DISCLOSURE DOCUMENT

FOR

PORTFOLIO MANAGEMENT SERVICES
DISCLOSURE DOCUMENT FOR PORTFOLIO MANAGEMENT OF PRINCIPAL ASSET MANAGEMENT PRIVATE LIMITED (FORMERLY KNOWN AS PRINCIPAL PNB ASSET MANAGEMENT COMPANY PRIVATE LIMITED)

A. The Disclosure Document (hereinafter referred as “This Document”) has been filed with Securities & Exchange Board of India along with the certificate in the prescribed format in terms of Regulation 14 of the Securities & Exchange Board of India (Portfolio Managers) Regulations, 1993.

B. This Document serves the purpose of providing essential information about the portfolio services, which in a manner shall assist and enable the investors in making informed decision for engaging Principal Asset Management Private Limited (Formerly known as Principal Pnb Asset Management Company Private Limited) as the Portfolio Manager.

C. The particulars contained in this document have been prepared in accordance with the SEBI (Portfolio Managers) Regulations, 1993 and filed with SEBI.

D. This Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the Document.

E. Investor should read this Document carefully and retain the same for future reference.

F. The name, address, phone number of the Principal Officer designated by the Principal Asset Management Private Limited along with the address of the Portfolio Manager and Custodian are as follows:-

PRINCIPAL OFFICER

Mr. Manish Ghag  
Exchange Plaza, Ground Floor, B Wing, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai – 400051.  
E-mail: ghag.manish@principaliindia.com  
Phone No: 022 - 67720555

PORTFOLIO MANAGER

Principal Asset Management Private Limited  
(Formerly known as Principal Pnb Asset Management Company Private Limited)  
Exchange Plaza, Ground Floor, B Wing, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai – 400051.
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<th>PAGE NO</th>
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</tbody>
</table>
I. DISCLAIMER CLAUSE

(a) The contents, particulars and disclosures made in this document are in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, as amended till date and filed with SEBI.

(b) This Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the Document.

II. ABBREVIATIONS & DEFINITIONS

(i) **AMC/Asset Management Company/Portfolio Manager:** Principal Asset Management Private Limited (formerly known as Principal Pnb Asset Management Company Private Limited).

(ii) **Body Corporate:** "Body Corporate" shall have the meaning assigned to it in or under clause (7) of Section 2 of the Companies Act, 1956 (1 of 1956).

(iii) **Business Day:** A day other than:

(i) Saturday and Sunday;

(ii) a day on which the Banks in Mumbai and/or RBI are closed for business/clearing;

(iii) a day on which the Bombay Stock Exchange Limited and/or National Stock Exchange of India Limited are closed;

(iv) a day which is a Public holiday and/or bank holiday;

(v) a day on which normal business could not be transacted due to storms, floods, bandhs, strikes etc.

Notwithstanding the above, the AMC reserves the right to declare any day as a Business day or otherwise.

(iv) **Client / Investor:** Any Person / Entity which enters into an agreement with the Portfolio Manager for availing of Portfolio Management Services offered by the Portfolio Manager.

(v) **Custodian:** Any entity acting as a custodian to the Portfolio Manager, or any other Custodian with whom the Portfolio Manager enters into an agreement for availing Custodial Services.

(vi) **Discretionary Portfolio Manager:** A Portfolio Manager who exercises or may exercise, under a contract relating to portfolio management entered into with the client / investor, any degree of discretion, as to the investments or management of the portfolio of securities or the funds of the client / investor, as the case may be.

(vii) **Disclosure Document:** This Document issued by the Portfolio Manager - Principal Asset Management Private Limited.

(viii) **FPI:** Foreign Portfolio Investor registered with SEBI under 'The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations 2014'.

(ix) **Financial Year:** A Financial Year shall be full English Calendar months viz. 12 months commencing from 1st April and ending on 31st March.

(x) **GOI:** Government of India.

(xi) **NRI:** means a person who is not resident in India, as defined under Foreign Exchange Management Act, 1999.

(xii) **Principal Officer:** ‘Principal Officer' means an employee of the portfolio manager who has been designated as such by the portfolio manager.

(xiii) **Portfolio:** The total portfolio holding of securities belonging to any client/ investor.

(xiv) **Portfolio Manager / Investment Manager:** means Principal Asset Management Private Limited who pursuant to a contract or arrangement with a client/ investor, directs or undertakes on behalf of the client

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promoter: the promoter shall mean (a) principal financial group (mauritius) limited (a wholly owned subsidiary of principal financial services inc., usa), and (b) principal international india ltd (piil).

rbi: reserve bank of india, established under the reserve bank of india act, 1934, as amended from time to time.

regulations: the securities and exchange board of india (portfolio managers) regulations 1993 or such other regulation in force from time to time including any amendment thereto or any replacement or re-enactment thereof/clarification and guidelines in the form of notes or circulars etc. issued by sebi or the government of india or the reserve bank of india from time to time.

resident: a resident means a person resident in india under the foreign exchange management act, and under income tax act, 1961, including amendments thereto from time to time.

sebi: securities and exchange board of india, established under the securities and exchange board of india act, 1992.

interpretation: for all purposes of this disclosure document, except as otherwise expressly provided or unless the context otherwise requires -

- the terms defined in this disclosure document include the plural as well as the singular.
- pronouns having a masculine or feminine gender shall be deemed to include the other.

iii. description

(a) history, present business and background of the portfolio manager:

principal asset management private limited (formerly known as principal pnb asset management company private limited) (pamc), a company incorporated on november 20, 1991, is the investment manager to principal mutual fund.

pamc was originally incorporated as a wholly owned subsidiary of industrial development bank of india (idbi). principal financial services inc. usa, [through its wholly owned subsidiary – principal financial group (mauritius) limited] acquired 50% stake in the paid up equity capital of idbi investment management company ltd., on march 31, 2000, through its subsidiary principal financial group (mauritius) limited (pfgml). subsequently, the name of the company was changed to idbi-principal asset management company limited.

on june 23, 2003, pfgml acquired 100% stake in the paid up equity capital of idbi-principal asset management company limited. subsequently the name of the company was changed to principal asset management company private limited, to reflect the change in ownership. in may 2004, punjab national bank (pnb) and vijaya bank (vb) became equity shareholders of the company. to reflect the above change in the controlling interest, the name of the company was changed to principal pnb asset management company private limited effective january 24, 2005.

in june 2014, pfgml acquired vb’s entire stake in pamc. and on august 24, 2018 principal financial services inc., (the existing sponsor) has through its wholly owned subsidiary principal international india ltd (piil) acquired pnb’s entire stake in the company.

the present shareholding pattern of the company as on september 30, 2019 is as follows:

<table>
<thead>
<tr>
<th>name of the shareholder(s)</th>
<th>% of equity capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>principal financial group (mauritius) limited*</td>
<td>78.62</td>
</tr>
<tr>
<td>principal international india ltd</td>
<td>21.38</td>
</tr>
</tbody>
</table>

* including shares held by its nominee

pamc has been granted an approval by sebi for undertaking portfolio management service under the sebi (portfolio managers) regulations, 1993, with effect from april 1, 2004 and such approval / certificate has been renewed by the company from time to time in accordance with the regulations and the same is
currently valid. As at September 30, 2019, PAMC is managing 22 schemes of Principal Mutual Fund. These include 11 Equity Schemes (including two Equity Linked Savings Schemes), 4 Hybrid Scheme, 1 Fund of Funds Scheme (Overseas), 6 Debt Schemes (including 1 Liquid Scheme). The Net Assets under Management from all these schemes as on September 30, 2019 was Rs. 6890.05 Crore.

(b) Details of Key Personnel of Portfolio Management Services

Mr. Lalit Vij – Managing Director

Mr. Lalit Vij is serving as the Managing Director of PAMC, since November 01, 2014. Being a member of the Board of Directors he is responsible for overall supervision of the performance of the Company as a whole. He is a fellow member of the Institute of Chartered Accountant of India and has graduated from University of Punjab. He also serves as a director on the board of Principal Global Services Pvt. Ltd. Mr. Lalit has over 30 years of work experience spread across multiple disciplines mainly in Financial Service industry. Prior to this appointment, he was the Managing Director of Principal Global Services Pvt. Ltd and was responsible for setting up & growing the global In-house centre for IT & back office operations of Principal Financial Group’s global businesses.

Mr. Manish Gha – Principal Officer

Mr. Manish Gha is currently designated as the Principal Officer for Portfolio Management Services in Principal Asset Management Private Limited. Mr. Manish Gha has close to 9 years of experience in the core areas of Risk, Internal Audit, and Finance. In his previous assignment, he worked with M/s. Anjha Associates, Chartered Accountants and he has relevant experience of auditing Mutual Fund operations - in the areas of RTA, Custody as well as Fund Accounting.

Mr. Manish Gha is qualified as Chartered Accountant in May 2010.

Mr. Varun Nandwana – Key Personnel

Mr. Varun Nandwana has over 10 years of experience in the Financial Services sector. He joined PAMC in April 2014 and prior to this he was associated with Daiwa Asset Management India Private Limited dealing with Fund Accounting & MIS related activities. Mr. Nandwana holds a degree in Bachelor of Commerce and has cleared C.A Inter level.

