KOTAK INVESTMENT ADVISORS LIMITED

PORTFOLIO MANAGEMENT SERVICES – DISCLOSURE DOCUMENT

Kotak Investment Advisors Limited

Key Information and Disclosure document for Portfolio Management Services by Kotak Investment Advisors Ltd.

- This Disclosure Document has been filed with the Securities and Exchange Board of India (SEBI) along with the certificate in the prescribed format in terms of Regulation 22 of SEBI (Portfolio Managers) Regulations, 2020.
- The purpose of the Document is to provide essential information about the portfolio services in a manner to assist and enable the investors in making informed decisions for engaging Kotak Investment Advisors Ltd. as a Portfolio Manager.
- This disclosure document sets forth concisely the necessary information about Kotak Investment Advisors Ltd. that is required by a prospective investor before investing.
- The investor should carefully read the entire disclosure document prior to making a decision to avail of the Portfolio Management Services and should retain this Disclosure document for future reference.

Principal Officer	PORTFOLIO MANAGER Kotak Investment Advisors Limited
Mr. Nishant Kumar 27 BKC, 7th Floor, Plot No. C-27, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai- 400 051 Phone: +91-22-43360770 Fax: +91 22 67132423 Mobile: +91- 8657310920 Email: nishant.kumar4@kotak.com	**Registered Office** 27 BKC, 7th Floor, C-27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051. Tel no. 43360706

Dated: December 1, 2022

KOTAK INVESTMENT ADVISORS LIMITED

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PORTFOLIO MANAGEMENT SERVICES – DISCLOSURE DOCUMENT

1. Disclaimer Clause

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

2. Definitions

In this Disclosure Document, unless the context otherwise requires:

Act	Securities and Exchange Board of India, Act, 1992 (15 of 1992).
"Agreement" or "Portfolio Management Services Agreement" or "PMS Agreement"	Means the agreement executed between the Portfolio Manager and its Clients in terms of Regulation 22 and Schedule IV of Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.
Advisory Services	Investment Advisory Services in terms of SEBI (Portfolio Managers) Regulations 2020, and shall include the responsibility of advising on the portfolio strategy and investment and divestment of individual securities on the clients portfolio, for an agreed fee structure, entirely at the Client's risk.
Board	Securities and Exchange Board of India.
Broker	A person through which buying and selling of securities is executed on behalf of client
Client or Investor	Any person who registers with the Portfolio Manager for availing the services of portfolio management
Corpus	"Corpus" means the value of the funds and the market value of readily realizable investments brought in by the client and accepted and accounted by the Portfolio Manager. For discretionary clients, the investments brought in as corpus will be sold within a period of 30 days and the net realizable proceeds shall be taken to the portfolio on the respective dates, and if not so sold, shall be taken to the portfolio at the last available closing price on the day of switch to the portfolio. For non-discretionary clients, the investments brought in shall be immediately taken to the portfolio by the Portfolio Manager or at such period as may be mutually agreed between the Client and the Portfolio Manager
Custodian	A person who has been granted a certificate of registration to carry on the business of custodian of securities under the Securities and Exchange Board of India (Custodian of Securities) Regulations 1996. Under Discretionary service, Kotak Mahindra Bank Ltd is appointed as Custodian of securities The Portfolio Manager may appoint a Custodian as and when non-discretionary portfolio management activities are commenced.
Depository	A Body Corporate as defined in the Depositories Act, 1996 and includes National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL)
Depository Account	Any account of the Client or for the Client with an entity registered as a depository participant as per the relevant regulations
"Discretionary Portfolio Manager"	Means the management, including investment or sale, purchase etc. of the portfolio of funds/Cash and / or Securities of the Client, as the case may be, by the Portfolio Manager at its absolute discretion.
Disclosure Document	This document issued by Kotak Investment Advisors Limited

Discretionary Portfolio Management Services	Portfolio Management Services provided by the Portfolio Manager exercising its sole and absolute discretion to invest in respect of the Client's account in any type of security as per an Agreement relating to portfolio management and to ensure that all benefits accrue to the Client's Portfolio, for an agreed fee structure and for a definite period as described, entirely at the Client's risk.
Financial year	Year starting from April 1 and ending on 31st March the following year or as may be amended from time to time
Funds	means the monies managed by the Portfolio Manager on behalf of the Client's pursuant to the PMS Agreement and includes the monies mentioned in the account opening form, any further monies placed by the Client with the Portfolio Manager for being managed pursuant to PMS Agreement, the proceeds of sale or other realization of the portfolio and interest, dividend or other monies arising from the assets, so long as the same is managed by the portfolio manager.
Funds managed	Market value of the Portfolio of the Client as on date
Initial Corpus	Means the Corpus brought in by the Client at the time of subscribing to Portfolio Management Services
KIAL	Kotak Investment Advisors Limited
Non-discretionary Portfolio Management Services	Portfolio Management Services under which the Portfolio Manager, subject to express prior instructions issued by the Client from time to time in writing, for an agreed fee structure and for a definite described period, invests in respect of the Client's account in any type of security entirely at the Client's risk and to ensure that all benefits accrue to the Client's Portfolio.
Portfolio	All Funds/Cash and Securities of the Client that are managed by the Portfolio Manager on the Client's behalf.
Portfolio Manager	KIAL, a company incorporated under the Companies Act, 1956 and having its registered office at 27 BKC, 7th Floor, C-27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051. It is also registered with SEBI as a Portfolio Manager vide Registration Certificate No. INP000004987 under the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993.
Regulations	Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 as amended from time to time
Rules	Securities and Exchange Board of India (Portfolio Managers) Rules, 1993 as amended from time to time
Securities	Means security as defined in Section 2(h) of the Securities Contract (Regulation) Act, 1956, provided that securities shall not include any securities which the Portfolio Manager is prohibited from investing in or advising on under the Regulations or any other law for the time being in force.

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

3. Description

3.1 History, present business and background of the Portfolio Manager

Kotak Investment Advisors Limited, a company incorporated under the Companies Act, 1956, on March 31, 1994 under the name Kotak Mahindra Securities Limited. The name was changed from Kotak Mahindra Securities Limited to Kotak Investment Advisors Limited on August 20, 2007. The certificate for commencement of business was obtained on May 24, 1994. It is a wholly owned subsidiary of Kotak Mahindra

Bank Ltd. KIAL acts as investment manager for various funds operating under alternate asset domain. KIAL also provides investment advisory services to other offshore entities of Kotak Group.

An approval by the Division of Funds, Investment Management Department under the SEBI (Portfolio Manager) Regulations, 1993 has been granted to the Company for undertaking Portfolio Management Service.

3.2 Promoter of the Portfolio Manager, Directors and their background

3.2.1 Promoter - Kotak Mahindra Bank Limited

Kotak Group (i.e. the Kotak Mahindra Bank Limited ("**Kotak Bank**"), together with its subsidiaries and affiliates, the "**Kotak Group**" or "**Kotak**") was founded in 1985 by Uday Kotak, S.A.A. Pinto, Harish Mahindra and Anand Mahindra. Kotak Group is one of India's leading financial institutions, offering commercial banking, stock broking, asset management, life and general insurance, investment banking, private equity, real estate and infrastructure advisory. The Kotak Group offers complete financial solutions that encompass every sphere of life and caters to the diverse financial needs of individuals and corporates.

As on March 31, 2022, the net worth (capital plus reserves & surplus) of Kotak Bank is Rs. 72,456.47 crores. The Sponsor and its subsidiaries/associates offer wide ranging financial services such as loans, lease and hire purchase, consumer finance, home loans, commercial vehicles and car finance, investment banking, stock broking, mutual funds, primary market distribution of equity and debt products, life insurance and general insurance. Kotak Bank has a large distribution network of branches, franchisees, representative offices and satellite offices across various cities and towns in India and offices in New York, London, Dubai, Abu Dhabi, Singapore, Mauritius etc.

3.2.2 Particulars of Directors in KIAL

Mr. Dipak Gupta – Non-Executive Director- Chairman

Dipak Gupta is a whole-time director on the board of Kotak Mahindra Bank and is designated Joint Managing Director. He is also a part of the Group Management Council that drives Kotak Mahindra Group's growth charter.

Dipak helms numerous functions including Vigilance, Internal Audit, Human Resources, IT including Cyber Security, Digital Initiatives, Customer Experience, Marketing & Communications, Environment Social Governance (ESG) and Corporate Social Responsibility (CSR).

Dipak has played a key role in building various businesses for Kotak Mahindra Group. He was instrumental in forging the partnership between Kotak Mahindra Finance Ltd (KMFL) and Ford Credit International. He was the first CEO of the KMFL–Ford Credit joint venture, Kotak Mahindra Primus Limited (which became Kotak Mahindra Prime Ltd (in 2006)).

Dipak was appointed as Executive Director of Kotak Mahindra Finance Limited (which got the banking license in April 2003 to become Kotak Mahindra Bank Limited) in 1999. Dipak was also responsible for setting up the retail business following the conversion of KMFL into a bank. Prior to joining the Kotak Group, he had worked in the consultancy division of A.F. Fergusson.

Dipak is a graduate in Electronics Engineering from IIT, Varanasi and a postgraduate in Management from the Indian Institute of Management, Ahmedabad (IIMA).

Mr. Jaimin Bhatt – Non Executive Director

Jaimin is commerce graduate from Mumbai University, member of Institute of Chartered Accountants of India (ICAI) and Institute of Cost and Works Accountants of India (ICWAI). Over 37 years of experience in the financial sector, 27 years of which have been with the Kotak Mahindra Group.

Since 2003 Jaimin is Group CFO of Kotak Mahindra Bank Ltd and spearheads Finance, Tax, Strategy, Legal, Secretarial, Investor Relations, Operations and Facilities management and is also part of Bank's Group Management Council. In 1995, Jaimin joined Kotak Mahindra Finance Ltd. in the Proprietary Investments division, before moving to the Investment Bank where he headed Mergers & Acquisitions.

Prior to joining Kotak, Jaimin worked with Indus Venture, a private equity fund and before that was Manager – Project Finance with the Godrej Group.

Ms. Shanti Ekambaram – Non Executive Director

Shanti heads the Consumer Banking business at Kotak Mahindra Bank since April 2014 and is focused on growing customer acquisition, cross-sell and digital adoption across physical and digital channels and as an integrated Consumer Banking franchise across asset and liability products. Shanti is part of the Bank's Group Management Council that drives and oversees the Kotak Mahindra Group's growth charter.

Shanti is associated with the Group for 30 years and has been responsible for successfully setting up and running several business units. Under Shanti's leadership, the consumer banking business continues to record amongst the fastest pace of customer acquisition and savings account growth in the Indian banking industry. Prior to this, Shanti was President - Corporate & Investment Banking for 11 years till April 2014, where she was responsible for ensuring delivery of comprehensive advisory & financial solutions to leading Indian Corporates, Public Sector Undertakings, Financial Institutions, Multinationals and the Government.

Before joining Kotak Mahindra Group, Shanti had a short stint with Bank of Nova Scotia - the Canadian International Bank, with their corporate banking and treasury division. Shanti is on the board of Indian Institute of Management – Bangalore (IIM-B). She is a member of the FICCI National Committee on Banking for 2021-22.

Shanti graduated with a Bachelor of Commerce degree from Sydenham College, University of Mumbai, and has completed her Chartered Accountancy and Cost and Works Accountancy.

Mr. S Sriniwasan – Managing Director

Mr. Sriniwasan joined the Kotak Group in January 1993. He was part of the Kotak Group's investment banking joint venture with Goldman Sachs from inception in 1995 until 2005. He is also the founder of the real estate fund management business at the Kotak Group and launched the first fund of USD 100 mn, which closed in February 2006. Under his leadership, the real estate fund management business of the Kotak Group has raised over USD 1,494 mn. He is presently the Managing Director of KIAL. Earlier, in his career as a banker, he advised leading domestic and international companies on capital raising, M&A and strategic divestitures.

Mr. Sriniwasan holds a Bachelor in Commerce degree from Delhi University and is a Management Graduate from the Institute of Management Technology, Ghaziabad.

Ms. Oisharya Das – Non Executive Director

Oisharya Das heads the Private Banking business at Kotak Mahindra Bank Ltd., and has been an integral part since its inception. She has played an important role in the growth of the business, both in India and overseas.

Oisharya chairs the management committee of Kotak Private Banking that drives the business' growth charter. Prior to taking over as CEO, Oisharya was the National Director where she spearheaded client relations at a national level, and established the non-resident business as well.

She started her career with the Kotak Mahindra Group in 1994. From 1999 to 2004, she led the private client services business for the eastern region at Kotak Securities. Thereafter, she was responsible for the North, East and the West Regions of the Private Banking business.

Oisharya is a graduate in Political Science, and has done her Masters in International Relations. She has completed her MBA from IIM Calcutta.

Mr. Gaurang Balkrishna Shah – Non Executive Director

Gaurang Balkrishna Shah, holding PAN no. AAFPS3900A, is a whole-time director on the board of Kotak Mahindra Bank. He is also a part of the Group Management Council that drives Kotak Mahindra Group's growth charter. Gaurang oversees the Insurance, Asset Management including Alternate Assets and Asset Reconstruction businesses and is Non-Executive Director on the boards of the insurance, asset management and international business entities, which are wholly owned subsidiaries of Kotak Mahindra Bank. Prior to this, Gaurang headed Group Risk Management. Gaurang has over 38 years of experience largely in financial services, of which over 25 years have been with the Kotak Mahindra Group. He has played a key role in building the Group's consumer banking and life insurance businesses, and has held several positions of responsibility, including Head of Retail Assets at Kotak Mahindra Bank. He was also the Head of Kotak Mahindra Primus (a joint venture between Kotak Mahindra Group and Ford Credit International), which became Kotak Mahindra Prime Ltd (in 2006) - one of India's leading automobile finance companies.

