

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

**DISCLOSURE DOCUMENT**  
**for**  
**PORTFOLIO MANAGEMENT SERVICES**

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

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

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

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

Name of the Principal Officer	Mr. Vikas Khemani
Phone	+91 22-6886 4088/4089
E-mail	vikas@carneliancapital.co.in
Portfolio Manager	Carnelian Asset Management & Advisors Private Limited
Regd. Office and Business Address	1205/1206, One Lodha Place, Senapati Bapat Marg, Lower Parel (W), Mumbai – 400013, Maharashtra, India

Date: September 14, 2023

Place: Mumbai

## INDEX

<b>SR. NO</b>	<b>PARTICULARS</b>	<b>PAGE NO</b>
1	Disclaimer Clause	1
2	Definitions	1 - 3
3	Description	4 – 8
4	Penalties, pending litigations or proceedings etc.	8
5	Services Offered	9 – 22
6	Risk Factors	23 – 25
7	Client Representation	26 – 27
8	Financial Performance of the Portfolio Manager	28
9	Portfolio Management performance of the Portfolio Manager	28
10	Audit Observations	29
11	Nature of Expenses	29 – 30
12	Taxation	31 – 44
13	Accounting Policies	45 – 46
14	Custodian Services	47
15	Fund Accounting Services	47
16	Investor Services	48-49
17	Form C (CA Certificate)	50 - 51

## 1. **DISCLAIMER CLAUSE:**

The particulars given in this Disclosure Document have been prepared in accordance with the SEBI (Portfolio Managers) Regulations, 2020 as amended till date and filed with SEBI. This Disclosure Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the Disclosure Document. This document is not for public distribution and has been furnished solely for your information and may not be reproduced or redistributed to any person.

## 2. **DEFINITIONS:**

Unless the context or meaning thereof otherwise requires, the following expressions shall have the meaning assigned to them hereunder respectively.

“Act” means the Securities and Exchange Board of India, Act 1992 (15 of 1992).

“Accredited Investor” means any person who fulfils the eligibility criteria as specified by the Board and is granted a certificate of accreditation by an accreditation agency.

“Advisory Services” shall mean the non-binding investment advisory services rendered by the Portfolio Manager to the Client. The Portfolio Manager shall be acting solely as an advisor to the Portfolio of the Client and shall not be responsible for the investment / divestment of Securities.

“Agreement” means the agreement between Portfolio Manager and its Client and shall include all schedules and annexures attached thereto as amended, modified, supplemented or restated from time to time.

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

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

“Assets” means (i) the Portfolio and/or (ii) the Funds (as the case may be).

“Associate” In respect of Investment of Client’s Funds in unrated securities of “Related Parties” or “Associates” shall mean– (i) a body corporate in which a director or partner of the portfolio manager holds, either individually or collectively, more than twenty percent of its paidup equity share capital or partnership interest, as the case may be; or (ii) a body corporate which holds, either individually or collectively, more than twenty percent of the paid-up equity share capital or partnership interest, as the case may be of the portfolio manager.

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

“Board” means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act, 1992.

“Client” means the person who enters into an Agreement with the Portfolio Manager for managing its Portfolio/Funds or for receiving advisory services.

“Custodian” means an entity that 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.

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

“Disclosure Document” shall mean this disclosure document filed by the Portfolio Manager with SEBI and as may be amended by the Portfolio Manager from time to time pursuant to the Regulations.

“Discretionary Portfolio Management Services” shall mean the portfolio management services rendered to the Client, by the Portfolio Manager individually and independently, exercising its full discretion and/or advising and/or directing and/or undertaking on behalf of the Client, in respect of investments or management or administration of the Portfolio of the Assets of the Client in accordance with the various provisions of the Act, Rules, Regulations and/or laws in force and amendments made therein from time to time and on the terms and conditions set out in this Agreement.

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

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

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

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

“Net Asset Value” means the market value of assets in the Portfolio including equity, debt, mf and cash and cash equivalents etc.

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

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

“Person” includes any individual, partners in partnership, central or state government, company, body corporate, co-operative society, corporation, trust, society, Hindu Undivided family or any other body of persons, whether incorporated or not.

“Portfolio” means the Securities managed by the Portfolio Manager on behalf of the Client pursuant to this Agreement and includes initial Securities, any further Securities that may be placed by the Client with the Portfolio Manager from time to time, for being managed pursuant to this Agreement, Securities acquired by the Portfolio Manager through investment of Funds and bonus and rights shares in respect of Securities forming part of the Portfolio, so long as the same is managed by the Portfolio Manager.

“Portfolio Manager” means any person who pursuant to a contract or arrangement with a Client, advises or directs or undertakes on behalf of the client the management or administration of portfolio of securities or the funds of the client, as the case maybe. For the purpose of this Disclosure Document, Portfolio Manager is Carnelian Asset Management & Advisors Private Limited (Formerly Carnelian Asset Advisors Pvt. Ltd.).

“Principal Officer” means a director or any senior management employee of the Portfolio Manager, who is responsible for the activities of the portfolio management and has been designated as principal officer by the Portfolio Manager.

“Portfolio Management Fees/Advisory Fee” shall have the meaning attributed thereto in Clause [11] of this Disclosure Document.

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

“Regulations” means the Securities and Exchange Board of India (Portfolio Managers) Regulation, 2020, and as may be amended from time to time.

“Related Party” in relation to a Portfolio Manager means all entities as defined in the Clause 2 (pa) of Regulations.

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

“SEBI” means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act 1992.

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

“Securities” means “Securities” as defined under the Securities Contracts (Regulation) Act, 1956 as amended from time to time and includes:

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

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

### 3. DESCRIPTION:

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

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

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

##### History

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

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

**Carnelian Asset Management & Advisors Pvt. Ltd.** is also an Investment Manager (IM) to the funds of **Carnelian Alternative Investment Trust (CAIT)**, a Category – III Alternative Investment Fund (AIF) registered with SEBI vide registration number **IN/AIF3/18-19/0642** dated February 25, 2019 pursuant to business transfer agreement dated 15/09/2020 with Carnelian Asset Management LLP (CAM LLP) with requisite SEBI approval vide letter dated 13/09/2020.

### 3.1.3. Investment Advisory (IA)

**Carnelian Asset Management & Advisors Pvt. Ltd.** has also been granted Register Investment Advisor Registration (RIA) by SEBI vide registration number **INA000015792** dated March 03, 2021 to offer Investment Advisory services under SEBI (Investment Advisers) Regulations 2013. In pursuance to aforesaid change in the name and registered office address of the Company, Company has applied for the change of name and registered address in the SEBI Registration Certificate of RIA too and same is awaited.