(c) Promoters of the Portfolio Manager, directors and their background:

Promoters –

(i) Principal Financial Group (Mauritius) Limited - Principal Financial Group (Mauritius) Ltd is a wholly owned subsidiary of Principal Financial Services, Inc. which is a subsidiary of Principal Financial Group, Inc. – A Fortune 500 company, a leading provider of financial products and services globally to businesses and individuals including Retirement and Investment services, Mutual Funds, Life and Health Insurance, Annuities and Mortgage Banking. Established in 1879, the Principal Financial Group has $696.2 billion in assets under management through operations in the United States, Asia, Australia, Europe, Latin America and North America. (Data: For the trailing twelve months ended June 30, 2019, unless otherwise noted.
Source: www.principal.com).
Condensed Financial Position of Principal Financial Group, Inc., USA (holding Company of Principal Financial Services Inc.)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>December 2018</th>
<th>December 2017</th>
<th>December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>14,237.2</td>
<td>14,093.2</td>
<td>12,394.1</td>
</tr>
<tr>
<td>Operating Earnings</td>
<td>1,597.5</td>
<td>1,478.6</td>
<td>1,331.1</td>
</tr>
<tr>
<td>Net Income</td>
<td>1,546.5</td>
<td>2,310.4</td>
<td>1,316.5</td>
</tr>
<tr>
<td>Total Assets</td>
<td>243,036.1</td>
<td>253,941.2</td>
<td>228,014.3</td>
</tr>
<tr>
<td>Total Stakeholders Equity</td>
<td>11,456.0</td>
<td>12,921.9</td>
<td>10,293.8</td>
</tr>
</tbody>
</table>

Condensed Financial Position of Principal Financial Group (Mauritius) Limited (Wholly owned Subsidiary of Principal Financial Services Inc. which is a subsidiary of Principal Financial Group, Inc., USA)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>March 31, 2018</th>
<th>March 31, 2017</th>
<th>March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Operating Earnings</td>
<td>(5.48)</td>
<td>(1.10)</td>
<td>(25.73)</td>
</tr>
<tr>
<td>Net Income</td>
<td>(5.48)</td>
<td>(1.10)</td>
<td>(25.73)</td>
</tr>
<tr>
<td>Total Assets</td>
<td>28.89</td>
<td>34.35</td>
<td>33.45</td>
</tr>
<tr>
<td>Total Stakeholders Equity</td>
<td>28.87</td>
<td>34.34</td>
<td>33.44</td>
</tr>
</tbody>
</table>

Note: Financial position for year ended March 31, 2019 is not included due to unavailability of audited financials.

(ii) Principal International India Limited (PIIL): Principal International India Limited is a newly incorporated company under the laws of England and Wales on 25th September 2017 vide Registration Number 10980059. The Acquirer, being an investment entity, does not carry on any business activity.

The Acquirer is a direct wholly owned subsidiary of Principal Financial Services Asia Limited and ultimate wholly owned subsidiary of Principal Financial Services Inc. USA (“PFSI”). PFSI is the part of Principal Financial Group of United States of America (“Principal Financial Group”) which is leader in global investment management offering business to individuals and institutional clients a wide range of financial products and services, including retirement, asset management and insurance through its diverse family of financial services companies.
**Board of Directors (As on September 30, 2019)**
The Board of Directors of the AMC consists of eminent persons from the fields of finance, investments, civil service, law and economics.

<table>
<thead>
<tr>
<th>Name of Director(s)</th>
<th>Interest in other Companies / Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MR. M.M. KAMATH</strong> Director</td>
<td>1. Allright Business Services Pvt. Ltd</td>
</tr>
<tr>
<td>801, Express Enclave, Near Bisleri Factory, Opposite Hindustan Uniliver office, Ghatkopar Andheri Link Road, Andheri East, Mumbai 400099.</td>
<td>2. Allright Consultancy Pvt. Ltd.</td>
</tr>
<tr>
<td><strong>MR. LALIT VIJ</strong> Managing Director</td>
<td>3. Dialogue Trading &amp; Consulting LLP</td>
</tr>
<tr>
<td>Principal Asset Management Private Limited</td>
<td>4. KT Cimpex Private Limited</td>
</tr>
<tr>
<td>B Wing, Ground Floor, ‘Exchange Plaza’, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai – 400051.</td>
<td>5. Madhushree Securities Services LLP</td>
</tr>
<tr>
<td><strong>MR. PEDRO BORDA</strong> Director</td>
<td>6. EmpireTail Lifestyle Private Limited</td>
</tr>
<tr>
<td>Lot 17, No. 1, Jalan 32/70A, Kiara Hills, Desa Sri Hartamas, Kuala Lumpur, 50480, Malaysia</td>
<td></td>
</tr>
<tr>
<td><strong>MR. GANESH NATARAJAN</strong> Director</td>
<td>1. Principal Consulting (India) Private Limited</td>
</tr>
<tr>
<td>BUNGALOW NO. 10, TALERA PARK CO-OP HSG. SOC. KALYANI NAGAR PUNE 411014</td>
<td>2. Principal Retirement Advisors Private Limited</td>
</tr>
<tr>
<td></td>
<td>3. Principal Asset Management Company Berhad (formerly known as CIMB – Principal Asset Management Company Berhad)</td>
</tr>
<tr>
<td></td>
<td>4. Principal International (Asia) Limited</td>
</tr>
<tr>
<td></td>
<td>5. Principal International LLC</td>
</tr>
<tr>
<td></td>
<td>6. Principal International Holding Company LLC</td>
</tr>
<tr>
<td></td>
<td>7. Cornerstone Venture Partners Investment Advisers LLP</td>
</tr>
<tr>
<td></td>
<td>8. Informatics (India) Limited</td>
</tr>
<tr>
<td></td>
<td>9. SP Robotic Works Private Limited</td>
</tr>
<tr>
<td></td>
<td>10. Fino Payments Bank Limited</td>
</tr>
<tr>
<td></td>
<td>11. Zeva Capsol Private Limited</td>
</tr>
<tr>
<td></td>
<td>12. LHI Digital Private Limited</td>
</tr>
<tr>
<td></td>
<td>13. Global Talent Track Private Limited</td>
</tr>
<tr>
<td></td>
<td>14. Pune City Connect Development Foundation</td>
</tr>
<tr>
<td></td>
<td>15. 5f World Private Limited</td>
</tr>
<tr>
<td></td>
<td>16. Skills Alpha Learning Private Limited</td>
</tr>
<tr>
<td></td>
<td>17. Kalzoom Advisors Private Limited</td>
</tr>
<tr>
<td></td>
<td>18. Inflexion Analytix Private Limited</td>
</tr>
<tr>
<td></td>
<td>19. Foundation To Educate Girls Globally</td>
</tr>
<tr>
<td></td>
<td>20. Svp Philanthropy Foundation</td>
</tr>
<tr>
<td><strong>MR. SURESH MAHALINGAM</strong> Director</td>
<td>1. DHFL Pramerica Life Insurance Co Ltd</td>
</tr>
<tr>
<td>8A -9A, GODREJ WALDORF SWAMI SAMRTHA PRASSANA BLDG - 7, ANDHERI MUMBAI 400053</td>
<td>2. DHFL General Insurance Ltd</td>
</tr>
<tr>
<td></td>
<td>3. DHFL Investments Limited</td>
</tr>
<tr>
<td></td>
<td>4. Home Loans Advisors Pvt Ltd</td>
</tr>
<tr>
<td></td>
<td>5. Pratishruti Foundation</td>
</tr>
<tr>
<td><strong>MS. JANE ANN CONWAY</strong> Director</td>
<td>1. Principal Consulting (India) Private Limited</td>
</tr>
<tr>
<td>33829 Mill Creek DR ADEL 50003 US</td>
<td>2. Principal Retirement Advisors Private Limited</td>
</tr>
</tbody>
</table>
(d) **Top 10 Group companies/firms) of the Portfolio Manager on turnover basis (basis the unaudited results for F.Y. ending September' 2019).**

The Group Companies of the Portfolio Manager are as follows –

1. Principal Trustee Company Pvt. Ltd.
2. Principal Financial Group (Mauritius) Ltd.
3. Principal Financial Services Inc.
4. Principal Financial Group Inc.
5. Principal International India Ltd

(e) **Details of the services being offered: Discretionary/ Non-discretionary:**

The Portfolio Management Division has been set up to offer Discretionary and Non-Discretionary Portfolio Management Services to its clients / investors after ascertaining their investment needs and objectives. However, since the Company is in the process of reviewing /revising its PMS business model and its strategy, for the time being the Portfolio Management Division of the Company is not active.
IV. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTION OR INVESTIGATIONS – (for which action may have been taken or initiated by any regulatory authority):

<table>
<thead>
<tr>
<th>All cases of penalties imposed by SEBI or the directions issued by SEBI under the Act or Rules or Regulations made thereunder.</th>
<th>None in last three financial years.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The nature of the penalty/direction.</td>
<td>None</td>
</tr>
<tr>
<td>Penalties imposed for any economic offence and/or for violation of any securities laws.</td>
<td>None</td>
</tr>
<tr>
<td>Any pending material litigation/legal proceedings against the portfolio manager/key personnel with separate disclosure regarding pending criminal cases, if any.</td>
<td>None</td>
</tr>
<tr>
<td>Any deficiency in the systems and operations of the portfolio manager observed by the Board or any regulatory agency.</td>
<td>None</td>
</tr>
<tr>
<td>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 Act or Rules or Regulations made thereunder.</td>
<td>None</td>
</tr>
</tbody>
</table>

The above information has been disclosed in good faith as per the information available to the Portfolio Manager.