Gaurang is a Chartered Accountant (CA) from ICAI and M.Com from Gujarat University.

Mr. Rajeev Saptarshi

Rajeev Saptarshi joined Kotak Investment Advisors Limited as the Chief Operating Officer in November 2013. He is responsible for the Finance, Legal, Compliance, Operations and Investor Relations functions of the entire alternate assets practice of the Kotak Mahindra Group.

Rajeev brings with him a wealth of experience in dealing with the regulatory authorities and is well versed with fund structuring and compliance matters. Rajeev has been with the Kotak Mahindra Group for over 20 years during which he has held several senior management roles across different businesses. In his earlier roles, Rajeev was the Chief Operating Officer of the Institutional Equities business at Kotak Securities Limited, where he led Technology initiatives and also headed the Operations and Finance functions. He was also the Chief Financial Officer of Kotak Mahindra Capital Company, the Investment Banking arm of the group where he managed finance and operations.

Rajeev is a Chartered Accountant and a Company Secretary.

3.2.3 Top 10 Group Companies / Firms of Portfolio Manager as on March 31, 2022:

The following details are appearing as per the audited financial statements as of March 31, 2022

S.No.	Name of Entity
1.	Kotak Mahindra Bank Limited
2.	Kotak Mahindra Life Insurance Company Limited
3.	Kotak Mahindra Prime Limited
4.	Kotak Securities Limited
5.	Kotak Mahindra Investments Limited
6.	Kotak Mahindra Asset Management Company Limited
7.	Kotak Mahindra General Insurance Company Limited
8.	Kotak Mahindra Capital Company Limited
9.	BSS Microfinance Limited
10	Kotak Investment Advisors Limited

3.2.4 Details of the services being offered:

The Portfolio Manager broadly offers services under the following categories.

- **<u>Discretionary Services</u>**

Under these services, the choice as well as the timing of the investment decisions rests solely with the Portfolio Manager. The Portfolio Manager may at times and at its own discretion, adhere to the views of the Client pertaining to the investment / disinvestment decisions of the Client's Portfolio.

The Portfolio Manager shall have the sole and absolute discretion to invest in respect of the Client's account in any type of security as per the executed agreement and make such changes in the investments and invest some or all of the Client's account in such manner and in such markets at it deems fit. The Client may give informal guidance to customize the portfolio, however the final decision rests with the Portfolio Manager. The securities invested / disinvested by the Portfolio Manager for Clients may differ from Client to Client. The Portfolio Manager's decision (taken in good faith) in deployment of the Client's account is absolute and final and cannot be called in question or be open to review at any time during the currency of the agreement or any time thereafter except on the ground of malafide, fraud, conflict of interest or gross negligence. This rights of the Portfolio Manager shall be exercised strictly in accordance with the relevant Acts, Rules, and Regulations, guidelines and notifications in force from time to time.

Under these services, the Clients may authorise the Portfolio Manager to invest their Portfolio funds in specific financial instruments or a mix of specific financial instruments or restrict the Portfolio Manager from investing in specific financial instruments or securities. Periodical statements in respect of Client's Portfolio shall be sent to the respective Client.

- **<u>Non-Discretionary Services</u>**

The Portfolio Manager will provide Non-discretionary Portfolio Management Services as per prior Instructions issued by the Client from time to time, in the nature of investment consultancy/management, and may include the responsibility of buying, selling and custody of the securities and monitoring book closures, dividend, bonus, rights, etc. so as to ensure that all benefits accrue to the Client's Portfolio, for an agreed fee structure and for a definite described period, entirely at the Client's risk.

The Portfolio Manager shall execute transactions and orders as per the mandate received from Clients.

The Portfolio manager may identify investment opportunities and showcase the same to the client. The client on the basis of the information and such other checks which he may wish to carry on, could decide to participate in the opportunity. On obtaining his consent the Portfolio manager may process the instruction and execute the deal in the interest of the client. The client is fully aware that the risks and rewards belong to the client and portfolio manager shall not be held responsible for such decisions of the client.

The Portfolio Manager's actions (taken in good faith) pursuant to the above cannot be called in question or be open to review at any time during the currency of the agreement or any time thereafter except on the ground of malafide fraud, conflict of interest or gross negligence. The rights and obligations of the Portfolio Manager shall be exercised strictly in accordance with the relevant Act, rules and regulations, guidelines and notifications in force from time to time.

- <u>**Advisory Services**</u>

The Portfolio Manager will for an agreed fee structure, provide Advisory Portfolio Management Services, in terms of the Regulations, which shall be in the nature of investment advisory and shall include the responsibility of advising on the portfolio strategy and investment and divestment of individual securities on the client's portfolio, entirely at the Client's risk.

The Portfolio Manager shall be solely acting as an advisor to the Portfolio of the client and shall not be responsible for the Investment/Divestment of Securities and /or administrative activities of the clients Portfolio. The Portfolio Manager shall provide advisory services in accordance with such guidelines and / or directives issued by the regulatory authorities and/or the client from time to time in this regard. It will be the discretion/responsibility of the client whether to execute trades based on the advice of Portfolio Manager.

The advisory services offered to clients may be for investment up to 25% of the assets under management of such clients in unlisted securities, in addition to the securities permitted for discretionary portfolio management.

4. Penalties, pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by any regulatory authority

1.	All cases of penalties imposed by the Board or the directions issued by the Board under the Act or Rules or Regulations made thereunder	None
2.	The nature of the penalty/direction.	None
3.	Penalties imposed for any economic offence and/ or for violation of any securities laws.	None
4.	Any pending material litigation/legal proceedings against the portfolio manager / key personnel with separate disclosure regarding pending criminal cases, if any.	None
5.	Any deficiency in the systems and operations of the portfolio manager observed by the Board or any regulatory agency.	None

6. Any enquiry/ adjudication proceedings initiated by the Board against the portfolio manager or its directors, principal officer or employee or any person directly or indirectly connected with the portfolio manager or its directors, principal officer or employee, under the Act or Rules or Regulations made thereunder.	None

5. Services Offered

5.1 Investment Objective and Policy – Discretionary Services/ Non-Discretionary Services/Advisory Services

KIAL in its capacity as Discretionary Portfolio Manager/ Non Discretionary Portfolio Manager /Advisory Services Portfolio Manager would manage the funds of each client in accordance with the needs and investment objective of the client. Accordingly, various portfolio investment approaches may be advised to the clients, which will limit the discretion of the portfolio manager over the portfolio, based on the portfolio investment approach opted by the client. The Client, based on his/her understanding of the portfolio objective and the clarifications/explanations offered by the portfolio manager, may give informal guidance to customize the portfolio, which may be different than the portfolio investment approaches offered by the portfolio manager. Portfolio Manager endeavors to customize the portfolio of client to the extent practicable within the broad framework of the portfolio strategy opted by the client. In the case of Discretionary Portfolio Management the final decision with respect to shaping of the portfolio for the client rests with the Portfolio Manager. In the case of Non Discretionary Portfolio Management the final decision with respect to shaping of the portfolio for the client rests with the client.

Type of securities where investments will be made: -

The Client's funds may be invested in any of the following securities/ instruments and such other securities which will inter-alia, include:

(a) **Equity and equity related instruments**:
Investments can be made in various equity and equity related securities including convertible/nonconvertible and/or cumulative/non-cumulative preference shares, convertible and/or cumulative/noncumulative debentures, bonds and warrants carrying the right to obtain equity shares, units of mutual funds, ETFs and other eligible modes of investment as may permitted by the Regulations from time to time. The Portfolio Manager may from time to time invest the idle cash balance in units of Liquid Schemes of Mutual Funds. Investments could also be acquired through secondary market purchases, RBI auctions, open market sales conducted by RBI etc., Initial Public Offers (IPOs), other public offers, bilateral offers, placements, rights, offers, negotiated deals, etc.

(b) **Debt & Money Market Instruments:**

- Certificate of Deposits (CDs) Fixed Deposits with Banks
- Commercial Paper (CPs)
- Treasury Bills (T-Bills)
- Triparty Repos
- Government Securities
- Non Convertible Debentures as well as bonds are securities issued by companies / institutions promoted / owned by the Central or State Governments and statutory bodies
- Floating rate debt instruments
- Repo (Repurchase Agreement) or Reverse Repo
- Securitized Debt including Asset Backed Securities (ABS) or Mortgage Backed Securities (MBS)
- Pass Through Certificate (PTC)
- Equity Linked Debentures
- Debt derivative instruments including Interest Rate Swaps and Forward Rate Agreement
- Loan against shares

(c) **Others:**

- Units of Schemes of mutual fund registered with SEBI including schemes of Kotak Mutual Fund.
- Shares, scrips, stocks, bonds, debentures, debentures stock or other marketable securities of a like nature in or of any incorporated company or other body corporate.
- Derivatives
- Units or any other instrument issued by any collective investment scheme to the investors in such schemes.
- Any certificate or instrument (by whatever name called), issued to any investor by any issuer being a special purposes distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt, as the case may be.
- Rights or interest in securities.

The above mentioned securities are illustrative in nature. The debt category will include all types of debt securities including but not limited to Securitised Debt, Pass Through Certificates, Debentures (fixed, floating, Variable Coupon, and equity index /stocks /stocks basket linked), Bonds, Government securities issued or guaranteed by Central or State Government, non-convertible part of partially convertible securities, corporate debt of both public and private sector undertakings, securities issued by banks (both public and private sector) and development financial institutions, bank fixed deposits, commercial papers, certificate of deposit, treasury bills and other money market instruments, units of mutual funds, units of SEBI registered Alternative Investment Funds including Alternative Investment Funds sponsored by KIAL, floating rate debt securities and fixed income derivatives like interest rate swaps, forward rate agreements etc. as may be permitted by the Act, Rules and/or Regulations, guidelines and notifications in force from time to time.

Investments can be made in various equity and equity related securities including convertible/non-convertible and/or cumulative/non-cumulative preference shares, convertible and/or cumulative/non-cumulative debentures, bonds and warrants carrying the right to obtain equity shares, units of mutual funds, ETFs and other eligible modes of investment as may permitted by the Regulations from time to time. The Portfolio Manager may from time to time invest the idle cash balance in units of Liquid Schemes of Mutual Funds. Investments could also be made in listed, unlisted, convertible, non-convertible, secured, unsecured, rated or unrated or of any maturity, and acquired through secondary market purchases, RBI auctions, open market sales conducted by RBI etc., Initial Public Offers (IPOs), other public offers, bilateral offers, placements, rights, offers, negotiated deals, etc.

Asset Classes for investment will always be subject to the scope of investments as may be agreed upon between the Portfolio Manager and the Client by way of any agreement, explicit or implied including this disclosure document, addenda thereof, other documents and communications in writing and emails duly authenticated and exchanged between the client and the Portfolio Manager.

5.2 Investment Approaches:

Currently, the Portfolio Manager is not offering any Investment Approaches. This Document will be updated as and when the Portfolio Manager commences the portfolio management activities.

5.3 Minimum Investment Amount

The Client shall deposit with the Portfolio Manager, an initial corpus consisting of Securities and /or funds of an amount prescribed by Portfolio Manager for a Portfolio, subject to minimum amount as specified under SEBI Regulations, as amend from time to time. The Client may on one or more occasion(s) or on a continual basis, make further placement of Securities and / or funds under the service. The minimum amount of investment shall be Rs. 50,00,000/-. (Rupees Fifty Lacs only), provided that the minimum investment amount per client shall be applicable for new clients and fresh investments by existing clients.

5.4 Policy for investment in Associates/ Group Companies of the Portfolio Manager

Portfolio Manager will, before investing in the securities of its associate / 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 investment in associate / group companies at time of investments may be up to 100% of Client's Portfolio. The investment in securities of the associate / group companies under any type of portfolio management services shall also include unlisted securities and in the schemes of Alternative Investment Funds sponsored by KIAL which would be within the overall framework of Regulations and in terms of PMS Agreement executed with the Client. The said investment if made will be subject to applicable guidelines of SEBI from time to time.

5.4 Details of conflict of interest related services offered by group companies or associates of the portfolio manager

Each group/associate companies have independent management and transaction, if any are entered into on arm's length basis and all the regulatory requirements pertaining to the same will be adhered.

1. The Portfolio Manager may invest the funds of the Clients in the units of Alternative Investment Funds of Kotak Investment Advisors Limited.
2. The Portfolio Manager may invest the funds of the Clients in the units of Schemes of mutual fund of Kotak Mahindra Asset Management Company and other short term products of other group companies.
3. The Portfolio Manager may open the bank account(s) of the clients in its own name as per the requirement of each investment approach, with Kotak Mahindra Bank Limited and for this purpose the Portfolio Manager may be required to maintain a minimum balance with the Bank.
4. The Portfolio Manager may invest un-invested amounts in Kotak Mahindra Bank Limited as deposits.
5. The Portfolio Manager may engage brokers from time to time to execute the trades, including Kotak Securities Limited, which is a group company of the Portfolio Manager.
6. Kotak Mahindra bank may be appointed as Depository participant.

The portfolio manager shall comply with the provisions of the PMS regulations while managing or administering clients' portfolio.

5.5 Transactions of purchase and sale of securities by portfolio manager and its employees who are directly involved in investment operations:

Employees in Investment operations of PMS operations are "Designated Persons" as per the Policy on Prohibition of Insider Trading, adopted by the Portfolio manager. The Portfolio Manager shall ensure that there is no conflict of interest with the transactions in any of the client's portfolio since permissions to trade in shares is given in accordance with Restricted/Grey list applicable to Designated Persons.