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

NAME	QUALIFICATION	BACKGROUND & EXPERIENCE
<b>Mr. Manoj Bahety</b>	<b>Chartered Accountant &amp; CFA Charterholder (USA)</b>	Manoj has 21 years of rich & diverse financial services experience with marquee institutions– Edelweiss Securities, Morgan Stanley, RIL, and HPCL. Prior to Carnelian, he spent 11 years at Edelweiss Securities as Dy. Head – Institutional equity research, Head – forensic, thematic & mid cap research. He is known for his differentiated non consensus research and has pioneered forensic research, popularly known as “Analysis Beyond Consensus” (ABC research). He has represented various committees of CFA institute, which include Chairperson of India advocacy committee; member of USA based global CDPC committee.
<b>Mr. Vikas Khemani</b>	<b>Chartered Accountant, Company Secretary &amp; CFA Charterholder (USA)</b>	Vikas has 23 years of capital markets experience, most recently as the CEO of Edelweiss Securities Ltd, where he spent 17 years incubating & building several businesses to leadership including institutional equities and equity research. He has a strong business acumen & deep understanding of capital markets; enjoys strong relationship with corporate India and is associated with several industrial bodies and committees. He has served as a member of the CII National Council on Corporate Governance, FICCI Capital Markets Committee and was an invited member at the Executive Council of Bombay Management Association. He is a member of Young Presidents Organization (YPO), a global forum for entrepreneurs and CEOs and was awarded Young Professional Achievers Award for the service sector by ICAI in 2014.
<b>Mrs. Swati Khemani</b>	<b>Chartered Accountant</b>	Swati has spent 8 years at Edelweiss Financial Services Ltd. across the investment banking and institutional equities businesses including equity research and institutional sales. She has actively covered the financial sponsors and enjoys a good relationship with the investor & corporate community. Prior to Edelweiss, she started her entrepreneurial journey with Newedge Consulting (HR consultancy) and managing the family office. Over the last couple of years, Swati has found interest in angel investing and has been investing & mentoring in the start-up world. Her strength lies in understanding businesses, investing and relationship building.

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

- Carnelian Capital Advisors LLP

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

**(a) The Portfolio Manager offer Discretionary PMS, Non-Discretionary PMS and Investment Advisory services.**

**Discretionary Services:**

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

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

**Non-Discretionary Services:**

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

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

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

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

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

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

**Advisory Services:**

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

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

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

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

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

**(c) Eligible Investors**

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

**(d) Policy for investment in associate/related party**

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

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

**Investments in the securities of associates/related parties of Portfolio Manager:**

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

**(e) Direct Onboarding Options**

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

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

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

**5. INVESTMENT APPROACHES/STRATEGIES OFFERED BY THE PORTFOLIO MANAGER:**

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

**5.1.1. INVESTMENT APPROACH - CARNELIAN CAPITAL COMPOUNDER STRATEGY**

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

- **Investment objective**

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

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

- **Description of types of securities**

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

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

The Portfolio Manager, however, shall not invest client's fund in unrated securities of their associates/related parties.

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

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

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

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

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

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

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

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

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

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

- **Benchmark to compare performance**

S&P BSE 500 Index TRI

- **Basis for choice of benchmark**

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

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

- **Indicative tenure or investment horizon**

3 – 5 Years

- **Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

### **5.1.2. INVESTMENT APPROACH - CARNELIAN SHIFT STRATEGY**

- **Strategy Type**

Equity

- **Investment objective**

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

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

- **Description of types of securities**

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

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

The Portfolio Manager, however, shall not invest client's fund in unrated securities of their associates/related parties.

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

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

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

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

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

- **Benchmark to compare performance**

S&P BSE 500 Index TRI

- **Basis of Benchmark**

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

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

- **Indicative tenure or investment horizon**

3-5 Years

- **Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

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

- **Strategy Type**

Debt

- **Investment objective**

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

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

- **Description of types of securities**

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

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

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

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

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

• **Benchmark to compare performance**

Crisil Composite Bond Fund Index

• **Basis of Benchmark**

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

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

• **Indicative tenure or investment horizon**

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

• **Risks associated with the investment approach**

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

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

**5.1.4. INVESTMENT APPROACH - CARNELIAN BESPOKE PORTFOLIO**

• **Strategy Type**

Equity

• **Investment objective**

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

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

• **Description of types of securities**

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

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

The Portfolio Manager, however, shall not invest client’s fund in unrated securities of their associates/related parties.

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

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

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

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

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

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

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

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

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

**Allocation of portfolio across types of securities**

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

**• Benchmark to compare performance**

S&P BSE 500 Index TRI

**• Basis for choice of benchmark**

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

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

- **Indicative tenure or investment horizon**

3 – 5 Years

- **Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

### **5.1.5. INVESTMENT APPROACH – CARNELIAN YnG STRATEGY**

- **Strategy Type**

Equity

- **Investment objective**

Carnelian YnG Strategy is a long only, multi-cap, sector agnostic portfolio which provides reasonable dividend yield, moderate earning growth, and margin of safety on valuation. Our endeavor is to identify stocks with potential re-rating catalysts which coupled with existing dividend yield will provide a good hedge against inflationary pressure & likely increase in interest rates.

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

- **Description of types of securities**

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

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

The Portfolio Manager, however, shall not invest client's fund in unrated securities of their associates/related parties.

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

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

Carnelian YnG Strategy's investment approach is to identify and invest in stocks which offers:

- reasonable dividend yield,
- moderate earning growth,
- potential re-rating catalysts
- Hedge against inflation and
- margin of safety on valuations.

The objective is to create a portfolio which can offer a combination of high dividend yield, moderate earnings growth and valuation re-rating driven by potential catalysts and generating returns higher than Sovereign Bonds.

Stocks under this Investment approach are selected from a universe of high dividend yield stocks, after applying carnelian filters on revenue/earnings growth, FCF/dividend yield, ROE/ROCE & numerous forensic checks. Stocks selected under this Investment approach be filtered applying Carnelian unique PIU framework which ensures existence of strong business Moat, good management team with strong corporate governance.

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

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

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

• **Benchmark to compare performance**

S&P BSE 500 Index TRI

• **Basis for choice of benchmark**

As the Investment objective of the Investment approach is to generate returns higher than the 10 year Sovereign Bond Yields along with high margin of safety, hence out of 3 Benchmarks available to a Portfolio Manager to choose from under the Strategy type Equity, “S&P BSE 500 Index TRI” has been selected by Portfolio Manager as benchmark considering it to be most appropriate and closest benchmark for among the list of 3 benchmark under this strategy type wef 19-04-2023.

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

• **Indicative tenure or investment horizon**

3 – 4 Years

• **Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

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

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

• **Strategy Type**

Equity

• **Investment objective**

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

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

**• Description of types of securities**

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

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

The Portfolio Manager, however, shall not invest client’s fund in unrated securities of their associates/related parties.