However, kindly note that there is a legal case filed at the instance of CBI, Economic Offences Wing, Mumbai pertaining to the purchase of certain shares at SBI Mutual Fund. These proceedings have been filed against several persons then engaged with SBI Mutual Fund, including Mr. Rajat Jain – Chief Investments Officer of AMC who was at that time engaged with SBI Mutual Fund. These proceedings are pending as on date and no orders so far have been passed;

The AMC apprises its Board of Directors of the above developments, if any on the above.
V. SERVICES OFFERED

The services that can be offered by the Portfolio Manager, include Discretionary Portfolio Management Services and Non-Discretionary Portfolio Management Services to its clients. Since the Company is in the process of reviewing/revising its PMS business model and strategy, for the time being the Portfolio Management Division of the Company is not active.

(a) The objective of Principal Portfolio Management Service is to provide the client with consistent risk-adjusted returns on investment based on his/her stated objectives over a longer period of time.

Such portfolio management services are described as under:

1. **Discretionary Portfolio Management Services:**

Discretionary Portfolio Management service involves creating customized portfolios keeping in mind the risk-return objectives of the client. All decisions with respect to investment/disinvestments and asset allocation rests with the Portfolio Manager. The Portfolio Manager proposes to offer/has been offering the following investment Portfolios to the potential investors under the discretionary portfolio management services:

(i) **Growth Portfolio:** Growth portfolio will invest in companies having good growth potential across the sectors.

(ii) **Value Portfolio:** Value Portfolio will invest in companies available at relatively cheap valuations vis-à-vis their earnings growth

(iii) **Small & Midcap Portfolio:** Small & Midcap Portfolio will invest in combinations of small, and midcap companies

(iv) **Flexi-cap portfolio:** Flexi-cap portfolio will invest in combinations of small, midcap and largecap companies

(v) **Blue Chip portfolio:** Blue chip portfolio will invest in companies having sound earning track record and quality management.

(vi) **Dividend Yield Portfolio:** Dividend Yield portfolio will invest in companies offering attractive dividend yield.

(vii) **Balanced Portfolio:** Balance of debt and equity

(viii) **Tailor-made portfolio:** At times, based on the requirement and/or investment objective, client may wish to construct a portfolio, which may not necessarily fit into any of the above portfolios. In this case, the portfolios would be constructed based on the requirement and risk/return objective of the client. Portfolios of this type may be sector specific portfolios, portfolio consisting companies satisfying certain specified financial parameters like market capitalization, liquidity, profitability, turnover, returns etc.

(ix) **Large Cap Growth and Value Portfolio:** It invests in a mix of large capitalization and as well as Mid Cap market capitalization stocks. The Portfolio chooses a mix of growth as well as value stocks to attain the investment objective with a bias towards Large Capitalization stocks with an exposure to mid/small cap stocks not exceeding not exceeding 40% of the Portfolio.

All of the above portfolios could invest in derivative instruments and any other instruments as permitted by the regulator from time to time.
2. **Non-Discretionary Portfolio Management Services:**

Non-Discretionary Portfolio Management Service involves creating customized portfolios based on customer specific investment objectives. All the decisions with respect to investments and asset allocation would be taken in consultation and approval of the client.

In the above mentioned services the Portfolio Manager may at its discretion undertake management or administration of a portfolio of securities or the funds of the client as the case may be.

**(b) Types of securities in which it generally invests:**

(a) Equity;
(b) Equity related securities – inclusive but are not limited to fully convertible debentures, partly convertible debentures, Optionally convertible Debentures, Unlisted securities, Convertible preference shares, Initial Public Offerings, Private Placements and Warrants converting into equity securities;
(c) Debt and Money Market Securities;
(d) Units of Mutual Funds (inclusive of varied schemes);
(e) Derivatives and Hedging products- viz.- Index Futures, Index Options, Individual Stock Futures, Options on individual equities/securities, Interest Rate Swaps, Forward Rate Agreements or such other derivative instruments as permitted by the SEBI/RBI as the case may be, from time to time.
(f) The Portfolio Manager may subject to necessary approvals invest in commodities.
(g) The Portfolio Manager may also invest in foreign securities (equity and debt) as permitted by regulations in this regard from time to time.

**(c) The policies for investments in associates/ group companies of the portfolio manager and the Maximum percentage of such investment:**

The Portfolio Manager may invest in the Associate Companies however, the same shall be at an arms length basis and at prevailing market price. It shall be ensured that the said investment shall be made, to meet the Investment Objective of the Investor and an appropriate justification for the same shall be duly provided on request. No undue concentration or privilege shall be endeavored towards any of the Associate Companies.

**VI. RISK FACTORS**

The Portfolio Manager under this document declares that services that may be rendered to the clients / investors relating to management of funds or portfolio of securities, by adhering to the investment objectives and services as clearly laid under the agreement / contract entered into with each of its clients/ investors, are subject to market risk and that there is no assurance or guarantee that the objectives of the investment will be achieved.

The Portfolio Manager under this document declares that its past performance does not indicate its future performance.

The Risk arising from the investment objective, investment strategy and asset allocation are laid as under -

(i) As different segments of the Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances, the liquidity of the portfolio may be restricted by trading volumes and settlement periods.

(ii) The Portfolio Manager may miss certain investment opportunities due to settlement problems resulting in inability to make intended purchase of securities as desired by clients / investors or otherwise.
(iii) The Portfolio Manager may miss certain selling opportunities of the securities held in the portfolio due to the absence of a well developed and liquid secondary market for debt securities, resulting at times in potential losses to the Portfolio, should there be a subsequent decline in the value of securities held in the portfolio.

(iv) The liquidity and valuation of the Portfolio’s investments due to its holdings of unlisted securities may be affected if they have to be sold prior to their target date of divestment.

(v) The Corporate debt securities are subject to the risk of an issuer’s inability to meet interest and principal payments on its debt obligations (credit risk).

(vi) The Debt securities may be subject to price volatility due to factors such as changes in interest rates, general level of market liquidity and market perception of the creditworthiness of the issuer, among others (market risk).

(vii) The Portfolio Manager will endeavor to manage credit risk through in-house credit analysis.

(viii) The Portfolio Manager may also use various hedging products from time to time to reduce the impact of undue market volatility on the portfolio.

(ix) The value of the portfolio, to the extent invested in fixed income securities, will be affected by changes in the general level of interest rates. When interest rates decline, the value of a portfolio of fixed income securities can be expected to rise. Conversely, when interest rates rise, the value of a portfolio of fixed income securities can be expected to decline.

(x) The value of the portfolio may go up or down depending on various factors that may affect the values of the investments in securities.

(xi) The value of the portfolio may fluctuate with movements in the broader equity and bond markets and may be influenced by factors affecting capital markets in general, inclusive but restricted to changes in interest rates, currency exchange rates, changes in governmental policies, taxation, political, economic or other developments and increased volatility in the stock / bond markets and all other financial instrument markets.

(xii) The Portfolio Manager subject to necessary approvals and permissions of the regulatory authorities / bodies, may invest/advise investments in overseas markets. Such investments may carry risks on account of fluctuations in foreign exchange rates, nature of securities market of the country concerned, repatriation of capital due to exchange controls and political, economic and demographic circumstances.

(xiii) The Portfolio Manager needs the clients / investors to be aware and understand the risks involved in trading in the derivative products, and issues concerning the use of the said products are as under –

- Derivatives require the maintenance of adequate controls to monitor the transactions and the embedded market risks that a derivative adds to the portfolio.
- Besides the price of the underlying asset, the volatility, tenor and interest rates affect the pricing of derivatives.
- Other risks in using derivatives inclusive but not restricted to are -

(a) **Credit Risk** - this occurs when a counterparty defaults on a transaction before settlement and therefore, the Portfolio Manager is compelled to negotiate with another counter party, at the then prevailing (possibly unfavorable) market price, in order to maintain the validity of the hedge. For exchange traded derivatives, the risk is mitigated as the exchange provides the guaranteed settlement but one takes the performance risk on the exchange.
(b) **Market Liquidity risk** – is that risk where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices.

(c) **Model Risk** – is the risk of mis-pricing or improper valuation of derivatives.

(d) **Basis Risk** - arises when the instrument used as a hedge does not match the movement in the instrument/underlying asset being hedged. The risks may be inter-related also; for e.g. interest rate movements can affect equity prices, which could influence specific issuer/industry assets.

