

**ASK PROPERTY INVESTMENT ADVISORS PRIVATE LIMITED  
(PORTFOLIO MANAGER)**

**DISCLOSURE DOCUMENT  
UPDATED AS ON 31<sup>st</sup> MARCH, 2021**

**FOR**

**DISCRETIONARY PORTFOLIO MANAGEMENT SERVICES**

**WITH RESPECT TO**

**ASK COMMERCIAL REAL ESTATE PORTFOLIO SERIES 1**

**ASK PROPERTY INVESTMENT ADVISORS PRIVATE LIMITED**

Birla Aurora, 16 Level, Office Floor 9, Dr. Annie Besant Road, Worli, Mumbai – 400 030.

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


**FORM C**

**[As required under Regulation 22 of Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020]**

It is confirmed that:

- i) the Disclosure Document forwarded to SEBI is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by SEBI from time to time.
- ii) The purpose of this Document is to provide essential information about the portfolio management services provided by ASK Property Investment Advisors Pvt. Ltd. ("**ASK PIA / Portfolio Manager**") in respect of **ASK Commercial Real Estate Portfolio Series 1**.
- iii) The disclosures made in this Document are true, fair and adequate to enable the investors to make a well informed decision for engaging ASK PIA as the Portfolio Manager.
- iv) This Document contains the necessary information about **ASK Commercial Real Estate Portfolio Series 1**, required by an investor before investing. The investor is advised to retain this Document for future reference.
- v) the contents of Disclosure Document have been duly certified on March 31, 2021 by an Independent Chartered Accountant, M/s. Jitendra Chandulal Mehta & Co, Chartered Accountants (FRN 104288W, M. No. 124599) having office at 92-B, Visaria Sadan, 1<sup>st</sup> Floor, Belgrami Road, Near Bhabha Hospital, Kurla West, Mumbai 400070, Contact No. 022 2650 1357. (A copy of the chartered accountant's certificate is enclosed)
- vi) Principal Officer : Mr. Amit Bhagat  
Address : ASK Property Investment Advisors Pvt. Ltd.  
Birla Aurora, Level 16, Office Floor 9,  
Dr. Annie Besant Road, Worli,  
Mumbai – 400 030  
Telephone Number : 022-66460000  
E-mail : [abhagat@askinvestmentadvisors.com](mailto:abhagat@askinvestmentadvisors.com)

**For ASK PROPERTY INVESTMENT ADVISORS PRIVATE LIMITED**



**Amit Bhagat**  
**Managing Director & CEO (Principal Officer)**  
**DIN: 02529737**



Date: 30.04.2021  
Place: Mumbai

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## 1. DISCLAIMER CLAUSE

The particulars as given in this Document have been prepared in accordance with the SEBI (Portfolio Managers) Regulations, 2020, as amended from time to time and filed with SEBI along with the certificate in the prescribed format in terms of Regulation 22 therein. This Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the Document.

The Client is advised to retain the copy of this Disclosure Document for future reference.

## 2. DEFINITIONS

The terms used in this Document will be understood in the normal sense unless otherwise specified in this section. Any term used in this Disclosure Document shall have the same meaning as provided in the Regulations. All capitalised terms will have the meaning given to them in the Discretionary Portfolio Management Services Agreement.

## 3. DESCRIPTION

### **[i] History, Present Business and Background of the Portfolio Manager - ASK Property Investment Advisors Private Limited (ASK PIA)**

ASK Property Investment Advisors Private Limited, is a company incorporated on January 19, 2009, at Mumbai, Maharashtra under the Companies Act, 1956, having its registered office at Birla Aurora, 16 Level, Office Floor 9, Dr. Annie Besant Road, Worli, Mumbai - 400030, India. The Portfolio Manager is a venture of the ASK Group, set up to manage and advise India focused real estate dedicated funds.

The Portfolio Manager shall be appointed as the portfolio manager, under the Discretionary Portfolio Management Agreement. The Portfolio Manager has overall responsibility for the management, control and operation of the Portfolio.

The Portfolio Manager will provide various portfolio management services, including the following:

- Sourcing investment opportunities and providing target company evaluation, due diligence services and market intelligence;
- Investigating, analyzing, structuring and negotiating potential investments, in accordance with the investment strategy of the Portfolio;
- Executing and implementing investments and divestments by the Portfolio;
- Monitoring the performance of the Portfolio Companies of the Portfolio;
- Furnishing to the Clients such reports and information as are required by the governing documents of the Portfolio;
- Recommending and implementing exit strategies for the Portfolio;
- Performing other activities set out in the Discretionary Portfolio Management Agreement and complying with the obligations required to be complied with under the PM Regulations (as amended from time to time).

In exchange for providing these services, the Portfolio Manager will receive Portfolio Management Fee in respect of the Portfolio as described in the Discretionary Portfolio Management Services Agreement.

The details of the portfolios / funds managed and/or advised by the Portfolio Manager as of March 31, 2021, are as follows:

(all amounts are in Rupees crores)

As Name of the Fund / Portfolio	Investment Manager's Role	Date of Final Closing	Amount raised till Final Closing	Amount Invested	Amount Returned	Valuation of the balance investments
ASK REPMS-I <sup>1</sup>	Investment Advisor	Dec, 09	317.18	308.75	537.75	115.00 \$
ASK REPMS – III <sup>2</sup>	Investment Advisor	NA	91.7	91.7	65.98	73.34
ASK RESOF <sup>3</sup>	Investment Manager	Jun, 12	964.5	869.65	919.77	748.94
ASK Offshore <sup>4</sup>	Investment Advisor	Mar, 16	447.64*	337.80	145.10	388.23
ASK RESOF II <sup>5</sup>	Sponsor & Investment Manager	Jan, 16	1138.07#	974.34	32.54	1411.0
ASK RESSF – I <sup>6</sup>	Sponsor & Investment Manager	Mar, 18	925.90	791.5^	90.54	870.64
ASK RESOF III I <sup>7</sup> (ASK Offshore is the Feeder)	Sponsor & Investment Manager	Mar, 19	171.76	159.00	-	196.34
ASK RESOF IV <sup>8</sup>	Sponsor & Investment Manager	To be announced	-	-	-	-

\*Amount raised is USD 61.15 mn converted at INR/USD exchange rate of Rs. 73.2035 as on 31 March 2021

# The Fund has its Final close in 14 Jan 2016 where it raised a commitment of INR 1372.5 crore. The commitment amount of the fund has been reduced to Rs. 1138.07 crore with effect from 01 April 2020 due to non payment of drawdown amounts by defaulting investors.

^ Amount invested includes reinvestment of 10.5 crores

\$ All valuations are as on 31 March 21 except for REPMS which is based on exit valuation.

<sup>1</sup>ASK PMS Real Estate Special Opportunities Portfolio – I

<sup>2</sup>ASK PMS Real Estate Special Opportunities Portfolio – III

<sup>3</sup>ASK Real Estate Special Opportunities Fund

<sup>4</sup>ASK India Real Estate Special Opportunities Fund Pte. Ltd.

<sup>5</sup>ASK Real Estate Special Opportunities Fund – II

<sup>6</sup>ASK Real Estate Special Situations Fund – I (Scheme of ASK Real Estate Fund)

<sup>7</sup>ASK Real Estate Special Opportunities Fund – III (Scheme of ASK Real Estate Fund)- Out of total commitments of ASK RESOF III, capital commitment of Rs. 5 crs is made by the Investment Manager as a sponsor commitment and Rs. 166.76 crs of the capital commitment is made by ASK Offshore as a feeder fund.

<sup>8</sup>ASK Real Estate Special Opportunities Fund – IV

The Portfolio Manager believes that the Portfolio will benefit from the extensive research capabilities and asset management expertise of the Portfolio Manager and the resources of the ASK Group. The real estate team of the Portfolio Manager has over ten decades of cumulative

experience and comprises some of the industry's reputable professionals with retail and corporate lending, real estate, construction businesses, and asset management experience.

**[iii] Promoters, Directors, Principal Officer and their background:**

**Promoter:**

Mr. Asit Koticha, is the founder Promoter of the Portfolio Manager. He holds a bachelor's degree in commerce from the University of Bombay. He has over 30 years of experience in the field of capital and financial markets.

Mr. Sameer Koticha, is the founder Promoter, Chairman and Non-Executive Director of the Portfolio Manager. He holds a higher secondary school certificate from S.I.E.S College of Arts and Science. He has been on the Board since 2009. He has over 30 years of experience in the field of capital and financial markets.

Post internal restructuring exercise of the Company, Mr. Asit Koticha and Mr. Sameer Koticha are the promoters of the Company holding 51% stake in the Company by virtue of holding Class B Equity Shares with differential voting rights.

ASK Investment Managers Limited is a company incorporated on August 9, 2004 at Mumbai, Maharashtra under the Companies Act, 1956. The Promoter is the holding company of the ASK Group. The Promoter is also a licensed portfolio manager regulated by the Securities and Exchange Board of India, Mumbai and investment manager to 'ASK Equity AIF', a Category III AIF under the SEBI AIF Regulations.

The Promoter is a diversified financial services group renowned for its strong research based investment advice. It focuses on long-term wealth creation for its clients, emphasizing attainment of superior long term compounding. The Promoter invests exclusively in listed Indian equities for India domiciled as well as off-shore clients, through segregated accounts as well as commingled funds. It currently manages / advises assets for both domestic and offshore clients.

The Promoter provides Portfolio Management Services (PMS) in listed equity to domestic clients including individuals, corporate and Non-Resident Indians. It also offers investment advisory services to offshore funds. Following are the offerings by the Promoter:

- Growth Portfolio
- Eagle Portfolio
- Strategic Portfolio
- Life Portfolio
- Indian Entrepreneur Portfolio
- India Select Portfolio
- Market Linked Debentures
- ASK PMS Real Estate Special Opportunities Portfolio – I (Separate Disclosure Document filed & no subsequent change thereafter)
- ASK - Managed Funds Portfolio
- ASK Liquid Strategy
- ASK Conviction Portfolio
- ASK GEMS Portfolio
- ASK High Conviction Portfolio
- ASK Financial Opportunities Portfolio
- ASK Domestic Resurgence Portfolio
- ASK Emerging Opportunities Portfolio

- ASK PMS Real Estate Special Opportunities Portfolio - III
- ASK India A Plus Portfolio
- ASK Select Focus Portfolio
- ASK India Vision Portfolio
- ASK Indian Entrepreneur Portfolio STP
- ASK India Select Portfolio STP
- ASK Growth Portfolio STP
- ASK Emerging Opportunities Portfolio STP
- ASK Domestic Resurgence Portfolio STP
- ASK Financial Opportunities Portfolio STP
- ASK India Vision Portfolio STP

#### **Directors:**

##### ➤ ***Mr. Sameer Koticha:***

Mr. Sameer Koticha is the Chairman of ASK Group and carries with him more than three decades of corporate experience and mentors the ASK Group in the areas of Corporate Governance and best practices. He has been instrumental in shaping the ASK Group into a leading wealth management entity. He provides support to all board members and chief executives in implementing business objectives that are aligned to ASK Groups philosophy, culture and values.

##### ➤ ***Mr. Sunil Rohokale:***

Mr. Sunil Rohokale, is the Non-Executive Director of the Portfolio Manager. He holds a bachelor's degree in engineering and a master's degree in business administration from the University of Poona. He has been on the Board of the Portfolio Manager since 2009. He has over 22 years of experience in the banking and finance industry, and has previously worked with ICICI Bank.

##### ➤ ***Mr. Amit Bhagat:***

Mr. Amit Bhagat is MD & CEO of the Portfolio Manager. Please refer 'Principal Officer' section below for his detailed profile.

##### ➤ **Principal Officer:**

Mr. Amit Bhagat is co-founder of the private equity real estate practice at ASK and MD & CEO of the Portfolio Manager.

At ASK, Amit manages/advises Rs. 4,737.50 Crore of real estate investments in ASK since 2009 and has provided exits of Rs. 2629.14 Crore.

He has attended the University of Allahabad and is also a member of the Institute of Chartered Accountants of India. He has 24 years of experience in finance and capital markets, and has previously worked at ICICI Bank and Maharishi Housing Development Finance Corporation Limited.

##### ➤ ***Mr. Jyotin Mehta:***

Mr. Jyotin Mehta, is a Nominee Director of the Portfolio Manager. He holds a bachelor's degree in commerce from the University of Bombay. He is also a member of the Institute of Chartered Accountants of India, a member of the Institute of Cost and Works Accountants of India and a

member of the Institute of Company Secretaries of India. He has several years of experience in the field of corporate governance, finance and risk management. He has been the chief internal auditor at Voltas Limited, a global head for internal audit and enterprise risk management at 3i Infotech and has worked as the general manager and company secretary of ICICI Bank. He was appointed for a period of five years with effect from July 27, 2018.