6. Risk factors:

A] Specific Risks:

RISKS RELATED TO REAL ESTATE SECTOR

1. **Indian Real Estate Risks Generally:** The Indian real estate market is not well developed or liquid and controversies relating inter alia to defective title or alleged violations of other legal requirements, such as zoning laws, can lead to long delays in completion and otherwise adversely affect the viability of projects. A relatively small number of institutional buyers of real estate, the lack of financing, and the small number of institutional quality assets have led to an illiquid market. In addition, there is limited information or market data on prices and terms of real estate transactions or on the real estate market generally. The illiquidity of the real estate markets in India could adversely affect the purchase and sale of the Portfolio Investments and may cause uncertainty as to the market value of properties. The Government in India has a strong influence over the economy and the real estate sector is subject to heavy government regulation. Changes in government policy on regulation of the real estate sector, introduction or changes in rent controls, participation of foreign investment, regulation of the securities market, currency exchange controls and taxation are all examples of areas of government policy that could influence the value of the Fund's Portfolio Investments. Real estate values are affected by a number of other factors, including changes in general economic climate, local conditions, property management, competition on rental rates, attractiveness and location of the properties, financial condition of tenants, buyers and sellers of properties, quality of maintenance, insurance and management services and changes in operating costs.

2. **Real Estate/Commercial Assets Returns Risk:** Real estate/commercial assets historically have experienced significant fluctuations and cycles in value and market conditions may result in reductions in the value of Portfolio Investments. The returns available from such Portfolio Investments depend to a large extent on the amount of income earned and capital appreciation generated by the relevant properties as well as expenses incurred. If properties do not generate revenues sufficient to meet operating expenses, including debt service (if any) and capital expenditure, the Fund's income will be adversely affected. Income from properties may be adversely affected by factors beyond the control of the Portfolio Manager including changes in the general economic climate, local conditions such as oversupply of properties or a reduction in demand for properties in the markets in which the Fund operates, the attractiveness of the Fund's properties to tenants, the quality and philosophy of management, competition from other available properties, and increased operating costs (including real estate taxes). Other factors which may adversely affect the Fund's income include the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions; environmental protection and occupational safety; unavailability of mortgage funds that may render the sale of a property difficult; the financial condition of buyers and sellers of properties; changes in real estate tax rates and other operating expenses; the imposition of rent controls or tenants' rights to new leases, energy shortages, supply shortages, risk of adverse political or social developments, including nationalization, expropriation of assets, confiscatory taxation, economic or political instability, acts of terrorism and war; various uninsured or uninsurable risks and acts of God, natural disasters and uninsurable losses. In addition, income from properties and real estate values also are affected by such factors as the cost of regulatory compliance, interest rate levels and the availability of financing. The Fund's income would be adversely affected if a significant number of tenants were unable to pay rent or its properties could not be rented on favourable terms. Certain significant expenditures associated with each equity investment in real estate/commercial assets (such as external financing costs, real estate taxes and maintenance costs) generally are not reduced when circumstances cause a reduction in income from the property.

3. **Additional Costs Risk:** There is risk that the Fund could face substantial loss from environmental claims based on environmental problems on properties invested in by the Fund as well as from occupational safety issues and concerns. Under the laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability (which is generally not limited) without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow using such property as collateral. Further, the insolvency of any one or more of the Fund's Portfolio Investments could have a material and adverse effect on the Fund and its operations and its ability to achieve its investment objectives.

4. **Possible Lack of Diversification:** While the Fund expects to invest in a diversified array of Portfolio Investments, the Fund may participate in a limited number of Portfolio Investments and there can be no assurances concerning the diversification of the Fund's assets either by geographic region or office type. If the Fund makes a Portfolio Investment in a single transaction with the intent of refinancing or selling a portion of the Portfolio Investment, there is a risk that the Fund will be unable successfully to complete such a financing or sale. This could lead to increased risk as a result of the Fund having an unintended long-term Portfolio Investment and reduced diversification. A limited degree of diversification increases risk because, as a consequence, the aggregate return of the Fund may be substantially adversely affected by the unfavourable performance of a single Portfolio Investment.

5. **Land Acquisition Risk:** The right to own property in India is subject to restrictions that may be imposed by the Government of India. Particularly, the government has the right to acquire any land or a part thereof if such acquisition is for a "public purpose" after paying the owner some compensation. However, this compensation may not be the rate that such a property might have obtained had it been sold in the market.

6. **Land Laws Risk:** In India, certain lands are designated as agricultural lands, on which only agricultural activities may be carried out. To carry out non-agricultural activities, prior permission is required from the local authorities, the grant of which is discretionary in nature. Various Indian states do not permit use of agricultural land for non-agricultural purposes and thus in such cases approval may be denied altogether. Therefore, if the Fund makes Portfolio Investments that plan to carry out non-agricultural activities on agricultural land, and if such a Portfolio Investment is unable to obtain relevant authorisation then it is likely this will have a substantial negative impact on the value of the Portfolio Investment.

7. **Taxes and Fees Risk:** Real estate in India is subject to various local and municipal taxes and fees in addition to the central and state level taxes and fees. Those taxes and fees may be substantial and are subject to change. Increase in taxes and fees after a Portfolio Investment is made have a substantial negative impact on the value of the Portfolio Investment.

8. **Zoning and Land Use Risk:** Land use in India is subject to various municipal legislation and zoning laws which sometimes contradict each other or are subject to revision and change from time to time. Therefore, Portfolio Investments by the Fund may be adversely impacted by such restrictions, reducing the value of such Portfolio Investments.

9. **Rent Control Risk:** If Portfolio Investments made by the Fund are governed by the Transfer of Property Act, 1882 (a central legislation), there would be no restrictions on the returns that the Fund may obtain from leasing out such property. However, in India, various states have enacted rent control laws, which, among other things, place restrictions on the amount of monthly rent that may be collected from tenants and stipulates standard rent and permitted increases which is substantially lower than market rent for leases. In the event the Fund's Portfolio Investments come under the purview of rent control laws, the Fund's performance may be adversely impacted.

10. **Property Litigation Risk:** Property litigation in India is generally very time consuming, complicated and cumbersome. If any of the Fund's Portfolio Investments are subject to litigation, there could be an adverse impact on the Fund.

11. **Risks in relation to Title Investigation and Lack of Title Insurance:** Registration of title documents have not been computerized in many parts of the country, and hence title investigations are often cumbersome and there are significant risks in relation to ensuring that the issuers of the assets possess good and marketable title to real estate assets. Additionally, certain interests which could have priority over registered interests, but are not required to be registered under law (such as right of unborn children, pre-emption rights, right of divorced spouse over sale proceeds of real property) may not be discovered at the time of Fund's Portfolio Investments. Whilst due diligence will be carried out on the real estate assets of the Fund's Portfolio Investments, no formal title insurance policies, as are available in the developed economies, are available in India. Hence it is not possible for those Portfolio Investments to obtain any form of title insurance.

RISK RELATED TO INFRASTRUCTURE SECTOR

12. **Infrastructure Assets Risk Generally:** Investment in infrastructure assets may be subject to a variety of risks, not all of which can be foreseen or quantified, including operating, economic, environmental, commercial, currency, regulatory, political and financial risks. There is no assurance that the Portfolio Investments will be profitable or generate cash flow sufficient to provide a return on or recovery of amounts invested therein. An investment in the Company is subject to certain risks associated with the ownership of infrastructure and infrastructure-related assets in general, including: (a) the burdens of ownership of infrastructure, (b) local, national and international economic conditions, (c) the supply and demand for services from and access to infrastructure, (d) the financial condition of users and suppliers of infrastructure assets, (e) changes in interest rates and the availability of funds which may render the purchase, sale or refinancing of infrastructure assets difficult or impracticable, (f) changes in environmental laws and regulations, and planning laws and other governmental rules and fiscal and monetary policies, (g) delays in implementation of government plans and policies, (h) environmental claims arising in respect of infrastructure acquired with undisclosed or unknown environmental problems or as to which inadequate reserves have been established, (i) changes in energy prices, (j) changes in fiscal and monetary policies, (k) negative developments in the economy that depress travel activities, (l) uninsured casualties, force majeure acts, terrorist events, under-insured or uninsurable losses and (m) other factors which are beyond the reasonable control of the Company/Investment Manager. Many of these factors could cause fluctuations in usage, expenses and revenues, causing the value of the Portfolio Investments to decline and negatively affect the Company's returns.

13. **Political Risk:** The profitability of the Company's assets may be affected by sovereign or political risk. Political and social instability or occurrence of major disturbances such as wars, riots, strikes, blockades and acts of terrorism have the potential to adversely affect the Portfolio Investments. Any terrorist attacks or outbreak of associated military or responsive action could also have a material adverse effect on the Company's ability to provide some or all of the services associated with the infrastructure assets, which in turn could negatively impact the earnings (and profits) of the Company and the Shareholders.

14. **Economic Risk of Infrastructure Assets:** A slowdown in economic growth or macro-economic imbalances such as the increase in central and state level fiscal deficits may adversely affect infrastructure investments in the country. The underlying growth in the economy may have a direct impact on the volume of new infrastructure investments in the country. While the growth in the GDP is likely to result in increased usage of the infrastructure assets, recession in the economy may result in reduced usage of the existing infrastructure assets and less demand for new investments.

15. **Price or Tariff Risk:** Users of infrastructure may react negatively to any adjustments to the applicable prices or tariff rates, or public pressure may cause relevant government authorities to change the rates for use of such assets. For example, motorists may react adversely to increase in toll rates, or public opinion and lobbying by certain interest groups may force the government to reduce tariff or to forego a planned increase in usage rates. The Investment Manager may not be able to recover losses incurred by the Portfolio Companies on account of such negative change in tariff by government authorities.

16. **Competition Risk and Alternate Infrastructure Assets:** The Company may invest in infrastructure projects or companies that develop, construct, operate and maintain infrastructure assets in a highly competitive environment. These competitors, who may be large construction and engineering groups as well as financial investors, may have significant financial resources and may be able to present bids on more competitive terms. This may result in the Company investing on less favorable terms than anticipated. Similarly, assets owned by the Portfolio Companies may face competition from alternate assets. For example, a toll road owned by a Portfolio Company may face competition from an alternate route or alignment. These factors may have a material adverse effect on the performance of the Portfolio Investments.

17. **Legal Risk:** As with any other investment in India, any Portfolio Investment of the Company will rely on the Indian legal system to resolve potential issues relating to a specific investment. While the Indian legal system is well established and its jurisprudence is derived from common law, resolution through the Indian court system could be a relatively lengthy process which could result in time delays. The Company's investment in the infrastructure sector may expose it to the potential risks of becoming involved in litigation with third parties. This risk may be higher where the Company exercises some amount of control over a Portfolio Company's direction.

18. **Regulatory Risk:** Portfolio Investments may be subject to varying degrees of statutory and regulatory requirements, including those imposed by zoning, environmental, safety, labor and other regulatory or political authorities. Such Portfolio Investments may require numerous regulatory approvals, licenses and permits to commence and continue their operations. Failure to obtain or a delay in obtaining relevant permits or approvals could hinder construction or operation and could result in fines or additional costs for the project entity or the Company, loss of the Company's rights to operate the affected business, or both, which in each case could have a material adverse effect on the Portfolio Investments. Where the Company's ability to operate a business is subject to a concession or lease from the government, the concession or lease may restrict the Company's ability to operate the business in a way that maximizes cash flows and profitability. Adoption of new laws or regulations, or changes in interpretations of existing ones, or any of the other regulatory risks mentioned above could have a material adverse effect on Portfolio Investments and on the Company's ability to meet its investment objective.

19. **Statutory Approval Risk:** Infrastructure investments are often complex and require various statutory approvals and consents related to environment and social issues. Any delay or failure in obtaining such approvals could result in delays and may adversely affect the viability of a project/investment.

20. **Government Concession/Contract Risk:** To the extent that the Company invests in assets that are governed by concession agreements with governmental authorities (whether at the national, state, local, district or other level), there is a risk that these authorities may not be able to or may choose not to honor their obligations under such agreement, especially over the long-term. Government leases or concessions may also contain clauses more favorable to the government counterparty than would a typical commercial contract. For instance, a lease or concession may enable the government to terminate the lease or concession in certain circumstances without requiring it to pay adequate compensation. In addition, government counterparties also may have the discretion to change or increase regulation of the Company's operations, or implement laws or regulations affecting the Company's operations, separate from any contractual rights they may have. Governments have considerable discretion in implementing regulations that could impact infrastructure assets, and because infrastructure businesses provide, in many cases, basic, everyday services, and face limited competition, governments may be influenced by political considerations and may make decisions that adversely affect the investments.

21. **Construction Risk:** The Company may make Portfolio Investments in infrastructure projects during the construction phase, which would generally be non-income producing during such phase. To the extent that the Company invests in new infrastructure projects, there is a risk that the project will not be completed within budget, within the agreed timeframe or to the agreed specifications. Delays in project completion can result in an increase in total project construction costs and/or an increase in debt service costs. Project delays may also delay the scheduled flow of project revenues or result in late delivery penalties.

22. **Operating and Technical Risks:** Portfolio Investments may be subject to operating and technical risks, including risk of mechanical breakdown, failure to perform according to design specifications, labor and other work interruptions, and other unanticipated events that adversely affect operations. There can be no assurance that any or all such risks can be mitigated. An operating failure may lead to loss of a license, concession or contract on which a Portfolio Investment may depend. The long-term profitability of an infrastructure project, once constructed, is partly dependent upon efficient operation and maintenance of the project. Inefficient operations and maintenance and, in certain infrastructure sectors, latent defects in acquired infrastructure assets may adversely affect the financial returns of the Company.