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

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

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

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

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

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

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

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

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

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

- **Benchmark to compare performance**

S&P BSE 500 Index TRI

- **Basis for choice of benchmark**

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

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

- **Indicative tenure or investment horizon**

3 – 5 Years

- **Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

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

- **Strategy Type**

Equity

- **Investment objective**

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

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

- **Description of types of securities**

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

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

The Portfolio Manager, however, shall not invest client's fund in unrated securities of their associates/related parties.

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

in unlisted securities. The aforesaid limits shall be revised appropriately as may be specified in the Regulations from time to time.

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

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

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

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

• **Benchmark to compare performance**

S&P BSE 500 Index TRI

• **Basis of Benchmark**

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

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

• **Indicative tenure or investment horizon**

3-5 Years

• **Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

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

• **Strategy Type**

Debt

• **Investment objective**

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

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

• **Description of types of securities**

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

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

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

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

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

• **Benchmark to compare performance**

Crisil Composite Bond Fund Index

• **Basis of Benchmark**

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

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

• **Indicative tenure or investment horizon**

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

• **Risks associated with the investment approach**

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

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

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

• **Strategy Type**

Equity

• **Investment objective**

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

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

• **Description of types of securities**

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

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

The Portfolio Manager, however, shall not invest client's fund in unrated securities of their associates/related parties.

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

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

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

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

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

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

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

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

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

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

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

- **Benchmark to compare performance**

S&P BSE 500 Index TRI

- **Basis for choice of benchmark**

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

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

- **Indicative tenure or investment horizon**

3 – 5 Years

- **Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

#### **5.2.5. INVESTMNET APPROACH - CARNELIAN NON-DISCRETIONARY YnG STRATEGY**

- **Strategy Type**

Equity

- **Investment objective**

Carnelian YnG Strategy is a long only, multi-cap, sector agnostic portfolio which provides reasonable dividend yield, moderate earning growth, and margin of safety on valuation. Our endeavor is to identify stocks with potential re-rating catalysts which coupled with existing dividend yield will provide a good hedge against inflationary pressure & likely increase in interest rates.

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

- **Description of types of securities**

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

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

The Portfolio Manager however shall not invest client's fund in unrated securities of their associates/related parties.

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

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

Carnelian YnG Strategy’s investment approach is to identify and invest in stocks which offers

- reasonable dividend yield,
- moderate earning growth,
- potential re-rating catalysts
- Hedge against inflation and
- margin of safety on valuations.

The objective is to create a portfolio which can offer a combination of high dividend yield, moderate earnings growth and valuation rerating driven by potential catalysts and generating returns higher than Sovereign Bonds.

Securities under this investment approach are selected from a universe of high dividend yield stocks, after applying carnelian filters on revenue/earnings growth, FCF/dividend yield, ROE/ROCE & numerous forensic checks. Stocks selected under this Investment approach be filtered applying Carnelian unique PIU framework which ensures existence of strong business Moat, good management team with strong corporate governance.

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

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

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

**• Benchmark to compare performance**

S&P BSE 500 Index TRI

**• Basis for choice of benchmark**

As the Investment objective of the Investment approach is to generate returns higher than the 10 year Sovereign Bond Yields along with high margin of safety, hence out of 3 Benchmarks available to a Portfolio Manager to choose from under the Strategy type Equity, “S&P BSE 500 Index TRI” has been selected by Portfolio Manager as benchmark considering it to be most appropriate and closest benchmark for among the list of 3 benchmark under this strategy type w.e.f. 19-04-2023.

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

**• Indicative tenure or investment horizon**

3 – 4 Years

**• Risks associated with the investment approach**

Please refer Clause 6 for Risk Factors

## 6. RISK FACTORS

- 6.1. The Portfolio Manager has limited experience and track record in the field of Portfolio Management services and has started these activities only after getting the registration from SEBI in February 2019.
- 6.2. All investments under the portfolio in all above Investment approaches are subject to inherent risks arising out of investment objectives, investment approach, asset allocation and non-diversification of portfolio and other related risks. There is no assurance or guarantee that the value of or return on investments will always be accretive, it could depreciate to an unpredictable extent.
- 6.3. Investments in securities are subject to market risks which include price fluctuation risks. There is no assurance or guarantee that the objectives of any of the portfolio will be achieved. The investments may not be suited to all categories of investors.
- 6.4. The past performance of the Portfolio Manager does not indicate its future performance. Investors are not being offered any guaranteed returns.
- 6.5. The names of the portfolio do not in any manner indicate their prospects or returns. The performance in the equity portfolios may be adversely affected by the performance of individual companies, changes in the market place and industry specific and macro-economic factors.
- 6.6. The debt investments and other fixed income securities may be subject to Interest rate risk, credit risk, and reinvestment risk Liquidity in these investments may be affected by trading volumes, settlement periods and transfer procedures.
- 6.7. Investments in equity run the risk of volatility, high valuation, obsolescence and low liquidity. Mid-cap and low-priced stocks may suffer from low liquidity. The Client Portfolio, may be affected by factors affecting securities markets, such as price and volume volatility, interest rates, currency exchange rates, changes in policies of the government, taxation laws or policies of any sector specific regulators and other local or geo-political and economic developments and closure/suspension/default of stock exchanges or clearing corporations which may have an adverse bearing on individual securities / specific sector or all sectors. Consequently, the Portfolio valuation may fluctuate drastically on either side without any assurance that capital introduced by client may be salvaged by any way.
- 6.8. Portfolio's using derivative / futures and options products are affected by risks different from those associated with stock and bonds. Such products are highly leveraged instruments and their use requires a high degree of skill, diligence and expertise. Small price movements in the underlying security may have a large impact on the value of derivatives and futures and options. Some of the risks relate to mis-pricing or the improper valuation of derivatives and futures and options and the inability to correlate the positions with underlying assets, rates and indices. Also, the derivatives and futures and options market is nascent in India.
- 6.9. As and when the Portfolio Manager trades in the derivatives market, there are risk factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying interest but also of the derivative instrument itself.
- 6.10. The Portfolio Manager may invest in the shares, debt, deposits and other financial instruments except other than mutual funds units of group companies with prior consent of the Client which shall be obtained in writing.

- 6.11.** Investors are not being offered any guaranteed or assured return/s i.e. either of Principal or appreciation on the portfolio.
- 6.12.** Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price rate movement correctly. There is a possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the “counter party”) to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.

Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value. Also, the market for derivative instruments is nascent in India.