**[iii] Group companies / firms of the Portfolio Manager on turnover basis as on March 31, 2020 (the last audited balance sheet):**

(Amount in crores)

Sr. No.	Name of the Group company of the Portfolio manager	Turnover (based on the Audited Balance sheet as of 31.03.20)
1	ASK Wealth Advisors Private Limited	122.27
2	ASK Investment Managers Limited	489.44
3	ASK Family Office and Investment Advisors Pvt Ltd	NIL
4	ASK Property Advisory Services Private Limited	NIL
5	ASK Trusteeship Services Private Limited	0.04
6	ASK Capital Management Pte. Limited (Singapore)	18.88
7	ASK Pravi Capital Advisors Private Limited	7.41
8	ASK Financial Holdings Private Limited (earlier known as "ASK Infrastructure Private Limited")	11.59

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

All cases of penalties imposed by SEBI or the directions issued by SEBI under the Act or Rules or Regulations made thereunder. The nature of the penalty/direction.	None
Penalties imposed for any economic offence and/ or for violation of any securities laws by SEBI.	None
Any pending material litigation/legal proceedings against the portfolio manager / key personnel with separate disclosure regarding pending criminal cases, if any by SEBI.	None
Any deficiency in the systems and operations of the portfolio manager observed by SEBI or any regulatory agency by SEBI.	None
Any enquiry/ adjudication proceedings initiated by SEBI against the portfolio manager or its directors, Principal Officer or employee or any person directly or indirectly connected with the portfolio manager or its directors, principal officer or employee, under the Act or Rules or Regulations made thereunder.	None

<b>Other Authorities:</b>	
<b>Authority where the case is pending</b>	<b>Remarks (As on 31.03.2021)</b>
CIT (A) (For AY 2011-12)	Rs. 0.35 crores of Client Referral Fees disallowed and amortised over a period of next 7 years. Two Submissions made with CIT(A), order awaited.  (Demand raised is Rs. NIL)
CIT (A) (For AY 2013-14)	Rs. 11.06 crores of Client Referral Fees disallowed as Capital Expenditure. One Submission made on 15 Feb 2021 with CIT(A), order awaited.



	(Demand raised is now Rs. NIL post Order Giving Effect of AY 2010-11 and AY 2012-13 ITAT order and consequent rectification order)
ITAT (For AY 2014-15)	Rs. 4.03 crores of Client Referral Fees disallowed and amortised over a period of next 7 years. (CIT (A) Order received dt. 9 <sup>th</sup> September 2019 confirming amortization of Client Referral Fees over a period of next 7 years). We have filed appeal with ITAT. Hearing is Fixed on 04 <sup>th</sup> May 2021.  (Demand raised is now Rs. NIL post Order Giving Effect of AY 2010-11 and AY 2012-13 ITAT order and consequent rectification order)
CIT (A) (For AY 2017-18)	Rs 1.79 crores of ESOPs expenses is disallowed. We have filed appeal with CIT(A). (Hearing is awaited)  (Demand raised is Rs. NIL)
CIT (A) (For AY 2018-19)	A.Y. 2018-19. AO has not granted Credit for TDS brought forward Rs 0.63 crores  (Demand raised is Rs. 0.67 crores)

## 5. SERVICES OFFERED & PRODUCT DETAILS

The Portfolio Manager offers the following product under this Disclosure Document:

**Portfolio name: ASK Commercial Real Estate Portfolio Series 1 (Product):**

A Portfolio which aims to provide superior and consistent risk adjusted returns to the Investors by investing in securities offered by Portfolio Companies involved in, investing in, developing, constructing, owning, asset managing, project / facility managing and operating commercial real estate assets and related infrastructure opportunities. The strategy and the composition described more particularly hereinbelow, involve risk and there can be no assurance that specific objectives will be met under differing market conditions or cycles. The investment strategy and the composition of the Portfolio are only indicative in nature and are subject to change within the provisions of the Disclosure Document and the Agreement without any prior notice to Client.

**[i] The present investment objectives and policies, including the types of securities in which investments are generally made are detailed below:**

The Portfolio Manager proposes to follow below Investment Strategy in the Product:

The Portfolio Manager intends to primarily invest in operating real estate companies, special purpose vehicles and holding companies of special purpose vehicles that undertake commercial and retail real estate developments.

### ➤ Investment Objective and Philosophy

**Partner** : Prudent developer selection  
**Location** : Growth corridor driven by job creation in micro-market  
**Entry Price** : Development stage as opposed to land aggregation Some distressed opportunities

<b>Structure</b>	: Margin of safety – underwriting at conservative present micro market pricing with escalation in cost : Asset management focus and monitoring : Control on the cash flows of Project SPV
<b>Relationships</b>	: Access management with key stakeholders : 360 degrees view of partners operations : Deep understanding of core values & growth aspirations of partner

The Portfolio Manager proposes to invest in mix equity-oriented and debt-oriented instruments. The primary objective of the Product shall be to invest in real estate projects in equity, equity-linked, debt, debt linked and convertible securities in the growing Indian real estate sector. The investment objective of the Product is to provide superior and consistent risk adjusted returns to the Investors by investing in securities offered by Portfolio Companies involved in, investing in, developing, constructing, owning, asset managing, project / facility managing and operating commercial and retail real estate assets and related infrastructure opportunities. The investment philosophy of the Portfolio Manager is as follows:

The Product shall follow an intensive research process for screening potential investments. The Portfolio Manager should invest in quality investment opportunities that are easy to understand, quality management with a clear vision and focus on business in which it has strengths and at attractive valuations that can be best described as ‘growth at reasonable price’.

#### ➤ **Investment Strategy**

The Product is a portfolio aimed primarily at commercial and retail segments and intends to invest in equity, equity linked, debt, debt linked and convertible securities of operating real estate companies, special purpose vehicles and holding companies of special purpose vehicles that undertake commercial and retail real estate developments.

The proposed investment strategy of the Product is summarized below:

- Investments predominantly in 6 Cities (Mumbai Metropolitan Region, National Capital Region, Bengaluru, Chennai, Pune & Hyderabad) in India;
- Investments operating and holding entities (entities that have a portfolio of projects either in themselves and/ or in downstream entities) as well as special purpose vehicles (that actually hold the assets);
- Investments in commercial and retail developments with pre determined leasing ability
- Investments in redevelopment of existing commercial assets;
- Investments at distressed valuations;
- Conservative underwriting approach with a margin of safety;
- Focus on projects within city and suburban limits;
- Partnering with established strong regional developers;
- Control investments;
- Asset management focus;

The Product will invest primarily in mix of listed and unlisted private companies and in equity, equity linked, debt, debt linked and convertible instruments and any other securities as permitted under the PMS Regulations. The above investment strategy is indicative of the investment strategy of the Product as per the market conditions as of the date of this Disclosure Document and shall be subject to change, in accordance with the PMS Regulations, depending on the change in market conditions at any time during the term of the Product.

## ➤ **Exit Strategy**

While the Product has a long term investment strategy and proposes to benefit from the growth of its Portfolio Companies and receive distributions from them, it may also consider in the interest of Investors, selectively divesting certain Portfolio Investments depending on prevailing conditions and the asset segment. The Portfolio Manager will be responsible for judging the appropriate mechanism, timing and valuation for the exit from each Portfolio Investment. All exits will be at the discretion of the Portfolio Manager.

The type of exit strategy adopted will depend upon the type of asset segment. Following are some of the likely exit strategies:

- Redemption of the investment by the Portfolio Companies;
- Sale to the end user;
- Sale to third parties like investors, real estate investment trusts, real estate mutual funds, real estate funds or similar entities;
- Public listing or initial public offering (IPO);
- Buyback by developers and/or Portfolio Company; and
- Sale to institutional investors and other recognized investors.

## ➤ **Structuring of Investments**

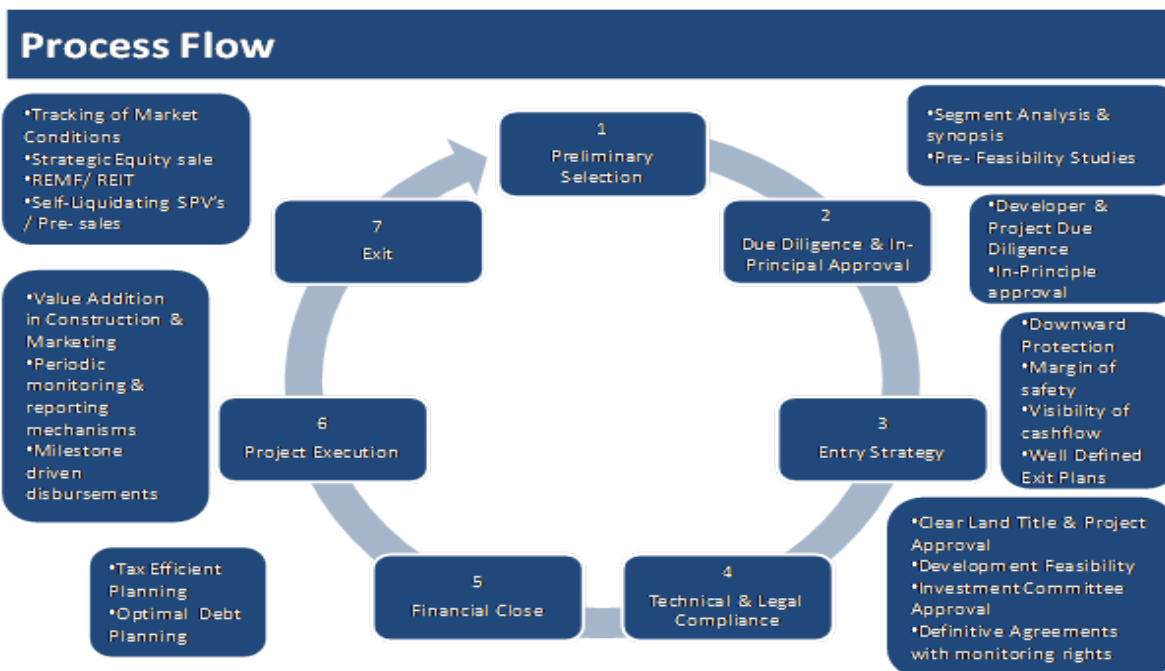
The Product may make Portfolio Investments in Portfolio Companies directly. Alternatively, in order to make a more efficient investment, the Product may choose to make Portfolio Investments in holding companies having one or more special purpose vehicles holding real estate assets in India set up for the purpose, or set up a special purpose vehicle in India to act as the holding company for its investments in Portfolio Companies, in accordance with applicable law.

## ➤ **Temporary Investments**

The Product may make temporary investments, pending Portfolio Investments. Temporary investments shall mean and include investments in short-term or other securities issued or guaranteed by the Indian government or its agencies or instrumentalities, overnight and short-term bank instruments, bank deposits, money market instruments, units of money market or liquid mutual fund schemes or other instruments as may be determined by the Portfolio Manager.

## ➤ **Investment Process**

All potential investment decisions will be made following the diagrammatic representation below:



## ➤ Investment Guidelines

The Portfolio Manager will make Portfolio Investments in Portfolio Companies in the real estate sector in India from time to time in compliance with certain broad guidelines as set out below:

- The Portfolio Manager shall make investments only in (a) Bengaluru; (b) the Mumbai Metropolitan Region; (c) the National Capital Region; (d) Chennai; (e) Hyderabad; and (f) Pune.
- The Portfolio Manager shall make investments only in commercial and retail segments of real estate.

The above investment focus guidelines are indicative and are subject to change depending on the change in market conditions at any time during the term of the Product.

## ➤ Types of Services

### ➤ Discretionary Portfolio Management Services (PMS):

In the beginning the Portfolio Manager shall provide discretionary portfolio management services to domestic high net-worth individuals, corporates and other entities to manage their equity investments in Portfolio Companies engaged in real estate sector and over a period of time the Portfolio Manager shall provide the portfolio management services in other sector as well.

Under this Product, within the overall Client profile, the portfolio account made up in cash and/or stocks is managed at full discretion and liberty of the Portfolio Manager.

**Product Name:** ASK Commercial Real Estate Portfolio Series 1

### Investment Objective Strategy:

A Portfolio which aims to provide superior and consistent risk adjusted returns to the Investors by investing in securities offered by Portfolio Companies involved in, investing in, developing,

constructing, owning, asset managing, project / facility managing and operating commercial and retail real estate assets and related infrastructure opportunities.

The strategy and the composition described herein and more particularly in the Investment Policy Section above, involve risk and there can be no assurance that specific objectives will be met under differing market conditions or cycles. The investment strategy and the composition of the Portfolio are only indicative in nature and are subject to change within the provisions of the Disclosure Document and the Agreement without any prior notice to Client.

**Portfolio Features:**

<b>Particulars</b>	<b>Terms</b>
<b>Product Name</b>	ASK Commercial Real Estate Portfolio Series 1
<b>Minimum Commitment</b>	INR 50,00,000 (Rupees Fifty Lakhs Only) subject to any minimum amount set out in the PM Regulations.
<b>Reinvestment Option</b>	The Portfolio Manager shall not be entitled to reserve and/or re-invest any proceeds it may receive from investments.
<b>In specie distribution</b>	Upon termination of investments through this Product, in case the Client decides to retain Securities, then the Fair Market Value of the underlying assets represented by such Securities shall be deemed to have been returned / distributed to the Client and the Performance Fees will be calculated accordingly. The valuation of the Fair Market Value of the underlying area shall be basis the latest valuation report availed by the Portfolio Manager.
<b>Valuation Frequency</b>	6 monthly by a credible valuer of repute as selected by the Portfolio Manager.
<b>Audit Frequency</b>	Annually by a credible auditor of repute as selected by the Portfolio Manager.

