Separate bank account with a scheduled commercial bank and segregated data for each Client shall be maintained by the Portfolio Manager.

The Portfolio Manager shall invest or manage the Portfolio of the Client at the instruction of the Client, but always subject to the PMS Regulations. The Portfolio Manager will provide the Client with investment recommendations that it considers fit and in accordance with the terms of the PMS Agreement and investment specifications agreed with the Client from time to time. Only after receiving the approval of the Client shall the Portfolio Manager invest in any one or a combination of the financial instruments mentioned in this Disclosure Document. Further, the Portfolio Manager offering Non-Discretionary Services to the clients may invest up to 25% of the assets under management of such clients in unlisted securities, in addition to securities permitted for Discretionary Portfolio Management in lines with PMS Regulations. In case of Client falling under the category of Large Value Accredited Investors, the Portfolio Manager may advise to invest up to 100% of the assets under management in unlisted Securities.

The Client shall accept that the restrictions it may impose on investments may compel the Portfolio Manager to make recommendations or manage Portfolio in a manner which may reduce the likelihood of achieving the investment objectives. The Portfolio Manager shall invest or disinvest or hold the securities in accordance with the Client's instructions and confirmation. Further, the Portfolio Manager shall also provide periodic report to the Clients in accordance with the rules, regulations, guidelines made under the PMS Regulations and any other any other laws / rules / regulation / guidelines etc.

6.1.3 *Advisory Services*

Under these services, the Portfolio Manager advises the Client on investments in general or any specific advice required by the Client and agreed upon in the PMS Agreement. The Portfolio Manager shall render the best possible advice (to the best of its abilities) to the Client having regard to the Client's needs and the environment, and his own professional skills. The same can be binding or non - binding in nature or in such terms as mentioned in the PMS Agreement. Separate bank account with a scheduled commercial bank and segregated data for each Client shall be maintained by the Portfolio Manager.

For such services, the Portfolio Manager shall charge the Client a fee mentioned in the PMS Agreement. The advice may be either general or specific in nature and may pertain to a particular Portfolio. The Portfolio Manager shall also ensure that the investors are provided with true and adequate information without making any misguiding or exaggerated claims and are made aware of attended risks before any investment decision is taken by them. In accordance with the terms of PMS Regulations, the Portfolio Manager offering Advisory Services to the clients may provide advice for investment up to 25% of the assets under management of such clients in unlisted securities, in addition to securities permitted for Discretionary Portfolio Management. In case of client(s) falling under the category of Large Value Accredited Investors, the Portfolio Manager may advise to invest up to 100% of the assets under management in unlisted Securities.

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

6.2 Investment objective

Affirma Capital, is a company incorporated in India on 31st January 2019 under the provisions of the Companies Act, 2013. Affirma Capital is registered as an Investment Adviser with SEBI, registration number: INA000013262, date of registration: 08 May 2019. Affirma Capital has been providing investment advisory services to Affirma Capital Managers (Singapore) Pte. Ltd. since 2nd August 2019.

Affirma Capital serves as the Investment Manager to Agastya Capital India Growth Fund, a Category II Alternative Investment Fund (“**AIF**”), registration number IN/AIF2/23-24/1266. Affirma Capital intends to get registered as a Portfolio Manager under the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 (“**PMS Regulations**”) and provide portfolio management services, as permissible under the PMS Regulations.

Affirma Capital intends to provide investment opportunities to Clients as per the applicable law, disclosure documents, and other relevant documents, along with administering and managing such portfolios in accordance with applicable law. The objective and purpose is to create a portfolio that can provide long-term capital appreciation. The Portfolio Manager aims to generate superior, risk-adjusted returns for Clients by backing experienced professionals turned entrepreneurs/founders and are building companies with strong operating fundamentals. The aim is to identify cash-flow generating companies that will grow sustainably in the long term, weathering economic cycles, and with a high probability of remaining attractive for a follow-on investment.

6.3 Investment approach

The investment process encompasses the full spectrum from deal origination, screening and initial analysis, initial due diligence and term sheet, initial approval, detailed due diligence, negotiation and structuring, mid-deal diligence review, final approval and documentation and active engagement in such a way that it paves the way for profitable exit.

6.3.1 *Investment Objective*

Please refer to paragraph 6.2 above.

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

Consistent with the investment objective and subject to the regulations of SEBI, the Client’s funds may be invested in such securities listed below:

- (a) Listed (equity, equity linked securities, preference shares whether or not convertible in equity, debt securities / instruments including any debt security / instrument convertible (fully or partially) into equity (including warrants), in quasi debt instruments, etc.)
- (b) Unlisted (equity securities / instruments, any other security / instrument convertible (fully or partially) into equity (including warrants), limited liability partnership interest, units of venture capital undertakings, body corporate, etc.)

6.4 **Investment in associates / group companies**

Prior to the investments being made in the securities of associate or group entities, the Portfolio Manager shall evaluate in the same manner as is applied to other investments. Any such investments in securities of associate or group entities will be made in strict accordance with the pre-defined limits established in the respective client agreements and will fully comply with all applicable laws, regulations, and guidelines issued by SEBI, from time to time.

6.5 **Minimum Investment Amount**

- (a) The Portfolio Manager shall not accept from the Client, Funds or Securities worth less than INR 50 lakhs or such amount as specified under PMS Regulations and amended from time to time. However, the said minimum investment amount per client shall not be applicable to an Accredited Investor.
- (b) The Client may on one or more occasion or on a continual basis, make further placement of funds under the service.

6.6 **Other salient features, if any.**

- (a) The Portfolio Manager shall ensure that any change in the investment approach that may impact the performance of the Client's Portfolio shall be disclosed in the marketing material.
- (b) 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.
- (c) The Portfolio Manager shall not recommend clients for making investments in any of the group / associate companies.

7. RISK FACTORS

7.1 Investment Related

- 7.1.1 Achievement of objective: Securities investment is subject to market risks and there is no assurance or guarantee that the objective of investments of the Client will be achieved.
- 7.1.2 Past performance of the Portfolio Manager does not indicate future performance of the Portfolio or performance of any other future portfolio(s) of the Portfolio Manager.
- 7.1.3 Risk arising from investment objective, investment strategy and asset allocation: The value of the Portfolio can go up or down depending on the factors and forces affecting the capital market, the underlying asset through which the Securities derive their value, the investee company, and general economic risk and the Portfolio Manager is not responsible or liable for losses resulting from the operations of the Portfolios.
- 7.1.4 Risks arising out of non-diversification: The risk arises when the Portfolio is not sufficiently diversified by investing in a wide variety of instruments. Further, in certain cases, the Portfolio Manager may only be able to source investment opportunities in

certain geographies, which may lead to concentration and thereby increase non-diversification risk.

