

**Neoliv Capital Advisory Private Limited**

**DISCLOSURE DOCUMENT**

**FOR**

**CO-INVESTMENT PORTFOLIO MANAGEMENT SERVICES**

**Neoliv Capital Advisory Private Limited**

403, 4th Floor, Tower B, The  
Capital, G Block, Bandra Kurla  
Complex, Bandra (East), Mumbai,  
Maharashtra, India, 400051

It is confirmed that:

1. the Disclosure Document ("**Document**") is filed with the Securities and Exchange Board of India ("**SEBI**") along with the certificate in the format specified in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020 ("**PMS Regulations**") and other guidelines and directives issued by SEBI from time to time.
2. the Document is filed to provide essential information about the portfolio management services in a manner to assist and enable the investors in making informed decision for engaging a co-investment portfolio manager ("**Co-investment Portfolio Manager**").
3. the disclosures made in the Document are true, fair and provide necessary and relevant information about the portfolio adequate to enable the investors ("**Investors**") to make a well-informed decision, the Investor is advised to retain the document for future reference.
4. the contents of the Document have been duly certified by an Independent Chartered Accountant,

|                                 |  |
|---------------------------------|--|
| <b>Name</b>                     | JL Negandhi  |
| <b>Type (Internal/External)</b> | External   |
| <b>Contact person</b>           | Jitendra L Negandhi  |
| <b>Address</b>                  | C 407, Bhaveshwar Plaza, LBS Marg, Ghatkopar West, Mumbai - 400086 |
| <b>Mobile Number</b>            | 9820570335   |
| <b>Email</b>                    | <a href="mailto:aaa@igc-online.com">aaa@igc-online.com</a>         |

5. The name, phone number, e-mail address of the principal officer designated by the Co-investment Portfolio Manager is:

**Name:** Mr. Mohit Malhotra,

**Phone Number:** +91 9930389076,

**E-mail:** Mohit.Malhotra@neoliv.in

FOR Neoliv Capital Advisory Private Limited

Name: Mr. Mohit Malhotra



Date: November 1<sup>st</sup>, 2024

Place: Mumbai

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1. **Disclaimer clause**

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

The investor is advised to retain the copy of the Document for future reference.

2. **Definitions**

2.1. The terms used in this Document will be understood in the normal sense unless otherwise specified in this section. Any term used in this Document shall have the same meaning as provided in the Regulations. Any term used in this Document and not defined shall have the same meaning as provided in the Regulations.

2.2. In this Document, unless defined elsewhere in the Document, and unless the context otherwise requires, the following terms shall have the meaning ascribed to them under this paragraph 2.2:

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

"Agreement" means the agreement entered into between the Co-investment Portfolio Manager and the Investor as per the terms of the Regulation 22 of the PMS Regulations, in the format set out in Schedule IV of the PMS Regulations.

"AIF Regulations" means the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as amended from time to time, or any re-enactment or modification thereof for the time being in force, including all guidelines, directions, regulations, rules and notifications issued by the Government or any statutory or regulatory authority or SEBI or any legislation in regard thereto.

"Applicable Laws" means any statute, law, regulation, ordinance, rule, judgement, order, decree, bye-law, approval of any governmental agency, directive, guideline, policy, notification, requirement or other government restriction or any similar form of decision of or determination by, or any interpretation having the force of law of any of the foregoing by any governmental agency having jurisdiction, being in force from time to time, including the Regulations.

"Client / Investor" means the person who enters into an Agreement with the Co-investment Portfolio Manager for managing its portfolio / funds.

"Chartered Accountant" means a chartered accountant as defined in clause (f) of sub-regulation (1) of regulation 2 of the PMS Regulations.