**Benchmark Index: Not Applicable**

**Fees and Charges:** Please refer point (10) Nature of Expenses for various fees and charges payable by the Client (and deducted by the Portfolio Manager from the Funds) in relation to the Client's investment in ASK Commercial Real Estate Portfolio Series 1. All fees are excluding any indirect taxes applicable thereon. The expense structure below is subject to revisions on a prospective basis with the written consent of the Client.

**Disclaimer:**

The portfolio objective, characteristics, investment approach and other details mentioned in the foregoing paragraphs are generic in nature and are intended at providing a broad overview to the investors with respect to the respective offerings. There can be no assurance or guarantee that the respective objectives would always be met. The past performance of the Portfolio Manager is not necessarily indicative of the future performance of the Portfolio Manager.

ASK Property Investment Advisors Pvt. Ltd. reserves the right to make appropriate changes and take all such decisions to amend or modify any of the above details, anytime at its sole discretion in the best interest of the portfolio having due consideration to the market conditions at that point in time.

➤ **Option to Invest in Debt for Interim Period:**

The portfolio manager will have the liberty to invest client's funds, pending investment in equities, in short term debt opportunities, such as, income/liquid mutual funds, bank deposits, government securities, etc. There will not be any cap on such investments. However, it will be the endeavor of the portfolio manager to remain invested in equities in accordance with the client profile.

➤ **Option to Invest in Mutual Fund Schemes:**

The portfolio manager may, in accordance with the client risk profile and asset allocation that he may draw up for a client, invest a part of the client funds in Equity/Debt/Liquid schemes of mutual funds floated by various fund houses.

**[ii] Disclosure regarding policies for investments in associates / group companies of the portfolio manager and the maximum percentage of such investments thereof subject to the applicable guidelines / regulations are detailed below:**

The Portfolio funds shall not be invested in Associates or Group Companies.

The Valuation Policy and Methodology to be adopted by the Series is annexed to the Discretionary Portfolio Management Services Agreement for your reference.

**6. RISK FACTORS:**

An indicative list of the risks associated with investing through the Services is set out below:

1. Securities investments are subject to market and other risks and the Portfolio Manager provides no guarantee or assurance that the objectives set out in the Disclosure Document, Product Schedule and/or the Discretionary Portfolio Management Agreement shall be accomplished.
2. The value of the Portfolio may increase or decrease depending upon various market forces and factors affecting the capital markets such as de-listing of Securities, market closure, relatively small number of scrips accounting for large proportion of trading volume and Real Estate sector as a whole. The Portfolio Manager provides no assurance of any guaranteed returns on the Portfolio.
3. The Client stands a risk of loss due to lack of adequate external systems for transferring, pricing, accounting and safekeeping or record keeping of Securities. Transfer risk may arise due to the process involved in registering the shares, physical and demat.
4. Investment decisions made by the Portfolio Manager may not always be profitable.
5. Past performance of the Portfolio Manager does not indicate or guarantee the future performance of the Portfolio Manager.
6. In addition to the factors that affect the value of individual Securities, the value of the Portfolio can be expected to fluctuate with movements in the broader equity, bond and Real Estate markets and may be influenced by factors affecting capital markets and Real Estate markets in general, such as, but not limited to, price and volume volatility in the capital markets, real estate markets, interest rates, currency exchange rates, changes in law/policies of the government, taxation laws and political, economic or other developments which may have an adverse bearing on individual Securities, a specific sector or all sectors.

7. Investments made by the Portfolio Manager are subject to risks arising from the investment objective, investment strategy and asset allocation set out in the relevant Product Schedule.
8. The benchmark index may not be truly representative of the Services offering due to the unique nature of the Services wherein inter alia: (a) the number of Securities may be lower in comparison to the benchmark index; and (b) the weightages of individual stocks may vary from weightages in the benchmark index.
9. The Portfolio will primarily consist of equity, equity linked and convertible Securities issued by companies whose Securities are not publicly traded. Although private equity investments offer the opportunity for significant capital gains, such investments involve a high degree of business and financial risk, as well as company specific, industry specific and market risks that can result in substantial losses. Such Portfolio Companies may face intense competition, including competition from companies with greater financial resources, extensive development, production, marketing and service capabilities and a larger number of qualified managerial and technical personnel. The Portfolio Manager can offer no assurance that the marketing efforts of any particular Portfolio Company will be successful or that its business will succeed. Further, equity Securities and equity related Securities are volatile and prone to price fluctuations on a daily basis. Investments in such Securities involve a degree of risk and the possibility of loss of the amount invested.
10. While the Portfolio Manager shall take all reasonable steps to invest the funds in a prudent manner in such instruments, such decisions may not always prove to be profitable or correct. Consequently, the Client shall assume any loss arising from such decisions made by the Portfolio Manager.
11. **Macro-Economic risks:** Overall economic slowdown, unanticipated corporate performance, environmental or political problems, changes to monetary or fiscal policies, changes in government policies and regulations with regard to various factors including industry, exports and taxation may have direct or indirect impact on the investments, and consequently the growth of the Portfolio.
12. **Liquidity Risk:** Liquidity of investments in Securities is often restricted by factors such as trading volumes, settlement periods and transfer procedures. If a particular Security does not have a market at the time of sale, then the Portfolio may have to bear an impact depending on its exposure to that particular Security. While Securities that are listed on a stock exchange generally carry a lower liquidity risk, the ability to sell these investments is limited by overall trading volume on the stock exchange. Money market Securities, while fairly liquid, lack a well developed secondary market, which may restrict the selling ability of such Securities thereby resulting in a loss to the Portfolio until such Securities are finally sold. Even upon termination of the Discretionary Portfolio Management Agreement, the Client may receive illiquid Securities and finding a buyer for such Securities may be difficult. Further, different segments of the Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. Delays or other problems in settlement of transactions could result in temporary periods when the assets of the strategy are un-invested and no return is earned thereon. The inability of the Portfolio Manager to make intended Securities purchases, due to settlement problems, could cause the Portfolio to miss certain investment opportunities.
13. **Credit Risk:** Debt Securities are subject to the risk of the issuer's inability to meet the principal and interest payments on the obligations and may also be subject to the price volatility due to

such factors as interest sensitivity, market perception, or the credit worthiness of the issuer and general market risk.

14. **Interest Rate Risk:** This is associated with movements in interest rates, which depend on various factors such as government borrowing, inflation, economic performance etc. The value of investments will appreciate/depreciate if the interest rates fall/rise. Fixed income investments are subject to the risk of interest rate fluctuations, which may accordingly increase or decrease the rate of return thereon. When interest rates decline, the value of a portfolio of fixed income Securities can be expected to rise. Conversely, when interest rates rise, the value of a portfolio of fixed income Securities can be expected to decline.
15. The liquidity and valuation of the unlisted Securities held in the Portfolio may be affected if they have to be sold prior to their target date of diversification.
16. Acts of State, or sovereign action, acts of nature, acts of war, civil disturbance are extraneous factors which can impact the Portfolio. The Client stands the risk of total loss of value of an asset which forms part of the Portfolio or its recovery only through an expensive legal process due to various factors which by way of illustration include default or non performance of a third party, investee company's refusal to register a Security due to legal stay or otherwise, disputes raised by third parties.
17. **Reinvestment Risk:** This risk arises from the uncertainty in the rate at which Cash flows from an investment may be reinvested. With respect to bonds, this is because the bond will pay coupons, which will have to be reinvested. The rate at which the coupons will be reinvested will depend upon prevailing market rates at the time the coupons are received.
18. **Non-Diversification Risk:** This risk arises when the Portfolio is not sufficiently diversified by investing in a wide variety of instruments. As mentioned above, the Portfolio will invest in Portfolio Companies operating in Real Estate sector.
19. **Mutual Fund Risk:** This risk arises from investing in units of mutual funds. Risk factors inherent to equities and debt Securities are also applicable to investments in mutual fund units. Further, scheme specific risk factors of each such underlying scheme, including performance of their underlying stocks, stock lending, off-shore investments etc., will be applicable in the case of investments in mutual fund units. In addition, events like change in fund manager of the scheme, take over, mergers and other changes in status and constitution of mutual funds, foreclosure of schemes or plans, change in government policies could affect performance of the investment in mutual fund units. In case of investments in mutual fund units, the Client shall bear the recurring expenses of the Services in addition to the expenses of the underlying mutual fund schemes. Hence, the Client may receive lower pre-tax returns compared to what he may receive had he invested directly in the underlying mutual fund schemes in the same proportions.
20. Prospective clients should review / study the Disclosure Document carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial / investment matters and are advised to consult their own professional advisor(s) as to the legal, tax, financial or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale or conversion into money) of Portfolio and to the treatment of income (if any), capitalization, capital gains, any distribution, and other tax consequences relevant to their Portfolio, acquisition, holding, capitalization, disposal (sale, transfer or conversion into money) of Portfolio within their jurisdiction of nationality, residence, incorporation, domicile etc. or



under the laws of any jurisdiction to which they or any managed funds to be used to purchase/gift portfolio of Securities are subject, and also to determine possible legal, tax, financial or other consequences of subscribing / gifting, purchasing or holding portfolio of Securities before making an investment.

21. The Portfolio Manager is neither responsible nor liable for any losses resulting from the Services.
22. The Client may not be able to avail of securities transaction tax credit benefit and/or tax deduction at source (TDS) credit and this may result in an increased incidence of tax on the Client. The Client may incur a higher rate of TDS / dividend distribution tax in case the investments are aggregated.
23. After accepting the Assets for management, the Portfolio Manager may not get an opportunity to deploy such Assets or there may be delay in deployment. In such a situation the Client may suffer opportunity loss.
24. Subsequent to the investment in the Portfolio Companies, these companies may admit other new investors at a price, which may be at a discount to the prevailing asset value of the Portfolio's investment. This may result in dilution of the value of the holdings of the Client. The valuation of such investments is subjective in nature. The value arrived at by the Portfolio Manager or an independent auditor may not reflect the actual worth of the investments.
25. Client will not be permitted to dispose of, sell, acquire, withdraw the funds / Client's Securities from the Portfolio (except to the extent permitted under the Agreement). In addition, they are not allowed to transfer any of the interests, rights or obligations with regard to the Portfolio except as may be provided in the Discretionary Portfolio Management Services Agreement and in the Regulations.
26. In case of early termination of the Discretionary Portfolio Management Services Agreement, where Client's Securities are reverted to the Client, additional rights negotiated by the Portfolio Manager with an investee company or its shareholders that were available while the Securities were held as part of the Portfolio may no longer be available to the Client.
27. The Client has perused and understood the disclosures made by the Portfolio Manager in the Disclosure Document and the risks disclosed therein.
28. Changes in Market Requirements may impact the performance of the Portfolio.
29. Approvals of the Government or regulatory bodies or local authorities may be required before certain investments can be made. The Portfolio Manager cannot be certain that these approvals will be obtained or be aware of the timeline for such approvals.
30. Persons who are associated with or related to the Portfolio Manager, including its promoters and/or any direct or indirect shareholders of the Portfolio Manager may from time to time become clients of the Portfolio Manager. Consequent to the above, the Portfolio Manager may manage funds of these entities, together with the funds of its other clients. While the Portfolio Manager will endeavor to avoid any situations where a conflict of interest may arise, in the event that the Portfolio Manager faces any such situation of conflict, then the Portfolio Manager shall exercise due care and professional judgment in order to ensure fair treatment to its clients.

31. There is a possibility of the Client, the Portfolio Manager and/or other clients of the Portfolio Manager being treated as persons acting in concert in terms of the Takeover Regulations and consequently, the Securities acquired / held by all such persons may be clubbed to determine the applicability of requirements under the Takeover Regulations, including disclosure requirements and the requirement to make an open offer for acquiring Securities from the public.
32. If the proposed arrangement of raising of funds from various clients and investing them in Portfolio Companies could be construed as an Association of Persons (AOP) in India under the provisions of the Income Tax Act, 1961, then any adverse tax consequence would be borne by the Client. The full tax impact of an investment under the Portfolio would depend upon the circumstances of each client individually and the additional peculiarities associated with respect to activities of each Portfolio Company. Prospective clients are therefore strongly urged to consult their tax advisors with specific reference to their own situations.
33. Changes in state and central taxes and other levies in India may have an adverse effect on the cost of operating activities of the Portfolio Companies. The Government of India, State Governments and other local authorities in India impose various taxes, duties and other levies that could affect the performance of the Portfolio Companies. An increase in these taxes, duties or levies, or the imposition of new taxes, duties or levies in the future may have a material adverse effect on the Portfolio's profitability. Furthermore, the tax laws in relation to the Portfolio are subject to change, and tax liabilities could be incurred by clients as a result of such changes. The full tax impact of an investment under the Portfolio would depend upon the circumstances of each client individually and the additional peculiarities associated with respect to activities of each Portfolio Company. Prospective clients are therefore strongly urged to consult their tax advisors with specific reference to their own situations.
34. **Inflation risk:** Inflation and rapid fluctuations in inflation rates have had, and may have, negative effects on the Indian economy, and the securities markets and Real Estate sector in particular. International crude oil prices and interest rates will have an important influence on whether economic growth targets in India will be met. Any sharp increases in interest rates and commodity prices, such as crude oil prices, could reactivate inflationary pressures on the local economy and negatively affect the medium-term economic outlook of India, and particularly the securities markets and Real Estate sector in India.
35. The Government has exercised and continues to exercise, substantial influence and control over many aspects of the private sector. In some cases, governments own or control many companies. The availability of investment opportunities for the Portfolio depends in part on Government continuing to liberalize its policies regarding foreign investment and to further encourage private sector initiatives. Accordingly, government actions in the future could have a significant effect on economic conditions, which could affect private sector companies and the prices and yields of portfolio investments.
36. The Portfolio Company may (i) co-invest with third parties through partnerships, joint ventures or other entities (ii) rely on independent third party management with respect to the operation of an investment or (iii) only acquire a participation in an asset underlying an investment and, as a result, may not be able to exercise control over the management of such investments.
37. Any act, omission or commission of the Portfolio Manager under the Discretionary Portfolio Management Services Agreement is solely at the risk of the Client and the Portfolio Manager

will not be liable for any act, omission or commission or failure to act save and except in cases of negligence, willful default and/or fraud of the Portfolio Manager.