- 7.1.5 Track record of Portfolio Manager: The Portfolio Manager is acting as the portfolio manager for the first time and does not have a track record of Clients and / or Clients' investments.
 - 7.1.6 The liquidity of the Portfolio investments is inherently restricted by trading volumes in the Securities in which the investment is made and in certain cases, such as unlisted Securities, a market for such securities may not exist.
 - 7.1.7 The valuation of the Portfolio investments 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 any other appropriate authority policies and other political and economic developments which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets.
 - 7.1.8 Investment in derivatives, in accordance with the PMS Regulations, exposes the Client to a high degree of risk. There is a risk that losses may be sustained by the relevant Portfolio as a result of the failure of another Party to comply with the terms of the derivative contract. Other risks that may arise in derivatives include credit risk, market liquidity, risk of improper/incorrect valuation, basis risk, settlement risk etc.
 - 7.1.9 The investment objective of the Portfolio could result into concentration on a specific asset/asset class/sector/issuer etc., which could expose the Portfolio to undesired diversification. The Portfolio Manager will follow prudential norms and best practices for each asset class.
 - 7.1.10 Different segments of the financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. The inability of the Portfolio to make intended securities purchases due to settlement problems could cause the Portfolio to miss certain investment opportunities. By the same rationale, the inability to sell securities held in the portfolio due to the absence of a well-developed and liquid secondary market for debt securities would result, at time, in potential losses to the Portfolio, in case of a subsequent decline in the value of securities held in the Portfolio.
 - 7.1.11 The Portfolio Manager may, considering the overall level of risk of the portfolio, invest in lower rated/unrated securities offering higher yields and/or higher capital appreciation potential. This may increase the risk of the portfolio. Such investments shall be subject to the scope of investments as laid down in the PMS Agreement.
 - 7.1.12 The Portfolio Manager has no previous experience or track record in providing portfolio management services.
- 7.2 Risks associated with investment in associates / group companies of the Portfolio Manager: The Portfolio Manager will, before investing in the securities of its associate / group companies or in units of alternative investment funds managed by the Portfolio Manager/ group companies, evaluate such investments, the criteria for the evaluation being the same as is applied to other similar investments to be made under the Client's Portfolio. The investments in securities of the associate / group companies or in units of alternative

investment funds managed by the Portfolio Manager/ group companies would be within the overall framework of the PMS Regulations and in terms of the Agreement executed with the Client. Additionally, the Portfolio Manager may utilize services of subsidiaries / associates / joint ventures of its group companies relating to and incidental to portfolio management services. Such utilization will be purely on commercial, arms-length basis and at a mutually agreed terms and conditions to the extent and limits permitted under the PMS Regulations.

General Risk Factors

7.2.1 *Equity and Equity Related Risks*

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

7.2.2 *Macro-Economics Risks*

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

7.2.3 *Liquidity Risks*

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

7.2.4 *Force Majeure Risk*

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

7.2.5 *Capital Risk*

The Client stands the risk of total loss of value of an asset which forms part of the Portfolio or its recovery only through an expensive legal process due to factors which by way of illustration include default or non-performance of a third party, company's

refusal to register a Security due to legal stay or otherwise, disputes raised by third parties.

7.2.6 **Market Risk**

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

7.2.7 **Stock Specific Risk**

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

7.2.8 **Transaction and Settlement Risk**

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

7.2.9 **Portfolio Manager Competency Risk**

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

7.2.10 **Allied Service Provider Risk**

The Portfolio faces risks due to other service providers that the Portfolio Manager may engage to render the services such as broking, clearing and settlement, custodian services, courier services, auditing services etc.

7.2.11 **Portfolio Allied Operations Risk**

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

7.2.12 **Regulatory Risk**

Changes made by the government in any of the policy parameters, including in respect of taxation, etc., that affect working of companies have positive / negative impact on market prices of those stocks and to that extent, in the value of the Portfolio. Such

changes may also apply to the manner in which Portfolio is being operated and on taxability of profits made on divestment, tax treatment for dividends, etc.

7.2.13 *Income Tax Risk*

The tax aspects of an investment in shares and securities in India are complicated and each investor should have them reviewed by professional advisors familiar with such investor's personal tax situation and with the tax laws and regulations applicable to the investor. The tax consequences for any investment will depend on circumstances specific to each investor and the additional peculiarities associated with respect to the investments. Further, there is a risk that the income tax authorities may recharacterize the income/returns provided to you, which may lead to higher incidence of direct and indirect tax. In certain circumstances where the securities purchased by the Client may derive their value from income generated from the underlying asset, the income tax authorities may have claims pending the underlying asset, which may impact your income/returns from such asset.

7.2.14 *Vacancy Risk*

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

7.2.15 *Title Risk*

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

7.2.16 *Litigation Risk*

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

7.2.17 *Key Person Risk*

Key persons of the Portfolio Manager may be involved in various capacities (such as directors or shareholders) with the issuer of Securities purchased the Client and there may be a potential non-alignment or conflict of interest in such cases. Some of the transactions between the Portfolio Manager and the issuer of Securities purchased by the Client will be treated as related party transactions. All transactions of purchase and sale of securities by portfolio manager and its employees who are directly involved in investment operations shall be disclosed if found having conflict of interest with the transactions in any of the Client's Portfolio. Further, a disclosure of conflict of interest related to services offered by group companies of the Portfolio Manager, if any, shall also be made.

8. CLIENT REPRESENTATION

8.1 Details of client account activated

Since the business has not started on the date of this Disclosure document, the same is not applicable.

| Category of Clients | Number of Clients | Funds managed* (INR Crores) | Discretionary/ Non-Discretionary (if available) |
|---|-------------------|-----------------------------|---|
| Associates / group companies (last 3 years) | NA | NA | NA |
| Others (last 3 years) | NA | NA | NA |
| Total | NA | NA | NA |

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

The only related parties in respect of the Portfolio Manager for the purposes of this disclosure document are the parent of the Portfolio Manager, i.e., Affirma Capital (Singapore) Pte. Ltd. (the “**Parent Company**”) and the Singapore subsidiary of the Parent Company, i.e., Affirma Capital Managers (Singapore) Pte. Ltd. (the “**Singapore Manager**”). In that regard, the only material related party transaction between the Singapore Manager and the Portfolio Manager is the existence of an investment advisory relationship between the Singapore Manager and the Portfolio Manager, pursuant to an investment advisory agreement, as detailed in paragraph 4.1.2 of this disclosure document.

| Name of party | Nature of transaction | Amount (in lakhs) |
|--|--|-------------------|
| Affirma Capital Managers (Singapore) Pte. Ltd. | Investment advisory relationship between the Singapore Manager and the Portfolio Manager | 2,903 (for FY23) |

9. DETAILS OF CONFLICT OF INTEREST RELATED TO SERVICES OFFERED BY GROUP COMPANIES OR ASSOCIATES

Affirma Capital (Singapore) Pte. Ltd. and the Portfolio Manager manage/advise multiple funds focusing on different asset classes and sectors. There may be certain opportunities which may traverse two or more funds and their sectors. Should such issues arise, the prevailing group policies on conflicts of interests will apply to manage such conflicts of interests.