- 6.13.** The liquidity of the Portfolio’s Investments is inherently restricted by trading volumes in the securities in which it invests. Low volume at times, may delay not just unwinding of the portfolio but also result into value erosion. This could even delay in remitting the proceeds to clients.
- 6.14.** In case of any Investment in unlisted securities as may be permitted by SEBI Regulations, there may be no active secondary market or possibility to exit in any other mode and as such, there is no guarantee or assurance that such investment will have any realization value and portfolio’s investment may remain illiquid for long time. Similarly, poor performance by any one or multiple investment in unlisted securities, may affect the total return of the portfolio.
- 6.15.** The ability of Portfolio Manager to timely identify, finalize, invest and disinvest a good Investment opportunity in listed as well as unlisted securities also impact the performance of the portfolio. Similarly, the ability of the Portfolio Manager to get best valuation at the time of investment and disinvestment consistently also impact the performance of the Portfolio.
- 6.16.** The Portfolio Manager may, considering the overall level of risk of the portfolio, invest in lower rated/unrated securities offering higher yield. This may increase the risk of the portfolio. Any default upto principal value even in Investment grade and above rated debt securities can’t be ruled out. Such investments shall however be subject to the scope of investments as laid down in the Agreement and governed by SEBI Regulations.
- 6.17.** The Portfolio Manager may, subject to authorization by the Client in writing, participate in securities lending. The Portfolio manager may not be able to sell/lend out securities, which can lead to temporary illiquidity. There are risks inherent in securities lending, including the risk of failure of the other party, in this case the approved intermediary to comply with the terms of the agreement. Such failure can result in a possible loss of rights to the collateral, the inability of the Approved Intermediary to return the securities deposited by the lender and the possible loss of corporate benefit accruing thereon.
- 6.18.** In achieving objectives of the portfolio, the investments made in securities could be subject to diversification risk due to exposure to limited sectors.
- 6.19.** Any act, omission, or commission of the Portfolio Manager under this agreement will be solely at the risk of the client and the Portfolio Manager will not be liable for any act, omission or commission taken or failure to act save and except on the ground of malafide, fraud, conflict of interest or gross negligence, willful default and/or fraud of the Portfolio Manager.
- 6.20.** Risk arising out of Conflict of interest would be inherent between the activities of the Portfolio Manager and Portfolio entity/ies, affiliates, group entities, management, and employees (Related Parties). Portfolio Manager have adopted certain policies and procedures intended to

protect the interest of all the investors. It is intended for such conflicts to be managed primarily by complying with the Applicable laws, acting in good faith to develop equitable resolutions of known conflicts and developing policies to reduce the possibilities of such conflict. Portfolio Manager shall ensure fair treatment to all clients while providing unbiased services and render high standards of services and shall also ensure to put the client's interest above all. Portfolio Manager will make best efforts to ensure that such conflicts of interest are identified and managed and that clients' interests are protected. Some of the possible conflicts of interest are outlined below.

- 6.20.1.** Multiple Portfolio/Investment Approach: There could be multiple Investment approaches and/or multiple Portfolio under the management of Portfolio Manager as Manager or Advisor, thereby presenting possibility of conflict of interest in allocating investment opportunities amongst the various portfolios. Such conflict could pertain to many factors not just limited to Industry, security type, allocation percentage, Time difference in Investment or divestment etc.
- 6.20.2.** Timing: Portfolio Manager providing services will have, in addition to their responsibilities for the client, responsibilities for other companies, projects and clients. Accordingly, they may have conflicts of interest in allocating management time and other resources amongst the Fund and such other projects and clients.
- 6.20.3.** The Portfolio Manager can act as Manager/Advisor to any of the Portfolio Entity/ies, charges fees for the services rendered to them, provide broad range of eligible investment management services from time to time and earn fee in addition to the fee charged to the client under the agreement.
- 6.20.4.** The Portfolio Manager and its Advisory clients or Managed Clients like AIF/IA/FPI may have existing similar or contra positions in the stocks/recommended in the Client Account and may execute their trades at different timelines based on their execution strategy which may not match with trade execution in the PMS.
- 6.20.5.** The Portfolio Manager may or may not have a similar position as PMS in its other products/services/funds/vehicle where it acts as Investment Manager or Advisor.
- 6.20.6.** Portfolio Manager is also acting as Investment Manager to AIF and offering Investment Advisor Services under different SEBI registration and hence, a possible conflict of interest could be perceived between the investments and disinvestments activities undertaken by the Portfolio Manager as Investment Manager or Investment Advisor for such AIF/Investment advisory.
- 6.20.7.** The Portfolio Manager may avail services of third party who may be providing similar services to other Portfolio manager and any risk of conflict of interest arising out of common service provider can't be ruled out.
- 6.20.8.** All transactions of purchase and sale of securities by Portfolio Manager and its employees including directors, fund manager and key management personnel who are directly involved in investment operations are guided by Policy on prohibition of Insider Trading.
- 6.21.** There is no conflict of interest related to services offered by group companies of the Portfolio Manager as none of the group companies are offering same services which is common to the services being offered by Portfolio Manager as on the date of this document. Further, the Portfolio Manager will endeavor to resolve any such above identified or unidentified conflicts in a reasonable manner as it deems fit on case to case basis.

## 7. CLIENT REPRESENTATION

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

Category of Clients / Financial Year	No of Clients	Funds Managed* (Rs. Crores)	Discretionary/ Non-Discretionary/ Advisory
<b>Associates/ Group Companies</b>			
as at 31-03-2021	Nil	Nil	Nil
as at 31-03-2022	Nil	Nil	Nil
as at 31-03-2023	Nil	Nil	Nil
as at 31-08-2023	Nil	Nil	Nil
<b>Others</b>			
as at 31-03-2021	52	76.83	Discretionary
as at 31-03-2022	246	421.43	Discretionary
as at 31-03-2023	405	849.32	Discretionary
as at 31-08-2023	578	1532.61	Discretionary
as at 31-03-2021	Nil	Nil	Non-Discretionary
as at 31-03-2022	Nil	Nil	Non-Discretionary
as at 31-03-2023	Nil	Nil	Non-Discretionary
as at 31-08-2023	Nil	Nil	Non-Discretionary
as at 31-03-2021	Nil	Nil	Advisory
as at 31-03-2022	7	580.54	Advisory
as at 31-03-2023	7	727.90	Advisory
as at 31-08-2023	8	1086.03	Advisory

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

### 7.2. Disclosures in respect of Transactions with Related Parties as Per Accounting Standard "Related Party Disclosure" Specified by The Institute of Chartered Accountants Of India

#### 7.2.1. Related Parties

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

Mr. Sachin Jain\* (Upto 30<sup>th</sup> November, 2022)  
 Mr. Manoj Bahety  
 Mr. Vikas Khemani  
 Mrs. Swati Khemani

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

Carnelian Alternative Investment Fund (CAIF)  
 Carnelian Asset Management LLP (CAM LLP)  
 Carnelian Capital Advisors LLP (CCA LLP)