"Custodian" means a Person who has been granted a certificate of

|  |   |
|--|---|
|  | registration to carry on the business of a custodian of securities under the Securities and Exchange Board of India (Custodian of Securities) Regulations 1996, or otherwise as permitted by SEBI and with whom the Co-investment Portfolio Manager enters into an agreement for the provision of custodial services.   |
| <b>"Co-investment Portfolio Manager"</b> | means portfolio manager as defined in clause (fa) of sub-regulation (1) of regulation 2 of the PMS Regulations, in the present instance being, Neoliv Capital Advisory Private Limited.   |
| <b>"Document"</b>                        | means the disclosure document issued by the Co-investment Portfolio Manager for offering portfolio management services, prepared in terms of Schedule V of PMS Regulations and filed along with the certificate in Form C as specified in Schedule I of the PMS Regulations.  |
| <b>"Financial year"</b>                  | means the year starting from 1 <sup>st</sup> April and ending on 31 <sup>st</sup> March of the following year.  |
| <b>"Investment Objectives"</b>           | means the investment objectives mutually agreed upon by the Client and the Co-investment Portfolio Manager as detailed in the application and the mandates.   |
| <b>"Net Asset Value" (NAV)</b>           | means the market value of assets in portfolio consisting of equity, derivative, debt, mutual funds units, cash, cash equivalents, accrued interest or benefits, receivables, if any etc. less payable, if any.  |
| <b>"PMS Regulations"</b>                 | SEBI (Portfolio Managers) Regulations, 2020.  |
| <b>"Portfolio"</b>                       | means portfolio as defined in clause (n) of sub-regulation (1) of regulation 2 of the PMS Regulations.  |
| <b>"Regulations"</b>                     | means the AIF Regulations and the PMS Regulations.  |
| <b>"SEBI"</b>                            | the Securities and Exchange Board of India, established under Securities and Exchange Board of India Act, 1992 as amended from time to time.  |
| <b>"Securities"</b>                      | has the meaning referred to it under Section 2(h) of the Securities Contracts Regulation Act, 1956, as amended from time to time and includes equity shares, stocks, quasi-equity instruments, equity related instruments, preference shares, property options, pass through certificates, bonds, debentures (convertible or non-convertible), warrants, instruments, obligations, notes, money market instruments, debt instruments (securitised or not) or any financial or capital market instrument of whatsoever nature made or issued by any statutory authority or body corporate, incorporated or registered by or under any law; or any other securities, assets or investment, including derivatives of any kind, as may be permitted by SEBI and the Applicable Laws from time to time, from time to time. |

3. **Description**

### 3.1. **History, Present Business and Background of the Co-investment Portfolio Manager**

#### 3.1.1 **History of the Co-investment Portfolio Manager**

The Co-investment Portfolio Manager is a first time Co-investment Portfolio Manager and has not undertaken co-investment portfolio management activity in past.

#### 3.1.2 **Present Business of the Co-investment Portfolio Manager**

The main activity of the Co-investment Portfolio Manager is to act as a fund manager to Inliv Real Estate Trust ("AIF"), a 'Category II AIF' registered with Securities and Exchange Board of India under the Securities and Exchange Board of India (Alternative Investment Funds) Regulation, 2012 ("AIF Regulation"). Further, Co-investment Portfolio Manager intends to provide co-investment opportunities to the investors of the AIF.

Neoliv Capital Advisory Private Limited was incorporated on 29 November 2022 as a private limited company as per the provisions of the Companies Act, 2013. Neoliv Capital Advisory Private Limited acts as an investment manager to the AIF.