23. **Financial Closure Risk:** Infrastructure projects are usually capital intensive and of large magnitude and timely financial closure is a key to economic viability of a project. It often involves financing from different sources including a large portion of debt financing. In the event an infrastructure project fails to achieve timely financial closure, the project would run the risk of time/cost overrun and this may affect the economic viability of the project. There is a risk that unforeseen factors may require capital expenditures in excess of forecasts and a risk that new or additional regulatory requirements, safety requirements or issues related to asset quality and integrity may result in the need for additional capital expenditure for replacement or reinforcement of infrastructure assets. While the Company intends to purchase assets in good condition and provide for appropriate ongoing maintenance, no guarantee can be given that capital expenditures in excess of the anticipated levels will not be required.

24. **Market Risk:** Infrastructure projects are generally long gestation projects and designed based on projected demand for a particular service/product over a long period of about 15 to 20 years. Accordingly, estimates relating to demand and supply and other market forces influencing the economics of the project may turn out to be inaccurate at the time of operation of the project.

25. **Interest Rate Risk:** Infrastructure assets are typically highly leveraged. As a result, if the interest rate is floating or the borrower has not been able to implement acceptable interest rate hedging arrangements, such as interest rate swaps or other mechanisms, adverse movements in interest rates may increase the cost of debt, affecting returns from these assets more significantly than investments in other types of assets that are not as leveraged. In addition, in the case of infrastructure assets that are subject to regulatory regimes, the regulatory regimes that govern such assets may use prevailing market interest rates in determining the allowed revenues that can be generated from these assets. As a result, revenues may fluctuate with interest rate movements. Further, a material increase in interest rates during the term of the Company could materially and adversely affect its ability to exit its Portfolio Investments.

26. **Foreign Currency Risk:** Although the infrastructure investments to be made by the Company will be predominantly domestic, some of these may have revenue and/or costs, including debt costs, that are dependent on currencies other than INR. Depending on the nature of the infrastructure investment, the project may be able to pass the foreign exchange risk either to the end-user or to the government. In cases where it is not allowed, a change in the INR rate against other currencies may adversely affect the cash flows generated from the investments.

27. **Demand and User Risk:** The revenue generated by infrastructure and infrastructure-related assets may be impacted by the demand of users or the number of users for the products or services produced by such assets (for example, traffic volume on a toll road). Any reduction in demand and/or the number of users may negatively impact the profitability of the Company. Demand for infrastructure assets may be subject to seasonal variations leading to increased or reduced revenues and profitability at various times during the year, which could affect the short term returns to the Company. Further, since the Company may invest in infrastructure assets before they become operational and have a track record, actual revenues, profits and cash flows may turn out to be lower than initial estimates which may have an adverse impact on the value of the Portfolio Investments.

28. **Bypass Risk:** Bypass risk arises where a change could occur in the way an infrastructure service or product is delivered, rendering it obsolete and allowing a competitor or user of such service or product to bypass it. If the Portfolio Investments are subject to bypass, they may lose revenues and cash flows may be adversely impacted. Further, if a change were to occur that made any infrastructure assets obsolete, such infrastructure assets would be likely to have very few, if any, alternative revenue generating uses.

29. **Third Party Litigation Risks:** The Portfolio Investments may subject it to the normal risks of potential liability arising from litigation instituted by third parties. This risk may be more pronounced in cases where the Company is in a position to influence the policies and business decisions of a Portfolio Company.

30. **Potential Environmental Liabilities:** Under various applicable laws, ordinances, regulations and common law, an owner of infrastructure assets may be liable for the costs of removal or remediation of certain hazardous or toxic substances on, in or released from, such assets. Such enactments often impose liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefor as to any property is generally not limited under such enactments and could exceed the value of the property and/or the aggregate assets of the owner. While the Company will attempt to acquire infrastructure assets that do not present a material risk of such liabilities, environmental liabilities may arise as a result of a large number of factors, including changes in laws or regulations, accidental releases, and the existence of conditions that were unknown at the time of acquisition or operation. Any liability resulting from non-compliance or other claims relating to environmental matters could have a material adverse effect on the Company's performance.

31. **Catastrophic and Force Majeure Risks:** Portfolio Investments may be subject to catastrophic events and other force majeure events during their construction, technical and/or operational phases. These events could include fires, floods, earthquakes, adverse weather conditions, assertion of eminent domain, strikes, wars, riots, terrorist acts, acts of God and similar risks. These events could result in the partial or total loss of a Portfolio Investment (for example, a bridge could be destroyed in a catastrophe) or significant down time resulting in lost revenues, among other potentially detrimental effects. Some force majeure risks are generally uninsurable and, in some cases, project agreements can be terminated if the force majeure event is so catastrophic that it cannot be remedied within a reasonable time period. While the Company will seek to utilize insurance and other risk management products (to the extent available on commercially reasonable terms) to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it may not be possible to insure against all such risks, and insurance proceeds may be inadequate. In general, losses related to terrorism are becoming more difficult and expensive to insure against, as many insurers are excluding terrorism coverage from their all-risk policies.

32. **Labor Actions:** When services are transferred from the public to the private sector, there is the potential for labor action at the time of transfer and possible ongoing labor disputes. The transfer of services from the public to the private sector may require that existing negotiated labor agreements be observed. However, even where such agreements are adhered to, it is always possible that labor action may arise as a result of perceived changes in the relationship between the existing workforce and private ownership.

33. **Health and Safety:** Health and safety is a key risk area in the operation and maintenance of many infrastructure assets. Costs associated with the failure to protect the health and safety of workers in, and users of, infrastructure assets could adversely impact the Company.

34. **Risks Related to Investments in Ports:** The operation of ports entails various risks. Port operators rely on concessions and licenses from government and quasi-governmental organizations. Cancellation, early termination or non-renewal of any such concession agreements or licenses or the imposition of any restrictive regulatory control could have a material adverse effect on the operations of a port. Port operators enter in contracts with their customers. These contracts contain inherent risks and certain provisions, which, if exercised, could result in lower future income and negatively affect the profitability of a port operator. Many of these contracts contain provisions, which can adversely affect the profitability of a port. Such provisions include, among others: (a) a termination clause, (b) provisions requiring certain capital expenditures and the provision of ongoing services, the failing of which could result in penalties, (c) exclusivity clauses for some facilities, including particular vessel berths and moorings and container terminals, (d) rights of first refusal with respect to further expansions or developments and (e) clauses that provide for the acquisition of the assets at discounted rates in case of termination of the agreement due to an event of default. Port handling and other operations are subject to operational risks. The operation of port handling, handling of bulk goods, container handling, warehousing, customs inspection, and other operations may be adversely affected by many factors, such as the breakdown of equipment, labor disputes, natural disasters, increasing government regulations, lack of qualified equipment operators and a downturn in the overall performance of the container and shipping industry. In addition, port operators rely on a number of third-party companies involved in activities such as stevedoring, handling of liquid, hiring of equipment and vehicles, survey of ships, supply of water and provision of transportation services and contract labor. The failure or inability of certain of these companies to provide the required services efficiently could disrupt port operations.

    The port business and operational facilities may be adversely affected by severe weather conditions, such as heavy rains and flooding, dense fog and low visibility, climactic changes or natural disasters such as earthquakes, tsunamis and hurricanes. Severe weather conditions or climactic changes, resulting in conditions such as dense fog, low visibility, heavy rains, wind and waves, may force the port to temporarily suspend operations. In some cases, the port may suspend operations based on warnings from local and national meteorological departments. If weather conditions or climatic changes of any type were to force the port to close for an extended period of time, the business would be materially adversely affected. In addition, any weather condition or climatic change, including but not limited to severe monsoons or flooding, that affects ports that serve as starting points or final destinations for shipping lines could harm the business.

The port's operational facilities may also be damaged in natural disasters such as earthquakes, tsunamis, tornados, hurricanes and cyclones. Such natural disasters may suspend operations at the port and may lead to disruption of transportation networks, information systems and telephone service for sustained periods. Damage or destruction that interrupts operations may cause substantial additional expenses to repair or replace damaged facilities or equipment.

The GoI and the government of each state of India (each, a "**State Government**") have broad powers to affect the Indian economy and the port business. In the past, the GoI and State Governments have used these powers to influence, directly and indirectly, Indian import/export trade. Examples of such measures include (a) imposing import restrictions and customs duties on imported commodities, in particular on coal, (b) granting concessions for operation of new ports and (c) allocating GoI and State Government funding for infrastructure programs. Some of these measures, which help local port operators, are currently being employed by the GoI and/or State Governments. Any change in existing GoI and/or State Government policies or new policies withdrawing support to the India import/export trade industry could adversely affect the supply and demand balance and competition in commodities and may result in a commodity shift, which will directly impact port handling businesses and may negative affect cost structure.

35. **Risks Related to Investments in Power**: Investing in power related assets may be subject to a variety of risks, not all of which can be foreseen or quantified, including operating, economic, environmental, commercial, regulatory, political and financial risks. There is no assurance that Portfolio Investments will be profitable or generate cash flow sufficient to service their debt or provide a return on or recovery of amounts invested therein. While Portfolio Investments focus on long-term capital appreciation rather than short-term income generation, operation and maintenance of Portfolio Companies are critical to the performance of Portfolio Investments. The value of a Portfolio Company will be highly dependent on its then expected cash flow generating abilities at the time of exit. The actual cash flow generating ability of Portfolio Companies will be influenced by (among other things) (i) technology employed and fuel used in the power generation plants or other assets, (ii) demand/pricing considerations (including ability of end users to pay), (iii) changes of regulations affecting the power industry; and (iv) competition from other power generation plants which may have lower production costs and operating and maintenance costs. It may also be adversely affected by higher than anticipated operating and maintenance costs, increase in fuel cost, mechanical breakdown, spare parts shortages, equipment failure, loss of sale and supply contracts, bankruptcy of key customers or suppliers and other unanticipated events which adversely affect asset operations, performance and cash flow generation.

36. **Strategic Assets Risk:** Investments in public infrastructure may be in assets that constitute significant strategic value to public and/or governmental bodies. The very nature of these assets could generate additional risks not common in other industry sectors. Given the national or regional profile and/or their irreplaceable nature, such strategic assets may constitute a higher risk target for terrorist acts or political actions. Given the essential nature of the services provided by public infrastructure assets, there is also a higher probability that the services provided by such assets will be in constant demand. Should an owner of such assets fail to make such services available, users of such services may incur significant damage and may, due to the characteristics of the strategic assets, be unable to replace the supply or mitigate any such damage, thereby heightening any potential loss from third-party claims against the Company for such failures.

37. **Troubled Infrastructure Assets:** The Company may invest in assets or entities that are experiencing operational, financial or other difficulties. Portfolio Investments in these assets or entities will require more extensive time undertakings on the part of the Company and carry a greater risk that a Portfolio Investment may be involved in a bankruptcy proceeding. In such an event, the Company would be exposed to the risk of a proceeding of uncertain duration and to the possibility of little or no return on its Portfolio Investment.

38. **Capital Expenditures:** There is a risk that unforeseen factors may require capital expenditures in excess of forecasts and a risk that new or additional regulatory requirements, safety requirements or issues related to asset quality and integrity may result in the need for additional capital expenditure for replacement or reinforcement of infrastructure assets. While the Company intends to reasonably ensure that its purchased assets are in good condition and appropriate ongoing maintenance is provided for, no guarantee can be given that capital expenditures in excess of the anticipated levels will not be required.

39. **Reliance on Professionals and Consultants:** Infrastructure investments are subject to local and municipal level laws, taxes and regulations, in addition to central and state government level laws, taxes and regulations. Exposure to such laws and compliances will vary from project to project. The Investment Manager or the Investment Advisor, as the case may be, will seek advice from consultants and professionals having relevant experience and rendering services in respect of such matters. The performance of Portfolio Investments may be impacted by the nature and quality of advice and services rendered by such local consultants and professionals.

B] **<u>General Risks:</u>**

6.1 Investments in securities are subject to market risks which include price fluctuation risks. The extent of market risk can change dynamically from time to time. There is no assurance or guarantee that the objectives of investments will be achieved. The investments may not be suited to all categories of investors. The principal value of portfolio invested by the investor may be subject to risk during the tenor of the investment as well as at the end of the portfolio tenor. The portfolio manager may/may not be able to protect the portfolio from market risk. The liquidity risk of the portfolio shall be subject to market conditions. Also the market is subject to wild volatility which may be beyond portfolio manager's control and investment decisions on account of that could lead to potential losses for the clients.

6.2 The past performance of the Portfolio Manager does not indicate its future performance. There is no assurance that past performances will be repeated. Investors are not being offered any guaranteed or indicative returns by the Portfolio Manager.

6.3 The names of the portfolio strategies do not in any manner indicate their prospects or returns. The performance in the equity portfolio strategies may be adversely affected by the performance of individual companies, changes in the market place and industry specific and macro-economic factors.

6.4 Equity and Equity related instruments on account of its volatile nature are subject to price fluctuations on daily basis. The volatility in the value of the equity and equity related instruments is due to various micro and macro economic factors affecting the securities markets. This may have adverse impact on individual securities /sector and consequently on the portfolio value of investment Product/. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of the Investments.

6.5 The inability of the Portfolio Manager to make intended securities purchases due to settlement problems could cause the Product to miss certain investment opportunities as in certain cases, settlement periods may be extended significantly by unforeseen circumstances. Similarly, the inability to sell securities held in the portfolio may result, at times, in potential losses to the Product/Option, should there be a subsequent decline in the value of the securities held in the portfolio of Product.

6.6 Portfolio's investment in unlisted securities could increase the risk of the portfolio as these unlisted securities are inherently illiquid in nature and carry larger liquidity risk as compared to the listed securities or those that offer other exit options to the investors.

6.7 The debt investments and other fixed income securities may be subject to Interest rate risk, liquidity risk, credit risk, and reinvestment risk. Liquidity in these investments may be affected by trading volumes, settlement periods and transfer procedures.