10. THE FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER BASED ON AUDITED FINANCIAL STATEMENTS AND IN TERMS OF PROCEDURE SPECIFIED BY SEBI FOR ASSESSING THE PERFORMANCE

Not applicable. To be updated periodically once the applicant commences PMS operations.

11. PORTFOLIO MANAGEMENT PERFORMANCE OF THE PORTFOLIO MANAGER FOR THE LAST THREE YEARS AND IN CASE OF DISCRETIONARY PORTFOLIO MANAGER, DISCLOSURE OF PERFORMANCE INDICATORS CALCULATED USING "TIME WEIGHTED RATE OF RETURN" METHOD IN TERMS OF REGULATION 22 OF THE PMS REGULATIONS

Not applicable. To be updated periodically once the applicant commences PMS operations.

12. AUDIT OBSERVATIONS OF THE PRECEDING THREE YEARS

Not applicable. To be updated periodically once the applicant commences PMS operations.

13. NATURE OF EXPENSES

The following are indicative types of costs and expenses for Clients availing the Portfolio Management Services. The exact basis of charge relating to each of the following services shall be annexed to the Portfolio Management Agreement and/or the agreements in respect of each of the services availed by the Client at the time of execution of such agreements.

(a) Investment management and advisory fees:

The fees charged by the Portfolio Manager would be fixed fees or return based of a combination of both as per Regulation 22(11) of the SEBI (Portfolio Managers) Regulations, 2020.

The Portfolio Manager shall at all times comply with SEBI Circular IMD/DF/13/2010 dated 5 October 2010 and SEBI/HO/IMD/DFI/CIR/P/2020/26 dated 13 February 2020 in respect of the matters dealt with by the said circulars with respect to fees and charges.

(b) Custodian and brokerage fees:

Over and above the performance fee and the transactions cost as mentioned above, the Portfolio Manager would recover charges levied by the custodian for acquiring, holding, sale and transfer of investments in de-materialised form (like custody charges, transaction charges, depository charges, out of pocket expenses, etc., at actuals), audit fees for auditing and reporting of individual Client's account and any other charges that the Portfolio Manager may have to incur while running the portfolio management services.

These include:

- (i) Custodian/Depository fees: The charges relating to opening and operation of dematerialized accounts, custody and transfer charges for shares, bonds and units, dematerialization and other charges in connection with the operation and management of the depository accounts.
- (ii) Brokerage costs: The brokerage charges would be payable at actuals.

(c) Distribution Fees:

Fees shall be paid to distributors only from the fees received by Portfolio Manager. The Portfolio Manager shall ensure that its distributors abide by the code of conduct prescribed by SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2020/26 dated 13 February 2020 and furnish annual self-certifications of such compliance within 15 days from the end of the financial year.

The fees charged by the Portfolio Manager from the client for rendering portfolio management services is without guaranteeing or assuring, either directly or indirectly, any return. The Portfolio Manager shall charge no upfront fee, directly or indirectly, to the clients.

14. TAXATION

- 14.1 The information furnished below outlines briefly the tax regulations which may be relevant to the investors and is based on relevant provisions of the Income-tax Act, 1961 ("**IT Act**") as proposed to be amended by the Finance Act, 2024.
- 14.2 The summary below provides general information on Indian Income-tax implications but is neither intended to be a complete discussion of all tax implications, nor does it purport to be a complete description of all potential tax costs, tax incidence and risks inherent on the acquisition, ownership and sale of Indian securities.
- 14.3 In addition, the comments herein are not binding on the Indian tax authorities and there can be no assurance that the authorities will not take a position contrary to any of the comments herein. It is emphasized that neither the Portfolio Manager nor any other person involved in the preparation of this document accepts responsibility for any tax effects or liabilities resulting from the purchase, ownership or disposition of the Indian securities. Prospective investors should consult their own tax advisors concerning their individual tax consequences of their particular situations.
- 14.4 We do not make any representation regarding any legal interpretations. Since the information below is based on relevant provisions as of March 2024, any subsequent changes in the said provisions could affect the tax benefits.
- 14.5 General Taxation: The basis of charge of Indian income-tax depends upon the residential status of the taxpayer during a tax year, as well as the nature of the income earned. The Indian tax year runs from April 1 until March 31. A person who is an Indian tax resident is liable to taxation in India on his worldwide income, subject to certain tax exemptions, which are afforded under the provisions of the IT Act. A person who is treated as non-resident for Indian income-tax purposes is generally subject to tax in India only on such person's India sourced income.
- 14.6 Section 90(2) of the IT Act provides that where the Government of India has entered into an agreement with the Government of any country outside India or specified territory outside India (where the taxpayer is a resident) for granting relief of tax or avoidance of double taxation, the taxpayer may opt to be taxed as per provisions of the IT Act or the tax treaty/DTAA, whichever is more beneficial
- 14.7 This chapter does not discuss the tax implications applicable to the non-resident Investors under a beneficial DTAA Section 90(2) of the IT Act, which would need to be analysed separately based on the specific facts.

14.8 The Indian Government has deposited the ratified Multilateral Instrument (“**MLI**”) to implement tax treaty related measures to prevent Base Erosion and Profit Shifting (“**BEPS**”) on 25 June 2019 with Organisation for Economic Co-operation and Development (“**OECD**”). India has notified 93 tax treaties in its ratification and accordingly, India’s tax treaties with such countries will include MLI provisions with effect from 1 April 2020.

14.9 This chapter does not discuss the impact of MLI on the claim of beneficial tax treatment under DTAA by a non-resident Investor. The same would need to be analysed separately based on the specific facts, where applicable. Further, the tax rates mentioned herein are exclusive of applicable surcharge and cess, unless specified otherwise.