The investment objectives of one or more of the portfolio management Portfolio could result into concentration on a specific asset/asset class/sector/issuer etc., which could expose the portfolio to improper and/or undesired diversification.

**VII. CLIENT REPRESENTATION**

The Portfolio Management Division has been set up to provide discretionary and non-discretionary portfolio management services and to its clients. However, since the Company is in the process of reviewing/ revising its PMS business model and strategy, for the time being the Portfolio Management Division of the Company is not active.

The client representation details as on September 30, 2019, are laid hereafter –

(i)

<table>
<thead>
<tr>
<th>Category of clients</th>
<th>No. of clients</th>
<th>Funds managed (Rs. in cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associates /group companies</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Last 3 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others <em>(last 3 years)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Discretionary</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>(ii) Non-Discretionary</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

(ii) Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India

There are no transactions with related parties as on September 30, 2019, with respect to the Portfolio Management Activities of Principal Asset Management Private Limited (formerly known as Principal Pnb Asset Management Company Private Limited) as per the standards specified by the Institute of Chartered Accountants of India.
VIII. THE FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER:

The Financial Performance of the portfolio manager for the last three years (audited for F.Y. 2016-2017, F.Y. 2017-2018 and F.Y. 18-2019 is as follows:

Rs. in lacs

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2019</th>
<th>March 31, 2018</th>
<th>March 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>6,205.85</td>
<td>5,909.16</td>
<td>4,534.13</td>
</tr>
<tr>
<td>Total Expenses including Tax</td>
<td>7,254.05</td>
<td>5,918.50</td>
<td>4,916.80</td>
</tr>
<tr>
<td>Profit after Tax</td>
<td>(1,048.20)</td>
<td>(9.34)</td>
<td>(382.68)</td>
</tr>
<tr>
<td>Earning Per Share (R)</td>
<td>(4.16)</td>
<td>(0.05)</td>
<td>(2.20)</td>
</tr>
<tr>
<td>Networth</td>
<td>8,626.74</td>
<td>5,672.07</td>
<td>5,681</td>
</tr>
</tbody>
</table>

IX. 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 WEIGHTED AVERAGE METHOD IN TERMS OF REGULATION 14 OF THE SEBI (PORTFOLIO MANAGERS) REGULATIONS, 1993:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>April 1, 2018 to March 31, 2019</th>
<th>April 1, 2017 to March 31, 2018</th>
<th>April 1, 2016 to March 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Performance (%), Net of all fees and charges levied by the Portfolio Manager</td>
<td>N.A (since PMS Division is inactive)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benchmark Performance (%)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The past performance may or may not be sustained in the future.

X. NATURE OF EXPENSES:

(a) **Fixed Investment Management Fee:**

Investment Management Fee of upto 3.50% p.a. would be charged on the daily average portfolio value.

(b) **Performance Linked Management Fee:**

Performance linked fee of upto 50% on the returns generated by the Portfolio Manager beyond a defined threshold return as mutually agreed with the client based on the high water mark principle.

(c) **Fixed Cum Performance Linked Management Fee:**

Fixed Management Fee of upto 3.00 % p.a. payable on the daily average portfolio value and return based fee of upto 50% on the incremental returns generated by the Portfolio Manager beyond a defined threshold return.

(d) **Brokerage and transaction cost:**

Brokerage and other transaction costs on trades would normally be capitalized in the books of the client, and the same may be upto 1% of the value of the transaction.
(e) **Other Charges**

GST and/or any other taxes/charges, as may be applicable, will be payable by the Client. Such taxes (including applicable surcharge or cess, by whatever name called) and/or charges will be payable at the rate as notified by the Government from time to time.

(f) **Custodian Fee**

The fees payable to the custodians are based on the total equity Assets under management across all discretionary clients, and the same are borne by the Portfolio manager.

(g) **Mode and frequency of payment of the above fees/expenses/charges**

Above fees/charges will be charged on daily average portfolio value, wherever applicable, and will be payable on a monthly/quarterly basis or as per the terms agreed with the investor. The investor will have the choice of paying the amount by way of a cheque or authorize the Portfolio Manager to recover the amount from the investor’s bank account at the end of each month/agreed period. For the purpose of recovering the fees, the Portfolio Manager will have discretion to sell securities held in the portfolio, if there is insufficient balance in the bank account.

Pursuant to SEBI Circular No. CIR/IMD/DF/13/2010 dated October 5, 2010, which prescribes the format for disclosure of Expenses charged to the Scheme, it may be noted that as and when the Portfolio Management Service activity is resumed, the expense structure in the Client Agreement shall be appropriately disclosed/aligned with the said SEBI circular.

**XI. TAXATION:**

The following are the broad income-tax implications. They may differ taking into account the specific facts of each individual case. Furthermore, the tax rates and provisions are based on the law prevailing as at the date of this document and also incorporating the amendments made by the Finance Act, 2019, Finance (No. 2) Act, 2019 and Taxation Laws (Amendment) Ordinance, 2019.

The clients are accordingly advised to utilise the services of a professional consultant in determining their exact tax implications.

1.1 **Tax Implications**

1.1.1 Income arising from the purchase and sale of securities under Portfolio Management Services (‘PMS’) can give rise to either capital gains or business income in the hands of the client. The issue of characterisation of income is relevant as the income tax computation and rates differ in the two situations.

The characterisation is essentially a question of fact and depends on whether the shares are held as business/trading assets or as capital assets.

The CBDT has issued a circular\(^1\) which deals with listed shares/securities. The circular states that:

---

\(^1\) Circular no. 6/2016 dated February 29, 2016
• Where the assessee opts to treat the listed shares/securities as stock-in-trade, the income arising from the transfer of such listed shares/securities would be treated as business income.
• If the assessee desires to treat the gains arising from transfer of listed shares/securities held for a period of more than 12 months as capital gains, the same shall not be put to dispute by the Assessing Officer.

The aforementioned circular shall not apply in a case where the genuineness of the transaction itself is questionable.

The CBDT has issued one more circular\(^2\) which deals with transfer of unlisted shares, which states that income arising from transfer of unlisted shares would be taxable under the head ‘Capital Gains’, irrespective of the period of holding, subject to certain conditions.

Investors may also refer to Central Board of Direct taxes (‘CBDT’) instruction no. 1827 dated 31 August, 1989 read with CBDT Circular no. 4 dated 15 June, 2007 for further guidance on this matter.

1.1.2 In the following paragraphs, we have considered the broad implications under the Income-tax Act, 1961 (‘the Act’) arising in the hands of the investors (resident as well as non-resident) under both scenarios, viz.:

• PMS securities held as business/trading assets; and
• PMS securities held as capital assets.

Non-residents [including Foreign Portfolio Investors\(^3\) (‘FPI’)] are entitled to be governed by the applicable Double Tax Avoidance Agreement (‘DTAA’), which India has entered into with the country of residence of the non-resident, if it is more beneficial than the provisions of the Act. This would have to be considered on a case-to-case basis depending upon the relevant DTAA. Ordinarily, capital gains and interest income are taxable in India in the manner and at the rates prescribed under the relevant DTAA or the relevant rates applicable in India, whichever is more beneficial to the assessee. Furthermore, business income is generally not taxable in India, if there is no Permanent Establishment of the non-resident assessee in India.

According to section 90(4) of the Act, a non-resident shall not be entitled to claim treaty benefits, unless it obtains a Tax Residency Certificate (‘TRC’) of being a resident of his home country.

Furthermore, as per section 90(5) of the Act, a non-resident is also required to provide such other documents and information, in Form 10F.

1.2 **Securities Transaction Tax (‘STT’)**

STT is applicable to certain specified transactions which are tabulated below:

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\(^{1}\) Letter F.No.225/12/2016/ITA.II dated May 2, 2016

\(^{2}\) As per Notification No. 9/2014 dated 22 January 2014, the Central Government has specified Foreign Portfolio Investors registered under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as ‘Foreign Institutional Investor’ for the purposes of clause (a) of the Explanation to section 115AD of the Act.
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Nature of Transaction</th>
<th>Rate of STT</th>
<th>‘Value’ on which STT is payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Delivery based purchase of units of equity oriented fund entered into on a recognised stock exchange</td>
<td>Nil</td>
<td>Not applicable</td>
</tr>
<tr>
<td>2.</td>
<td>Delivery based sale of units of equity oriented fund entered into on a recognised stock exchange</td>
<td>Seller to pay 0.001%</td>
<td>Price at which units are sold</td>
</tr>
<tr>
<td>3.</td>
<td>Sale of units of an equity oriented fund to a mutual fund</td>
<td>Seller to pay 0.001%</td>
<td>Price at which units are sold</td>
</tr>
<tr>
<td>4.</td>
<td>Non-delivery based transaction in equity shares / units of equity oriented fund</td>
<td>Seller to pay 0.025%</td>
<td>Price at which shares / units are sold</td>
</tr>
<tr>
<td>5.</td>
<td>Derivatives: Futures</td>
<td>Seller to pay 0.01%</td>
<td>Futures: Price at which futures are traded</td>
</tr>
<tr>
<td>6.</td>
<td>Derivatives: Options</td>
<td>Where Option is not exercised - Seller to pay 0.05%</td>
<td>Payable on Option Premium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Where Option is exercised – Buyer to pay 0.125%</td>
<td>Payable on difference between settlement price and strike price</td>
</tr>
<tr>
<td>7.</td>
<td>Sale of unlisted equity shares under an offer for sale</td>
<td>Seller to pay 0.2%</td>
<td>Price at which shares are sold</td>
</tr>
</tbody>
</table>

The above STT is payable, irrespective of whether the securities are characterised as business assets or as capital assets.