6.8 In the case of stock lending, risks relate to the defaults from counterparties with regard to securities lent and the corporate benefits accruing thereon, inadequacy of the collateral and settlement risks. The Portfolio Manager is not responsible or liable for any loss resulting from the operations of the portfolio strategies.

6.9 Investors are not being offered any guaranteed or assured return/s i.e. either of principal or appreciation on the portfolio.

6.10 The liquidity of the Portfolio's investments is inherently restricted by trading volumes, if any, in the securities in which it invests.

6.11 The Portfolio Manager may, considering the overall level of risk of the portfolio, invest in lower rated/unrated securities offering higher yield. This may increase the risk of the portfolio. Such investments shall be subject to the scope of investments as laid down in the Agreement.

6.12 Clients may note that Portfolio Manager's investment decisions may not be always profitable, as actual market movements may be at variance with anticipated trends.

6.13 The Portfolio Manager may, subject to authorization by the Client in writing, participate in securities lending. The Portfolio Manager may not be able to sell/lend out securities, which can lead to temporary illiquidity.

6.14 Discretionary Portfolio Management, investments in the portfolio shall be at the full discretion of the Portfolio Manager and the investor shall not be able to influence the decisions of the Portfolio manager. The portfolio may be at risk of portfolio strategy/investment decisions or asset allocation undertaken by the Portfolio Manager not delivering results in line with the portfolio objective.

Risks associated with Equity and Equity Related Securities: Equity and Equity Related Securities by nature are volatile and prone to price fluctuations on a daily basis due to macro and micro economic factors. The value of Equity and Equity Related Securities may fluctuate due to factors affecting the securities markets such as volume and volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies of the Government, taxation laws, political, economic or other developments, which may have an adverse impact on individual securities, a specific sector or all sectors. Consequently, the Value of the Client Portfolio may be adversely affected.

Further, the Equity and Equity Related Securities are risk capital and are subordinate in the right of payment to other securities, including debt securities.

Equity and Equity Related Securities listed on the stock exchange carry lower liquidity risk; however the Portfolio Manager's ability to sell these investments is limited by the overall trading volume on the stock exchanges. In certain cases, settlement periods may be extended significantly by unforeseen circumstances. The inability of the Portfolio Manager to make intended securities purchases due to settlement problems could cause the Client to miss certain investment opportunities. Similarly, the inability to sell securities held in the Portfolio may result, at times, in potential losses to the Portfolio, should there be a subsequent decline in the value of securities held in the Client's Portfolio.

The Portfolio Manager may invest in securities which are not listed on the stock exchanges. These securities may be illiquid in nature and carry a higher amount of liquidity risk, in comparison to securities that are listed on the stock exchanges or offer other exit options to the investor. The liquidity and valuation of the investments held in Portfolio, due to its holdings of unlisted securities may be affected if they have to be sold prior to the target date of disinvestment.

Risk associated with Debt and Money Market Securities:

Risks associated with Debt / Money Markets (i.e. Markets in which Interest bearing Securities or Discounted Instruments are traded)

a) Credit Risk:

Securities carry a Credit risk of repayment of principal or interest by the borrower. This risk depends on micro-economic factors such as financial soundness and ability of the borrower as also macro-economic factors such as Industry performance, Competition from Imports, Competitiveness of Exports, Input costs, Trade barriers, Favourability of Foreign Currency conversion rates, etc.

Credit risks of most issuers of Debt securities are rated by Independent and professionally run rating agencies. Ratings of Credit issued by these agencies typically range from "AAA" (read as "Triple A" denoting "Highest Safety") to "D" (denoting "Default"), with about 6 distinct ratings between the two extremes.

The highest credit rating (i.e. lowest credit risk) commands a low yield for the borrower. Conversely, the lowest credit rated borrower can raise funds at a relatively higher cost. On account of a higher credit risk for lower rated borrowers lenders prefer higher rated instruments further justifying the lower yields. The minimal grade for rated instruments shall not be below A+.

b) Price-Risk or Interest-Rate Risk:

From the perspective of coupon rates, Debt securities can be classified in two categories, i.e., Fixed Income bearing Securities and Floating Rate Securities. In Fixed Income Bearing Securities, the Coupon rate is determined at the time of investment and paid/received at the predetermined frequency. In the Floating Rate Securities, on the other hand, the coupon rate changes - 'floats' - with the underlying benchmark rate, e.g., MIBOR, 1 yr. Treasury Bill.

Fixed Income Securities (such as Government Securities, bonds, debentures and money market instruments) where a fixed return is offered, run price-risk. Generally, when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, the payment-frequency of such coupon, days to maturity and the increase or decrease in the level of interest rates. The prices of Government Securities (existing and new) will be influenced only by movement in interest rates in the financial system. Whereas, in the case of corporate or institutional fixed income securities, such as bonds or debentures, prices are influenced not only by the change in interest rates but also by credit rating of the security and liquidity thereof.

Floating rate securities issued by a government (coupon linked to treasury bill benchmark or a real return inflation linked bond) have the least sensitivity to interest rate movements, as compared to other securities. The Government of India has already issued a few such securities and the Investment Manager believes that such securities may become available in future as well. These securities can play an important role in minimizing interest rate risk on a portfolio.

c) Risk of Rating Migration:

The following table illustrates the impact of change of rating (credit worthiness) on the price of a hypothetical AA rated security with a maturity period of 3 years, a coupon of 10.00% p.a. and a market value of Rs. 100. If it is downgraded to A category, which commands a market yield of, say, 11.00% p.a., its market value would drop to Rs. 97.53 (i.e. 2.47%) If the security is up-graded to AAA category which commands a market yield of, say, 9.00% p.a. its market value would increase to Rs. 102.51 (i.e. by 2.51%). The figures shown in the table are only indicative and are intended to demonstrate how the price of a security can be affected by change in credit rating.

Rating	Yield (% p.a.)	Market Value (Rs.)
AA	10.00	100.00
If upgraded to AAA	9.00	102.51
If downgraded to A	11.00	97.53

d) Basis Risk:

During the life of floating rate security or a swap the underlying benchmark index may become less active and may not capture the actual movement in the interest rates or at times the benchmark may cease to exist. These types of events may result in loss of value in the portfolio. Where swaps are used to hedge an underlying fixed income security, basis risk could arise when the fixed income yield curve moves differently from that of the swap benchmark curve.

e) Spread Risk:

In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. However depending upon the market conditions the spreads may move adversely or favourably leading to fluctuation in returns of the portfolio.

f) Reinvestment Risk:

Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently the proceeds may get invested at a lower rate.

g) Liquidity Risk:

The ability of the Portfolio Manager to execute sale/purchase order is dependent on the liquidity or marketability. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer.

The securities that are listed on the stock exchange carry lower liquidity risk, but the ability to sell these securities is limited by the overall trading volumes. Further, different segments of Indian financial markets have different settlement cycles and may be extended significantly by unforeseen circumstances.

The various investment options may be illiquid therefore there is no guarantee that investors would be able to redeem their investments in the investment options as per their discretion and the liquidity for investment options will be dependent on the prevalent market conditions.

h) Concentration risk:

The various investment options may be exposed to concentration risk as the investments may be in few securities / funds, the performance of which could affect the performance of the fund / client's portfolio.

i) Key management risk:

The various investment options may be largely dependent upon the experience and judgment of the Investment Manager's management team for the selection of suitable Investments. The loss of one or more of these individuals could have a material adverse effect on the returns of the investment option. The investment options success depends on the skill and acumen of the Investment Manager, and more particularly the individuals involved in the decision making of the Investment Manager. If any of these individuals should cease to participate in the Investment Manager's business, the Investment Manager's ability to select attractive investments for the investment option and manage its portfolio could be severely impaired.

j) Valuation risk:

The various investment options of the underlying companies where the fund proposes to invest are not quoted securities and the valuation of these securities may not be reliable.

k) Macro Risk:

The various investment options will be impacted by changes in various macro factors like interest rate movements, monetary and fiscal policy, inflation, sovereign rating changes etc.

l) Default Risk & Credit Risk:

The various investment options may be subject to non-repayment / late repayment of principal or interest of the investment options due to which the investment options may lose partial or entire value of investment. The various investment options may be subject to change in their investment value due to credit rating changes

m) Market Risk:

The various investment options may decline / change in value because of economic developments or other events that affect the entire market.

n) Volatility risk:

The various investment options may be exposed to the risk of volatility of the capital markets and could thus be subject to strong price movements. A strong movement of the volatility of the capital markets could negatively impact the performance of the investment option.

o) Geopolitical risk:

The various Investment options are subject to the geographical, political and economic risks in the jurisdiction where they operate

p) Regulatory risk:

Any change in regulations may affect the performance of the investment option

q) Exchange rate risk:

Some of the investment options will be exposed to the risk of volatility between the home currency of the investor and the currency of the country in which the investment is made

Risks associated with Investing in Securitised Debt:

The Investment Approaches may from time to time invest in domestic securitised debt, for instance, in asset backed securities (ABS) or mortgage backed securities (MBS). Typically, investments in securitised debt carry credit risk (where credit losses in the underlying pool exceed credit enhancement provided, (if any) and the reinvestment risk (which is higher as compared to the normal corporate or sovereign debt). The underlying assets in securitised debt are receivables arising from automobile loans, personal loans, loans against consumer durables, loans backed by mortgage of residential / commercial properties, underlying single loans etc.

ABS/MBS instruments reflect the proportionate undivided beneficial interest in the pool of loans and do not represent the obligation of the issuer of ABS/MBS or the originator of the underlying receivables. Investments in securitised debt are largely guided by following factors:

- Attractive yields i.e. where securitised papers offer better yields as compared to the other debt papers and also considering the risk profile of the securitised papers.
- Diversification of the portfolio
- Better performance

Broadly following types of loans are securitized:

a) Auto Loans

The underlying assets (cars etc.) are susceptible to depreciation in value whereas the loans are given at high loan to value ratios. Thus, after a few months, the value of asset becomes lower than the loan outstanding. The borrowers, therefore, may sometimes tend to default on loans and allow the vehicle to be repossessed.

These loans are also subject to model risk i.e. if a particular automobile model does not become popular, loans given for financing that model have a much higher likelihood of turning bad. In such cases, loss on sale of repossession vehicles is higher than usual.

Commercial vehicle loans are susceptible to the cyclicality in the economy. In a downturn in economy, freight rates drop leading to higher defaults in commercial vehicle loans. Further, the second hand prices of these vehicles also decline in such economic environment.

b) Housing Loans

Housing loans in India have shown very low default rates historically. However, in recent years, loans have been given at high loan to value ratios and to a much younger borrower classes. The loans have not yet gone through the full economic cycle and have not yet seen a period of declining property prices. Thus the performance of these housing loans is yet to be tested and it need not conform to the historical experience of low default rates.

c) Consumer Durable Loans

The underlying security for such loans is easily transferable without the bank's knowledge and hence repossession is difficult. The underlying security for such loans is also susceptible to quick depreciation in value. This gives the borrowers a high incentive to default.

d) Personal Loans

These are unsecured loans. In case of a default, the bank has no security to fall back on. The lender has no control over how the borrower has used the borrowed money.

Further, all the above categories of loans have the following common risks:

All the above loans are retail, relatively small value loans. There is a possibility that the borrower takes different loans using the same income proof and thus the income is not sufficient to meet the debt service obligations of all these loans.

In India, there is no ready database available regarding past credit record of borrowers. Thus, loans may be given to borrowers with poor credit record. In retail loans, the risks due to frauds are high.

e) Single Loan PTC

A single loan PTC is a securitization transaction in which a loan given by an originator (Bank/ NBFC/ FI etc.) to a single entity (obligor) is converted into pass through certificates and sold to investors. The transaction involves the assignment of the loan and the underlying receivables by the originator to a trust, which funds the purchase by issuing PTCs to investors at the discounted value of the receivables. The PTCs are rated by a rating agency, which is based on the financial strength of the obligor alone, as the PTCs have no recourse to the originator.

The advantage of a single loan PTC is that the rating represents the credit risk of a single entity (the obligor) and is hence easy to understand and track over the tenure of the PTC. The primary risk is that of all securitized instruments, which are not traded as often in the secondary market and hence carry an illiquidity risk. The structure involves an assignment of the loan by the originator to the trustee who then has no interest in monitoring the credit quality of the originator. The originator that is most often a bank is in the best position to monitor the credit quality of the originator. The investor then has to rely on an external rating agency to monitor the PTC. Since the KIAL relies on the documentation provided by the originator, there is a risk to the extent of the underlying documentation between the seller and underlying borrower.

Risks associated with investments in Mutual Funds:

The Portfolios may invest in schemes of Mutual Funds. Hence scheme specific risk factors of each such underlying scheme will be applicable to the portfolios.

Risks Associated with Investment in Equity Linked Debenture

Market Risk: There is no guarantee on whether the reference index will appreciate or depreciate. The value of the Debenture, prior to the Redemption and Maturity Date, may be affected by a number of factors, including but not limited to the level of the Underlying Reference Index, option volatility of Underlying Reference Index, interest rates and time remaining to Maturity. Movements in the index will not necessarily result in corresponding movements in the market value of the Debenture.

Potential Loss of Interest Income: It is possible that the prospective investor may receive no principal /interest over the Investment period.

Event Risk: The Underlying Reference Index is subject to certain event risks including but not limited to certain events such as Market Disruption, etc. Determination Agent may in such case adjust the terms at its sole discretion to reflect the new market conditions. This may even include redeeming the Debenture prior to the Redemption and Maturity Date.

Risk Associated with Investment in Derivatives Market

Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the Client. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of the strategies to be pursued by the Portfolio Manager involve uncertainty and decision of Portfolio Manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investment.

Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price of interest rate movements correctly. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Other risks include settlement risk, risk of mispricing or improper valuation and the inability of the derivative to correlate perfectly with underlying assets, rates and indices, illiquidity risk whereby the Portfolio Manager may not be able to sell or purchase derivative quickly enough at a fair price.

Risk Associated with Premature Withdrawal

In case the Client requests for premature withdrawal / closure of his account, then, the securities can be liquidated at loss, for facilitating to generate cash for the closure / partial withdrawal of his account. The portfolio manager shall not be liable for this loss as he would have constructed portfolio on the time horizon given by the client.

7. Client Representation

7.1 Under discretionary / Non-Discretionary PMS:

Category of Clients	**No of Clients**	**Fund Managed (Rs in crores)**
As on March 31, 2022 (Active Clients only)		
Discretionary Clients	N.A.	N.A.
Non Discretionary clients	N.A.	N.A.
Clients being Associates or Group Cos.	N.A.	N.A.

7.2 Under Advisory services:

Category of clients	**No. of clients**	**Funds managed (Rs. Crores)**
As on March 31, 2022		
Associates /group companies	N.A.	N.A.

Others	-	-
Total	N.A.	N.A.

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

The disclosure on related party transactions as per the information provided in the Audited Accounts of Kotak Investment Advisors Limited for the financial year ended on March 31, 2022 is attached as Annexure A.

7.4 List of Related Parties and their relationships (Based on the Audited Financial Statement for March 31, 2022):

Refer Annexure A.

7.5 Transactions with related parties with respect to PMS Activities as per Audited accounts for the year ended March 31, 2022:

None **7.6 Details of investments in the securities of related parties of the Portfolio Manager:**

Details of investment of clients' funds in the securities of associate/related parties are as follows:

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

8. The Financial Performance of the portfolio manager (based on audited financial statements)

KIAL has not provided any portfolio management services in past, therefore no performance is disclosed based on the past investments.

Given below is a brief summary of KIAL financials:

Amount (Rupees in lacs)

Particulars	**Year ended March 31, 2022**	**Year ended March 31, 2021**	**Year ended March 31, 2020**
Total Revenue	34,331.30	18,195.03	9,547.61
Profit Before Tax	18,266.49	8,443.35	-1262.82
Profit After Tax	13,788.78	6,375.52	-855.15
Free Reserves	85570.18	42,598.40	37,184.86

CRR	55	55	55
Net Worth -Without Preference capital and CRR	88,637.07	44,662.35	37,524.86
Earnings per share (In Rs.)	170.67	117.21	-15.72
Paid up Capital (Equity)	896.89	543.95	543.95
Application of Funds			
Fixed Assets	504.76	351.08	276.18
Investments	96,222.34	55,905.41	34,962.9
Net current Assets	15,473.85	4661.96	11,800.64

Free Reserves include General Reserve & Surplus in Profit & Loss Account.

9. Performance of the Portfolio Manager

The Portfolio Manager has not commenced Portfolio Management Activities. Thus, the Portfolio Manager does not have any performance track record.

10. Audit Observations

No PMS activities have been carried out by the Company in the last 3 years and therefore there has been no Statutory Audit observations with regard to PMS activities.

10. 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 the agreements in respect of each of the services availed at the time of execution of such agreements. The below mentioned fees, charges and expenses shall be directly debited to the clients account as and when the same becomes due for payment.

a. Management Fees

Management fees relate to the portfolio management services offered to clients. The fee may be in the form of an entry or exit charge or a recurring charge in the nature of a fixed charge (which can be an absolute amount or a percentage of the quantum of funds managed) or in the nature of a variable charge that are linked to portfolio returns achieved or a combination of all or any of these.

Management fees as an entry or exit charge or as a percentage of the quantum of funds managed or variable charge that are linked to portfolio returns achieved or a combination of all or any of these shall each be charged, at such rate as may be agreed between the Portfolio Manager and the Client from time to time.

These charges, not exceeding the rate specified, will be applicable irrespective of whether the clients' funds are managed for the whole year or part of the year. Where the management fees is a percentage of the quantum of funds managed, the Portfolio Manager may charge management fees based on the annual opening value of portfolio or on the average value of portfolio (calculated on a daily/ weekly/ monthly or quarterly basis) or in such other manner, as agreed between the client and the Portfolio Manager. Management fees can vary from client to client, in the same portfolio strategy or in different portfolio strategy.

b. Transaction cost:

In addition to the Management Fees, the Portfolio Manager may charge a transaction cost on every purchase and sale transaction on actual basis.

c. Custodian / Depository Fees

The charges relating to opening and operation of dematerialised accounts, custody and transfer charges for shares, bonds and units, dematerialisation, rematerialisation and other charges in connection with the operation and management of the depository/custody accounts.

d. Registrar and transfer agent fee

Charges payable to registrars and transfer agents in connection with effecting transfer of securities and bonds including stamp charges, cost of affidavits, notary charges, postage stamp and courier charges.

e. Brokerage and transaction costs

The brokerage charges and other charges like service charge, stamp duty, transaction costs, securities transaction tax, turnover tax, exit and entry loads on the purchase and sale of shares, stocks, bonds, debt, deposits, units and other financial instruments.

f. Securities lending charges

The charges pertaining to the lending of securities and costs associated with transfers of securities connected with the lending transfer operations.

g. Certification and professional charges

Charges payable for outsourced professional services like accounting, taxation and legal services notarisations etc for certifications, attestations required by bankers or regulatory authorities.

h. Bank and Depositary charges

For availing the Portfolio Management Service the Clients will have to open the bank account and demat account and in this regard the clients will have to pay charges as per schedule of charges forming part of the account opening forms signed by them.

i. Incidental Expenses

Charges in connection with the courier expenses, travel expenses, stamp duty, service tax, Goods & Services Tax, postal, telegraphic, opening and operation of bank accounts, expenses pertaining to storage/retrieval of documents etc.

11. Taxation

11.1 General

Taxability of income from investment in securities is subject to the provisions of the Indian Income Tax Act, 1961 (the 'Act'). In view of the individual nature of tax consequences on the various receipts i.e. interest income, dividend income or capital gains or otherwise, arising from investments, each Client is advised to consult his / her / its tax advisor with respect to the specific tax consequences to him/ her / it of participation in the portfolio management services. The Portfolio Manager shall not be responsible for assisting in or completion of any of the client's tax obligations under the Act or any other applicable taxation law.

This summary is not intended to provide a complete analysis of the tax consequences under the Act to the Clients. The rates provided herein are the tax rates as based on the Finance Act 2022 and Chapter VII of the Finance (No. 2) Act, 2004 **('Securities Transactions Tax Act'/'STT').** The rates specified herein are inclusive of surcharge and cess and are stated at the highest applicable slabs.

11.1 General

Income derived from investment in securities is subject to tax as per the provisions of the Act. Special reference needs to be made in respect of provisions related to capital gains, business income, interest and dividend. Client owns the liability for his Taxation. The General Information stated below is based on the general understanding of direct tax laws in force in India as of the date of the Disclosure Document and is provided only for general information to the Client only vis-à-vis the investments made through the Portfolio Management Scheme of the Company.

A Portfolio of client may have:

- Dividend income;
- Long-term and short -term capital gains (or losses) on sale of securities (shares, mutual
- fund units, debentures, rights renunciations etc.);
- Business Income from purchase and sale of securities (shares, mutual fund units,
- debentures, rights renunciations etc.);
- Any other income from securities (shares, mutual fund units, debentures, rights
- renunciations etc.).

In case the securities are held as stock-in-trade, the income tax treatment will substantially vary and the issue whether the investments are held as capital asset or stock-in-trade needs to be examined on a case to case basis. There is no guarantee that the tax position prevailing as on the date of the Disclosure Document/the date of making investment in the Portfolio Management Scheme shall endure indefinitely or accepted by the tax authorities. The Client should not treat the contents of this section of the Disclosure Document as advice relating to legal, taxation, investment or any other matter and therefore, each Client is advised to consult his / her / its tax advisor with respect to the specific tax consequences to him / her / it of participation in the portfolio management services.

All the Tax Rates contained in this clause are applicable for the financial year 2022-23, in accordance with Finance Act, 2022.

11.2 Resident and Non- Resident Taxation

11.2.1 **Resident Taxation**

A resident investor will be subject to income tax on his / her global income. In the case of a resident but not ordinarily resident, any income which accrues/ arises outside India will not be subject to tax in India, unless it is derived from a business/ profession controlled from India. Every other person is said to be resident in India during the year under consideration except where the control and management of affairs is situated wholly outside India. In the case of an individual, the residential status would be determined based upon the physical presence of that person in India. The threshold limit in terms of physical presence of such individual in India has been prescribed under the Act.

A Company is said to be a resident in India in the previous year if (i) it is an Indian Company; or (ii) its place of effective management ('POEM') is situated in India.

Every other person is said to be resident in India during the year under consideration except where the control and management of affairs is situated wholly outside India.

11.2.2 Non-resident Taxation

A non-resident investor would be subject to taxation in India if he derives (a) Indian-sourced income; or (b) if any income is received / deemed to be received in India; or (c) if any income has accrued / deemed to have accrued to him in India in terms of the provisions of the Act.

A foreign company will be treated as a tax resident in India if its POEM is in India in that year. POEM has been defined to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.

In case of foreign investors, the taxation of income will be governed by the provisions of the Act read with the provisions of the applicable tax treaty i.e. Double Tax Avoidance Agreement ('DTAA'), if any. As per Section 90(2) of the Act, the provisions of the Act would apply to the extent they are more beneficial than the provisions of the DTAA.

The Organisation of Economic Co-operation and Development ('OECD') released the Multilateral Convention to implement DTAA related measures to prevent Base Erosion and Profit Shifting **('MLI')**. India has made amendment in Section 90 to that effect that DTAAs should not create opportunities for non-taxation or reduced taxation including through treaty shopping in order to align the purpose of DTAAs with the MLI with effect from 1 April 2020.

11.3 Tax deduction at source

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

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

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

11.4 Linking of PAN and Aadhar

The due date of linking PAN and Aadhaar was 31 March 2022; however in order to mitigate the inconvenience to the taxpayers, a window of opportunity has been provided to the taxpayers upto 31 March 2023 to link their Aadhaar to the PAN without facing repercussions, subject to the payment of nominal fees.If the PAN is not linked with Aadhaar, then PAN will become inoperative. After the expiry of the extended due date i.e. 31 March 2023, the clients will not be able to conduct financial transactions where quoting of PAN is mandatory. Once the PAN becomes inoperative, residents would be subjected to a higher rate of TDS.

11.5 Advance tax installment obligations

It shall be the Client's responsibility to meet the obligation on account of advance tax installments payable on the due dates under the Act. The provisions related to payment of advance tax shall not apply to an individual resident in India, who does not have any income chargeable under the head "Profit and gains of business or profession"; and is of the age of sixty years or more at any time during the relevant financial year.

In case of any shortfall in the advance tax instalment or the failure to pay the same on time is on account of capital gains and dividend (other than deemed dividend), no interest shall be charged provided the client has paid full tax in subsequent advance tax instalments.

11.6 Securities Transaction Tax

Securities Transaction Tax ("STT") is applicable on transactions of purchase or sale of equity shares in a company or Exchange Traded fund ("ETF") or a derivative or units of Equity Oriented Fund or units of Business Trust entered into on a recognized stock exchange and sale of units of Equity Oriented Fund to the Mutual Fund.

The STT rates as applicable are given in the following table:

Taxable securities transaction	STT Rate	Person responsible to pay STT	Value on which STT is required to be paid
Delivery based purchase and sell of equity share	0.1%	Purchaser/Seller	Price at which equity share is purchased/sold
Delivery based sale of a unit of oriented mutual fund	0.001%	Seller	Price at which unit is sold
Sale of equity share or unit of equity oriented mutual fund in recognised stock exchange otherwise than by actual delivery ortransfer and intra day traded shares	0.025%	Seller	Price at which equity share or unit is sold
Derivative – Sale of an option in securities	0.017%	Seller	Option premium
Derivative – Sale of an option in securities where option isexercised	0.125%	Purchaser	Settlement Price
Derivative – Sale of futures in securities	0.01%	Seller	Price at which such futures is traded
Sale of unit of an equity oriented fund to the Mutual Fund - ETFs	0.001%	Seller	Price at which unit is sold
Sale of unlisted shares under an offer for sale to public included inIPO and where such shares are subsequently listed in stock exchanges	0.2%	Seller	Price at which such shares aresold

11.7 Characterization of Income on transfer of securities of companies.

Income arising from purchase and sale of securities can give rise to capital gains or business income in the hands of the investor. The issue of characterization of income is relevant as the income tax computation and rates differ in the two situations. The characterization is essentially a question of fact and depends on whether the shares are held as business/trading assets or as capital assets.

Based on the earlier circulars issued by the Central Board of Direct Taxes ('CBDT') and judicial decisions, following are the key factors and principles which need to be considered while determining the nature of assets as above

- Motive for the purchase of shares.
- Frequency of transactions and the length of period of holding of the shares
- Treatment of the shares and profit or loss on their sale in the accounts of the assessees.
- Source of funds out of which the shares were acquired – borrowed or own.
- Existence of an object clause permitting trading in shares – relevant only in the case of corporate bodies.
- Acquisition of the shares – from primary market or secondary market.
- the genuineness of transactions in unlisted shares.
- the transfer of unlisted shares is made along with the control and management of underlying business.
- Infrastructure employed for the share transactions by the client including the appointment of managers, etc.

Any single factor discussed above in isolation cannot be conclusive to determine the exact nature of the shares. All factors and principles need to be construed harmoniously. Further, the background of the investor (Professional vs. a trader in shares) would also be a relevant factor in determining the nature of the shares.