14.10 Taxation of individual income component: Tax implications of the following income received by certain categories of clients from investments in securities as per IT Act are discussed as follows:

(a) **Dividend Income:** With effect from 1 April 2020, dividend distributed by portfolio companies shall be subject to tax in the hands of the shareholders. Similarly, dividend distributed by Mutual Funds (MFs) covered under Section 10(23D) of the IT Act is taxable in the hands of the unitholders at applicable rates and exempt in the hands of Mutual Fund. Further, dividend distributing company / Mutual Fund is required to withhold tax from dividend income as under:

(i) For Resident shareholder / unitholder: 10% (no surcharge and cess applicable) (TDS withholding u.s 194 / 194K);

(ii) For Non-resident shareholder / unitholder: 20% (plus surcharge and cess) under Section 115A subject to any beneficial rate available under the applicable tax treaty

TDS at the rate of 10% on the income paid by a specified company¹/ MFs to its resident shareholders / resident unitholders mentioned above is to be deducted if the amount of such income exceeds five thousand rupees in a financial year. However, no tax shall be required to be deducted by the Mutual Fund on income which is in the nature of capital gains in respect of resident unitholders.

Deduction under Section 57: The FA 2020 allowed deduction of interest expense incurred while earning the dividend income. The expense allowance is restricted to 20% of the dividend income without deduction under Section 57. The expense allowance is not a standard deduction per se and the shareholder / unitholder would need to establish and demonstrate that interest expense was actually incurred for the purpose of earning the dividend income. Further, it may be noted that interest expenditure is not likely to be allowable in the year when no dividend income is received by the shareholder / unitholder. Hence, in case of Nil dividend income, the expenditure may not be allowable.

Roll over benefit: Section 80M of the IT Act provides for benefit of roll-over of deduction for the dividend received by a domestic company from another domestic / overseas company or a business trust (Real Estate Investment

¹ As referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002.

Trust / Infrastructure Investment Trust). Accordingly, where a corporate domestic investor is receiving dividend from a domestic / overseas company or a business trust, such investor shall be eligible for deduction of tax paid on dividend income received ('roll-over benefit under Section 80M') on further dividend distributed by them to their shareholders. This is done to avoid cascading effect of taxation on the same dividend income.

- (iii) **Gains from sale of securities – Characterization of income:** Gains arising from the sale of securities in India (shares, derivatives etc.) may be taxed as Capital Gains (CG) or Business Income (BI) under the provisions of the IT Act, depending on the facts and circumstances of the case.

Characterization of income arising from the sale of Indian securities has been the subject of legal debate. The CBDT issued Circular No 4/2007 dated 15 June 15 2007 outlining certain judicial principles pronounced by various courts on the determination of whether shares are held as stock-in-trade or held as investments. The Circular states that no single principle is determinative and that the specific facts and circumstances of each case are required to be considered in order to make a determination of whether the shares held would be regarded as stock-in-trade or investment.

The nature of income from the disposal of securities will be classified as **CG** or **BI** depending on whether the investments are held as assets, investments with the object of capital appreciation or stock in trade for the purpose of trade / adventure.

The following conditions are to be generally considered for determining the nature of such income:

- (i) The motive of the entity is to earn profits through dividends, or from capital appreciations
- (ii) The substantial nature of transactions, the manner of maintaining books of accounts, the magnitude of purchases and sales and the ratio between purchases and sales
- (iii) Intent of the assessee as is evidenced by the documents / records
- (iv) Whether the charter documents authorize any such activity
- (v) Volume, frequency, continuity and regularity of transactions of purchase and sale

While the above discussion is predominantly in the context of transactions related to shares, on principles it could equally apply even to derivatives. Therefore in the context of derivative transactions, given the short duration and nature of the transactions it is likely that the transaction would be considered as giving rise to BI rather than income from CG.

Furthermore, the CBDT has provided further guidance on the matter vide circular No.6/2016 dated 29 February 2016 as follows:

- (i) Where the taxpayer opts to treat listed shares and securities as stock in trade, the income arising from transfer of such shares / securities would be treated as its BI.
- (ii) If the taxpayer desires to treat income arising from the transfer of listed shares and securities held for more than 12 months as CG, the same shall not be disputed by the tax officer. However, such a stand adopted by the assessee will remain applicable in subsequent assessment years also and cannot be altered.
- (iii) In all other cases the nature of the transaction shall continue to be decided basis the facts of each particular case

The above referred circular applied to listed shares and securities. Therefore in order to bring parity in taxability of income/loss arising from transfer of unlisted shares the CBDT issued circular No.225/12/2016 dated 2 May 2016 determining the tax-treatment of income arising from transfer of unlisted shares for which no formal market exists for trading.

CBDT vide this circular clarifies that income arising from transfer of unlisted shares would be considered under the head CG, irrespective of period of holding with a view to avoid disputes/litigation and to maintain a uniform approach.

However, CBDT carves out three exceptions wherein this clarification shall not apply, namely:

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

Thus, it is important to clearly understand the intent of issue of the aforesaid circulars by CBDT from time-to-time and to interpret in a rational manner where gain arising from the sale of securities should be classified under the head CG or BI.

- (b) **Capital Gains:** As per Section 45 of the IT Act, any profits or gains arising from the transfer of capital assets are chargeable to income-tax under the head 'capital gains'. Section 48 of the IT Act provides that income chargeable as CG is the difference between the full value of the consideration received or accrued on the transfer and the cost of acquisition of such asset plus expenditure in relation to such transfer (indexed in case the shares, being listed shares are held for more than 12 months and purchased in INR). Unlisted shares if not held for more than 24 months will be a short term capital asset and therefore not eligible for indexation.

The sale of securities would be taxed as under in the case of resident investors.

| Type of gain | Period of Holding | Tax rate |
|--------------|--|--|
| Short-term | 12 months or less ² for listed shares or units of an equity-oriented fund and 24 months or less for unlisted shares | <p>15% in case of equity shares or units of an equity-oriented fund listed on any recognised stock exchange in India and the sale is chargeable to STT.</p> <p>Ordinary rate of tax applicable to the respective investors i.e. at the rate up to 30% for corporate investors, 30% for partnership and limited liability partnerships and at the applicable slab rates for individual investors in case of shares that are not listed on any recognised stock exchange in India and in case of listed shares being sold/ transferred in a transaction not chargeable to STT.</p> |
| Long-term | More than 12 months for listed shares and more than 24 months for unlisted shares | <p>10% in case equity shares are listed on any recognised stock exchange in India and the purchase and sale transaction of such equity shares is chargeable to STT³. Further, LTCG shall be chargeable only in case where the capital gain exceeds INR 1,00,000 (Indian Rupees One Lakhs only).</p> <p>Lower of 10% (without cost indexation) and 20% (with cost indexation) in case equity shares are listed on any recognised stock exchange but transaction of sale/ transfer not chargeable to STT.</p> <p>20% (after considering indexation) for equity shares which are not listed on any recognised stock exchange in India.</p> |

Units acquired on or after 1st April 2023 in any mutual fund where not more than thirty five percent of its total proceeds is invested in equity shares of domestic companies will always be considered as short term capital assets irrespective of the holding period as per section 50AA of the IT Act.