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

	CAAPL	CAAPL	CAAPL	CAALLP*
Particulars	2022-23#	2021-22	2020-21	2020-21
<b>Transactions in partners' capital account</b>				
Fixed account - capital introduced	NA	NA	NA	-
Fixed account - capital withdrawn	NA	NA	NA	1,00,000
Current account - capital introduced	NA	NA	NA	-
Current account - capital withdrawn	NA	NA	NA	3,05,82,848
Current account - partners' share in distribution of firm's gain/ (loss)	NA	NA	NA	(26,16,290)
<b>Loan Received during the year from Directors</b>				
Vikas Khemani	2,55,00,000	-	-	-
Manoj Bahety	20,00,000	-	-	-
<b>Loan (Returned) during the year</b>				
Carnelian Asset Management LLP	-	-	(70,00,000)	-
Vikas Khemani	(75,00,000)	-	-	-
Manoj Bahety	(20,00,000)	-	-	-
<b>Salary/Remuneration/Sitting Fees paid</b>				
Vikas Khemani	1,12,800	-	-	-
Manoj Bahety	24,74,200	-	-	-
<b>Interest income</b>				
Carnelian Asset Management LLP	-	-	3,19,399	-
<b>Management Fees (Incl. Performance Fees)</b>				
Carnelian Capital Compounder Fund – 1 (A scheme of CAIF)	3,06,51,091	3,40,67,796	1,39,11,382	-
Carnelian Structural Shift Fund (A scheme of CAIF)	56,16,925	-	-	-
<b>Closing balance as on March 31<sup>st</sup> 2023</b>				
<b>Other receivable</b>				
Carnelian Capital Advisors LLP	-	2,512	-	-
Carnelian Capital Compounder Fund – 1 Fees (A scheme of CAIF)	27,67,622	28,08,578	27,29,375	-
Carnelian Structural Shift Fund (A scheme of CAIF)	13,03,445	-	-	-
<b>Loan Payable</b>				
Vikas Khemani	1,80,00,000	-	-	-

\* Carnelian Asset Advisor LLP (CAA LLP) status changed from LLP to Company with the name of Carnelian Asset Advisor Private Limited (CAAPL) on 09/06/2020. Refer Clause 3.

#Unaudited

## 8. THE FINANCIAL PERFORMANCE OF PORTFOLIO MANAGER:

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

Particulars	March 31, 2022 Audited (Rs)	March 31, 2021 Audited (Rs)	June 08, 2020* Audited (Rs)	March 31, 2020 Audited (Rs)
Profit/(Loss) before depreciation & tax and after Exceptional & Extraordinary Items	3,86,50,911	39,61,346	(26,16,290)	(22,36,471)
Other income	-	-	-	-
Less: Depreciation	3,89,579	2,10,638	-	76,381
Less: Provision for tax	88,16,000	5,75,000	-	-
Less/(Add): Deferred Tax	(12,144)	(85,143)	-	-
Profit/(Loss) for the year after tax	2,94,57,476	32,60,851	(26,16,290)	(23,12,852)

\* Data upto the date of conversion of CAA LLP

Note : Data for the year ended March 31, 2023 could not be provided as the Audit has not been completed till the date of this disclosure document.

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

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

Strategy Name / Investment Approach / Benchmark <sup>§</sup>		FY 2022-2023*	FY 2021-2022*	FY 2020-2021*	FY 2019-2020*	Inception Date
<b>Strategy Type - Equity</b>						
A	<b>Carnelian Capital Compounder Strategy</b>	-1.12%	16.28%	60.70%	-14.20%	May 15, 2019
	S&P BSE 200 Index	2.00%	19.87%	74.25%	-22.99%	
B	<b>Carnelian Shift Strategy</b>	2.45%	45.69%	37.56%	Nil	Oct 06, 2020
	S&P BSE 500 Index	-2.26%	20.88%	29.59%	Nil	
C	<b>Carnelian YnG Strategy</b>	13.01%	2.68%	Nil	Nil	Jan 27, 2022
	S&P BSE India 10 Year Sovereign Bond Index + 200 Bps	5.66%	3.77%	Nil	Nil	
D	<b>Carnelian Bespoke Portfolio</b>	9.79%	13.77%	Nil	Nil	Oct 05, 2021
	S&P BSE 200 Index	-2.00%	-1.41%	Nil	Nil	
<b>Strategy Type - Debt</b>						
E	<b>Carnelian Liquid Strategy</b>	5.21%	2.40%	0.04%	Nil	Feb 18, 2021
	S&P BSE Liquid Rate Index	5.54%	3.34%	0.29%**	Nil	

\* From the date of Inception of strategy or 1<sup>st</sup> April of the respective financial year whichever is applicable.

\*\* Benchmark Returns of "India 91 Day T Bill". Performance Benchmark changed to more "S&P BSE Liquid Rate Index" w.e.f. 1<sup>st</sup> December, 2021.

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

**Notes:**

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

**10. AUDIT OBSERVATIONS:**

In terms of SEBI Regulations, Internal audit has been conducted on financial year basis and the Internal Auditor has conducted Internal Audit upto March 2022 and the details of major audit observation are as follows.

Financial year	Audit Observation
2019-20*	Nil
2020-21*	Nil
2021-22	Nil
2022-23	Audit under Progress

\* Observation after the inception of PMS services from May 2019 in erstwhile Carnelian Asset Advisor LLP and thereafter in Formerly Carnelian Asset Advisor Pvt. Ltd.

**11. NATURE OF EXPENSES:**

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

**11.1. Portfolio Management Fees/ Investment Management / Advisory Fees:**

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

**11.2. Depository, Custodian and Fund Accounting charges:**

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

**11.3. Registrar and transfer agent fee:**

A fee payable to the Registrar and Transfer Agents for effecting transfers of Securities and includes stamp charges, notary charges, cost of affidavits; courier, post etc may be charged

and recovered from the Client. These charges shall be in the range of 1-10 basis points charged at actuals as applicable from time to time. Additional applicable taxes shall be charged on the amount of registrar and transfer agent fee.

**11.4. Brokerage and transaction cost:**

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

**11.5. Certification and professional charges:**

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

**11.6. Bank Charges:**

At actuals as applicable from time to time

**11.7. Upfront and Exit Load:**

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

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

**11.8. Incidental expenses:**

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

**11.9. Goods and Services Tax:**

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

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

## 12. TAXATION:

### i. General

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

The following is a summary of certain relevant provisions of the Income-tax Act, 1961 ('ITA') as amended by the Finance Act, 2023 ('Finance Act').

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

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

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

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

### ii. Tax Rates

The tax rates stated in this tax chapter are exclusive of surcharge and health and education cess (unless stated otherwise). The tax rates are applicable for the financial year 2023-24 (Assessment year 2024-25).

The rate of surcharge and health and education cess under Old Tax Regime are mentioned as under:

a) Surcharge rates are provided below:

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

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

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

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

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

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

**Alternate 1:**

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

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

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

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

**Alternate 2:**

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

Total Income	Tax Rates
Upto Rs. 3,00,000/-	Nil
Rs. 3,00,001/- to Rs. 6,00,000/-	5%
Rs. 6,00,001/- to Rs. 9,00,000/-	10%
Rs. 9,00,001/- to Rs. 12,00,000/-	15%
Rs. 12,00,001/- to Rs. 15,00,000/-	20%
Above Rs. 15,00,000/-	30%

**Note 1:** The Central Government vide the Finance Act, 2023, has provided for a rebate on tax on total income of up to INR 7,00,000 and allow marginal relief if the total income marginally exceeds INR 7,00,000 -for individual assessee.