### 3.2. **Promoters of the co-investment portfolio manager, directors and their background**

#### 3.2.1 **Promoters and their background**

|                                    |   |
|------------------------------------|---|
| <b>Type (Individual/Corporate)</b> | Individual  |
| <b>Name</b>                        | Mohit Malhotra  |
| <b>PAN</b>                         | AKBPM5127D  |
| <b>Address</b>                     | Flat No.802, Nav Bahar 15th Road, Plot No. 464, Khar West, Mumbai, Maharashtra 400052 |
| <b>Telephone No.</b>               | +91 9930389076  |
| <b>Mobile No.</b>                  | +91 9930389076  |
| <b>Email Address</b>               | Mohit.Malhotra@neoliv.in  |

#### **Experience –**

| <b>Entity Name</b>      | <b>Designation</b>      | <b>Area of Work</b>    | <b>Nature of Work</b>   | <b>Experience (in yrs.)</b> |
|-------------------------|-------------------------|------------------------|---|-----------------------------|
| Neoliv Capital Advisory | Managing Director & CEO | Fund Management & real | <ul style="list-style-type: none"> <li>Started NeoLiv Integrated Platform in January 2023.</li> <li>Opened regional offices in</li> </ul> | 1 year 10 months (January,  |

|                   |   |                              |   |                 |
|-------------------|---|------------------------------|---|-----------------|
| Private Limited   |   | estate                       | <p>Mumbai and Delhi NCR, onboarded Key Management as equity Partners in the business, with extremely strong professional credentials, demonstrating a long-term commitment.</p> <ul style="list-style-type: none"> <li>• NeoLiv secured additional funding from 360 ONE where they took minority stake in NeoLiv platform.</li> </ul>   | 2023 till date) |
| Godrej Properties | Managing Director & Chief executive officer | Expertise in investment      | <ul style="list-style-type: none"> <li>• Transformed Godrej Properties from a relatively unknown player to market leader in 12 years (sales have grown 30x in this period). Built a very strong platform and the company is a recognised leader and widely respected company in the sector.</li> <li>• Multifamily sales growth +30% CAGR (2017-2022) vs +11% industry average. Consistently amongst top 3 player in market in last 5 years (No. 1 in FY21).</li> <li>• Only successful Pan India player with market dominance in each of four major cities (Delhi-NCR, Mumbai, Bangalore and Pune).</li> <li>• In last 12 years, added 90 new projects and added ~100 Mn Sqft. In last 5.5 years, committed USD 1.5 bn capital, in new projects.</li> <li>• In last 5 years as MD &amp; CEO, market cap grew from USD 1.1 bn to USD 6 bn. In last 5 years, share price has grown at 34% CAGR versus 18% for peer group.</li> <li>• Raised ~900 Mn equity capital from marquee global investors like GIC, Goldman, Wellington, Invesco etc. with low promoter dilution (~15%).</li> </ul> | 12 years        |
| Redeveco          | Head of Investments                         | Managing Investment          | Worked as the head of investments in Bahamas.   | 1 year          |
| Unitech Limited   | Head of Business Development                | Head of Business Development | Worked as head of business development team in charge of land acquisitions, joint ventures and private equity deals.  | 3 years         |



3.2.2 **Directors and their background**

|                            |   |
|----------------------------|---|
| <b>Name</b>                | Mohit Malhotra  |
| <b>Address</b>             | Flat No.802, Nav Bahar 15th Road, Plot No. 464, Khar West, Mumbai, Maharashtra 400052 |
| <b>PAN</b>                 | AKBPM5127D  |
| <b>Qualification</b>       | PGDM in strategy and finance from Indian Institute of Management, Calcutta            |
| <b>Date of Appointment</b> | November 29, 2022   |
| <b>DIN</b>                 | 07074531  |
| <b>Mobile</b>              | +91 9930389076  |
| <b>Telephone</b>           | +91 9930389076  |
| <b>Email</b>               | Mohit.Malhotra@neoliv.in  |

**Experience:** - Please refer to the experience of Mohit Malhotra as provided under the paragraph 3.2.1 above.

|                            |  |
|----------------------------|--|
| <b>Name</b>                | Ashish Madhav Acharya  |
| <b>Address</b>             | 1908, Brigade Metropolis, Whitefield, Main Road, Garudachar Palya, Bangalore North, Karnataka 560048 |
| <b>PAN</b>                 | AGRPA8373P   |
| <b>Qualification</b>       | PGP in Management from Great Lakes Institute of Management   |
| <b>Date of Appointment</b> | December 12, 2022  |
| <b>DIN</b>                 | 09542447   |
| <b>Mobile</b>              | +91 9886892956   |
| <b>Telephone</b>           | +91 9886892956   |
| <b>Email</b>               | ashish@propsoch.com  |