38. The Client undertakes all responsibilities and agrees to bear all risks arising out of refusal by a Portfolio Company for whatever reasons, to register the transfer of any of the Securities in respect of the Client's account. The Securities which are so purchased and refused to be transferred in the name of the Client or the Portfolio Manager, will be sold by the Portfolio Manager, at the best available market rate, at the risk and responsibility of the Client concerned.
39. **Breaches of Investment Documents; Counter-Party Risks; etc.:** Under its investment documents with Portfolio Companies, the Portfolio Manager will seek to obtain typically seen contractual protections and covenants appropriate for the Portfolio investment in question. There can be no assurance that such protections or covenants will achieve their desired effect. Material misrepresentations or omissions or breaches of contracts on the part of a Portfolio Company or other obligors (including any credit support providers) may occur which will affect the Portfolio investments and their value. Further, the Portfolio Manager will rely upon the accuracy and completeness of representations made by Portfolio Companies and other obligors to the extent reasonable, but cannot guarantee such accuracy or completeness.
40. **Risks Associated with Convertible Instruments:** The Portfolio Manager may make investments in fully, partially or optionally convertible Securities that may be converted into or exchanged for a specified amount of equity instruments of the same or a different issuer within a particular period of time at a specified price or formula. Such convertible security entitles its holder to receive interest that is generally paid or accrued on debt until the convertible security matures or is redeemed, converted or exchanged. Convertible Securities have unique investment characteristics in that they generally have higher yields than equity, but lower yields than comparable non-convertible Securities, are less subject to fluctuation in value than the underlying equity due to their fixed-income characteristics, and provide the potential for capital appreciation if the market price of the underlying equity increases.
41. A convertible security may be subject to redemption at the option of the Portfolio Company issuing it at a price established in the investment documents. If a convertible security held in the Portfolio is called for redemption, the Portfolio Manager will be required to permit the Portfolio Company to redeem the security, convert it into the underlying equity or sell it to a third party. Any of these actions could have an adverse effect on the Portfolio Manager's ability to achieve the investment objective.
42. **Enforcement Risks:** The enforcement of security and/or contractual rights that may be obtained in respect of the Portfolio investments will involve actions in Indian courts or arbitral tribunals, and the Portfolio will be exposed to the delays in the Indian judicial system and arbitrations. In the normal course, such enforcement could take between 7 (seven) to 10 (ten) years.
43. Security provided by the Portfolio Company and/or other obligors will be subject to the risk of insolvency of such persons. In the case of liquidation of Portfolio Companies, to realize amounts, liquidation procedures in India are generally time consuming, complex and require permissions from various authorities, including courts and creditors, which may impair the ability of the Portfolio Manager to realize its returns upon such liquidation. For sale and realization of security through such winding-up proceedings, it is not uncommon for lenders being required to wait for 10 (ten) to 15 (fifteen) years. The Portfolio Manager will have the option of staying outside the scope of the winding up proceedings, and liquidating assets

specifically charged to them separately, but even this process does not usually provide a significant advantage.

#### **Sector Specific Risk Factors: Indian Real Estate market**

44. The market for Real Estate is, in general, less liquid than the market for Securities. In addition, Real Estate developments have often been mired in controversies on various grounds such as defective title to the land, alleged violation of zonal and legal regulations etc., resulting in long delays in the completion of such projects. If such problems were to occur in projects developed by the Portfolio Companies, it may adversely affect the value of the Portfolio investments.
45. Changes in various laws such as laws relating to ceilings on land holdings, rent control, zonal regulations and duties and taxes on sale, transfer and the holding of properties may affect the supply of and demand for Real Estate, thus affecting the value of the Portfolio investments.
46. Real Estate development is a highly competitive business that may involve significant risks for the Portfolio Companies and thus have an adverse effect on the Portfolio. These include the following:
  - a. The Indian Real Estate market is not very transparent. As a result, it may be difficult to determine market values for properties that are considered for purchase by a Portfolio Company. Consequently there can be no assurance that the Portfolio Manager would be able to readily set an appropriate value to investments proposed to be made;
  - b. There may be risks generally associated with changes in general or local market conditions, and the cyclical nature of the property markets. Any reduction in demand or increase in the supply of Real Estate or potential reduction in demand or increase in the supply of Real Estate (whether developed or undeveloped) may lead to periods of oversupply and result in lower sale prices. Newly developed Real Estate projects may be disproportionately affected by fluctuations in demand and supply;
  - c. The Real Estate (Regulation and Development) Act, 2016 (“**RE Act**”) aims to institutionalize transparency and accountability in real estate and housing transactions. The RE Act provides for establishment of state level regulatory authorities - the Real Estate Regulatory Authorities (the “**RERAs**”) and certain provisions of the RE Act are subject to additional rules or notifications issued by the RERAs and the relevant state governments. Therefore, the implementation of the RE Act may vary from one state to another, and this may have an adverse impact on some of the projects undertaken by the Portfolio Company(ies). The RE Act provides, inter alia that (a) projects with certain land area or having certain number of apartments must be registered with the RERAs, (b) such projects cannot be offered for sale by the promoters without such registration, (c) 70% (seventy percent) of the amounts realized for the project from allottees must be deposited in a separate bank account and used only to cover the cost of construction, and (d) developers are barred from effecting any changes to plans and designs of a project without the consent of two-thirds of the allottees. The RE Act therefore seeks to expand regulatory oversight and compliance and will apply to new projects as well as on-going projects. Therefore, the implementation of the RE Act could create significant transition issues such as customer litigations, delays, work stoppage, and increased costs to ensure compliance with the provisions of the RE Act.
  - d. The long lead times between project inception and completion may lead to well conceived projects becoming unviable due to changes in market conditions before project completion;

- e. The acquisition of Real Estate is subject to a wide variety of risks, including without limitation, risks related to status of title, environmental approvals, zoning laws, building codes or other laws. Properties may be acquired by Portfolio Companies with no recourse, or with limited recourse, with respect to unknown liabilities or conditions. Consequently if a property is subject to any liability, or if any adverse condition exists with respect to any property, the Portfolio Company may be required to pay substantial sums to settle or cure it, and this could adversely affect the return on investments for the Portfolio;
- f. Portfolio Companies may incur significant costs while bidding for projects which may be finally awarded to other bidders. Also projects may not materialize after significant costs have been sunk, thereby incurring costs on which no return is obtained;
- g. The Portfolio Company may invest in listed or unlisted Securities of an entity, holding undeveloped land and certain development properties. Such properties are exposed to greater risks and costs in comparison to the properties on which the development has already been completed. The Assets shall be exposed to such risks if the investment is made in Securities of such Portfolio Companies which have invested in such undeveloped land directly or indirectly;
- h. Cost and time overruns may occur during project development by Portfolio Companies. This may lead to increased costs, potential loss of purchasers and the possibility of defaults under financing arrangements between Portfolio Companies and their lenders, which may adversely affect the profitability of the Portfolio Company and consequently the ability of the Portfolio Company to distribute expected returns to the Portfolio;
- i. Performance of the Portfolio Companies may be dependent on the performance of third party contractors and Service Providers. Accordingly the failure of any third-party contractor or Service Provider may negatively affect the performance of Portfolio Companies;
- j. Regulatory approvals and consents of third parties, if any, required by Portfolio Companies developing such projects may cause significant delays in the project completion process, exacerbating the risk that changes in market conditions may render a project economically unattractive. There can be no assurance that any such approvals and consents will be obtained in a timely manner, if at all. In addition, regulatory enactments and pronouncements, including, but not limited to, various permitting or licensing requirements, or changes in their interpretation by the competent authorities, may limit the ability of Portfolio Companies to develop, manage or dispose of properties in a manner that would be most advantageous to the Portfolio;
- k. Subsequent to the investment in the Portfolio Companies, these companies may admit new investors at a price, which may be at a discount to the prevailing asset value and which may be below the value considered by the Portfolio Manager at the time of making the investment. The valuation of such investments is subjective in nature and the value arrived at by the Portfolio Manager or an independent auditor may not reflect the actual worth of the investments; and
- l. Focus will be on partnering with prominent established strong regional developers. The progress of developments underlying the Portfolio Manager's investments would depend on among other factors, the developer's / joint development partner's ability to procure resources and execute the project in a timely and cost efficient manner. As a consequence, Client would be subject to development execution risk. The Client may further face such risk in case of insolvency of any of the joint development partner.

47. **Title:** While the Portfolio Manager believes that reasonable due diligence investigations would be conducted prior to making a Portfolio investment, there can be no assurance that there will not be any defects or deficiencies in relation to such due diligence including any title due diligence. The method of documentation of land records in India has not been fully computerized and is mostly done manually with physical records of all land related documents physically updated. This could result in the updation process getting substantially delayed or being inaccurate in certain aspects. As a result thereof, the title of the real property in which the underlying assets might be invested in, or represent, may not be clear or may remain doubtful in absence of accurate or updated land records.
48. **Land Acquisition:** The property ownership rights in India are subject to the imposition of restrictions by the Government. The Government is vested with the right to acquire any land or part thereof if the same is for a 'public purpose'. Though the compensation fetched might not be at such a rate which the acquired property might have got if it were sold in the open market. This may have an adverse impact on the Portfolio.
49. **Environmental Laws:** The Indian Courts have time and again applied the "polluter pays" principle in the field of environmental law whereby the person, company or industry responsible for causing the pollution, through the use or disposal of hazardous or toxic substances harming the property, is liable to make good the damage caused to the property and the surrounding environment and compensate any victims thereof. Such presence of hazardous or toxic substances may adversely affect the performance of the Portfolio Manager investing in any underlying assets, which may be affected thereby.
50. **Rent Control:** The rent control laws of various states in India place restriction on the amount of rent that can be charged from the tenants. If a Portfolio investment is made in Securities wherein the underlying assets represents property that comes under the purview of rent control laws, then the same may adversely affect the returns which the Portfolio investment would generate and could have an adverse impact on the returns generated by the Portfolio.
51. **Litigation:** The properties in India are susceptible to litigation, which takes a long time to settle and is quite complex in nature. If any property / Security in which the Portfolio is invested and the same is / becomes subject to litigation, it could have an adverse impact on the performance of the Portfolio. Such litigation may in most cases, extend beyond the term of the Portfolio and therefore, significantly impair the ability of the Portfolio Manager to exit a Portfolio Company in a timely manner or for a suitable exit value. Litigation may be commenced with respect to projects in relation to activities that took place prior to the Portfolio Manager making a Portfolio investment. There may be limited or no recourse with respect to such unknown liabilities. As a result, if any such liability is asserted against the Portfolio Company, or if any adverse condition existed with respect to the projects, the Portfolio Company might be required to pay substantial sums to settle or cure it, and this could adversely affect the Cash flow and operating results of the Portfolio. Further, it could also adversely affect the security / Encumbrance created in relation to the Portfolio investments.
52. **Tenancy Risk:** The monetary inflows for the Portfolio could be impacted by the bankruptcy, insolvency or non-payment by the tenant for any other reasons.
53. **Use of Agricultural land:** Certain lands in India have been reserved for the purposes of carrying on agricultural activities only. In order to carry on any non-agricultural activities, prior permission of the relevant local authority is required. Hence, if a Portfolio Company does not get such permission for usage of agricultural land for non-agricultural use then the

Portfolio Company would not be able to carry out its plans and in turn it would affect the performance of the Portfolio.