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

Surcharges in applicable at the rate for A.Y 2024-25 (For Taxation under New Tax Regime)

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

### iii. Advance tax payments

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

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

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

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

#### a) Dividend income on shares

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

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

The Indian Company declaring dividend would be required to deduct tax at 10% in case of payment to resident investors and at rates in force i.e. 20% in case of payment to non-resident investors. In case, the dividend income is paid to FPIs, the rate of tax deduction at source as per section 196D of the ITA is 20%.

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

### Resident investors

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

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

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

**Note 3:** The Finance Act 2020 has inserted a new section 115BAC in the ITA. As per the said section, resident Individual and HUF will have an option to pay tax on their total income at the reduced tax rates (New Tax Regime). The income would, however, have to be computed without claiming prescribed deductions or exemptions.

### Non-resident investors

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

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

## **b) Interest income on debt securities**

### Resident investors

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

**Note 1:**

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

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

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

### **Non-resident investors**

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

The interest income earned by the non-resident investors (being corporate entity / non-corporate entity) shall be generally (unless certain conditions are satisfied) taxable at the rate of 30%/ 40% under the provisions of the ITA.

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

### **c) Gains on sale of securities**

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

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

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

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

To avoid disputes/ litigation and to have a consistent view in assessments, the CBDT had issued an instruction on 2 May 2016, to the tax department, on determining the tax treatment of income arising from transfer of unlisted shares, providing that the income from transfer of unlisted shares would be treated as 'Capital Gains' irrespective of period of holding. However, the CBDT has carved out the following 3 (three) exceptions for the tax department to take an appropriate view, if:

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

### Gains characterised as capital gains

The ITA, provides for a specific mechanism for computation of capital gains. Capital gains are computed by deducting from the sale consideration, the cost of acquisition and certain other expenses.

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

Sr.No	Particulars	Resident investors	Non-resident investors	FPI
		Tax rate (%) excluding applicable surcharge and health and education cess		
1	Short-term capital gains on transfer of listed equity shares and units of an equity oriented mutual fund on which securities transaction tax ('STT') has been paid	15%	15%	15%
2	Any other short-term capital gains	30% [Note 1]	30% (in case of firms/ LLP/ foreign non-corporates)/ 40% (in case of foreign company)	30%
3	Long-term capital gains on transfer of: (i) listed equity shares on which STT has been paid both at the time of acquisition and sale of such shares; and (ii) units of equity oriented mutual fund on which STT has been paid on transfer [Note 2]	10% [on income in excess of INR1 lakh] [Note 3]	10% _ [on income in excess of INR 1 lakh] [Note 3]	10% [on income in excess of INR 1lakh] [Note 3]
4	Long term capital gains on sale of listed bonds or listed debentures	10% (without indexation) [Note 4]	10% (without indexation)[Note 4]	10% (without indexation) [Note 3]
5	Long-term capital gains on transfer of unlisted bonds or unlisted debentures	20% (without indexation)	10% [Note 3 and 4]	10% [Note 3]
6	Long-term capital gains on transfer of unlisted securities (other than unlisted bonds and unlisted debentures) [Note 5]	20% (with indexation)	10% [Note 3 and 4]	10% [Note 3]

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

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

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

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

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

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

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

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

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

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

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

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

### **Tax collection on source (“TCS”) on ‘goods’**

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

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

### **Tax Deducted at Source (‘TDS’) on purchase of goods**

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

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

### **d) Gains are characterised as ‘business income’**

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

If the gains are characterised as business income, then the same should be taxable on net income basis at 40% for foreign company if it has a business connection/ permanent establishment in India, and such income is attributable to the business connection/ permanent establishment of the non- resident in India. Further, for non-resident investors (other than a foreign company) a tax rate of 30% should be levied.

**e) Proceeds on buy-back of shares by a domestic company**

Gains arising on buy back of shares (listed and unlisted) shall be exempt in the hands of investors. However, a distribution tax at the rate of 20% (plus applicable surcharge of 12% and health and education cess of 4%) shall be payable by the Indian company on distribution of income by way of buyback of its shares if the buy-back is in accordance with the provisions of any law for the time being in force relating to companies. Such distribution tax shall be payable on the difference between consideration paid by such Indian company for purchase of its own shares and the amount that was received by the Indian company at the time of issue of such shares.

**v. Other tax considerations**

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

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

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

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

**b) Foreign Portfolio Investors**

As per section 2(14) of the ITA, any investment in securities made by FPIs in accordance with the regulations made under the Securities and Exchange Board of India is treated as a capital asset. Consequently, any income arising from transfer of securities by FPIs are to be treated as capital gains. Under section 115AD of the ITA, long-term capital gains arising from transfer of securities shall be taxable at the rates mentioned in paragraph above.

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

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

**c) Tax Treaty Benefits for Non-Resident investors**

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

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

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

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

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

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

**d) STT:** STT is applicable on various transactions as follows:

<b>Sr. No.</b>	<b>Taxable Securities Transaction</b>	<b>STT Rates w.e.f. 01-04-2023</b>	<b>STT Rates upto 31-03-2023</b>	<b>Payable by</b>
1	Purchase of an equity share in a company or a unit of a business trust, where such contract is settled by the actual delivery or transfer of such share or unit.	0.10 %	0.10 %	Purchaser- on the value of taxable securities transaction based on the volume weighted average price.
	Purchase of a unit of an equity oriented fund, where such contract is settled by the actual delivery or transfer of such share or unit.	NIL	NIL	NA
2	Sale of an equity share in a company or a unit of a business trust, where such contract is settled by the actual delivery or transfer of such share or unit	0.10 %	0.10 %	Seller - on the value of taxable securities transaction based on the volume weighted average price.
	Sale of a unit of an equity oriented fund, where such contract is settled by the actual delivery or transfer of such share or unit	0.001 %	0.001 %	Seller - on the value of taxable securities transaction based on the volume weighted average price.
3	Sale of an equity share in a company or a unit of an equity oriented fund or a unit of a business trust, where such contract is settled otherwise than by the actual delivery or transfer of such share or unit.	0.025 %	0.025 %	Seller - on the value of taxable securities transaction based on the volume weighted average price.
4a	Sale of an option in securities	0.0625 %	0.05 %	Seller - on the option premium.
4b	Sale of an option in securities, where option is exercised	0.125 %	0.125 %	Purchaser - On Intrinsic value w.e.f. 01.09.2019
4c	Sale of a futures in securities	0.0125 %	0.010 %	Seller - on the price at which such futures is traded.