CBDT has clarified that, it is possible for a tax payer to have two portfolios, i.e., an investment portfolio comprising of securities which are to be treated as capital assets and a trading portfolio comprising of stock-in-trade which are to be treated as trading assets. Where an assessee has two portfolios, the assessee may have income under both heads i.e., capital gains as well as business income.

In view of the above, the profits or gains arising from transaction in securities could be taxed either as "Profits or Gains of Business or Profession" under section 28 of the Act or as "Capital Gains" under section 45 of the Act.

In the case of a Foreign Institutional Investor, any securities held in accordance with the regulations made under the SEBI Act, 1992 will always be regarded as capital asset and therefore, subject to capital gain tax.

It should also be noted that in the context of portfolio management schemes there has been litigation in the past on the characterization of income and judicial precedents have taken positions based on facts of each case.

11.8 TAX ON DIVIDEND AND INCOME FROM UNITS OF MUTUAL FUNDS

Dividend distributed by domestic companies and income from units of mutual funds will be taxable in the hands of recipient of dividend/income at respective slab rates. To avoid double taxation of dividend, dividend received by a domestic company from another domestic company or specified foreign company or business trust will not be taxable in the hands of first domestic company, provided such receipt of dividend does not exceed the amount of dividend distributed by the first mentioned domestic company one month prior to the due date of filing a return under Section 139(1). In the case of a resident recipient, withholding tax of 10% will be levied on dividends declared/paid by domestic company and on income distributed by mutual funds whereas in the case of a non-resident recipient, withholding tax at the rate of 20% on dividend income and income from mutual funds would apply. Further, the minimum threshold for applicability of withholding tax on dividend payments to the resident shareholder during the financial year will be INR 5,000.

11.9 BUY BACK TAXATION

The unlisted and listed domestic companies are required to pay tax on distributed income included in the buyback of shares at the rate of 20% on such distributed income. Consequently, the amount received by the shareholders on buy back of shares will be exempt under section 10(34A) of the Act in the hands of the shareholder.

11.10 LONG TERM CAPITAL GAINS

Where investment under Portfolio Management Services is treated as investment, the gain or loss from transfer of securities shall be taxed as Capital Gains under section 45 of the Act.

11.10.1 Period of Holding

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

Sr. No	Securities	Period of Holding	Characterization
1	Listed Securities (other than Units) and units of equity oriented Mutual Funds, units of UTI, Zero Coupon Bonds	More than twelve (12) months	Long-term Capital Asset
		Twelve (12) months or less	Short-term Capital Asset
2	Unlisted shares of a company	More than twenty-four (24) months	Long-term Capital Asset
		Twenty-four (24) or less	Short-term Capital Asset
3	Other securities	More than Thirty-six (36) months	Long-term Capital Asset
		Thirty-six (36) months or less	Short-term Capital Asset

11.10.2 For listed equity shares in a domestic company or units of Equity Oriented Fund or Business Trust

The Finance Act 2018 changed the method of taxation of long-term capital gains from transfer of listed equity shares and units of Equity Oriented Fund or Business Trust.

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

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

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

Specifically in case of long term capital gains arising on sale of shares or units acquired originally as unlisted shares/units upto 31 January 2018, COA is substituted with the "indexed COA" (instead of FMV) where sale consideration is higher than the indexed COA. Where sale value is higher than the COA but not higher than the indexed COA, the sale value is deemed as the COA. This benefit is available only in the case of equity shares or units, not listed as on 31 January 2018 but listed on the date of transfer; and equity shares/units listed on the date of transfer but acquired in consideration of shares/units not listed on 31 January 2018 through tax neutral modes of transfer under section 47 (e.g. amalgamation, demerger).

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

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

11.10.3 <u>For other capital assets in the hands of Resident of India</u>

Long-term Capital Gains in respect of capital asset (other than listed securities and units of equity oriented mutual funds) will be chargeable to tax at the rate of 20% plus applicable surcharge and education cess, as applicable. Capital gains would be computed after taking into account cost of acquisition as adjusted by Cost Inflation Index notified by the Central Government and expenditure incurred wholly & exclusively in connection with such transfer.

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

11.10.4 <u>For capital assets in the hands of Foreign Portfolio Investors (FPIs)</u>

Long term capital gains, arising on sale of debt securities, debt oriented units (other than units purchased in foreign currency and capital gains arising from transfer of such units by Offshore Funds referred to in section 115AB) are taxable at the rate of 10% under Section 115AD of the Act. Such gains would be calculated without considering benefit of (i) indexation for the COA and (ii) determination for capital gain/loss in foreign currency and reconversion of such gain/loss into the Indian currency.

Long term capital gains, arising on sale of listed shares in the company or units of equity oriented funds or units of business trust and subject to conditions relating to payment of STT, are taxable at 10% as mentioned in para 10.10.2 above.

11.10.5 <u>For other capital asset in the hands of Non-resident Indians</u>

Under section 115E of the Act, any income from investment or income from long-term capital gains of an asset other than specified asset as defined in Section 115C (Specified Assets include shares of Indian Company, Debentures and deposits in an Indian Company which is not a private company and securities issued by Central Government or such other securities as notified by Central Government) is chargeable at the rate of 20%. Income by way long-term capital gains of the specified asset is, however, chargeable at the rate of 10% plus applicable surcharge and cess (without benefit of indexation and foreign currency fluctuation).

11.11 Short Term Capital Gains

Section 111A of the Act provides that short-term capital gains arising on sale of Equity Shares of a company or units of Equity Oriented Fund or units of a business trust entered on a recognized stock exchange and on sale of units of Equity Oriented Fund to the Mutual Fund are chargeable to income tax at a concessional rate of 15% plus applicable surcharge and cess, provided such transactions are entered on a recognized stock exchange and are chargeable to STT. However, the above shall not be applicable to transaction undertaken on a recognized stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in foreign currency. Further, Section 48 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing Capital Gains.

Short Term Capital Gains in respect of other capital assets are chargeable to tax as per the relevant slab rates or fixed rate, as the case may be.

11.12 PROFITS AND GAINS OF BUSINESS OR PROFESSION

11.12.1 If the investment under the Portfolio Management Services is regarded as "Business / Trading Asset" then the gain / loss arising there from is likely to be taxed as income from business as per slab rates i.e. in the case of resident individual and HUF and at the rate of 30% or 25% or 22% plus applicable surcharge and cess,(as the case may be, in case of resident other than individual and HUF(as the case may be) and also for non-residents other than a foreign company (assuming the highest slab rate for individual). It shall be taxable at the rate of 40% (plus applicable surcharge and cess) in case of a foreign company. The above rates would be subject to availability of benefits under the DTAA, if any in case of non-resident assessee.

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

11.12.3 Where income referred to above is treated as Business Income, the person will be entitled for deduction under section 36(1)(xv), for the amount of STT paid.

11.13 TAX RATES

11.13.1 **<u>Individuals, HUF, AOP & BOI:</u>**

The Finance Minister introduced new tax regime in Union Budget, 2020 wherein an option for individuals and HUF (Hindu Undivided Family) to pay taxes at lower rates without claiming deductions under various sections. The option for new tax regime can be exercised only once by specified persons having business/professional income and once exercised it will remain same for the subsequent years as well. Income Tax slab rates notified in newtax regime and old tax regime for the Financial Year 2022-23 are as under:

Income Tax Slab (INR)	Tax rates as per new regime	Tax rates as per old regime
0 - 2,50,000	Nil	Nil
2,50,001 - 5,00,000	5%	5%
5,00,001 - 7,50,000	INR 12,500 + 10% of total income exceeding INR 5,00,000	INR 12,500 + 20% of total income exceeding INR 5,00,000
7,50,001-10,00,000	INR 37,500 + 15% of total income exceeding INR 7,50,000	INR 62,500 + 20% of total income exceeding INR 7,50,000
10,00,001 - 12,50,000	INR 75,000 + 20% of total income exceeding INR 10,00,000	INR 1,12,500 + 30% of total income exceeding INR 10,00,000
12,50,001 - 15,00,000	INR 1,25,000 + 25% of total income exceeding INR 12,50,000	INR 1,87,500 + 30% of total income exceeding INR 12,50,000
Above 15,00,000	INR 1,87,500 + 30% of total income exceeding INR 15,00,000	INR 2,62,500 + 30% of total income exceeding INR 15,00,000

Tax rate as per old tax regime for Resident Individual whose age is 60 years or more but less than 80 years and Resident Individual whose age is 80 years or more for Financial Year 2022-23:

Income Tax Slab (INR)	Tax rates Resident Individual whose age is 60 years or more	Tax rates Resident Individual whose age is 80 years or more
Up to 3,00,000	Nil	Nil
3,00,001 - 5,00,000	5%	Nil
5,00,001 - 10,00,000	INR 10,000 + 20% of total income exceeding INR 5,00,000	20%
Above 10,00,000	INR 1,10,000 + 30% of total income exceeding INR 10,00,000	INR 1,00,000 + 30% of total income exceeding INR 10,00,000

Surcharge for the Financial Year 2022-23:

Nature of Income	Up to INR 50 lakh	More than INR 50 lakh but upto INR 1 crore	More than INR 1 crore but less than INR 2 crore	More than INR 2 crore but up to INR 5 crore	More than INR 5 crore
• Short-term capital gains and long term capital gains which are	NIL	10%	15%	15%	15%

subject to STT • Short term or Long term capital gains under section 115AD(1)(b) • Dividend					
Any other Income	NIL	10%	15%	25%	37%

11.13.2 **Partnership Firm (Including LLP's):**

A partnership firm (including LLP) is taxable at 30% and surcharge at the rate 12% of such tax where total income exceeds INR 1 crore.

11.13.3 **Domestic Company/Foreign Company:**

Tax Rates for domestic companies for Financial Year 2022-23 :

Turnover Particulars	Tax rates as perOld regime	Tax rates asper New regime
Gross turnover up to INR 400 crore in the FY 2020-21	25%	NA
Domestic Co other than above	30%	22%
MAT tax rate	15%	NA

Tax Rates for Foreign companies for Financial Year 2022-23 :

Foreign companies are liable to tax at 40% on total income.

Surcharge for domestic companies and foreign companies for FY 2022-23:

Total Income (INR)	Domestic Companies		Foreign Companies
	Old Tax Regime	New Tax Regime	
Upto 1 crore	Nil	10%	Nil
1 crore – 10 crore	7%	10%	2%
Above 10 crore	12%	10%	5%

11.13.4 **Health and Education Cess**
For all types of assessees, the amount of income-tax and the applicable surcharge shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge.

11.14 LOSSES UNDER THE HEAD CAPITAL GAINS/BUSINESS INCOME
In terms of section 70 read with section 74 of the Act, short term capital loss arising during a year can

be set-off against short term as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during the subsequent 8 assessment years. A long-term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during the subsequent 8 assessment years.

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

11.15 DIVIDEND STRIPPING

According to section 94(7) of the Act, if any person buys or acquires units within a period of three months prior to the record date fixed for declaration of dividend or distribution of income and sells or transfers the same within a period of nine months from such record date, then capital losses arising from such sale to the extent of income received or receivable on such units, which are exempt under the Act , will be ignored for the purpose of computing his income chargeable to tax.

The Finance Act, 2020 has abolished DDT and tax dividend income in the hands of shareholders in respect of dividend declared, distributed or paid on or after 1 April 2020 and therefore, in such cases the provisions of section 94(7) would not apply.

11.16 BONUS STRIPPING

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

11.17 DEEMED GIFT

Under section 56(2)(x), receipt of shares and securities without consideration or without adequate consideration, the difference (if exceeding INR 50,000) between the aggregate FMV and such consideration are taxable as income in the hands of any person being recipient of such shares and securities, expect in specified circumstances.

11.18 FAIR MARKET VALUE DEEMED TO BE FULL VALUE OF CONSIDERATION IN CERTAIN CASES

As per section 50CA of the Act, where the consideration for transfer of shares of a company (other than quoted shares) is less than the fair market value of such share determined in the prescribed manner, the fair market value shall be deemed to be the full value of consideration for the purposes of computing income under the head 'Capital gains'.

11.19 TAX NEUTRALITY ON MERGER OF DIFFERENT PLANS IN A SCHEME OF MUTUAL FUND AND MERGER OF DIFFERENT SCHEME OF MUTUAL FUND

The consolidation/ merger of different plans in a mutual fund scheme of a fund as well as the consolidation/ merger of mutual fund schemes of two or more schemes of equity oriented fund or two or more schemes of a fund other than equity oriented fund under the SEBI (Mutual Fund) Regulations, 1996, shall be tax neutral to the investors. Thus, such consolidation/ merger will not result in transfer and will not be liable to capital gains.

The cost of acquisition of the units of the consolidated plan of the scheme shall be the cost of units in the consolidating plan of the scheme and the period of holding of the units of the consolidated plan of the scheme shall include the period for which the units were held in the consolidating plan of the scheme.

The cost of acquisition of the units of the consolidated scheme shall be the cost of units in the consolidating scheme and the period of holding of the units of the consolidated scheme shall include the period for which the units were held in the consolidating scheme.

11.20 SEGREGATED PORTFOLIOS

SEBI has, vide circular SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018, permitted creation of segregated portfolio of debt and money market instruments by Mutual Fund schemes. As per the SEBI circular, all the existing unit holders in the affected scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio. On segregation, the unit holders come to hold same number of units in two schemes –the main scheme and segregated scheme.

The Finance Act, 2020 amended relevant section to provide that the period of holding of the units in the segregated portfolio is to include the earlier period of holding of the units in the main scheme. Further, for computing the "cost of acquisition" of the units in the segregated portfolio, the "cost of acquisition" of the units in the main scheme will be pro-rated in the ratio of the NAV of the assets transferred to the segregated portfolio. The "cost of acquisition" of the units in the main scheme will simultaneously be reduced by the "cost of acquisition" of the units in segregated portfolio.