54. **Investment risks:** As the Portfolio investments made by the Portfolio Manager will include unlisted Securities which are illiquid in nature, hence the risk involved in investing is quite more than the risk of investing in publicly listed Securities. Furthermore, many of the regulatory requirements are inapplicable to unlisted companies which may result in lesser investment protection initiatives and lack of disclosures.
55. **Development risks:** The Portfolio shall be subject to various development risks, delay in project risk, regulatory and various other legal risks. Development risks could be mitigated by providing an incentive structure to the developers for timely completion of the project. The development risks on integrated townships and SEZs would be high because of applicable political and regulatory regime. The same could lead to significant time and cost overruns. Also the delay in getting approvals for the projects in which the Portfolio Companies are bidding may also impact the performance of the Portfolio.
56. **Fluctuations in the Market:** The Real Estate operations of any Portfolio Company are subject to the performance of the Real Estate market in India generally and more particularly the markets in which its projects are located. The development of a Real Estate project takes a substantial amount of time and could be adversely impacted if there is a decline in prices over the timeframe of development and consequential sale. The investment made during the boom period and looking favorable may become a loss making proposition during the market recession. Hence there will always be a risk associated with the market cycle. Changes in government policies, local economic conditions, demographic trends, employment and income levels and interest rates, among other factors, may affect the Real Estate market and affect the demand for and valuation of the projects.
57. **Sector Risk:** The Portfolio investments will be subject to the risks incidental to the ownership, construction and operation of the Real Estate sector, including risks associated with the general economic climate, geographic or market concentration, the ability of the Portfolio Manager to manage the Portfolio investment, technical problems, financial failures of operating or construction sub-contractors, government regulations, and fluctuations in interest rates. Since Portfolio investments in the Real Estate sector, like many other types of long-term investments, have historically experienced significant fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of an investment (such reductions could be material) and adversely impact the Portfolio.
58. In addition, general economic conditions in relevant jurisdictions, as well as conditions of domestic and international financial markets, may adversely affect operations of the Portfolio Manager. With respect to Portfolio investments which involve real property, the Portfolio will incur the burdens of ownership of real property, which include the paying of expenses and ad valorem and other real property taxes, maintaining such property and any improvements thereon, exposure to liabilities, and ultimately disposing of such property. Further, in India, given the system of recording of title to property assets and the non-availability of title insurance, the risk of title defects may increase, where real property is acquired.
59. **Changes in Regulatory Policy:** Low interest rates on housing loans and favourable tax treatment of these loans have helped boost the recent growth of the Indian Real Estate market. High interest rates could discourage consumers from taking loans for acquiring Real Estate and thereby weaken the Real Estate market. Rising interest rates also increase cost of borrowings for the Portfolio Companies. Various provisions and norms imposed by the RBI in relation to

housing loans by banks and housing finance companies could reduce the attractiveness of the property, and the RBI or the Government of India may take further steps to reduce directly or indirectly the credit to the Real Estate sector, which may adversely affect the availability of housing loans at attractive rates. The use of home loans for residential properties has also become attractive due to income tax benefits. A change in fiscal, monetary or other policy or any withdrawal of such income tax benefits may adversely affect the operating results and financial condition of the Portfolio. These factors can negatively affect the demand for and valuation of projects of Portfolio Companies.

60. **Construction risk:** The development of properties includes a degree of risk associated with the construction of the asset, including the risk that a project may not be completed within budget, within the agreed timeframe and/or to the agreed specifications. The Portfolio Manager will seek to mitigate the exposure of the Portfolio by transferring some or all of such risks from the relevant Portfolio Company to the relevant construction contractors under the terms of the construction contract, including a requirement for payment of liquidated damages by the construction contractor. However, should any of the above risks materialise in relation to any Portfolio Company, they could have a material adverse effect on the value of the relevant Portfolio investment which could, in turn, have a corresponding effect on the financial position and/or its results of the Portfolio.
61. The Portfolio may remain at risk if, following construction completion, there exist site defects that were caused by the construction contractor and not discovered. There may be a limit to the liquidated damages available to the Portfolio Manager from the construction contractor, particularly in the event of the construction contractor's financial failure. Consequently the Portfolio Manager may not be able to recoup all damages/losses incurred as a result of a time delay or budget overrun.
62. **Construction Cost Risk:** Real Estate projects involve significant construction and development works with construction cost forming a major portion of the project capital expenditure. Construction cost is affected by the availability, cost and quality of raw materials. The principal raw materials include steel, cement, wood, sand, metal, glass and aluminium. The prices and supply of these and other raw materials depend on factors not under the control of the Portfolio Company, including general economic conditions, competition, production levels, transportation costs and import duties. If, for any reason, the Portfolio Company is unable to obtain such raw materials to in the required quantities and at prices that are competitive, its ability to meet its material requirements for its projects could be impaired, its construction schedules could be disrupted and it may not be able to complete its projects as per schedule. The Portfolio Company may also not be able to pass on any increase in the prices of these building materials to its customers. This could affect its results of operations and impact its financial condition.
63. **Delays in projects:** The construction of projects may face opposition from local communities, non government organisations and other parties. The construction of projects may become politicised and face opposition from the local communities where these projects are located and from special interest groups. In particular, the public may oppose the acquisition or lease of land due to the perceived negative impact it may have on such communities or on the environment. The Portfolio Company may in such cases incur significant expenditure on any such resettlement which may adversely affect its financial condition and results of operation.
64. **Competition risk:** The Portfolio Manager may invest in Portfolio Companies that construct or maintain and operate certain assets in the Real Estate assets in a highly-competitive environment. The Portfolio Manager will compete with other consortia and companies for



property and Real Estate related assets. These competitors, which include large construction and engineering groups and other financial investors, may have significant financial resources and may be able to present bids with competitive terms. As a result of such competition, the Portfolio Manager may have difficulty in making certain potential investments or the Portfolio Manager may be required to make investments on economic terms less favourable than anticipated. If the Portfolio Manager fails to make new investments or makes investments under less favourable terms, the financial condition and results of operations of the Portfolio Manager could be materially and adversely affected.

65. **Valuation Related Risks:** Property valuations generally may include a subjective determination of certain factors relating to the relevant project, such as their relative market positions, financial and competitive strengths and physical conditions. There can be no assurance that any Real Estate appraisals which are obtained by the Portfolio Manager will reflect the actual market values of the properties or that such values will not change over time. The appraised value of any of the projects is not an indication of, and does not guarantee, projected returns at present or in the future. The price at which the Portfolio Manager may dispose of a Portfolio investment may be lower than its appraised value as determined by independent valuers (though independent valuers would be reputed property consultants or such other competent organizations that can provide impartial reports on the value of the projects).
66. **Property tax and Other Similar Risks:** Real Estate projects are subject to property taxes that may increase from time to time. Any increase in property taxes and any other applicable taxes or levies will adversely affect the value of the Portfolio investment. Transactions involving Real Estate projects are also subject to stamp duties and other local or municipal taxes, which would differ from State to State, city to city and between municipal jurisdictions, depending on the location where Real Estate activities are carried out.
67. **Concentration Risk:** The Product may invest in single investment / asset for the clients who choose so. In such a case the returns of such client's portfolio will be directly linked to the returns on the said single investment / asset.
68. **Post Tax dues/litigations:** The Portfolio Manager may invest in a Portfolio Company which may have tax disputes/litigations or other contingent liabilities in respect of past years. Such tax disputes / litigations may arise after investment by the Portfolio. While Portfolio Manager exercises due diligence and due care to understand such disputes, they may adversely impact the returns of the Portfolio.

## 7. CLIENT REPRESENTATION:

### (i) Category of Clients

The details as given below are as on March 31, 2021\*:

Category of clients	No. of clients	Funds Managed	Discretionary/ Non - Discretionary
Associates/Group companies:			
March 31, 2021	NIL	N.A.	N.A.
March 31, 2020	NIL	N.A.	N.A.
March 31, 2019	NIL	N.A.	N.A.
March 31, 2018	NIL	N.A.	N.A.
Others (only active clients):			

March 31, 2021	NIL	N.A.	N.A.
March 31, 2020	NIL	N.A.	N.A.
March 31, 2019	NIL	N.A.	N.A.
March 31, 2018	NIL	N.A.	N.A.
<b>Total:</b>			
March 31, 2021	NIL	N.A.	N.A.
March 31, 2020	NIL	N.A.	N.A.
March 31, 2019	NIL	N.A.	N.A.
March 31, 2018	NIL	N.A.	N.A.

\*Since the Company is new in the business, the Company has no Clients.

## 8. RELATED PARTY TRANSACTIONS

### (i) Related Parties and their relationship

#### List of related parties as on March 31, 2020(last audited Balance Sheet)

##### Names of related parties and nature of relationship

#### (a) Holding Company:

ASK Investment Managers Limited ('ASKIM')\*

\*(Post internal restructuring exercise completed in August 2020, ASKIM is holding 49% stake in the Portfolio Manager and the remaining 51% stake is held jointly by Mr. Asit Koticha and Mr. Sameer Koticha by virtue of holding Class B Equity shares with differential voting rights.)

#### (b) Fellow subsidiaries:

ASK Wealth Advisors Private Limited  
 ASK Capital Management Pte. Limited  
 ASK Financial Holdings Private Limited  
 ASK Property Advisory Services Private Limited  
 ASK Trusteeship Services Private Limited  
 ASK Family Office and Investment Advisers Private Limited

#### (c) Enterprises owned, controlled or where significant influence can be exercised by key management personnel or their relatives where there are transactions:

ASK Foundation  
 ASK Real Estate Special Opportunities Fund  
 ASK Real Estate Special Opportunities Fund-II  
 ASK Real Estate Special Opportunities Fund-III  
 ASK Real Estate Special Opportunities Fund-IV  
 ASK Real Estate Special Situations Fund- I  
 ASK PIA Employment Benefit Trust II  
 ASK PIA Employment Benefit Trust III

#### (d) Key management personnel and Relative of Key management personnel:

Sameer Koticha  
 Amit Bhagat

Director  
 CEO & Managing Director

Sunil Rohokale  
Jyotin Mehta

Director  
Nominee Director

## Transactions with related parties

### Transactions with key management personnel

The table below describes the compensation to key management personnel which comprise directors and executive officers under Ind AS 24:

#### (a) Key management personnel compensation (Rs. In Lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
Short term employee benefits	313.47	274.98
-		
<b>Total compensation</b>	<b>313.47</b>	<b>274.98</b>

#### (b) Transactions with related parties

The Company's material related party transactions and outstanding balances with its subsidiaries with whom the Company routinely enters into transactions in the ordinary course of business.

Transactions with related parties are as follows:

(Rs. In Lacs)-						
Sr. No.	Nature of Transactions	Year ended March 31	Holding Company	Fellow Subsidiaries	KMP/ KMP exercising significant influence/ Close member of KMP	Entities where the reporting entity exercises significant influence
1	Services received	2020	269.60	217.00	-	-
		2019	236.15	426.10	-	-
2	Services rendered	2020	13.96	131.55	-	3,748.24
		2019	14.03	219.10	-	4,413.13
3	ESAR	2020	53.97	-	-	-
		2019	89.91	-	-	-
4	Managerial remuneration (refer note 1 and 2)	2020	-	-	313.47	-
		2019	-	-	274.98	-
5	Loans Received	2020	50.00	-	-	-
		2019	-	-	-	-

6	Loans repaid	2020	50.00			
		2019	-			
7	Interest on loans	2020	0.01			
		2019	-			
8	Other transactions:					
	Reimbursements of other costs	2020	9.55	0.09	-	-
		2019	6.34	0.81	-	-
	Donation	2020	-	-	-	12.78
		2019	-	-	-	-
	Recovery of expenses	2020	102.55	-	-	150.99
		2019	23.10	2.58	-	113.70
	Bad Debts	2020	1.02	-	-	-
		2019	-	-	-	-
9	Payable	2020	-	465.66	0.04	-
		2019	-	390.21	4.14	-
10	Receivable	2020	129.82	83.40	-	2,635.60
		2019	188.32	191.66	-	2,842.37
11	Investments (at cost)	2020	-	-	-	949.85
		2019	-	-	-	700.45

**Note:**

1. The future liability for gratuity and compensated absences is provided on an actuarial basis for the Company as a whole, accordingly the amount pertaining to KMP's is not ascertainable separately, and not included above.
2. Managerial remuneration includes bonus on accrual basis.
3. During the year, remuneration paid by the Company to its managerial personnel was in excess of the limit prescribed under section 197 read with schedule V of the Companies Act 2013. To comply with requirements of the section 197 of the Act, shareholders of the Company has approved this excess remuneration by a special resolution at its extra ordinary general meeting held on 14 May 2019.

**c) Terms and conditions of transactions with related parties**

The transactions with related parties are made on arm's length basis. Outstanding balances at the period/year end are unsecured and settlement occurs in cash.

**9. THE FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER (BASED ON LAST AUDITED FINANCIAL STATEMENTS): (Rs. in Lacs)**

Particulars	F.Y. 2019-20	F.Y. 2018-19	F.Y. 2017-18
Profit / (Loss) Before Depreciation & Taxation	1,691.69	2,192.11	1,149.33
Net Profit / (Loss) after Depreciation & Taxation	1,223.33	1,559.17	785.27
Shareholder's Funds			
Share Capital	2,537.87	2,537.87	2,537.87
Reserves & Surplus	7,471.38	6,182.75	4,554.47

**10. PORTFOLIO MANAGEMENT PERFORMANCE: Not Applicable**

**11. CONFLICTS OF INTEREST**

The Portfolio will be subject to conflicts of interest relating to Portfolio Manager, and various other affiliates, associated companies, or group companies' directors, officers and employees of the Portfolio Manager (collectively the **"Relevant Parties"**), which are engaged in a broad spectrum of activities in the financial sector.