1.3 **Tax Implications where securities are Business Assets**

1.3.1 The following are the various income streams that can arise from securities held under the PMS:

- Gains on sale of securities;
- Dividend income on shares / income distributed on units; and
- Interest income on debt securities.

1.3.2 If the securities under the PMS are regarded as business/trading asset, then any gain/loss arising from sale of such securities would be taxed under the head “Profits and Gains of Business or Profession” under section 28 of the Act. The gain/loss is to be computed under the head “Profits and gains of business or profession” after allowing normal business expenses (inclusive of the expenses incurred on transfer) according to the provisions of the Act.
1.3.3 Dividend on shares (referred to in section 115-O) and income distributed by Mutual Funds (referred to in section 115R) are exempt under the Act in the hands of the investors. However, as per section 115BBDA of the Act, in case of any resident assessee other than specified assessee (defined below), receives dividend income (from a domestic company) exceeding Rs. 10 lakhs, then such dividend income will be taxable at the rate of 10% on gross basis.

As per Explanation (b) to section 115BBDA of the IT Act, ‘specified assessee’ means a person other than-

i) a domestic company; or

ii) a fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10; or

iii) a trust or institution registered under section 12A or section 12AA.

Further, as per section 14A of the Act, the Assessing Officer has the power to disallow expenses relating to earning exempt income.

1.3.4 Interest income arising on securities could be categorised as ‘Business Income’ or ‘Income from other sources’, depending on the facts of the case.

In either case, interest income should be subject to tax as follows:

- Resident investors – Normal rates (plus applicable surcharge and cess as per Para 1.3.8) and
- Non-resident investors – 40% (plus applicable surcharge and cess as per Para 1.3.8).

Any expense incurred to earn such interest (such as interest expense, etc.) should be available as a deduction subject to the provisions of the Act.

1.3.5 STT paid on securities held as business assets would be allowable as a deduction under section 36(1)(xv) of the Act, subject to the condition that such income from taxable securities transactions is included under the head ‘Profits and gains of business or profession’.

1.3.6 Business Income is subject to tax at the following rates for the financial year 2019-20:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Asseesee</th>
<th>% of Income Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Individuals, Hindu Undivided Family (‘HUF’), Association of Persons (‘AOP’), Body of Individuals (‘BOI’)</td>
<td>Applicable slab rates</td>
</tr>
<tr>
<td>2</td>
<td>Domestic company (if the company resorts to the new taxation regime provided under the Taxation Laws (Amendment) Ordinance, 2019)</td>
<td>22%</td>
</tr>
<tr>
<td>3</td>
<td>Domestic company having turnover/ gross receipt not exceeding INR 400 crore in financial year 2017-18 [if the company does not exercise to adopt the new taxation regime which has the basic tax rate of 22% (as mentioned in row no. 2 above)]</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>Partnership Firms, including Limited Liability Partnerships (‘LLPs’)</td>
<td>30%</td>
</tr>
<tr>
<td>---</td>
<td>------------------------------------------------------------------</td>
<td>-----</td>
</tr>
<tr>
<td>5</td>
<td>Domestic Company (having turnover/gross receipt exceeding INR 400 crore in financial year 2017-18) [if the company does not exercise to adopt the new taxation regime which has the basic tax rate of 22% (as mentioned in row no. 2 above)]</td>
<td>30%</td>
</tr>
<tr>
<td>6</td>
<td>Foreign Company</td>
<td>40%</td>
</tr>
</tbody>
</table>

1.3.7 The slab rates for individuals / HUF / AOP / BOI are as follows:

<table>
<thead>
<tr>
<th>Total Income</th>
<th>Tax rates (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs. 2,50,000 (a) (b) (d)</td>
<td>Nil</td>
</tr>
<tr>
<td>From Rs. 2,50,001 to Rs. 5,00,000</td>
<td>5%</td>
</tr>
<tr>
<td>From Rs. 5,00,001 to Rs. 10,00,000</td>
<td>20%</td>
</tr>
<tr>
<td>Above Rs. 10,00,001 and above</td>
<td>30%</td>
</tr>
</tbody>
</table>

(a) In the case of a resident individual of the age of 60 years or more but less than 80 years, the basic exemption limit is Rs. 3,00,000.

(b) In the case of a resident individual of the age of 80 years or more, the basic exemption limit is Rs. 5,00,000.

(c) Plus, surcharge on income-tax, as applicable and health and education cess is applicable at the rate of 4% on income-tax and surcharge.

(d) Rebate of upto Rs. 12,500 is available for resident individuals whose total income does not exceed Rs. 5,00,000.

1.3.8 The income tax rates specified above and elsewhere in this document are exclusive of the applicable surcharge and cess. The applicable rates of surcharge for the assessment year 2020-21 are as follows:

<table>
<thead>
<tr>
<th>Type of Investor</th>
<th>Surcharge rate as a % of income-tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If income is less than INR 50 lakhs</td>
</tr>
<tr>
<td>Individual, HUF, AOP (Resident &amp; foreign)</td>
<td>Nil</td>
</tr>
<tr>
<td>Partnership firm (Domestic &amp; foreign)</td>
<td>Nil</td>
</tr>
<tr>
<td>Domestic Company</td>
<td>Nil</td>
</tr>
<tr>
<td>Domestic</td>
<td>10%</td>
</tr>
<tr>
<td>Company (opting for the new taxation regime)</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>--</td>
</tr>
<tr>
<td>Foreign Company</td>
<td>Nil</td>
</tr>
</tbody>
</table>

*Additionally, health and education cess at the rate of 4% is leviable on the income tax and surcharge as computed above.

**Losses under the head Profits and Gains of Business or Profession**

1.3.9 In the case of loss under the head ‘Profits and Gains of Business or Profession’ (other than speculative loss), it can be set off against the income from any other source under the same head, or income under any other head (except in certain exceptions) in the same assessment year. If the loss cannot be set off against any other head in the same assessment year, it will be carried forward and set off against the profits and gains of the business (other than speculative loss), within the period of eight subsequent assessment years.

If the loss is in the nature of speculation loss, set-off would be available in the same assessment year only against speculation gain. In terms of the explanation to section 73, in the case of a company, other than a company whose gross total income consists mainly of income which is chargeable under the heads “Income from house property”, “Capital gains” and “Income from other sources”, or a company whose principal business is trading in shares or is in the business of banking or the granting of loans and advances, loss on sale of shares forming part of the business of the company (even if delivery based) is considered as speculation loss. Such loss can be carried forward for set-off against speculative gains for a period of four subsequent assessment years.

1.4 **Tax Implications where securities are held as Capital Assets**

1.4.1 The following are the various income streams that can arise from securities held under the PMS:
- Gains on sale of securities;
- Dividend income on shares / Income-distributed on units;
- Interest income on debt securities.

1.4.2 Dividend on shares (referred to in section 115-O) and income distributed by Mutual Funds (referred to in section 115R) continue to be exempt under the Act. However, as per section 115BBDA of the Act, in case of any resident assessee other than specified assessee (defined below), receives dividend income (from a domestic company) exceeding Rs. 10 lakhs, then such dividend income will be taxable at 10% on gross basis.

As per Explanation (b) to section 115BBDA of the IT Act, ‘specified assessee’ means a person other than-
- i) a domestic company; or
ii) a fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10; or

iii) a trust or institution registered under section 12A or section 12AA.

As per section 14A of the Act, the Assessing Officer has the power to make disallowances of expenses relating to earning exempt income.

1.4.3 Interest income arising on securities could be categorised as ‘Income from Other Sources’ depending on the facts of the case. Interest income should be subject to tax as follows:

- Resident investors – Normal rates (plus applicable surcharge and cess as per Para 1.3.8) and
- Non-resident investors – 40% (plus applicable surcharge and cess as per Para 1.3.8).

Any expenses incurred to earn such interest (such as interest expense, etc.) would be available as deduction subject to the provisions of the Act.

1.4.4 Capital assets are categorised into short-term and long-term capital assets based on the period of holding.

A security (other than a unit) listed on a recognised stock exchange in India, a unit of an equity-oriented fund, units of UTI and Zero-Coupon Bonds are considered as long-term capital assets if they are held for a period of 12 months or more, immediately preceding the date of transfer.

Shares of a company (not being shares listed on a recognised stock exchange in India) would be considered as a long-term capital asset if it is held for a period of 24 months or more, immediately preceding the date of transfer.

Other securities (including units of other than equity-oriented funds) would be considered as long-term capital assets, if held for a period of 36 months or more, immediately preceding the date of transfer.