12. Option of Direct on boarding of clients

Investors can also invest in PMS directly without intermediation of persons engaged in distribution services. At the time of on-boarding of clients directly, no charges except franking, statutory charges and other miscellaneous expenses shall be levied. The charges as per the agreement would be charged as agreed once the portfolio is active.

13. Accounting policy / Valuations

A. The Portfolio Manager shall maintain separate records in the name of the Client to account for the assets, any additions, receipt, income and disbursements/ distributions in connection therewith as provided under SEBI (Portfolio Managers) Regulations, 2020. Accounting of the respective portfolios will be done as per Generally Accepted Accounting Principles in India.

B. ***Portfolio valuation and Securities transactions.***

1. All Investments are stated at cost of acquisition. The cost of investments acquired or purchased would include brokerage, stamp charges and any charges customarily included in the brokers contract note or levied by any statute except STT (Securities Transaction Tax).
2. Dividend income earned shall be recognized only on the date the share is quoted on an ex-dividend basis. For investments, which are not quoted on a stock exchange, dividend income shall be recognized when the right to receive the same is established.

3. In respect of all interest-bearing investments, income shall be accrued on a day-to-day basis as it is earned. The investments which are purchased/ sold on cum-interest basis, the interest component up to the date of purchase/ sale will be taken to interest receivable account. The net of interest amount will be the cost / sales consideration for recognizing the gains/ losses on securities.
4. Bonus shares and right entitlements subscribed shall be recognized only when the original shares on which such entitlement accrues are traded on the stock exchange on an ex-bonus basis.
5. Transactions for purchase or sale of investments shall be recognised by following trade date accounting.
6. In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of the investment. Discount on the debt instruments will be amortized and correspondingly the cost of investments will be increased over the primary period of the debt instruments.
7. All other expenses payable by the Client shall be accrued as and when Liability is incurred.
8. Investments in listed equity and debt instruments will be valued at the closing market prices on the National Stock Exchange (NSE). If the securities are not traded on the NSE on the valuation day, the closing price of the security on the Bombay Stock Exchange or other exchange will be used for valuation of securities. In case of the securities are not traded on the valuation date, the valuation of securities would be done as per the matrix released by CRISIL which is currently approved agency by association of Mutual Funds in India (AMFI). Investments in units of Mutual Funds shall be valued at the repurchase price of the previous day declared for the relevant Scheme on the date of the report.
9. Investment in Government securities will be valued at the prices released by CRISIL. In the event of non-availability of the CRISIL's prices, prices released by FIMMDA will be used.
10. All money market and debt securities, including floating rate securities, with residual maturity of upto 91 days shall be valued at the weighted average price at which they are traded on the valuation day. When such securities are not traded on a particular valuation day they shall be valued on amortized cost.
11. All the open positions in derivative contracts will be marked to market on the valuation day.
12. Private equity/Pre IPO placements will be valued at cost or at available price of last public deal in such shares till it is listed.
13. Unrealized gain/losses are the differences, between the current market value/ Net Asset Value and the cost of the securities.
14. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction should be recorded, in the event of a purchase, as of the date on which the portfolio obtains an enforceable obligation to pay the price or, in the event of a sale, when the portfolio obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.

The accounting policies and standards as outlined above are subject to changes made from time to time by Portfolio Manager. However such changes would be in conformity with the Regulations.

14. Investor Services

14.1 Contact information

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

Name : Ms. Namrata Dhanavade

Address	:	27 BKC, 7th Floor, Plot No. C-27, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai- 400 051
Telephone	:	+91-22-43360773
Email	:	irteam@kotak.com

The Portfolio Manager will ensure that this official is vested with the necessary authority, independence and the wherewithal to handle investor complaints.

14.2 Grievance Redressal and dispute settlement mechanism

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

Client or Investor can register their grievance/complaint through SCORES (SEBI Complaints Redress System)

All disputes, differences, claims and questions whatsoever arising between the Client and the Portfolio Manager and/or their respective representatives shall be settled in accordance with and subject to the provisions of The Arbitration and Conciliation Act 1996, or any statutory requirement, modification or re-enactment thereof. Such Arbitration proceedings shall be held at Mumbai or such other place as the Portfolio Manager thinks fit.

14.3 General

The Portfolio Manager and the client can mutually agree to be bound by specific terms through a written two- way agreement between themselves in addition to the standard agreement

Approved by the Directors of Kotak Investment Advisors Limited

Sr. No.	Name of the Director	Signature
1	Mr. Rajeev Saptarshi	
2	Mr. Sriniwasan Subramanian	

ANNEXURE-A

KOTAK INVESTMENT ADVISORS LIMITED
NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

Note 38 Related Party Disclosures

Related party disclosures are given below:

A. Names of Related Parties

Sr. No.	Particulars	Country of Incorporation	Proportion of ownership interest
a)	**Holding company:**		
	Kotak Mahindra Bank Limited	India	
	2022		58.63%
	2021		58.63%
	Mr. Uday S. Kotak along with his relatives and enterprises in which he has beneficial interest holds 25.98% of the equity share capital and 17.27% of the paid-up share capital of Kotak Mahindra Bank Limited as on 31st March, 2022.		
b)	**Entity exercising significant influence over the company**		
	Kotak Mahindra Capital Company Limited	India	
c)	**Fellow subsidiaries with whom transactions have taken place during the year:**		
	Kotak Mahindra Prime Limited		
	Kotak Mahindra (International) Limited		
	Kotak Mahindra Asset Management (Singapore) Pte. Limited		
	Kotak Mahindra Life Insurance Company Limited (Kotak Life)		
	Kotak Mahindra Trusteeship Services Limited		
	Kotak Mahindra General Insurance Company Limited		
	Kotak Securities Limited		
	Kotak Mahindra Asset Management Company Limited		
	Kotak Mahindra Investments Limited		
d)	**Entity controlled or jointly controlled by relatives of individual having significant influence over the company (Entity having significant influence)**		
	Aero Agencies Limited	India	
e)	Associates		
	Kotak Infrastructure Debt Fund Limited	India	
f)	Key Management Personnel/Director		
	Mr. Dipak Gupta, Director		
	Mr. Jaimin Bhatt, Director		
	Ms. Shanti Ekambaram, Director		
	Mr. Srikanth Subramanian, Director (appointed w.e.f 17th January 2022)		
	Mr. Gaurang Shah, Director		
	Ms. Oisharya Das, Director		
	Mr. Sriniwasan Subramanian, Managing Director		
g)	Key Management Personnel/Director of holding company and their entity		
	USK Benefit Trust - II		
	Mr.Uday Shankar		
	Mr. C Jayaram		
	Laburnum Adarsh Trust		

B. Transactions with related parties

i. Key management personnel / Director compensation*

(Rs. in lakhs)

Sr. No.	Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
i.	Short-term employee benefits	401.96	273.21
ii.	Post-employment defined benefit	-	-
iii	Shared-based payments	-	-
	Other Receipts and Payments		
iv	Sale of Property, Plant & Equipment / Recovery of Expenses	-	17.78
	Balance Outstanding		
v	Loans & Advances	-	17.91

*The above figures do not include provisions for gratuity and compensated absences, as separate actuarial valuations are not available

ii. Transactios with Key management personnel / Key management personnel of the holding company and their entity

(Rs. in lakhs)

Sr. No.	Nature of Transaction	For the year ended March 31, 2022	For the year ended March 31, 2021
i.	Advisory Fees	112.53	92.63
ii.	Contract assets	4.68	2.65

Price Waterhouse LLP
LLPIN AAS-3673
Chartered Accountants
FRN 301112E/E300264

Note 38 Related Party Disclosures (Continued)

iii. Transactions with other related parties
Note 34 above provides the information about the Company's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

(Rs in lakhs)

Nature of Transaction	Year ended March 31	Holding company	Entity exercising significant influence over the company	Fellow Subsidiaries									Associates	Entity having significant influence	Total
		Kotak Mahindra Bank Limited	Kotak Mahindra Capital Company Limited	Kotak Mahindra Prime Limited	Kotak Mahindra (International) Limited	Kotak Mahindra Asset Management (Singapore) Pte. Ltd	Kotak Securities Limited	Kotak Life	Kotak Mahindra Trusteeship Services Limited	Kotak Mahindra General Insurance Company Ltd.	Kotak Mahindra Asset Management Company Limited	Kotak Mahindra Investments Limited	Kotak Infrastructure Debt Fund Limited	Aero Agencies Limited	
Finance															
Fixed deposit placed	2022	196,745.89													196,745.89
	2021	34,586.94													34,586.94
Fixed deposit matured	2022	183,716.74													183,716.74
	2021	35,792.41													35,792.41
Interest on Fixed Deposit	2022	472.35													472.35
	2021	125.03													125.03
Bank Guarantees	2022														
	2021	1,110.00													1,110.00
Debentures issued	2022			6,500.00											6,500.00
	2021			11,800.00											11,800.00
Interest expense on debentures	2022			1,604.84											1,604.84
	2021			485.37											485.37
Share Issuance	2022	206.94	146.00												352.94
	2021														
Other Receipts and Payments															
Purchase of Property, Plant & Equipment	2022	11.81					35.99	0.21		1.57	0.09				49.68
	2021	42.07													42.11
Travelling related expenses / Receivable from the Funds	2022													37.77	37.77
	2021													8.81	8.81
Reimbursements of expenses from other companies / Funds	2022	129.87					16.59	0.20		0.40	3.89	1.00			151.65
	2021	485.61	0.15				13.03	9.96		0.16	2.70	0.57			515.23

Note 38 Related Party Disclosures (Continued)

iii Transactions with other related parties
Note 34 above provides the information about the Company's structure including the details of the subsidiaries and the holding company The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

(Rs. in lakhs)

Nature of Transaction	Year ended March 31	Holding company	Entity exercising significant influence over the company	Fellow Subsidiaries									Associates	Entity having significant influence	Total
		Kotak Mahindra Bank Limited	Kotak Mahindra Capital Company Limited	Kotak Mahindra Prime Limited	Kotak Mahindra (International) Limited	Kotak Mahindra Asset Management (Singapore) Pte. Ltd	Kotak Securities Limited	Kotak Life	Kotak Mahindra Trusteeship Services Limited	Kotak Mahindra General Insurance Company Ltd.	Kotak Mahindra Asset Management Company Limited	Kotak Mahindra Investments Limited	Kotak Infrastructure Debt Fund Limited	Aero Agencies Limited	
Other Income	2022								90 24						90 24
	2021								30 67						30.67
Recovery of Expense	2022						24 61								24.61
	2021						35.11								35.11
Shared Services / Other expenses / Reimbursement of expenses paid	2022	2,291.34	91 82				76 93	9 76	84 95	3 86					2,558.67
	2021	1,687.31	66 64					4 93		4 62					1,763 49
Brokerage Paid / Payable on Purchase & Sale of Securities	2022														
	2021														
Advisory Fees	2022				120 00	265 00									385 00
	2021				210 00	260 00									470 00
Balance Outstanding Bank Accounts *- Fixed deposit account*	2022	14,805 78													14,805 78
	2021	1,769 10													1,769 10
- Current account	2022	59.43													59.43
	2021	71 68													71.68
Bank Guarantee	2022														
	2021	1,110 00													1,110 00
Debentures	2022			21,953 43											21,953 43
	2021			15,299 22											15,299 22
Advance paid/ Pre- payment to suppliers	2022							27 76		3.06					30 82
	2021									2 88					2.88
Loans & Advances	2022	4.48													4 48
	2021						9 13		6 91		0 04	0 67			16 74
Trade Payables	2022	647 75	7 10				120.02		22.98					0 84	[illegible]
	2021	79 32	5 89								3 70				[illegible]
Trade Receivables	2022				26 04	[illegible]									106.62
	2021														(0.01)
Investments Outstanding	2022												6,200.00		6,200.00
	2021												6,200.00		6,200.00

iv. Terms and conditions of transactions with related parties
All transactions with these related parties are made in the normal course of business and on terms equivalent to those that prevail in arm's length transactions Outstanding balances at the year-end are unsecured and settlement occurs in cash

Price Waterhouse LLP
LLPIN AAS-5673
Chartered Accountants
FRN 301112E/E300264
Mumbai

CERTIFICATE

In the matter of: **Kotak Investment Advisors Limited**
27 BKC, 7th Floor, Plot No. C-27, "G" Block,
Bandra Kurla Complex, Bandra (East)
Mumbai – 400051

On the basis of verification of Disclosure Document and other documents, record, audited Financial Statements as on March 31st,2022 of Kotak Investment Advisors Limited and the information and explanation given to us, it is confirmed that:

The disclosure made in the Disclosure documents dated 1st December 2022 copy enclosed herewith, as required by the SEBI (Portfolio Managers) regulations, 2020, as amended from time to time and the guidelines and the directives issued by SEBI from time to time are true, fair and adequate to enable the investors to make a well-informed decision.

Thanking You,

Yours faithfully
Bhavesh Rathod
Chartered Accountants

Bhavesh Rathod & Co. FRN NO. 142046 W M. NO. 119158 CHARTERED ACCOUNTANTS

Proprietor
FRN – 142046W
Membership No – 119158
Date: 08/12/2022

UDIN: 22119158BFB9TE2940

kotak

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

Kotak Investment Advisors Limited
Registered Office: 27 BKC, 7th Floor, C-27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051
Principal place of business: Same as above
Telephone No: +91 22 43360000
Fax: +91 22 67132423

We confirm that:

(i) the Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by the Board from time to time;

(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, M/s Bhavesh Rathod & Co., Chartered Accountants, Mumbai, Registration Number: 142046W on December 08, 2022.

Date: December 08, 2022
Place: Mumbai

Vijayalaxmi Khatri
Compliance Officer
7th Floor, 27 BKC, Plot No. C-27,
"G" Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400051