Gains on sale of securities would be taxed as under in the case of non-resident investors

² Period of holding of 12 months considered only in case of shares or securities of an Indian company listed on a recognized stock exchange in India or Units of UTI or Units of an Equity Oriented Mutual Fund or Zero-Coupon Bonds. In respect of unlisted shares, period of holding is considered as 24 months and it is considered as 36 months for other securities.

³ Subject to certain specified exceptions on payment on STT at the time of purchase.

| Type of gain | Period of Holding | Tax rate |
|--------------|---|---|
| Short-term | 12 months or less for listed shares or units of an equity-oriented fund and 24 months or less for unlisted shares | <p>15% in case of equity shares or units of an equity-oriented fund listed on any recognized stock exchange in India and the sale is chargeable to STT.</p> <p>Ordinary rate of tax applicable to the respective investors i.e. at the rate of 40% for corporate investors, 30% for partnerships and at the applicable slab rates for other non-corporate investors in case of shares that are not listed on any recognized stock exchange in India and in case of listed shares being sold/ transferred in a transaction not chargeable to STT.</p> |
| Long-term | More than 12 months for listed shares and more than 24 months for unlisted shares | <p>10% in case equity shares are listed on any recognized stock exchange in India and the purchase and sale transaction of such equity shares is chargeable to STT. Further, LTCG shall be chargeable only in case where the capital gain exceeds INR 1,00,000 (Indian Rupees One Lakh only).</p> <p>10% (in case equity shares listed on any recognised stock exchange but transaction of sale/ transfer not chargeable to STT (without giving effect to first and second proviso to Section 48)</p> <p>Gains on the sale of shares of unlisted companies are subject to tax 10% (without giving effect to first and second proviso to Section 48)</p> |

Units acquired on or after 1st April 2023 in any mutual fund where not more than thirty five percent of its total proceeds is invested in equity shares of domestic companies will always be considered as short term capital assets irrespective of the holding period as per section 50AA of the IT Act.

- (c) **Business Income:** As discussed above, the gains on sale of derivative contracts in the futures segment should generally be characterized as BI and the same would be taxable at the rate up to 30% or other ordinary applicable rate.

However, where the derivative contracts entered into by a person are settled otherwise than by delivery of transfer of the shares, it may be classified as speculative income, which is a special class of BI (this class of BI cannot set off losses from non-speculative income streams and loss can be carried forward only for four years).

However, where the derivative contracts are entered into electronically through a broker / sub broker on a Stock Exchange, where the broker provides a time stamped contract note, with the PAN of the client thereon, then the income will not be considered as speculative income

Where the Portfolio Manager adopts certain strategies (say 'Long Short') which involves simultaneous purchase/sale of securities and derivative products, it might be possible that the tax authorities could construe the same as "trading income" and tax it as Business income (i.e., at higher tax rates).

- (d) **Interest Income:** Classification of interest income is a matter of dispute with contradicting judicial precedents. Whether interest income would be assessable as business income or income from other sources would depend upon the nexus it has with the assessee's business. Interest income is taxable at the ordinary rate of tax applicable to the respective investors i.e., up to the rate of 30% for Indian resident corporate investors, 30% for partnerships and at the applicable slab rates for individual investors.

In case where the listed debt securities (including zero coupon bonds) are transferred, any gains derived from such transfer shall be taxed up to the rate of 30% as short-term capital gains where the period of holding is 12 months or less and at the rate of 10% as long-term capital gains where the period of holding is more than 12 months.

Income-tax provisions applicable to Non-residents in respect of receipt of income from fixed Income products are summarized below:

- (i) In terms of Section 115A of the IT Act, interest on monies borrowed in foreign currency (other than interest referred to in subsequent paragraphs) is taxable at 20% (subject to any tax treaty).
- (ii) In terms of Section 115AB of the IT Act, income of an assessee, being an overseas financial organization (Offshore Fund) by way of income received in respect of units purchased in foreign currency or income by way of long term capital gains arising on transfer of units purchased in foreign currency, tax is charged @ 10% subject to tax treaty benefit, if any. The payer is required to withhold the applicable taxes. No deduction shall be allowed against this income u.s 28 to s. 44C or s. 57(i) or 57(iii) or Chapter VI-A. No indexation shall be allowed on LTCG arising on transfer of units.
- (iii) In terms of Section 115AC of the IT Act, income of non-resident by way of interest on bonds of an Indian Company issued in accordance with the notified scheme i.e. 'Issue of Foreign Currency Exchangeable Bonds Scheme, 2008'/'Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993/ Depository Receipts Scheme 2014' or on bonds of public sector company sold by the government and purchased by the investor in foreign currency or income by way of dividends on GDR or income by way of long term capital gains arising on transfer of above bonds or GDR's, will be taxed at the rate of 10% (plus applicable surcharge Health and Education cess) subject to tax treaty benefit, if any. The payer is required to withhold the applicable taxes.

- (iv) In terms of Section 115AD of the IT Act, income of a Foreign Institutional Investor received in respect of securities (other than units referred in Section 115AB) as defined under the Securities Contracts (Regulations) Act, 1956 is taxed @ 20% (plus applicable surcharge and Health and Education cess) subject to tax treaty benefit, if any. The payer is required to withhold the applicable taxes.
- (v) Similar provision is available for other than FII investors who invest in Long-term Bonds of Indian company in foreign currency, withholding shall be done under Section 194LC of the IT Act at 5% (plus applicable surcharge and Health and Education cess) subject to satisfaction of certain conditions (interest to be calculated at the rate approved by Central Government, having regards to the terms of the bonds and its repayment), subject to tax treaty benefit, if any. The payer shall withhold applicable taxes.
- (vi) Any interest (other than above) on loan received in India currency is taxable at 40% (subject to tax treaty benefit, if any).

Rate of surcharge

The above rates of income-tax in this document shall be increased by the following surcharge on income-tax and education cess on income-tax and surcharge.

| As per the Finance Act, 2024 with effect from 1 April 2023 | Surcharge on income-tax | Education Cess on income-tax and surcharge |
|---|--------------------------------|---|
| Rate of surcharge on Indian companies with income exceeding INR 10 million but less than INR 100 million | 7% | 4% |
| Rate of surcharge on Indian companies with income exceeding INR 100 million | 12% | 4% |
| Resident companies opting for taxation under section 115BAA and section 115BAB | 10% | 4% |
| Rate of surcharge on Foreign companies with income exceeding INR 10 million but less than INR 100 million | 2% | 4% |
| Rate of surcharge on Foreign companies with income exceeding INR 100 million | 5% | 4% |
| Rate of surcharge on Partnership firm / LLP with income exceeding INR 10 million | 12% | 4% |

| As per the Finance Act, 2024 with effect from 1 April 2023 | Surcharge on income-tax | Education Cess on income-tax and surcharge |
|---|-------------------------|--|
| Individuals / HUF / AOP / BOI: where the total income exceeds INR 5 Million / 10 Million / 20 Million / 50 Million (Please refer to the note below) | 10% / 15% / 25% / 37% | 4% |

Note: The enhanced rates of surcharge (essentially the 25% and 37% rate of surcharge applicable for income greater than INR 20 million and INR 50 million respectively), shall not apply for dividend income, capital gain arising to FII on transfer of any securities and in case of capital gains arising on an on-market transfer of the following securities (where applicable securities transaction tax has been paid) as referred to in section 111A and 112A of the ITA:

- *Equity shares*
- *Units of an equity-oriented fund*
- *Units of a Real Estate Investment Trust (REIT) or Infrastructure Investment Trust (InvIT)*

Further, as per the Finance Act, 2022, the surcharge for tax on all form of long term capital gain is be capped to 15%.