1.4.5 The mode of computation of capital gains would generally be as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Consideration</td>
<td>XXX</td>
</tr>
<tr>
<td>Less: Expenses on Transfer (Note 1)</td>
<td>(XXX)</td>
</tr>
<tr>
<td>Net Consideration</td>
<td>XXX</td>
</tr>
<tr>
<td>Less: Cost of Acquisition (Note 2)</td>
<td>(XXX)</td>
</tr>
<tr>
<td>Capital Gains</td>
<td>XXX</td>
</tr>
</tbody>
</table>

Note 1: This would include only expenses incurred wholly and exclusively in connection with the transfer.

Note 2: In case of resident assessee, for computing long-term capital gains, the option of indexation of cost is available on all long-term securities [other than bonds, debentures and securities referred to and taxable as per section 112A of the Act (i.e. including units of equity-oriented funds, equity shares, etc.)].
For non-resident assessee, for computing long-term capital gains arising on transfer of unlisted securities as well as for securities taxable under section 112A of the Act (i.e. including units of equity-oriented funds, equity shares, etc.), the benefit of indexation is not available.

For non-resident assessee, the capital gains arising from the transfer of shares or debentures of an Indian company are required to be effectively computed in foreign currency and recomputed into rupees (i.e. foreign currency fluctuation benefit). However, in cases involving long-term capital gains arising on transfer of unlisted securities or securities taxable as per section 112A of the Act (i.e. including units of equity-oriented funds, equity shares, etc.), such foreign currency fluctuation benefit shall not be available.

The provisions of the Act, in relation to the taxation of long-term and short-term capital gains are provided in the following paragraphs.

**LONG-TERM CAPITAL GAINS**

Long-term capital gains are taxable in the hands of different categories of assessee as follows:

1.4.6 **Resident Individuals (including proprietorships)/ HUF/ Partnership firms (including LLPs) & Domestic companies**

As per section 112A of the Act, long-term capital gains arising on transfer of equity shares or units of equity oriented mutual funds or unit of a business trust, on which the applicable STT has been paid, would be taxable (in excess of INR 100,000) at the rate of 10% (plus applicable surcharge and cess) (except a list of transactions as notified by CBDT vide notification no. 3875 dated 1 October 2018).

As per third proviso to section 48 of the Act, the capital gains shall be computed without giving effect to first and second proviso to section 48 i.e. without taking benefit of foreign currency fluctuation and indexation benefit. The cost of acquisition for computing long-term capital gains shall be higher of (a) Actual cost of acquisition; and (b) Lower of (i) fair market value as on 31 January 2018; and (ii) full value of consideration received upon transfer.

Long-term capital gains would be taken into account in computing the book profits for computation of Minimum Alternate Tax under section 115JB of the Act. The rate of tax under section 115JB of the Act is 18.5% (plus applicable surcharge and cess).

Under the provisions of section 112 of the Act, long-term capital gains (other than those covered under section 112A of the Act above) are subject to tax at the rate of 20% (plus the applicable surcharge and cess), in the event indexation benefit is claimed. In the event that indexation benefit is not availed for the purpose of calculation of the cost of acquisition, the long-term capital gains would be taxed at the rate of 10% (plus the applicable surcharge and cess). This option would be available only in the case of long-term capital gains arising on the sale of listed securities (other than units) or zero-coupon bonds.
1.4.7 Non-resident investors

As per section 112A of the Act, long-term capital gains arising on transfer of equity shares or units of equity oriented mutual funds or unit of a business trust, on which the applicable STT has been paid, would be taxable (in excess of INR 100,000) at the rate of 10% (plus applicable surcharge and cess) (except a list of transactions as notified by CBDT vide notification no. 3875 dated 1 October 2018).

As per third proviso to section 48 of the Act, the capital gains shall be computed without giving effect to first and second proviso to section 48 i.e. without taking benefit of foreign currency fluctuation and indexation benefit. The cost of acquisition for computing long-term capital gains shall be higher of (a) Actual cost of acquisition; and (b) Lower of (i) fair market value as on 31 January 2018; and (ii) full value of consideration received upon transfer.

Non-resident investor shall be entitled to be governed by provisions of the applicable Tax Treaty which India has entered into with the country of residence of the non-resident investor, if it is more beneficial than the provisions of the Act. Under section 90(4) of the Act, a non-resident shall not be entitled to claim treaty benefits, unless the non-resident obtains a TRC of being a resident of his home country. Further, under section 90(5) of the Act, a non-resident is also required to provide such other documents and information, in Form 10F.

Under the provisions of section 112 of the Act, long-term capital gains in the case of non-residents would be taxable at the rate of 10% on the transfer of capital assets, being unlisted securities, computed without giving effect to the first and the second proviso to section 48 i.e. without taking the benefit of foreign currency fluctuation and indexation benefit.

Long-term capital gains on transfer of listed units of other than equity oriented mutual fund would be taxable at the rate of 20% (plus the applicable surcharge and cess), with indexation benefit.

Non-resident Indians are permitted to be governed by the general provisions of the Act (which are the same as above except for indexation) or the special provisions contained in section 115E of the Act. Under section 115E of the Act for non-resident Indians, income by way of long-term capital gains in respect of specified assets purchased in foreign currency as defined under section 115C (which includes shares, debentures, deposits in an Indian Company and security issued by central government) is chargeable at the rate of 10% (plus the applicable surcharge and cess).

1.4.8 Foreign Institutional Investors\* Foreign Portfolio Investors

As per section 2(14) of the Act, any investment in securities made by FIIs/ FPIs in accordance with the regulations made under the Securities and Exchange Board of India is treated as a capital asset.

\* As per Notification No. 9/2014 dated 22 January 2014, the Central Government has specified Foreign Portfolio Investors registered under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as 'Foreign Institutional Investor' for the purposes of clause (a) of the Explanation to section 115AD of the Act.
Consequently, any income arising from transfer of securities by FIIs/ FPIs are to be treated in the nature of capital gains.

Under section 115AD of the Act, long-term capital gains (other than those referred under section 112A of the Act) arising from transfer of securities shall be taxable at the rate of 10% (plus the applicable surcharge and cess). Such capital gains would be computed without taking into consideration the effect of indexation and foreign currency conversion.

Long-term capital gains arising on transfer of equity shares or units of equity oriented mutual funds or unit of a business trust (as referred to in section 112A of the Act), on which the applicable STT has been paid, would be taxable (in excess of INR 100,000) at the rate of 10% (plus applicable surcharge and cess).

As per third proviso to section 48 of the Act, the capital gains on securities referred to in section 112A of the Act shall be computed without giving effect to first and second proviso to section 48 i.e. without taking benefit of foreign currency fluctuation and indexation benefit. The cost of acquisition for computing long-term capital gains shall be higher of (a) Actual cost of acquisition; and (b) Lower of (i) fair market value as on 31 January 2018; and (ii) full value of consideration received upon transfer.

Under the provisions of section 196D of the Act, no deduction of tax shall be made from any income by way of capital gains arising from the transfer of securities referred to in section 115AD, payable to a Foreign Institutional Investor.

### 1.4.9 Deductions from long-term capital gains

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Section 54EE</th>
<th>Section 54F</th>
<th>Section 115F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessee</td>
<td>Any person</td>
<td>Individuals / HUF</td>
<td>Non-Resident Indian</td>
</tr>
<tr>
<td>Sale of which security</td>
<td>Any</td>
<td>Any (not being</td>
<td>Foreign exchange asset</td>
</tr>
<tr>
<td></td>
<td></td>
<td>residential house)</td>
<td></td>
</tr>
<tr>
<td>Asset to be purchased to claim</td>
<td>Long term specified</td>
<td>One residential</td>
<td>Specified assets</td>
</tr>
<tr>
<td>exemption</td>
<td>asset - i.e. units</td>
<td>house in India</td>
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</tr>
<tr>
<td></td>
<td>issued before 1 April</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019, by any fund</td>
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<td></td>
<td>notified by the</td>
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<td></td>
<td>Central Government.</td>
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<tr>
<td></td>
<td>(cap of Rupees Fifty</td>
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<td></td>
<td>lacs in any financial</td>
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<td></td>
<td>year in any long term</td>
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<td></td>
<td>specified asset post</td>
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<td></td>
<td>1 April 2016)</td>
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<td></td>
</tr>
<tr>
<td>Time-limit for purchase from</td>
<td>6 months</td>
<td>Purchase: 1 year</td>
<td>6 months</td>
</tr>
<tr>
<td>the date of sale of Security</td>
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<td>back / 2 years</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>forward or</td>
<td></td>
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<td></td>
<td></td>
<td>Construction: 3 years</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>forward</td>
<td></td>
</tr>
<tr>
<td>Amount Exempt</td>
<td>Investment in the new asset or capital gain whichever is lower</td>
<td>Capital Gains proportionate to the investment made from sale proceeds (subject to other conditions of owning / purchasing residential house mentioned in the section)</td>
<td>Capital Gains proportionate to the investment made from sale proceeds</td>
</tr>
<tr>
<td>----------------</td>
<td>------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------</td>
</tr>
<tr>
<td>Lock-in Period</td>
<td>3 years</td>
<td>3 years</td>
<td>3 years</td>
</tr>
</tbody>
</table>

The above deductions are available subject to other provisions / conditions contained in the Act.