Some of the potential conflicts of interest are outlined below:

1. Portfolio Manager and the Relevant Parties may provide services such as Real Estate consulting, broking and valuation services to the institutional or retail clients interested in the Indian Real Estate sector. It may in the ordinary course of business also invest in, acquire, deal in and dispose of Real Estate assets or invest in companies which acquire, deal in or dispose of Real Estate assets. The Portfolio Manager may also advise the Relevant Parties to invest in such companies.
2. The Relevant Parties may have pre-existing relationships with a significant number of companies in which Portfolio Manager may invest. The Portfolio Manager may take into consideration these relationships with respect to the management of the Portfolio. For instance, there may be certain investments that the Portfolio Manager will not undertake in view of such relationships.
3. The Relevant Parties may represent potential buyers of businesses through their mergers and acquisition activities and may provide lending and other related financing services in connection with such transactions. When the Relevant Parties represent a buyer seeking to acquire a company, the Portfolio Manager may be limited or precluded during the term of such representation from investing in or selling Securities issued by such a company. In that case, certain conflicts of interest would be inherent in the situation, including those involved in negotiating a purchase price.
4. There could be multiple portfolios under the management of Real Estate investment team of the Portfolio Manager and the Relevant Parties, thereby presenting possibility of conflict of interest in allocating investment opportunities amongst the various portfolios. The Portfolio Manager will endeavor to resolve any such conflicts in a reasonable manner taking into account, amongst other things, the investment objectives and policies of each portfolio, the remaining unfunded commitment, the level of diversification of each portfolio, and the basis on which prior conflicts in allocating investment opportunities have been resolved. However,

there can be no assurance that the Portfolio shall be allocated any particular investment opportunities that are identified by the Portfolio Manager. Furthermore, the Portfolio Manager shall have the right, at its discretion, to allocate any investment opportunities to other portfolio or to their own portfolio.

5. The Portfolio Manager may also advise other portfolio managers or venture capital funds to invest in companies which acquire, deal in or dispose of Real Estate assets.
6. Subject to compliance with the transparent disclosure standards and adherence with the valuation norms, the Portfolio Manager may invest in any of the projects of ASK group companies strictly on an arm's length basis ensuring that the interest of the Client is not prejudiced in making such investments and any conflicts are managed by complying with the applicable laws and acting in good faith. Also, any such investments by the Portfolio Manager would only be done as a co-investment along with some other reputed Real Estate fund/investment vehicle not related to the ASK group.
7. The Portfolio Manager may offer (without any obligation to do so), co-investment opportunities to invest alongside the Portfolio, to one or more of the Relevant Parties, or any other funds or third parties on a case-by-case basis in circumstances that the Relevant Parties at its discretion deems appropriate and subject to any terms and conditions that it deems necessary, provided that no such co-investment opportunities shall be offered on more favourable terms than available to the Portfolio.
8. Subject to compliance with applicable laws and regulations, the Portfolio Manager may undertake purchase or sale of securities between the Portfolio Managers own accounts and clients accounts or between two client/portfolio accounts at the prevailing market price.
9. There could be conflict of interest in transfer of investments/ Real Estate assets inter-se amongst the portfolios under the management of Real Estate investment team of the Portfolio Manager. The Portfolio Manager will endeavor to resolve any such conflicts in a reasonable manner taking into account, amongst other things, the investment objectives and policies of each portfolio, the remaining unfunded commitment, the level of diversification of each portfolio, and the basis on which prior conflicts in allocating investment opportunities have been resolved. However, the Portfolio Manager shall have the right, at its discretion, to transfer any investments from one portfolio to other.

Conflicts of interest would be inherent between the activities of the Portfolio Manager and the Relevant Parties. It is intended for such conflicts to be managed primarily by complying with the Applicable Law, acting in good faith to develop equitable resolutions of known conflicts and developing policies to reduce the possibilities of such conflict. The Portfolio Manager shall endeavor to ensure that these conflicts do not work to the detriment of the interests of the Client; however there can be no assurance that they will be able to do so in all instances. Also, any investments by the Portfolio Manager in the projects of ASK group companies would only be done as a co-investment along with some other reputed Real Estate fund/investment vehicle not related to the ASK group.

## **12. NATURE OF EXPENSES**

**[i] Investment management and advisory fees:**

**[ii] Custodian Fees:**

**[iii] Registrar and transfer agent charges:**

**[iv] Brokerage and transaction cost:**

## **Fees and Charges for “ASK Commercial Real Estate Portfolio Series 1”**

Given below are the various fees and charges payable by the Client (and deducted by the Portfolio Manager from the Funds) in relation to the Client’s investment in ASK Commercial Real Estate Portfolio Series 1. All fees are excluding any indirect taxes applicable thereon. The expense structure below is subject to revisions on a prospective basis with the written consent of the Client.

	<b>Nature of Fees and frequency of levy</b>	<b>Amount (INR) / %</b>
1.	<b><u>Account Opening Fee</u></b> One-time fee charged upon selection by the Client of this Product by execution of the Discretionary Portfolio Management Services Agreement and the Product Schedule appended to it.	Please refer to Discretionary Portfolio Management Services Agreement
2.	<b><u>Management Fee</u></b> For the first year of the investment, Management Fee would be charged in advance for the whole year; and for the second year (and thereafter) of the investment, Management Fee would be charged quarterly in advance.	Please refer to Discretionary Portfolio Management Services Agreement
3.	<b><u>Performance Fee</u></b> No Performance Fee shall be payable prior to the earlier of: (i) the end/termination of the Product Term or Term, whichever is earlier, (ii) the date on which the entire Capital Commitment has been drawn down by the Portfolio Manager, and (iii) the date on which the Client withdraws all the Assets. The Client shall bear all applicable indirect taxes on the Performance Fee.	Please refer to Discretionary Portfolio Management Services Agreement
4.	<b><u>Transaction Charges</u></b> Transaction charges are charges incurred by the Portfolio Manager in the process of executing transactions for the Client, and payable by the Client quarterly. For example: <ul style="list-style-type: none"> <li>▪ <b>Registrar and transfer agent charges:</b> Charges payable to registrars and transfer agents in connection with effecting transfer of Securities of the Client, including stamp charges, service charge, cost of affidavits, notary charges, postage stamp and courier charges;</li> <li>▪ <b>Brokerage and transaction costs:</b> Brokerage charges, stamp duty, and other transaction costs such as securities transaction tax (STT), turnover tax, exit and entry loads on the purchase and sale of shares, stocks, bonds, debt, deposits, units and other financial instruments;</li> <li>▪ <b>Intermediary costs:</b> (i) Depository Participant charges, (ii) charges of the Custodian for all services to the Client, including safekeeping of Funds and Portfolio, (iii) bank charges, and (iv) other payments made to Intermediaries of securities market;</li> <li>▪ <b>Certification and professional charges:</b> (i)</li> </ul>	Charged at actuals.

	<p>Charges such as consultancy charges, service charges and retainership fees payable for outsourced professional services like accounting, audit, taxation and legal services; (ii) expenses in relation to valuations, certifications and attestations required by bankers or regulatory authorities, connected with the execution, recording and settlement of Portfolio transactions; (iii) insurance premiums; and (iv) such other expenses, duties and charges incurred on behalf of the Client;</p> <p>▪ <b>Other expenses:</b> Due diligence expenses in connection with the Assets; charges in connection with courier expenses, stamp duty, registration charges, service tax, postal, telegraphic, opening and operation of Bank Account(s) etc.; and all other costs, expenses, charges, levies, duties, administrative, statutory, revenue levies and other incidental costs, fees, expenses not specifically covered above and arising out of or in the course of managing or operating the Assets.</p>	
5.	<p><b><u>Termination Fee</u></b></p> <p>Termination Fee is charged if the Client chooses to redeem the investments made prior to the end of the Product Term.</p>	Please refer to Discretionary Portfolio Management Services Agreement
6.	<p><b><u>Default Interest</u></b></p> <p>The Portfolio Manager may charge interest on the overdue amount from the due date until the date of payment and/or offset amounts otherwise distributable to the Client against such interest at quarterly interval.</p>	Please refer to Discretionary Portfolio Management Services Agreement
<p><b>Note for all portfolio fee structures:</b> The above stated fee structure for all the concepts/portfolios represent the maximum and general fees applicable currently for the respective portfolios. Portfolio Manager reserves the right to charge lesser fees or such customized fees within the stated range or waive off upfront &amp; termination fees under each concept/portfolio at its sole discretion.</p>		

## 13. TAXATION

### 1. General

This summary on Indian tax matters contained herein is based on existing law as on the date of this memorandum. No assurance can be given that future legislation, administrative rulings or court decisions will not significantly modify the conclusions set forth in this summary, possibly with retroactive effect. In view of the nature of tax consequences, each client is advised to consult their respective tax advisor with respect to the specific tax consequences to the client arising from participation in the investment approaches. Clients are best advised to take independent opinion from their tax advisors/ experts for any income earned from such investments.



The following is a summary of certain relevant provisions of the Income-tax Act, 1961 ('ITA') as amended by the Finance Act, 2021 ('Finance Act') read along with Income-tax Rules, 1962, ('Rules') and various circulars and notifications issued thereunder from time to time.

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

Further, the statements with regard to benefits mentioned herein are expressions of views and not representations of the Portfolio Manager to induce any client, prospective or existing, to invest in the portfolio management schemes of the Portfolio Manager. Implications of any judicial decisions/ double tax avoidance treaties etc. are not explained herein. Clients should not treat the contents of this section of the Disclosure Document as advice relating to legal, taxation, investment or any other matter. In view of nature of the tax benefits, interpretation of circulars for distinguishing between capital asset and trading asset, etc., the client is advised to best consult their own tax consultant, with respect to specific tax implications arising out of their portfolio managed by the Portfolio Manager. This information gives the direct tax implications on the footing that the securities are/ will be held for the purpose of investments. In case, the securities are held as stock-in-trade, the tax treatment will substantially vary and the issue whether the investments are held as capital assets or stock-in-trade needs to be examined on a case to case basis. There is no guarantee that the tax position prevailing as on the date of the Disclosure Document/ the date of making investment shall endure indefinitely.

The Portfolio Manager accepts no responsibility for any loss suffered by any client as a result of current taxation law and practice or any changes thereto. 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.

## 2. Tax Rates

The tax rates stated in this tax chapter are exclusive of surcharge and health and education cess (unless stated otherwise).

The tax rates are applicable for the financial year 2021-22. The rate of surcharge and health and education cess are as under:

2.1 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 is more than 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%
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**Note 1:** In the case where the total income includes any income referred to in Section 111A or Section 112A of the ITA, surcharge on such income shall not exceed 15%.

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

**Note 3:** In the case of a resident investor, where the total income includes dividend income, 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 INR 1Crore	If income exceeds INR 1 crore but less than INR 10 Crores	If income exceeds INR 10 Crores
Partnership firm (Domestic and foreign)	Nil	12%	12%
Domestic Company	Nil	7%	12%
Foreign Company, including FPI incorporated as a company	Nil	2%	5%

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

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

Total Income (Refer notes below)	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 upto INR 5,00,000 for resident individual assessee.

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

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

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

**3. It is envisaged that a portfolio investor, including an FPI, could earn the following streams of income from investments made in the portfolio investments:**

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

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

**5.1. Dividend income on shares**

Per the amendments made by the Finance Act 2020, the Indian Company declaring dividend on or after 1 April 2020, is not required to pay any Dividend Distribution Tax ('DDT') on dividend distributed/ paid/ declared to its shareholders. The dividend income is now taxable in the hands of the shareholders under section 56 of the ITA under the head 'Income from Other Sources' at the applicable rates (except where DDT and tax under section 115BBDA of the ITA has been paid). 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.

The Indian company declaring dividend is required to deduct tax at the rate of 10% (in case of payment to resident investors) and at specified rates/ rates in force (in case of payment to non-resident investors). In case, the dividend income is paid to an FPI, the rate of tax deduction as per section 196D of the ITA is 20% subject to availability of benefits under the double taxation avoidance agreement ('Tax Treaty'), if any.

Per the amended provisions, the dividend income (net of deductions, if any) is taxable at the following rates:

**Resident investors**

<b>Dividend income earned by</b>	<b>Tax rate for domestic investors</b>
Resident companies (Refer Note 1 and 2)	30%
Resident Firms / LLPs	30%
Resident Individuals/ HUFs/ AOP/ BOI (Refer Note 3)	30%

**Note 1:** The Finance Act, has reduced the tax rates to 25% in the case of domestic companies having total turnover or gross receipts not exceeding INR 400 crores in the Financial Year 2019-20.

**Note 2:** 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 is 22% and 15% respectively, 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. Per the said section, Individuals and HUF may have an option to pay tax on their total income at the reduced tax rates. The income would, however, have to be computed without claiming prescribed deductions or exemptions. At present, the highest slab rate has been captured.

#### Non-resident investors

Dividend income (net of deductions, if any) is taxable in the hands of the non-resident investors at the rate of 20% under the ITA. However, this rate is subject to the tax rate specified in the Tax Treaties of the respective jurisdictions of the investors and subject to applicable conditions.

#### 5.2. Interest income on debt securities

##### Resident investors

Interest income earned by	Tax rate for domestic investors
Resident companies (Refer Note 1 and 2)	30%
Resident Firms / LLPs	30%
Resident Individuals/ HUFs/ AOP/ BOI (Refer Note 3)	30%

**Note 1:** The Finance Act, has reduced the tax rate to 25% in the case of domestic companies having total turnover or gross receipts not exceeding INR 400 crores in the Financial Year 2019-20.