**Experience:**

| Entity Name                     | Designation   | Area of Work   | Nature of Work   | Experience (in yrs.)                     |
|---------------------------------|---|--|--|--|
| Thinkr PropTech Private Limited | Founder   | Building India's first expert property advisory platform | <ul style="list-style-type: none"> <li>Setting up India's first expert home buying platform, Propsoch, which empowers homebuyers with data and subject matter expertise to make informed decisions.</li> <li>500+ projects across Bangalore have been analysed and research reports prepared.</li> <li>Pre-seed round of funding raised with team strength continuously growing.</li> </ul>  | Currently working (March 2022 till date) |
| Anarock                         | Director Land Services                                  | Identifying the business opportunity                     | <ul style="list-style-type: none"> <li>Setting up the land services business in South India.</li> <li>New business development, execution of exclusive mandates, partnering with developers and landowners to find the optimal solutions for their real estate requirements.</li> </ul>  | 3 years                                  |
| Godrej properties Limited       | Associate Vice President, Asset Management and Strategy | Business development strategy                            | <ul style="list-style-type: none"> <li>Responsible for creating and executing the Annual operating plan.</li> <li>Asset Management for a portfolio of more than 11 projects (10 Million Square Feet), including formulation of business plan for projects, contracting strategies, driving cross functional decisions and ensuring adherence to key financial objectives of profitability.</li> <li>Managing technical due diligence of over 30 deals and responsible for highlighting risks and proposing mitigation strategies.</li> <li>Validating marketing and sales plan and determining the optimal launch plan for the project.</li> <li>Monitoring and validating operating plans for construction.</li> <li>Leading a team of 6 managers – Responsible for training and development of these highly talented individuals and providing them with the required direction and resources.</li> <li>Initiating and executing strategic initiatives which have long term impact on the</li> </ul> | 12 years                                 |

|                          |                                |                                 |   |         |
|--------------------------|--------------------------------|---------------------------------|---|---------|
|                          |                                |                                 | <p>company.</p> <ul style="list-style-type: none"> <li>Tracking other vital operational parameters such as launch calendar, litigation status, project approvals, cashflows etc.</li> <li>Planning and executing the exit strategy for non-performing assets.</li> </ul>  |         |
|                          | Head Investments               | Expertise in investments        | <ul style="list-style-type: none"> <li>Setting up the business development engine and creating a strong team of independent deal makers to help the company leverage its capital and brand and acquire land parcels.</li> <li>Deal sourcing, deal evaluation, feasibility analysis, financial modelling, negotiations, legal and Technical due diligence, obtaining management committee / board's approval and definitive documents, closure &amp; execution.</li> </ul> |         |
|                          | Marketing and sales            | Expertise in marketing in sales | <ul style="list-style-type: none"> <li>Creating &amp; executing marketing solutions for high end luxury apartments and villa projects.</li> <li>Development of walkthroughs, models and marketing material.</li> <li>Networking with brokers/agents; organizing and participating in overseas exhibitions.</li> <li>Competitor analysis and price benchmarking.</li> </ul>  |         |
| Titan Industries Limited | Executive – Project Management | New product development         | <ul style="list-style-type: none"> <li>Member of the NPD team (Watches), In-depth knowledge of the NPD cycle.</li> <li>Spearheaded project management teams for 3 projects; Viztrack – Intelligent traffic monitoring system (Received a 'Moment of Fame' award), Development of a Bluetooth MP3 watch, and Development of Solar powered watches.</li> </ul>  | 2 years |