**SHORT-TERM CAPITAL GAINS**

1.4.10 Under section 111A of the Act, income from short-term capital gains arising from the transfer of equity shares in a company on a recognised stock exchange or a unit of equity-oriented fund, on which STT is paid, are taxable at the rate of 15% (plus the applicable surcharge and cess).

1.4.11 The tax rates applicable to different categories of assessee on short-term capital gains (other than those referred to above) would be the normal rates as provided in Para 1.3.6 and Para 1.3.7 above, except for FII's who would be taxable on short-term capital gains at the rate of 30% (plus the applicable surcharge and cess) under section 115AD of the Act.

**OTHERS**

1.4.12 **Capital Loses**

Losses under the head capital gains cannot be set off against income under any other head. Furthermore, within the head capital gains, losses arising from the transfer of long-term capital assets cannot be adjusted against gains arising from the transfer of a short-term capital asset. However, losses arising from the transfer of short-term capital assets can be adjusted against gains arising from the transfer of either a long-term or a short-term capital asset.

Unabsorbed long-term capital loss can be carried forward and set off against the long-term capital gains arising in any of the subsequent eight assessment years. Unabsorbed short-term capital loss can be carried forward and set off against the income under the head capital gains in any of the subsequent eight assessment years.

1.5 **Consolidation / Merger of schemes**

In case of consolidation of mutual fund schemes, the investors generally receive units in the consolidated scheme in consideration of units held in the consolidating scheme. The following provisions are applicable in case of consolidation of mutual fund schemes.

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As per Notification No. 9/2014 dated 22 January 2014, the Central Government has specified Foreign Portfolio Investors registered under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as 'Foreign Institutional Investor' for the purposes of clause (a) of the Explanation to section 115AD of the Act.
As per section 47(xviii) of the Act, any transfer of units held by the investor in the consolidating scheme of the mutual fund in consideration of allotment of units in the consolidated scheme, shall not to be regarded as a taxable transfer, provided that the consolidation is of two or more schemes of an equity-oriented fund or two or more schemes of a fund other than equity oriented fund.

Further, as per section 49(2AD) of the Act, the cost of acquisition of units in the consolidated scheme shall be deemed to be the cost of acquisition of the units in the consolidating scheme. Also, as per section 2(42A) of the Act, the period of holding of the units in the consolidated scheme shall include the period of holding of the units in the consolidating scheme.

‘Consolidating scheme’ has been defined under section 47(xviii) of the Act as the scheme of a Mutual Fund which merges under the process of consolidation of the schemes of mutual fund in accordance with the SEBI (Mutual Funds) Regulations, 1996. ‘Consolidated scheme’ has been defined as the scheme with which the consolidating scheme merges or which is formed as a result of such merger.

1.6 Consolidation of plans within a scheme of a mutual fund

In case of consolidation of mutual fund plans within a scheme, the investors generally receive units in the consolidated plan in consideration of units held in the consolidating plan.

As per section 47(xix) of the Act, any transfer of units (held by the investor as a capital asset) on account of a consolidation of a plan with other plans of the same scheme shall not be regarded as a taxable transfer.

Further, the cost of acquisition of the units in the consolidated plan shall be the cost of units in consolidating plan. Also, the period of holding of the units of consolidated plan shall include the period for which the units in consolidating plan were held by the assessee.

1.7 Minimum Alternate Tax/Alternate Minimum Tax

For companies who do not avail the option of shifting to the new taxation regime laid out by Taxation Laws (Amendment) Ordinance, 2019

Where, the income tax payable on the total income as computed under the Act is less than the tax computed at 15% of its book profits then such book profits shall be deemed to be the total income of the company and the tax payable should be at the rate of 15% (plus applicable surcharge and cess) on such book profits.

Where MAT has been paid, credit is available in subsequent financial years for the MAT paid in excess of income-tax payable in a financial year. This credit should be eligible to be carried forward for 15 years and set-off against future income-tax payable to the extent normal income-tax payable exceeds MAT in that financial year.
The income on the transfer of equity shares/units of Mutual Fund by a company would be taken into account in computing the book profits and Minimum Alternate Tax, if any, under section 115JB of the Act.

The taxable income on the transfer of equity shares/units of a Mutual Fund would be taken into account in computing the Adjusted Total Income and Alternate Minimum Tax, if any, under section 115JC of the Act.

For companies who avail the option of shifting to the new taxation regime laid out by Taxation Laws (Amendment) Ordinance, 2019

As per Taxation Laws (Amendment) Ordinance, 2019, domestic companies exercising the option to shift to the new taxation regime, are not required to pay taxes as per the provisions of MAT. Further, upon exercise of this option, the MAT credit generated over the years would not be allowed to be set-off against the tax payable as per the normal provisions of the Act.

1.8 Additional income-tax on buy-back of shares

Under section 115QA of the Act, an additional income-tax is levied in the hands of unlisted companies and listed companies at the rate of 20% (plus applicable surcharge and cess) on distributions by such companies made to its shareholders in the form of buy-back of shares. The corresponding income in the hands of the shareholders would be exempt from tax. However, additional income-tax will not be levied in the hands of listed companies for which the public announcement was made on or before 5 July 2019.

1.9 Shares subscribed at premium

If the shares of a closely-held Indian investee company are subscribed to at a premium, as per the provisions of section 56(2)(viib) of the Act, the difference between the consideration for subscription and the fair market value of such shares would be considered as income, and would be subject to tax in the hands of the investee company.

1.10 Explanation of credits in the financial statements

As per the provisions of section 68 of the Act, if the investee company is unable to explain to the tax authorities the nature and source of share application, share capital, share premium, etc., such amounts may be taxed as its income. In this regard, the investee company may require certain details from its shareholders.

1.11 Special Provisions relating to Avoidance of Tax

Dividend Stripping

Under section 94(7) of the Act, loss arising on sale of securities or units, which are bought within three months of the record date and sold within three months (in case of securities other than units) and nine

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6 Section 115JC would be applicable to all persons other than company who has claimed any deduction under Chapter VI-A under the heading 'C- Deductions in respect of certain incomes' (other than section 80P) or section 10AA.
months (in case of units) from the record date, shall be ignored for the purpose of computing income chargeable to tax to the extent of exempt income received or receivable on such Securities / Units.

Record date means the date as may be fixed by—

(i) a company for the purposes of entitlement of the holder of the securities to receive dividend; or
(ii) a Mutual Fund or the Administrator of the specified undertaking or the specified company as referred to in the Explanation to clause (35) of section 10, for the purposes of entitlement of the holder of the units to receive income, or additional unit without any consideration, as the case may be.

_Bonus Stripping_

Under section 94(8) of the Act, for units purchased within a period of three months prior to the record date of entitlement of bonus and sold within a period of nine months after this date the loss arising on the transfer of the original units (while continuing to hold the additional bonus units) shall be ignored for the purpose of computing the income chargeable to tax.

The amount of loss so ignored shall be deemed to be the cost of purchase / acquisition of the additional units as are held by the Assessee on the date of such sale or transfer.

1.12 Default in providing the Permanent Account Number (‘PAN’)

Section 206AA of the Act states that the deductee is required to provide his PAN to the deductor failing which the deductor shall deduct tax at source at the higher of the following rates:

1. The rate prescribed in the Act;
2. The rate in force i.e., the rate mentioned in the relevant Finance Act; or
3. The rate of 20%.

As per Rule 37BC of the Income-tax Rules, 1962, in the case of a non-resident, not being a company, or a foreign company not having a PAN, the provisions of section 206AA shall not apply in respect of payments in the nature of interest, royalty, fees for technical services and payments on transfer of any capital asset, if the deductee furnishes the following details and documents to the deductor:

- name, e-mail id, contact number of the deductee;
- address in the country or specified territory outside India of which the deductee is a resident;
- a certificate of his being resident in any country or specified territory outside India from the Government of that country or specified territory if the law of that country or specified territory provides for issuance of such certificate;
• Tax Identification Number of the deductee in the country or specified territory of his residence and in case no such number is available, then a unique number on the basis of which the deductee is identified by the Government of that country or the specified territory of which he claims to be a resident.

1.13 Residency of foreign companies

A foreign company is considered to be resident in India, if its place of effective management is in India in that year. The term ‘place of effective management’ has been explained to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.

1.14 Gift Tax

The Gift-tax Act, 1958, has been repealed since 1 October 1998. As per section 56(2)(x) of the Act, receipt of securities, the fair market value of which exceeds fifty thousand rupees, without consideration or without adequate consideration, is taxable as income in the hands of the recipient (i.e. the donee).