**Note 2:** 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 is 22% and 15% respectively, 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, Individuals and HUF have an option to pay tax on their total income at the reduced tax rates. The income would, however, have to be computed without claiming prescribed deductions or exemptions. At present, the highest slab rate has been captured.

#### Non-resident investors

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 apply to the extent they are more beneficial.

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

The Indian company paying interest is required to deduct tax at the rates in force in case of payment to resident/ non-resident investors. In case, the interest income is paid to an FPI, the rate of tax deduction as per section 196D of the ITA is 20% subject to availability of benefits under the Tax Treaty, if any.

### 5.3. Gains on sale of securities

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

- (a) Intention at the time of acquisition - capital appreciation;
- (b) Low transaction frequency;
- (c) Long period of holding;
- (d) Shown as investments in books of accounts (not stock in trade);
- (e) Use of owned funds (as opposed to loan) for acquisition;
- (f) Main object in constitution document is to make investments;
- (g) Higher level of control over the investee companies; amongst others.

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, as regards the securities sold within 12 months there is a risk that the tax officer could characterise the said income as 'Profits and gains from business or profession'.

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 (for which no formal market exists for trading) would be treated as 'Capital Gain' 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:

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

#### Gains characterised as capital gains

The ITA, provides for a specific mechanism for computation of capital gains. Capital gains are computed by deducting from the sale consideration, the cost of acquisition and certain other expenses. The tax payable on capital gains depends 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 are treated as short-term or long-term capital gains. The taxability of capital gains is discussed below:

Type of instrument	Period of holding	Characterisation
Listed Securities (other than a unit), units of equity-oriented mutual funds, units of Unit Trust of India and Zero- Coupon bonds	More than twelve (12) months	Long-term Capital Asset
	Twelve (12) months or less	Short-term Capital Asset
Shares of a company (other than shares listed on a recognised stock exchange)	More than twenty-four (24) months	Long-term Capital Asset
	Twenty-four (24) or less	Short-term Capital Asset
Other securities	More than thirty-six (36) months	Long-term Capital Asset
	Thirty-six (36) months or less	Short-term Capital Asset

Taxability of capital gains under the ITA (without considering the benefits under the Tax Treaty for non-resident investors) are be as follows:

Sr. No	Particulars	Resident investors	Non-resident investors [Note 1]	FPI
		Tax rate (%) excluding applicable surcharge and health and education cess		
1	Short-term capital gains on transfer of listed equity shares or units of an equity oriented mutual fund chargeable to Securities Transaction Tax ('STT')	15%	15%	15%
2	Any other short-term	30%	30% (in case of	

	capital gains	[Note 2]	firms/LLP/foreign non-corporates) / 40% (in case of foreign company) (assumed highest slab rate for individuals)	30%
3	Long-term capital gains on transfer of: listed equity shares on which STT has been paid both at the time of acquisition and sale of such shares; and units of equity oriented mutual fund on which STT has been paid on transfer [Note 3]	10% [Note 4] [on income in excess of INR 1 lakh]	10% [Note 4] [on income in excess of INR 1 lakh]	10% [Note 4] [on income in excess of INR 1 lakh]
4	Long-term capital gains on sale of listed bonds or listed debentures	10% (without indexation) [Note 5]	10% (without indexation) [Note 5]	10% [Note 4]
5	Long-term capital gains on transfer of unlisted bonds or unlisted debentures	20% (without indexation)	10% [Note 4 and 5]	10% [Note 4]
6	Long-term capital gains on transfer of unlisted securities (other than unlisted bonds and unlisted debentures) [Note 6]	20% (with indexation)	10% [Note 4 and 5]	10% [Note 4]

Note 1:

In case, the investments are made by Non-resident Indians, then such investors are entitled to be governed by the special tax provisions under Chapter XII-A of the ITA.

Note 2:

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 Financial Year 2019-20), the tax rate is 25%.

Also, 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%.

The Finance Act, 2020, has inserted a new section 115BAC in the ITA. Per the said section, Individuals and HUF have an option to pay tax on their total income at the reduced tax rates. The income would, however, have to be computed without claiming prescribed deductions or exemptions.

Note 3:

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

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

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

Note 4:

Without considering indexation and foreign exchange fluctuation benefit.

Note 5:

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

Note 6:

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.

5.4. Gains are characterised as 'business income'

If the gains are characterised as business income, then the same is 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 INR 400 crores in the Financial Year 2019-20. Kindly note, we have assumed highest rate for resident individual investors. Also, 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% subject to fulfillment of certain conditions.



If the gains are characterised as business income, then the same are 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% is levied.

#### 5.5. Premium on redemption:

There are no specific provisions contained in the ITA, with regard to the characterisation of the premium received on redemption of debentures. Redemption premium earned on account of redemption of Non-Convertible Debentures/ Optionally Convertible Debentures, may be classified as capital gains or interest. The characterisation of premium on redemption of debentures as interest or a capital receipt has to be decided based on factors surrounding the relevant case and within the framework of the following features:

- The term of the loan,
- The rate of interest expressly stipulated for (whether at arm's length, whether contains premium over risk free rate of return, etc.),
- The nature of the risk undertaken:
- Interest rate risk (e.g. Changes in prevailing market interest rates)
- Capital risk (e.g. Risk of loss of capital)
- Industry risk (real estate being quite volatile sector)
- Limited Exit Opportunities (e.g. Redemption option at the end of the 37th month and limitations with respect to purchaser in the open market)
- Country risk (e.g. economic risks - slowdown in economic growth or macro-economic imbalances, political instability and related risks, laws and tax related risks - retrospective amendments)
- Currency risk - adverse change in exchange rate

In order to characterise the redemption premium as capital gains, one need to demonstrate and substantiate (with requisite documentation) that any premium paid is on account of above referred risks. Preferable, one should be able to provide broad bifurcation of premium against each category of risk.

Where redemption premium is classified as capital gains, the same is taxable at the rate specified against capital gains. If redemption premium is classified as interest, it is taxable at the rate specified against interest.

#### 5.6. Proceeds on buy-back of shares by a domestic company

Per section 10(34A) of the ITA, gains arising on buy back of shares are exempt in the hands of investors. However, per section 115QA of the ITA, a distribution tax at the rate of 20% is payable by an Indian company on distribution of income by way of buy-back of its shares where the buy-back is in accordance with the provisions of the Companies Act, 2013. Such distribution tax is payable on the difference between consideration paid by such Indian company for the purchase of its own shares and the amount that was received by the Indian investee company at the time of issue of such shares, determined in the manner prescribed. In this regard, CBDT *vide* its notification dated 17 October 2016 prescribed final buyback rules by inserting new Rule 40BB to

the Rules for determination of the amount received by the Indian company in respect of issue of shares.

The above provision also applies in the case of buyback of shares listed on a recognised stock exchange.

#### **4. Other tax considerations**

##### **6.1 Advance tax instalment obligations**

It will be the responsibility of the investors to meet the advance tax obligation instalments payable on the due dates prescribed under the ITA.

##### **6.2 Tax deduction at source**

###### *Section 206AA of the ITA*

The income tax provisions (section 206AA of the ITA) provide that where a recipient of income (who is subject to withholding provisions) does not furnish its Permanent Account Number ('PAN'), then tax is required to be deducted by the payer at the higher of the following i.e., (i) rates specified in the relevant provisions of the ITA; (ii) rates in force; or (iii) at 20%.

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

###### *Section 206AB of the ITA*

The Finance Act, 2021 has introduced a new provision - section 206AB in the ITA for deducting tax at higher rates on payments made to non-filers of income-tax returns. Section 206AB of the ITA applies where any sum or income or amount is paid, or payable or credited, by a person to a specified person and tax is required to be deducted at source as per provisions of the ITA (except under sections 192, 192A, 194B, 194BB, 194LBC or 194N of the ITA).

Specified person shall not include a non-resident who does not have a permanent establishment in India.

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

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

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

#### *Withholding tax on purchase of goods*

The Finance Act, 2021 has introduced a new provision - section 194Q in the ITA. The section provides that any person (i.e. buyer) who is responsible for paying any sum to any resident (i.e. seller) for the purchase of any goods (likely to include shares and securities) of the value or aggregate of such value exceeding INR 50 lakhs in any previous year, shall deduct an amount equal to 0.1% of such sum exceeding INR 50 lakhs. The buyer shall be required deduct such tax at the time of credit of such sum to the account of the seller or at the time of payment thereof by any mode, whichever is earlier.

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

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

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

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

#### *Collection of tax at source*

Section 206C(1H) of the ITA mandates a seller to collect tax at source at the rate of 0.1% of the consideration value of the goods (likely to include shares and securities) sold exceeding value of INR 50 lakhs. The seller has been defined to mean a person whose total sales, gross receipts or turnover from the business carried on by him exceeds INR 10 crores during the specific earlier year. If the buyer does not provide PAN or Aadhaar number to the seller, then the tax rate would be 1% (section 206CC). In a situation, where the buyer is liable to undertake withholding obligations and has undertaken the said obligation, the seller will not be liable to collect tax at source.

Having said the above, the CBDT *vide* its Circular dated 29 September 2020, stated that the provisions of 206C(1H) shall not apply to transactions in securities and commodities which are traded through recognized stock exchanges.

The Finance Act, 2021, has proposed a new section (i.e. section 206CCA) which is to be effective from 1 July 2021. *Vide* this section, tax will be required to be collected at the higher of the i.e., (i) rates specified in the relevant provisions of the ITA; or (ii) at 5% (five per cent) by a person at the time of receipt of any sum from a specified person. In this context, the term 'specified person'

means a person who has not filed the tax returns for the specific defined past two years and the tax withheld and tax collected at source is INR 50,000 or more for the said two years. Further, the specified person to not include a non-resident who does not have a permanent establishment in India.

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

Applicability of these provisions in the case of cross-border or offshore transactions to be evaluated on a case to case basis.

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

### 6.3 Foreign Portfolio Investors

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 are taxable at the rates mentioned in paragraph 3.3 above.

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

Per section 196D of the ITA, no deduction of tax is made from any income by way of capital gains arising from the transfer of securities referred to in section 115AD which is payable to FPI. However, tax shall be deducted under section 196D of the ITA with respect to interest income (other than referred to in section 194LD of the ITA) and dividend income at the rate of 20%.

These tax rates are subject to the rates specified in the applicable tax treaties and subject to fulfillment of conditions specified therein and under the ITA for availing such benefits.

### 6.4 Tax Treaty Benefits for Non-Resident investors

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

Per the Finance Act 2020, section 90(1) of the ITA is amended to provide that the Central Government may enter into 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. This chapter does not discuss the tax

implications applicable to the non-residents under a beneficial Tax Treaty, which would need to be analysed separately based on the specific facts.

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

#### 6.5 Tax Residency Certificate ('TRC')

In order to claim Tax Treaty benefits, the non-resident investors have to obtain the TRC as issued by the relevant authorities of its home jurisdiction. Further, the non-resident investors are required to furnish such other information or document as may be prescribed. In this connection, the CBDT *vide* its notification dated 1 August 2013 had prescribed certain information in Form No. 10F to be produced along with the TRC, if the same does not form part of the TRC.

The tax authorities may grant Tax Treaty benefit (after verifying the TRC) based on the facts of each case.

#### 6.6 Non-resident investors (including FPI):

A non-resident investor is 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.

Per Section 6 of the ITA, a foreign company is 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 qualifies as a resident of India for tax purposes and consequently, its worldwide income is taxable in India. In this connection, the CBDT issued a notification dated 22 June 2018, prescribing special provisions regarding taxation of foreign companies which are regarded as residents in India on account of its POEM being in India. Further, the foreign company might also not be entitled to claim the benefits of a Tax Treaty between India and the country of residence of the foreign company.

The CBDT had *vide* its Circular dated 24 January 2017, issued guiding principles for determination of POEM of a Company ('POEM Guidelines'). The POEM guidelines lay down emphasis on POEM concept being 'substance over form' and further provides that place where the management decisions are taken would be more important than the place where the decisions are implemented for determining POEM.

The CBDT had *vide* circular dated 23 February 2017, clarified that provisions of Sec 6(3)(ii) relating to POEM do not apply to companies having turnover or gross receipts less than or equal to INR 50 crores during the Financial Year.

Per section 90(2) of the ITA, the provisions of the ITA 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 GAAR provisions discussed below).

Per the Finance Act 2020, section 90(1) of the ITA is amended to provide that the Central Government may enter into 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).

However, no assurance can be provided that the Tax Treaty benefits will be available to the non-resident investor or the terms of the Tax Treaty will not be subject to amendment or reinterpretation in the future. The taxability of such income of the non-resident investor, in the absence of Tax Treaty benefits or where the non-resident investor is from a country with which India has no Tax Treaty, would be as per the provisions of the ITA.