Tax Collected at Source

With effect from 1 October 2020, where the Seller of goods receives any amount as consideration for sale of goods of the value exceeding INR 5 million, such Seller is required to collect from Buyer a sum equal to 0.1% of the sale consideration, exceeding INR 5 million. This shall not be applicable in case Buyer is liable to deduct taxes at source from the payments made to the Seller and has deducted such amount.

Seller for the purpose of TCS provisions under Section 206C(1H) of the ITA has been defined to mean a person whose total sales, turnover or gross receipts exceeds INR 100 million during the financial year immediately preceding the financial year in which sale of goods is carried out.

‘Goods’ for the purpose of TCS provisions could include shares and securities. There are currently alternative interpretations of the applicability of TCS to transactions in securities including qualifying criteria for a “Seller”.

The CBDT, vide Circular No. 17 of 2020 (dated 29 September 2020), has carved out certain transactions wherein the provisions of Section 206C(1H) of the ITA shall not apply. This *inter alia* includes transactions in securities and commodities which are traded through various recognized stock exchanges or cleared and settled by the recognized clearing corporation, including recognized stock exchanges or recognized clearing corporation located in International Financial Service Centre.

Accordingly, where transactions in securities and commodities are traded through recognized stock exchanges, the provisions of section 206C(1H) shall not apply.

Tax Deducted at Source (TDS) under Section 194Q

With effect from 1 July 2021, a buyer while making payment to resident seller on purchase of goods having value exceeding fifty lakh rupees during the financial year is required to withhold tax at the rate of 0.1% under Section 194Q of the ITA.

‘Buyer’ for the purpose of Section 194Q is defined as a person whose total sales, gross receipts or turnover from the business carried on exceeds INR 100 million during immediately preceding financial year in which the purchase of goods is carried out.

‘Goods’ for the purpose of Section 194Q could include shares and securities. There are currently alternative interpretations of the applicability to transactions in securities including qualifying criteria for a “Buyer”.

CBDT has also issued a clarificatory circular no. 13 / 2021 dated 30 June 2021 to address various issues in relation to the applicability of Section 194Q. As per the said circular, no TDS u/s 194Q shall apply in case of transactions in securities and commodities which are traded through recognized stock exchanges or cleared and settled by the recognized clearing corporation including recognized stock exchanges or recognized clearing corporations located in IFSC. This is in line with the CBDT circular issued in the context of Section 206C(1H).

Accordingly, where transactions in securities and commodities are traded through recognized stock exchanges, the provisions of Section 194Q shall not apply in the hands of buyer.

Further, TDS under Section 194Q shall not be applicable where the buyer is a non-resident and the purchase of goods is not effectively connected to its permanent establishment in India (if any).

Withholding of tax at higher rate

As per Section 206AA of the IT Act⁴, where a recipient of income (which is subject to withholding tax) 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., (i) rates specified in the relevant provisions of the IT Act; (ii) rates in force; or (iii) at 20% (twenty per cent) / 5% (five per cent) in case of withholding of tax under Section 194Q. In 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 (including their tax residency certificate).

Accordingly, in case of recipients who do not have a PAN, tax shall be withheld at a minimum rate of 20% (twenty per cent) / 5% (five per cent) for TDS under Section 194Q, except in case of non-resident investors who furnishes certain prescribed information / documents (including their tax residency certificate) are provided by such Investors being non-residents.

⁴ Not applicable in case of interest on long term bonds referred to under Section 194LC of the IT Act.

Separately, under Section 206AB of the IT Act, where the recipient (other than a non-resident not having a permanent establishment in India) has not filed its income tax return for two financial years preceding the relevant financial year and such recipient has suffered withholding tax or tax has been collected from such recipient of an amount aggregating to INR 50,000 or more in each of the last two financial years, then except in case of certain specified payments, tax shall be withheld at higher of the following rates:

- twice the rate provided under the IT Act; or
- twice the rate or rates in force; or
- the rate of 5%.

Further, where the recipient has neither furnished its PAN (which entails withholding of tax at minimum of 20% or 5%, as the case may be, under Section 206AA) nor filed its tax return for last two financial years, tax shall be withheld at higher of the rates under both the provisions.

Section 206AB provides that higher withholding tax rate shall apply only in case of persons (other than a non-resident not having a permanent establishment in India) who has not filed its income tax return for the immediately preceding financial year for which the time limit under Section 139(1) has expired, and such recipient has suffered withholding tax or tax has been collected from such recipient of an amount aggregating to INR 50,000 or more in the relevant preceding year.

Deemed income on investment in shares / securities

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

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

Bonus Stripping

According to Section 94(8), in case of units purchased within a period of 3 months prior to the record date (for entitlement of bonus units) and sold/transferred/redeemed within 9 months after such date, the loss arising on transfer of original units shall be ignored for the purpose of computing the income chargeable to tax. The loss so ignored shall be deemed as cost of acquisition of such bonus units.

General Anti-Avoidance Rules (GAAR)

The Finance Act, 2012 had introduced General Anti-Avoidance Rules (GAAR) into Act, which, subsequent to the amendments introduced by the Finance Act, 2015, has come into effect from April 1, 2017.

As per the provisions of IT Act, Indian tax authorities have been granted wide powers to tax 'impermissible avoidance arrangements' including the power to disregard entities in a structure, reallocate income and expenditure between parties to the arrangement, alter the tax residence of such entities and the legal situs of assets involved, treat debt as equity and vice versa. The GAAR provisions are potentially applicable to any transaction or any part thereof.