Further, as per SEBI guidelines, FII's are required to settle the transactions by delivery only and therefore Sr. No. 3 of the above table is not applicable in case of FIIs.

**e) Transfer of unquoted shares at less than fair market value**

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

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

**f) Deemed income on investment in securities**

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

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

**g) General Anti Avoidance Rules ('GAAR'):**

The GAAR regime as introduced in the ITA shall be effective from 1 April 2017. GAAR may be invoked by the tax authorities in case arrangements are found to be impermissible avoidance arrangements. A transaction can be declared as an impermissible avoidance arrangement, if the main purpose of the arrangement is to obtain a tax benefit and which satisfies one of the four below mentioned tainted elements:

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

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

- Disregarding or combining or recharacterizing any step in, or a part or whole of the arrangement;
- Ignoring the arrangement for the purpose of taxation law;
- Relocating place of residence of a party, or location of a transaction or situation of an asset to a place other than provided in the arrangement;
- Looking through the arrangement by disregarding any corporate structure;
- Reallocating and re-characterizing equity into debt, capital into revenue, etc.
- Disregarding or treating any accommodating party and other party as one and the same person; or
- Deeming persons who are connected to each other parties to be considered as one and the same person for the purposes of determining tax treatment of any amount.

The GAAR provisions would override the provisions of a Tax Treaty in cases where GAAR is invoked. The necessary procedures for application of GAAR and conditions under which it should

not apply, have been enumerated in the IT Rules. The IT Rules provide that GAAR should not be invoked unless the tax benefit in the relevant year does not exceed INR 3 crores. On 27 January 2017, the CBDT issued clarifications on implementation of GAAR provisions in response to various queries received from the stakeholders and industry associations. Some of the important clarifications issued are as under:

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

#### **h) FATCA Guidelines**

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

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

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

#### **i) Multilateral Convention to implement Tax Treaty related measures to prevent Base Erosion and Profit Shifting**

The Organisation of Economic Co-operation and Development (‘OECD’) released the Multilateral Convention to implement Tax Treaty related measures to prevent Base Erosion and Profit Shifting.

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

The final impact of the MLI on a Tax Treaty is dependent on both the contracting states to the Tax Treaty having deposited their respective instruments of ratification with their final MLI

Positions with the OECD Depository. The MLI includes both mandatory provisions (i.e. the minimum standards under the BEPS Project) as well as non-mandatory provisions. India has been an active participant and its involvement in the BEPS project has been intensive. In a ceremony held in Paris on 7 June 2017, various countries including India, signed the MLIs. The Union Cabinet of India issued a press release dated 12 June 2019, approving the ratification of the MLI to implement Tax Treaty related measures to prevent BEPS. The application of MLI to a Tax Treaty is dependent on ratification as well as positions adopted by both the countries signing a Tax Treaty. On 25 June 2019, India has taken the final step for implementation of MLI by depositing its instrument of ratification with the OECD. The MLI entered into force from 1 October 2019 and operational with effect from the financial year beginning from 1 April 2020 in respect of certain treaties signed by India. Once MLI evolves and is implemented in future, one would need to analyze its impact at that point in time on the existing tax treaties that India has entered into with other countries. There is limited guidance or jurisprudence at present on how the above will be interpreted by the Tax authorities and applied.

#### **j) Minimum Alternate Tax**

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

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

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

#### **k) Alternate Minimum Tax**

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

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

#### **l) 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.

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

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

**n) Goods and Services Tax**

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

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

### 13. ACCOUNTING POLICIES:

Following Accounting Policies are proposed to be followed for the purpose of maintaining books of accounts, records for the client.

- a) For the purposes of the financial statements, the Portfolio Manager shall carry all investments in the balance sheet at cost.
- b) Investments introduced by the client in portfolio will be booked at the market value as of the date of introduction to the portfolio.
- c) Dividend income earned by a Client shall be recognized, not on the date the dividend is declared, but on the date the share is quoted on an ex-dividend basis. For investments, which are not quoted on a stock exchange, dividend income shall be recognized on the date of receipt.
- d) In respect of all interest-bearing investments e.g. Debt Securities, interest shall be accrued on a day-to-day basis as it is earned, wherever feasible. In case, where such interest can not be accrued, interest shall be accounted on the date of its due date or receipt whichever is earlier. At the time when such investments are purchased, interest paid for the period from the last interest due date up to the date of purchase shall not be treated as a cost of purchase but shall be debited to Interest Accrued Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale shall not be treated as an addition to sale value but shall be credited to Interest Accrued Account.
- e) In determining the holding cost of investments and the gains or loss on sale of investments, the First-in-First-out (FIFO) method shall be followed.
- f) Transactions for purchase or sale of investments shall be recognized as of the trade date and not, as of the settlement date, so that the effect of all investments traded during a financial year is recorded and reflected in the financial statements for that year.
- g) Bonus shares to which the Client becomes entitled shall be recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.
- h) Rights entitlement shall be recognized only when the original shares on which the rights entitlement accrues are traded on the stock exchange on an ex-rights basis.
- i) The cost of investments of Shares & securities acquired or purchased shall include brokerage, stamp duty and any charge customarily included in the broker's contract note. Similarly, sale value of investments of Shares & securities sold or disposed off in any manner shall be reduced by brokerage, stamp duty and any charge customarily deducted in the broker's contract note.
- j) The cost of investments of Units of Mutual funds acquired or purchased shall include stamp duty and any charge customarily included in the Mutual Fund's Statement of Account. Similarly, sale/redemption value of investments sold or disposed off in any manner shall be reduced by stamp duty and any charge customarily deducted in the Mutual Fund's Statement of Account.
- k) In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of the investment.
- l) All other expenses payable on behalf of the client like Stamp Paper Cost, Audit Fees, Certification Fees, if any shall be accrued as and when liability is incurred.

- m) Unrealized gain/losses are the differences, between the current market value/ Net Asset Value and the historical cost of the securities.
- n) 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.
- o) Investment Management fees would preferably be calculated on daily weighted average AUM and charged on monthly basis on the last day of subsequent month subject to applicable GST. The same would be however subject to any other mutually agreed terms between Portfolio Manager and the specific client.
- p) Valuation of Securities

Portfolio Manager shall follow SEBI and/or APMI prescribed standardized valuation norms and may engage one or more APMI empanelled valuation agency wherever required for the valuations of securities.