#### 6.7 STT:

STT is applicable on various transactions as follows:

- (a) 0.10% on the purchase of equity shares in a company and units of business trust on a recognised stock exchange in India where the contract for purchase is settled by the actual delivery or transfer of shares;
- (b) 0.10% on the sale of equity shares in a company or sale of units of a business trust on a recognised stock exchange in India where the contract for sale is settled by the actual delivery or transfer of shares;
- (c) 0.001% on the sale of units of equity oriented funds on a recognised stock exchange in India where the contract for sale is settled by the actual delivery or transfer of units
- (d) 0.025% on the sale of equity shares in a company or units of equity oriented funds or units of a business trust on a recognised stock exchange in India where the contract for sale is settled otherwise than by the actual delivery or transfer of shares or unit;
- (e) 0.01% on the sale of futures in securities;
- (f) 0.05% on the sale of options in securities;
- (g) 0.125% of the difference between the strike price and settlement price of the option, where the options are exercised;
- (h) 0.001% on the sale of units of equity oriented fund to the Mutual Fund.
- (i) 0.2% on sale of unlisted equity shares under an offer for sale

#### 6.8 Receipt of any property at a value below fair market value

In case, a resident subscribes to the shares of an Indian closely held company at a premium and the total consideration for subscription exceeds the face value of such shares, the difference between the total consideration for subscription and FMV of such shares is considered as income from other sources. The same would be subject to tax in the hands of the investee companies under section 56(2)(viib) of the ITA.

For the above purposes, the FMV of shares is determined as per detailed rules prescribed or as may be substantiated by the company to the satisfaction of the tax officer based on the value of assets and liabilities, whichever is higher.

#### 6.9 Transfer of unquoted shares at less than fair market value

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 is 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.

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

#### 6.10 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 is taxable in the hands of the recipient as 'Income from Other Sources'. The tax rates are 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 ITA.

Per the Finance (No.2) Act, 2019, the provision of section 56(2)(x) of the ITA do not apply to any sum of money or any property received by such class of persons and subject to fulfillment of conditions as may be prescribed.

Such deemed income is chargeable to tax (i) at the rate of 30% in case of resident investors (assuming highest slab rate for resident individual) (ii) at the rate of 40% in case of foreign companies and (iii) at the rate of 30% in case of non-resident (assuming highest slab rate for non-resident individual).

In the case of domestic companies having total turnover or gross receipts not exceeding INR 400 crores in the Financial Year 2019-20, the tax rate is 25%. 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% depending on fulfillment of certain conditions and their nature of business.

The Finance Act 2020 has inserted a new section 115BAC in the ITA. Per the said section, Individuals and HUF have an option to pay tax on their total income at the reduced tax rates. The income would, however, have to be computed without claiming prescribed deductions or exemptions.

#### 6.11 GAAR:

The GAAR regime as introduced in the ITA is effective from April 1, 2017. GAAR may be invoked by the tax authorities in case arrangements are found to be impermissible avoidance arrangements.

A transaction can be declared as an impermissible avoidance arrangement, if the main purpose of the arrangement is to obtain a tax benefit and which satisfies one of the four below mentioned tainted elements:

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

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

- Disregarding or combining or recharacterising any step in, or a part or whole of the arrangement;
- Ignoring the arrangement for the purpose of taxation law;
- Relocating place of residence of a party, or location of a transaction or situation of an asset to a place other than provided in the arrangement;
- Looking through the arrangement by disregarding any corporate structure; or
- 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;
- 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 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 does not apply, have been enumerated in Rules 10U to 10UC of the Rules. The 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 3 crores cannot be read in respect of a single taxpayer only.

## 6.12 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).

#### 6.13 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 Depositary. The MLI includes both mandatory provisions (i.e. the minimum standards under the BEPS Project) as well as non-mandatory provisions.

India has been an active participant in the entire discussion and its involvement in the BEPS project has been intensive. In a ceremony held in Paris on 7 June 2017, various countries including India, signed the MLIs. The Union Cabinet of India issued a press release dated 12 June 2019, approving the ratification of the MLI to implement Tax Treaty related measures to prevent BEPS. The application of MLI to a Tax Treaty is dependent on ratification as well as positions adopted by both the countries signing a Tax Treaty. On June 25, 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 should need to analyse its impact at that point in time on the existing tax treaties that India has entered into with other countries. There is limited guidance or jurisprudence at present on how the above will be interpreted by the Revenue authorities and applied.

#### 6.14 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. 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 is required to pay MAT at 15% of such book profits (excluding applicable surcharge and health and education cess). Further, MAT provisions are not 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 does not apply to such domestic companies. Also, MAT credit (if any) is not allowed to be carried forward once the company exercises the option to avail reduced tax rates as mentioned above.

#### 6.15 Alternate Minimum Tax

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 is deemed to be the total income of that person and he is 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 2020, 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.

#### 6.16 Bonus stripping

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

the units is ignored for the purpose of computing his income chargeable to tax. Further, the loss so ignored is deemed to be the cost of acquisition of such additional units as are held by him on the date of sale or transfer of original units.

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

6.18 Proposed change in the India tax regime

The Government of India intends to replace the current Income-Tax Act, 1961 with a new direct tax code ('DTC') in consonance with the economic needs of the country. The task force is in the process of drafting a direct tax legislation keeping in mind, tax system prevalent in various countries, international best practices, economic needs of the country, among others. At this stage, it is not possible to comment on the final provisions that the new DTC will seek to enact into law and consequently, no views in that regard are being expressed. There can be no assurance as to the implications of the final new DTC for the Portfolio Manager and its investors.

6.19 Goods and Services Tax

From July 1, 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. GST rate on such services is currently 18%.

## 14. ACCOUNTING POLICIES

ASK Property Investment Advisors Pvt. Ltd. follows prudent accounting policies for the portfolio investments of client as under:

a. *Contribution to portfolio*

Contribution to portfolio by way of securities is recorded at the previous day closing market value from the date the securities are received by the portfolio manager. Contribution by way of cheque/RTGS/NEFT is recorded on the date of clearance of funds in bank account.

b. *Portfolio investments*

Portfolio investments are stated at market/fair value prevailing as on year end and the difference as compared to book value is recognized as unrealized gain/loss in the statement of affairs for the year.

Market value/fair value of portfolio investments is determined as follows:

- i. Investments in listed equity shares are valued at the closing quoted price on The Stock Exchange, Mumbai/ National Stock Exchange;
- ii. Investments in units of a mutual fund are valued at Net Asset Value of the relevant scheme;
- iii. Valuation of all other securities will be valued at fair price as determined by a valuer of repute appointed by the Portfolio Manager;
- iv. Purchase and sale of investments are accounted for on trade date basis. Cost of purchase and sale includes consideration for scrip and brokerage (including service tax thereon) but excludes securities transaction tax paid on purchase/sale of securities.
- v. Consideration received against fractional entitlements on account of corporate actions is entirely considered as revenue under other income.

c. *Revenue*

Realized gain/loss on sale of investments is accounted on trade date basis by comparing sale consideration with the cost of investment. The cost of investment is identified following First-in-First Out (FIFO) method.

Corporate dividend income is recognized on ex-dividend date.

d. *Expenses*

Portfolio management fees are accounted on accrual basis.

Securities transaction tax paid on purchase/sale of securities is treated as expenditure shown under other expenses in the Statement of Affairs.

Other expenses like depository charges, transaction charges, audit fees etc are recorded on cash basis.

## 15. INVESTORS SERVICES & GRIEVANCE REDRESSAL AND DISPUTE SETTLEMENT MECHANISM:

ASK Property Investment Advisors Pvt. Ltd. seeks to provide the portfolio clients a high standard of service. ASK Property Investment Advisors Pvt. Ltd. is committed to put in place and upgrade on a continuous basis the systems and procedures that will enable effective servicing through the use of technology. The Investor servicing essentially involves: -

- Reporting portfolio actions and client statement of accounts at pre-defined frequency;
- Attending to and addressing any client query with least lead time;

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

Ms. Manju Sharma  
 Birla Aurora, Level 16, Office Floor 9,  
 Dr. Annie Besant Road, Worli, Mumbai - 400030  
 Email: [customeservice@askpropertyinvestmentadvisors.com](mailto:customeservice@askpropertyinvestmentadvisors.com)  
 Tel: 022 - 66460000

**ASK Commercial Real Estate Portfolio Series I** is a Portfolio Management Product set up by ASK Property Investment Advisors Pvt. Ltd.

The Product proposes to make portfolio investments in accordance with the investment policy with a view to generate superior returns through long term investment in various Portfolio

Companies engaged in the real estate, construction development and allied sectors in India.

### **Grievance Redressal**

ASK Group strives in providing to satisfactory customer service by constantly improving the processes through prompt corrective and preventive actions. However, the investors may have complaint(s) and those should be quickly and effectively handled.

The process for redressal of Investor Grievances is as follows:

1. In case an investor has a complaint or a grievance about Product and its services including services provided by its distributors or outsourced agencies, investor should contact Ms. Manju Sharma, Manager – Fund operations, of the ASK Property Investment Advisors Pvt. Ltd.
2. It may be noted that a complaint or a grievance shall be an instance where the investor alleges deficiency in the services provided by the Product, its distributors or outsourced agencies.
3. Such a complaint or a grievance should be noted in the Investor Grievance Register. Ms. Manju Sharma shall ensure that all the complaints received are recorded and resolved.
4. Best efforts should be made to redress the complaint or grievance within the Turn Around Time (TAT) of 5 working days.
5. In case the redressal needs time more than the TAT, an interim response, acknowledging the complaint shall be issued.
6. Investors, who are not satisfied with the resolution provided by Ms. Manju Sharma, can call or write to Mr. Amit Bhagat, CEO and MD of the ASK Property Investment Advisors Pvt. Ltd.
7. Mr. Amit Bhagat shall also ensure effective monitoring of grievance redressal to make sure that none of the complaints remain unresolved for an unreasonable period of time.

SEBI Scores Link wherein Investor can lodge your complaint against Intermediary:  
<http://scores.gov.in/>

### **ASK PROPERTY INVESTMENT ADVISORS PRIVATE LIMITED**



**Amit Bhagat**  
CEO & Managing Director



**PLACE: Mumbai**  
**Date: 30.04.2021**



**Jitendra Chandulal Mehta & Co.**  
**Chartered Accountants**

**CERTIFICATE**

The Board of Directors,  
ASK Property Investment Advisors Private Limited,  
Birla Aurora, Level 16, Office Floor 9,  
Dr. Annie Besant Road,  
Worli, Mumbai – 400030

1. You have requested to us to provide a certificate on the Disclosure document for Portfolio Management Services ("the Disclosure Document") of ASK Property Investment Advisors Private Limited ("the Company"). We understand that the disclosure document is required to be submitted to the Securities and Exchange Board of India ("the SEBI")

2. The Disclosure Document and compliance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 ("the SEBI Regulations") is the responsibility of the management of the company. Our responsibility is to report in accordance with the Guidance note on Audit Reports and Certificates for special purpose issued by the Institute of Chartered Accountants of India. Further, our scope of work did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statement taken as a whole. We have not performed an audit, the objective of which would be the expression of an opinion on the financial statement, specified elements, accounts or items thereof, for the purpose of this certificate. Accordingly, we do not express such opinion.

3. In respect of the information given in the Disclosure document, we state that

i. The list of persons classified as Associates or group companies and list of related parties are relied upon as provided by the company.

ii. The Promoters and directors qualification, experience, ownership details are as confirmed by the directors and have been accepted without further verification.

iii. We have relied on the representations given by the management of the company about the penalties or litigations against the Portfolio Manager mentioned in the disclosure document.

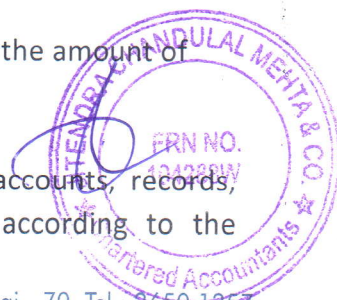
iv. We have relied on the representation made by the management regarding the amount of Portfolios/funds managed/ advised as on **March 31<sup>st</sup>, 2021**.

4. Read with above and on the basis of our examination of the books of accounts, records, statements produced before us and to the best of our knowledge and according to the

**Head Office :** 92-B, Visaria Sadan, 1st Floor, Belgrami Road, Near Bhabha Hospital, Kurla (W), Mumbai - 70, Tel.: 2650-1357

**Branch Office :** B-702, Neelkanth Business Park, Near Vidyavihar Bus Depot, Vidyavihar (West), Mumbai - 86.

Tel.: 022 - 2516 2488, 2512 2488 Email: deepak.kharwad@gmail.com

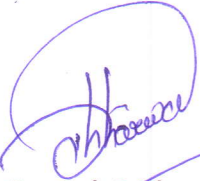




information, explanations and representations given to us, we certify that the disclosure made in the Disclosure Document are true and fair in accordance with the disclosure requirement laid down in Regulation 22(3) read with schedule V to the SEBI Regulations. A management certified copy of the disclosure document is enclosed herewith and marked as **Annexure "A"**.

5. This certificate is intended solely for the use of the management of the company for the purpose as specified in paragraph 1 above.

For M/s Jitendra Chandulal Mehta & Co  
Chartered Accountants



Deepak B Kharwad  
Partner



Membership No.:124599

Firm Registration No.:104288W

Place: Mumbai

Date: 03<sup>rd</sup> May, 2021

Cert. No. : JCM / 2021-22/ 003

UDIN : 21124599AAAADD8319