The term 'impermissible avoidance arrangement' has been defined to mean an arrangement where the main purpose is to obtain a tax benefit, and it:

- (a) Creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length;
- (b) Results, directly or indirectly, in the misuse, or abuse, of the provisions of the IT Act;
- (c) Lacks commercial substance or is deemed to lack commercial substance; or
- (d) Is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes

Further, an arrangement shall be presumed, unless it is proved to the contrary by the taxpayer, to have been entered into, or carried out, for the main purpose of obtaining a tax benefit, if the main purpose of a step in, or a part of, the arrangement is to obtain a tax benefit, notwithstanding the fact that the main purpose of the whole arrangement is not to obtain a tax benefit.

In case the GAAR is applied to any transaction pertaining to the Fund, it could have an adverse impact on the taxability of the Fund and/ or its Investors and hence, impact the returns to the Investors.

It is provided that GAAR shall not apply, inter alia, to arrangements where the aggregate tax benefit in a relevant year, to all the parties involved, does not exceed INR 3,00,00,000 (Indian Rupees Thirty million).

Other applicable taxes

Wealth tax has been abolished by the Finance Act, 2015.

Securities Transaction Tax ("STT") - As discussed above the concessional rate for short term capital gains and long term capital gains would be applicable only if the sale / transfer of the equity shares takes place on a recognized stock exchange in India. All transactions entered on a recognised stock exchange in India will be subject to STT levied on the transaction value at the applicable rates.

The rates of STT are as follows:-

| Sr No | Nature of taxable securities | STT Rates % | Payable by |
|-------|--|-------------|------------|
| 1(a) | Purchase of an equity share in a company where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such shares | 0.1 | Purchaser |
| 1(b) | Purchase of a unit of an equity-oriented fund where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such units | NIL | Purchaser |
| 2(a) | Sale of an equity share in a company where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such shares | 0.1 | Seller |
| 2(b) | Sale of a unit of an equity-oriented fund where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such units | 0.001 | Seller |
| 3 | Sale of an equity share in a company/ unit of an equity-oriented fund where the transaction is entered into in a recognized stock exchange and the contract is settled otherwise than by actual delivery or transfer of shares/ units. | 0.025 | Seller |
| 4(a) | Sale of an option in securities (STT will be payable on the option premium) | 0.05 | Seller |
| 4(b) | Sale of an option in securities where the option is exercised (STT will be payable on the settlement price) | 0.125 | Purchaser |
| 4(c) | Sale of a future in securities | 0.01 | Seller |
| 5 | Sale of units of an equity-oriented fund to the Mutual Fund | 0.001 | Seller |
| 6 | Sale of unlisted equity shares by any holder of such shares under an offer for | 0.2 | Seller |

| Sr No | Nature of taxable securities | STT Rates % | Payable by |
|-------|---|-------------|------------|
| | sale to the public including in an IPO and where such shares are subsequently listed on a recognized stock exchange | | |

The amount of STT paid in respect of the taxable securities transactions entered into in the course of a business during the previous year can be claimed as deduction, if the income arising from such taxable securities transactions is included in the income computed under the head *Profits and gains from business and profession [Section 36(1)(xv)]*.

Stamp Duty and Transfer Tax

The Finance Act, 2019 has amended the above law to provide that stamp duty shall be levied uniformly throughout the country on transfer of securities in physical as well as dematerialized form.

Applicable stamp duty under various scenarios are tabulated below:

| Particulars | Rate | Leviable on |
|----------------------------------|---------|--------------------|
| 1. Issue of securities | | |
| Shares | 0.005% | Issuer |
| Debentures | 0.005% | Issuer |
| 2. Transfer of securities | | |
| A. Shares | | |
| On delivery basis | 0.015% | Buyer |
| On non-delivery basis | 0.003% | Buyer |
| In physical form | 0.015% | Seller/ Transferor |
| B. Debentures | | |
| Marketable | 0.0001% | Buyer |
| Non-marketable | 0.0001% | Seller/Transferor |

A stamp duty will be imposed on purchase of mutual funds – equity and debt funds – from July 1, 2020. As per SEBI, 0.005% stamp duty will be levied on purchase of mutual funds, including lump sum, SIP, STP, and dividend reinvestment. It is, however, not applicable on redemption of units. Meanwhile, a stamp duty of .015% will also be imposed in case of transfer of units between demat accounts.

There can be no guarantee that the above position regarding taxation of the Client would necessarily be accepted by the income-tax authorities under the IT Act. No representation is made either by the Portfolio Manager or any employee, partner or agent of the Portfolio Manager in regard to the acceptability or otherwise of the above position regarding taxation of the Client by the income tax authorities under the IT Act. Prospective Investors are urged to consult their own tax advisers in this regard

15. ACCOUNTING POLICIES

- 15.1 The following accounting policy will be applied for the investments of clients:
- 15.2 Books and Records would be separately maintained in the name of the Client to account for the assets and any additions, income, receipts and disbursements in connection therewith, as provided by the PMS Regulations. Accounting under the respective Portfolios will be done in accordance with Generally Accepted Accounting Principles in India.
- 15.3 The Portfolio Manager and the Client can adopt any specific norm or methodology for valuation of investments or accounting the same may be mutually agreed between them on a case specific basis.
- 15.4 The Portfolio Manager shall keep and maintain proper books of accounts, record and documents for each Client so as to explain transactions for each Client and to disclose at any point of the Portfolio holding of each Client.

16. INVESTOR SERVICES

- 16.1 Name, address and telephone number of the Investor Relation Officer / Compliance Officer who shall attend to the Investor queries and complaints.

Name : Abhijit Roy

Designation : Compliance Officer

Address : 2nd Floor, Office 14, Adani Inspire, Bandra Kurla Complex, Bandra (E), Mumbai, Maharashtra, India – 400051.

Telephone number : +91-22-68422422

E – mail address : Abhijit.Roy@affirmacapital.com;
Central.Team@affirmacapital.com

16.2 Grievance redressal and dispute settlement mechanism

The objective of grievance redressal system is to ensure that all clients are treated fairly at all times and that any complaints raised by the clients are dealt with courtesy and in time. The Portfolio Manager shall endeavour to address all complaints regarding services, deficiencies or causes for grievances, for whatsoever reason, in a reasonable and timely manner.