However, the aforementioned provision shall not apply to any shares and securities received by the donee:

(a) From any relative; or  
(b) On the occasion of the marriage of the individual; or  
(c) Under a will or by way of inheritance; or  
(d) In contemplation of the death of the payer or donor, as the case may be; or  
(e) From any local authority as defined in the Explanation to clause (20) of section 10 of the Act; or  
(f) From any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (23C) of section 10 of the Act; or  
(g) From any trust or institution registered under section 12AA of the Act or  
(h) By any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10; or  
(i) By way of transaction not regarded as transfer under clause (i) or clause (vi) or clause (via) or clause (vib) or clause (vic) or clause (vica) or clause (vicb) or clause (vid) or clause (vii) of section 47; or  
(j) From an individual by a trust created or established solely for the benefit of relative of the individual.

The term ‘relative’ shall mean:

A] In the case of an Individual -  
(i) The spouse of the individual  
(ii) The brother or sister of the individual  
(iii) The brother or sister of the spouse of the individual  
(iv) The brother or sister of either of the parents of the individual
(v) Any lineal ascendant or descendant of the individual
(vi) Any lineal ascendant or descendant of the spouse of the individual
(vii) The spouse of the person referred to in clauses (ii) to (vi), and

B) In the case of a HUF, any member thereof.

1.15 **Advance tax obligations**

It will be the responsibility of the Client to meet the advance tax obligation installments payable on the due dates specified under the Income-tax laws.

1.16 **Notes:**

i. The tax incidence to investors could vary materially based on the characterisation of income (i.e. capital gains versus business profits) accruing to them.

ii. Tax rates in India may change from time to time. Any changes may adversely affect the taxation of the Investors.

iii. In view of the particular nature of tax consequences, each investor is advised to consult its own tax advisor with respect to the specific tax consequences of investing in securities.

iv. General Anti Avoidance Rules (‘GAAR’) may be invoked by the Indian income-tax authorities if arrangement(s) are found to be impermissible avoidance arrangements. The CBDT has issued clarifications on GAAR (Circular No. 7/2017 dated 27 January 2017). The provisions of GAAR are effective from the financial year commencing April 1, 2017.

v. The Organisation of Economic Co-operation and Development (‘OECD’) released the Multilateral Convention to implement Tax Treaty related measures to prevent Base Erosion and Profit Shifting (‘MLI’). The MLI, amongst others, includes a "principal purpose test", wherein Tax Treaty benefits can be denied if one of the principal purpose of an arrangement or a transaction was to, directly or indirectly, obtain tax benefit. The MLI has also expanded the scope of permanent establishment to include agent (excluding an independent agent) playing principal role, leading to routine conclusion of contracts without material modification. For this purpose, an agent is not considered independent if it acts exclusively or almost exclusively on behalf of one or more closely related enterprises. India has been an active participant in the entire discussion and its involvement in the BEPS project has been intensive. In a ceremony held in Paris on 7 June 2017, various countries including India, signed the MLIs.
XII. ACCOUNTING POLICIES AND STANDARDS

The Portfolio Manager shall follow the accounting policies in respect of portfolio investments of the clients / investors as detailed below –

(a) The Portfolio Manager, shall keep and maintain proper books of accounts, records and documents, for each client so as to explain transactions for each client and to disclose at any point of time the financial position of each of the client and in particular give a true and fair view of the state of affairs of the Portfolio for each client.

(b) For the purposes of the financial statements, the Portfolio Manager shall mark all investments to market and carry investments in the balance sheet at market value.

(c) Dividend income shall be recognized, not on the date the dividend is declared, but on the date the share is quoted on an ex-dividend basis. For investments, which are not quoted on the stock exchange, dividend income would be recognized on the date of declaration.

(d) In respect of all interest-bearing investments, income shall be accrued on a day to day basis as it is earned. Therefore when such investments are purchased, interest paid for the period from the last interest due date up to the date of purchase should not be treated as a cost of purchase but shall be debited to Interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale must not be treated as an addition to sale value but shall be credited to Interest Recoverable Account.

(e) In determining the holding cost of investment and the gains or loss on sale of investments, the “FIFO” method may be followed unless otherwise agreed with the client/investor.

(f) Transaction for purchase or sale of investments shall be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market, for example, acquisition through private placement or purchases or sales through private treaty, the transaction would be recorded in the event of a purchase, as of the date on which the Client obtains an enforceable obligation to pay the price or, in the event of a sale, when the Client obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.

(g) Bonus shares shall be recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Similarly, rights entitlements shall be recognized only when the original shares on which the rights entitlement accrues are traded on the stock exchange on an ex-right basis.

(h) Where income receivable on investments has been accrued and has not been received for a period of twelve months beyond the due date, provision shall be made by debit to the revenue account for the income so accrued and no further accrual of income shall be made in respect of such investment.

(i) The cost of investments acquired or purchased shall include all such costs incurred for effecting such acquisition/purchase. In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of the investment.

The accounting policies and standards as outlined above are subject to changes made from time to time by Portfolio Manager and also to the extent the guidance notes issued by the Institute of Chartered Accountants of India, and the SEBI, so as to give a true and fair view of its state of affairs. However such changes would be in conformity with the Regulations.
XIII. INVESTOR SERVICES

It is the endeavour of the Portfolio Manager to consistently provide high quality service to its clients / investors. This would encompass all interactions by the clients / investors with the Portfolio Manager. The Portfolio Manager through utilization of appropriate technology and through ensuring quality consciousness amongst its service personnel will constantly keep enhancing its standards of service. The Portfolio Manager will endeavour to provide a high degree of convenience to the clients / investors dealing with it. The Portfolio Manager will strive to constantly increase this level of convenience.

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

**Investor Relations Officer:**

At present the Company is not carrying on any activities under the Portfolio Management Division. A Client Relations Officer shall be formally appointed as and when the Company commences its PMS activities. Further, for the time being any queries related to PMS, the Principal Officer / Key Personnel attend to the same, the present address being as follows:

**Principal Asset Management Pvt. Ltd.**

(Formerly known as Principal Pnb Asset Management Company Private Limited)

**Portfolio Management Division**

Exchange Plaza, Ground Floor, B Wing, NSE Building,

Bandra Kurla Complex, Bandra (East), Mumbai – 400051.

Phone No: 022 – 67720555

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

The Client / Investor can approach the office of the Portfolio Manager for redressal of their grievances. For the redressal of investor grievances the Client / Investor can also login on the SEBI Complaints Redress System (SCORES) platform. As the Company is not carrying PMS business activities, the Principal Officer can be contacted for any further queries.

In the event of any dispute/claims between the parties hereto arising out of this Agreement or in any way relating hereto or any term, condition or provision herein mentioned or the construction or interpretation thereof or otherwise in relation hereto, the parties shall first endeavour to settle such differences, disputes, claims or questions by amicable settlement failing which, the same shall be referred to the arbitration of two arbitrators, one to be appointed by the Portfolio Manager and the other by the client/investor and such arbitrators shall appoint a presiding Arbitrator before commencing the arbitration proceedings. The arbitration shall be held in accordance with the Arbitration and Conciliation Act, 1996 or any statutory modification or re-enactment thereof for the time being in force and shall be held in Mumbai and conducted in the English language. The Courts in Mumbai alone shall have exclusive jurisdiction over such arbitration proceedings.


For **Principal Asset Management Private Limited**

(Formerly known as Principal Pnb Asset Management Company Private Limited)

**Lalit Vij**

Managing Director

Date: October 23, 2019

Place: Mumbai

**M.M. KAMATH**

Director
FORM C

SECURITIES AND EXCHANGE BOARD OF INDIA
(PORTFOLIO MANAGERS) REGULATIONS, 1993
(Regulation 14)

We, Principal Asset Management Private Limited having its registered office at Exchange Plaza, Ground Floor, B Wing, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai - 400051, hereby confirm that:

i) The Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 1993 and the guidelines and directives issued by the Board from time to time;

ii) The disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to us/ investment in the Portfolio Management;

iii) The Disclosure Document has been duly certified by an independent Chartered Accountant Mr. Ashish Maheshwari, proprietor of Ashish Maheshwari & Associates, Chartered Accountants (Membership No.: 112260; FRN: 131091W), Contact No. – 9833935124, B-206, 2nd Floor, Ashoka Super Market, Near Patkar College, S.V. Road, Goregaon (West), Mumbai – 400062 on October 18, 2019.

For Principal Asset Management Private Limited
(Formerly known as Principal PNB Asset Management Company Private Limited)

[Signature]
Manish Garg
Principal Officer

Date: October 23, 2019
Place: Mumbai
TO WHOMSOEVER IT MAY CONCERN

On the basis of documents and records produced to us and information provided by M/s Principal Asset Management Private Limited, having registered office at Exchange Plaza, Ground floor, B Wing, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai - 400051, we hereby certify that the Disclosure made in the Disclosure Document for the half-year ended September 30, 2019, are true and fair and will enable the investors to make a well informed decision for availing the portfolio management services and is in accordance with Securities Exchange Board of India (Portfolio Managers) Regulations, 1993 as amended from time to time.

For ASHISH MAHESHWARI & ASSOCIATES
Chartered Accountants

Ashish Maheshwari
Proprietor
M. No.: 312260
FRN: 131091W
UDIN: 19112260AAAABB8345

Date: October 18, 2019
Place: Mumbai