- (i) Listed Equities: Investments in listed equity instruments will be valued at the closing market prices on the National Stock Exchange (NSE). If the securities are not traded on the NSE on the valuation day, the closing price of the security on the Bombay Stock Exchange will be used for valuation of securities. In case the securities are not traded on the valuation date, the last available traded price shall be used for the valuation of securities.
- (ii) Listed debt and money market securities: Investments in listed debt and money market securities will be valued at the closing market prices on the National Stock Exchange (NSE). If such securities are not traded on the NSE on the valuation day, the closing price of such securities on the Bombay Stock Exchange will be used for valuation of securities. Further, if the closing price of such securities is not available on Bombay Stock Exchange also or in case of such securities are not traded on the valuation date, the last available traded price of such securities on above exchanges or any other SEBI registered clearing house including reporting platforms shall be used for the valuation of such securities.
- (iii) Unlisted debt and money market securities: Investments in unlisted debt and money market securities will be valued in line with the valuation provided by APMI empanelled valuation agencies engaged by Portfolio Manager.
- (iv) Unlisted Equity securities: Investments in unlisted Equity Securities will be valued in line with the valuation principles prescribed by APMI which is intended to be in line with the SEBI Consultation paper titled “Consultation Paper on standardised approach to valuation of investment portfolio of Alternative Investment Funds” published on January 6, 2023 (“**Consultation Paper**”). The Consultation Paper recommends that AIFs adopt International Private Equity and Venture Capital Valuation Guidelines (IPEV Guidelines) for valuing their portfolio companies. For this purpose, Portfolio Manager shall engage the service of an Independent Valuer satisfying the terms as may be prescribed by APMI.
- (v) Mutual Funds: Investments in units of Mutual Funds shall be valued at the NAV for the relevant Scheme on the date of the Valuation .
- (vi) Derivative Transaction: Open positions of derivative, will be marked to market on the date of the valuation.
- q) The Portfolio Manager and the client can adopt any specific norms or methodology for valuation of investments or accounting the same as may be mutually agreed between them on a case specific basis, if the same is permissible in accordance with Regulations.

#### 14. CUSTODIAN SERVICES

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

#### 15. FUND ACCOUNTANT SERVICES

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

#### 16. INVESTORS SERVICES

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

- a) Reporting portfolio transactions, Client's Statement of Accounts at pre-defined frequency as defined by regulations
- b) Attending to and addressing any client query within minimum possible time.
- c) Review of Portfolio on continuous basis

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

Name	Mrs. Swati Khemani
Designation	Head- Investor Relation Officer
Address	1205/1206, One Lodha Place, Senapati Bapat Marg, Lower Parel (W), Mumbai – 400013, Maharashtra, India
Telephone	+91-22 6686 4088/4089
Email	<a href="mailto:investorgrievance@carneliancapital.co.in">investorgrievance@carneliancapital.co.in</a>

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

- a) An investor/client shall first take up his/her/their grievance with the Portfolio Manager by lodging a complaint directly with the Portfolio Manager by writing to Investment Relation Officer(s) at [investorgrievance@carneliancapital.co.in](mailto:investorgrievance@carneliancapital.co.in). The officer shall endeavour to take appropriate steps to resolve the issue/queries or grievances to the satisfaction of the client in a reasonable manner and promptly. The Portfolio Manager will ensure that this officer is vested with the necessary authority, independence and access to concerned activity to handle client complaints and issues
- b) If the grievance is not redressed satisfactorily, the investor/client may, in accordance with the SCORES guidelines, escalate the same through the SEBI's web-based complaints redress system (SCORES) portal i.e. (<http://scores.gov.in>) in accordance with the process laid out therein. After exhausting all available options for resolution of the grievance, if the investor/client is still not satisfied with the outcome, he/she/they can initiate dispute resolution through the Online Dispute Resolution Portal (ODR Portal).
- c) Alternatively, the investor/client can initiate dispute resolution through the Online Dispute Resolution Portal (ODR Portal), if the grievance lodged with the Portfolio Manager was not satisfactorily resolved or at any stage of the subsequent escalations mentioned in the paragraph above (prior to or at the end of such escalation/s). The Portfolio Manager may also initiate dispute resolution through the ODR Portal after having given due notice of atleast 15 calendar days to the investor/client for resolution of the dispute which has not been satisfactorily resolved between them. ODR Portal can be accessed at <https://smartodr.in/> wef 15<sup>th</sup> September, 2023.
- d) The dispute resolution through the ODR Portal can be initiated when the complaint/dispute is not under consideration in terms of the paragraph above or SCOREs guidelines as applicable or not pending before any arbitral process, court, tribunal or consumer forum or are non-arbitrable in terms of Indian law (including when moratorium under the Insolvency and Bankruptcy Code is in operation due to the insolvency process or if liquidation or winding up process has been commenced against the Portfolio Manager). All disputes raised through ODR Portal shall be resolved in accordance with the guidelines of such ODR mechanism which may include conciliation, online arbitration.
- e) The dispute resolution through the ODR Portal can be initiated when within the applicable law of limitation (reckoned from the date when the issue arose/occurred that has resulted in the complaint/date of the last transaction or the date of disputed transaction, whichever is later).
- f) All matters that are appealable before the Securities Appellate Tribunal in terms of Section 15T of SEBI Act, 1992 (other than matters escalated through SCOREs portal in accordance with SEBI SCOREs Circular), Sections 22A and 23L of Securities Contracts (Regulation) Act, 1956 and 23A of Depositories Act, 1996 shall be outside the purview of the ODR Portal.
- g) The venue and seat of the online proceedings under ODR Portal shall be deemed to be the place where the investor resides permanently or, where the investor is not an individual, the place where it is registered in India or has its principal place of business in India, as provided in the relevant KYC documents.

h) If the Investor remains dissatisfied with the remedies offered or the stand taken by the Portfolio manager, the Client and the Portfolio Manager have the alternative option to follow Arbitration Mechanism wherein all disputes, differences, claims and questions whatsoever arising between the Client and the Portfolio Manager and/or their respective representatives shall be settled through Arbitration process as described in the Portfolio Investment Management Agreement or any Supplemental Agreement thereto subject to SEBI (Portfolio Managers) Regulations 2020 and any amendments made thereto from time to time. Further, all the legal actions and proceedings are subject to the jurisdiction of court in Mumbai only and are governed by Indian laws.

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

**Date:** September 14, 2023  
**Place:** Mumbai

<b>Vikas Khemani</b> Principal Officer & Director	
<b>Manoj Bahety</b> Director	

The Head – Compliance

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

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

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

We have been requested by **Carnelian Asset Management & Advisors Private Limited (Formerly Carnelian Asset Advisors Pvt. Ltd.)** (the “Company”) having registered office at 1205/1206, One Lodha Place Senapati Bapat Marg, Lower Parel (W), Mumbai – 400013 and having SEBI Registration No. INP000006387, to certify the contents and information provided in the Disclosure Document dated September 14, 2023 (“Disclosure Document”) required to be filed with the Securities and Exchange Board of India (SEBI) as per Regulation 22 of SEBI (Portfolio Managers) Regulations, 2020.

**Management's responsibility**

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

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

**Auditor's responsibility**

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

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

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

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

### **Conclusion**

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

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

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

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

**R. P. Soni**  
**Partner**  
**Membership No.: 104796**

UDIN: 23104796BGWFLH4776  
Place: Mumbai  
Date: September 14, 2023