To ensure the same, the following system shall be put in place:

- (a) The Client should promptly notify any grievances to the Compliance Officer in writing, giving sufficient details to enable the Portfolio Manager to take necessary steps.
- (b) The Compliance Officer, on receipt of any such grievances, shall take prompt action to redress the same no later than 1 month from the date of receipt of complaint. The Compliance Officer shall also inform SEBI about the number, nature and other particulars of the complaints received.
- (c) If the grievance persists, all claims and disputes arising out of or in connection with the PMS Agreement or its performance shall be settled by arbitration by a sole arbitrator mutually acceptable to the Parties to such arbitration. If the Parties fail to agree on the appointment of a sole arbitrator within 30 days of the dispute being referred to arbitration, the sole arbitrator shall be appointed in accordance with the Arbitration & Conciliation Act, 1996 as amended from time to time. The arbitration shall be governed by the provisions of the Arbitration & Conciliation Act, 1996 as amended from time to time and unless otherwise agreed by the Parties to such arbitration, the arbitration proceedings shall be held in Mumbai and the proceedings shall be conducted in English language. Any action or suit involving the PMS Agreement with a Client, or the performance of the PMS Agreement by either Party of its obligations will be exclusively in courts located at any place in India subject to the jurisdiction clause in the PMS Agreement. All the legal actions and proceedings are subject to the exclusive jurisdiction of court in Mumbai only and are governed by Indian laws.
- (d) Alternatively, with effect from September 2011, SEBI has launched a web based centralized grievance system called SCORES i.e., SEBI Complaints Redressal System, for online filing, forwarding and tracking of resolution of investor complaints. The Client may also make use of the SCORES facility for any escalations on redressal of their grievances. Following is the link to visit the website and inform their dispute/complaints against the company <https://scores.gov.in/scores/complaintRegister.html>.
- (e) In accordance with the SEBI Circular SEBI/HO/IMD/IMD-II_DO7/P/CIR/2021/681 dated 10 December 2021, the following information shall be available on the website of the Portfolio Manager:
 - (i) The investor charter prescribed by SEBI (<https://affirmacapital.com/>); and
 - (ii) Monthly data on all complaints received against the Portfolio Manager, including SCORES complaints, by the 7th day of every month (<https://affirmacapital.com/>).

16.4 Anti-Money Laundering Compliances:

The Government of India has put a policy framework to combat money laundering through the Prevention of Money Laundering Act, 2002. Prevention of Money Laundering Act, 2002 and the rules notified there under came into effect from 1 July 2005. Director, FIU-IND, and Director (Enforcement) have been conferred with exclusive and concurrent powers under relevant sections of the Prevention of Money Laundering Act, 2002 to implement the provisions of the Prevention of Money Laundering Act, 2002. Consequently, SEBI has mandated that all registered intermediaries formulate and implement a comprehensive policy framework on anti-money laundering and adopt 'Know Your Customer' ("KYC") norms.

Further, SEBI vide Circular No. SEBI/HO/MIRSD/DOS3/CIR/P/20]8/104 dated 15 October 2019 (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, 1961, Prevention of Money Laundering Act, 2002, Prevention of Corruption Act, 1988 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. Accordingly, the Portfolio Manager reserves the right to reject or refund or freeze the account of the client if the client does not comply with the internal policies of the Portfolio Manager or any of the Applicable Laws including the KYC requirements.

The Portfolio Manager shall not be held liable in any manner for any claims arising whatsoever on account of freezing the account/rejection or refund of the application etc. due to non-compliance with the provisions of any of the aforesaid regulations or Applicable Laws.

Investors are requested to note that KYC is mandatory for all investors. SEBI vide circular no. MIRSD/SE/Cir-21/2011 dated 5 October 2011, and CIR/MIRSD/ 11/2012 dated 5 September 2012, has mandated that the uniform KYC form and supporting documents shall be used by all SEBI registered intermediaries in respect of all new clients from January 1, 2012. Further, SEBI *vide* circular no. MIRSD/Cir-23/2011 dated 2 December 2011, has developed a mechanism for centralization of the KYC records in the securities market to bring about uniformity in securities markets.

Accordingly, KYC registration is being centralized through KYC Registration Agencies registered with SEBI. Thus, each Client has to undergo a uniform KYC process only once in the securities market and the details would be shared with other intermediaries by the KYC Registration Agencies. Applications shall be liable to be rejected if the Clients do not comply with the aforesaid KYC requirements.

As per the 2015 amendment to PML (Maintenance of Records) Rules, 2005, every reporting entity shall capture the KYC information for sharing with the Central KYC Records Registry in the manner mentioned in the PML (Maintenance of Records) Rules, 2005, as per the KYC template for 'Individuals' finalized by Central Registry of Securitisation Asset Reconstruction and Security Interest. Accordingly, the KYC template finalized by Central Registry of

Securitisation Asset Reconstruction and Security Interest shall be used by the registered intermediaries as Part I of account opening form for individuals.

17. DETAILS OF INVESTMENTS IN THE SECURITIES OF RELATED PARTIES OF THE PORTFOLIO MANAGER

NIL

18. DETAILS OF THE DIVERSIFICATION POLICY OF THE PORTFOLIO MANAGER

For investments in securities of associates/ related parties, the Portfolio Manager shall comply with the following:

Up to a maximum of 30% of the Client's asset under management in the securities of associates/ related parties of Portfolio Manager, can be invested. 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% | |

In case of any passive breaches of the abovementioned limits, the portfolios will be rebalanced to bring the weights back to the above limits within a period of 90 (ninety) days from the date of such breach.*

Signature

Udai Dhawan

Director

Place:- Mumbai

Date:- 11th April, 2024

Signature

Vijay Chakravarthi

Director

Place:- Mumbai

Date:- 11th April, 2024

* The Client may opt to disapply such rebalances due to passive breaches by requesting for an exclusive waiver.

FORM C

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

Affirma Capital Investment Adviser India Private Limited

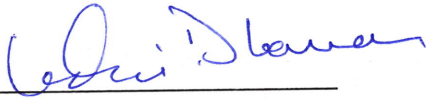
Address: 2nd Floor, Office 14, Adani Inspire, Bandra Kurla Complex, Bandra (E), Mumbai,
Maharashtra, India – 400051.

Telephone number: +91-22-68422422

Fax number: NA; E-mail: Central.Team@affirmacapital.com

We confirm that:

- i) the Disclosure Document forwarded to the Securities and Exchange Board of India is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by the Securities and Exchange Board of India from time to time;
- ii) the disclosures made in the document are true, fair and adequate to enable the investors to make a well-informed decision regarding entrusting the management of the portfolio to us / investment in the Portfolio Manager;
- iii) the Disclosure Document has been duly certified by an independent chartered accountant on 11th April, 2024 by an independent Chartered Accountant Mitsu Dalal having membership number - 139219, partner of Manohar Chowdhry & Associates (Address:- 116, Udyog Mandir No. 1, 7-C Bhagoji Keer Marg, West, Mahim, Mumbai, Maharashtra 400016).



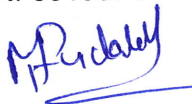
Udai Dhawan

Date: 11th April, 2024

Place: Mumbai

For **Manohar Chowdhry & Associates**
Chartered Accountants

FRN: 001997S



Mitsu Dalal

Partner

M. No. 139219

UDIN: 24139219BKEJOK9989

Place: Mumbai

Date: 11th April, 2024