|                |  |
|----------------|--|
| <b>Name</b>    | Nikunj Kedia                                     |
| <b>Address</b> | 214, Jodhpur Park, Kolkata, - 700068 West Bengal |
| <b>PAN</b>     | ALSPK8119R                                       |

|                            |                        |
|----------------------------|------------------------|
| <b>Qualification</b>       | PGDIM, IIM Ahmedabad   |
| <b>Date of Appointment</b> | July 17, 2023          |
| <b>DIN</b>                 | 00345014               |
| <b>Mobile</b>              | +91- 9163350845        |
| <b>Telephone</b>           | +91- 9163350845        |
| <b>Email</b>               | Nikunj.kedia@gmail.com |

**Experience:**

| <b>Entity Name</b> | <b>Designation</b>    | <b>Area of Work</b>      | <b>Nature of Work</b>  | <b>Experience (in yrs.)</b> |
|--------------------|-----------------------|--------------------------|--|-----------------------------|
| 360 One Wealth     | Head of Products      | Third Party Fund Manager | • Nikunj has 13+ years of experience in Financial Services Industry. He is responsible for third party fund manager due diligence and selection, alternative investments and deal sourcing | 13 + years                  |
|                    | Senior Vice President | Due Diligence            |  |                             |

**3.2.3 Key Managerial Personnel and their background**

Mr. Mohit Malhotra shall be the Key Management Personnel. Please refer to details under the paragraph 3.2.2 above.

**3.3. Top 10 Group companies/firms of the Co-investment portfolio manager on turnover basis**

Neoliv Real Estate Private Limited, a company incorporated under the provisions of the Companies Act, 2013, having its registered office at 403, 4th Floor, Tower B, The Capital, G Block, Bandra Kurla Complex, Bandra (East), Mumbai, Maharashtra, India, 400051, is an affiliate of the Co-investment Portfolio Manager.

**3.4. Type of services being offered**

The main activity of the Co-investment Portfolio Manager is to act as fund manager to the AIF. Further, Co-investment Portfolio Manager intends to provide co-investment opportunities to the investors of alternative investment fund.

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

| S. No. | Particulars  | Remarks |
|--------|--|---------|
| 1.     | All cases of penalties imposed by SEBI or the directions issued by SEBI under the Act or Rules or Regulations made thereunder.   | None    |
| 2.     | The nature of the penalty/ direction.  | None    |
| 3.     | Penalties imposed for any economic offence and/or violation of any securities laws.  | None    |
| 4.     | Any pending material litigation/ legal proceedings against the Co-investment Portfolio Manager/ key personnel with separate disclosure regarding pending criminal cases, if any.   | None    |
| 5.     | Any deficiency in the systems and operations of the Co-investment Portfolio Manager observed by the Board or any regulatory agency.  | None    |
| 6.     | Any enquiry/ adjudication proceedings initiated by the Board against the Co-investment Portfolio Manager or its directors, principal officer or employee or any person directly or indirectly connected with the Co-investment Portfolio Manager or its directors, principal officer or employee under the Act or rules or regulations made there under. | None    |

## 5. **Services Offered**

Please refer to our response in 3.4 above.

### 5.1. **Details of the services offered**

**Co-investment Portfolio Management:** The Co-investment Portfolio Manager intends to provide co-investment opportunities to the Investors of the AIF.

### 5.2. **Investment Approach**

#### 5.2.1 **Type of securities**

The Co-investment Portfolio Manager will offer co-investment portfolio management services to the Investors in relation to the Securities that such Investors are allowed to make investment in as per SEBI and the Applicable Laws.

5.3. **Investment Philosophy and objective:** The investment philosophy of Co-investment Portfolio Manager is to identify investee companies in which Investors can be offered co-investment opportunities and Investors can make investment basis the Agreement.

#### 5.4. **Policy for investments in associate/ group companies of the Co-investment Portfolio**

**Manager and the maximum percentage of such investments therein**

The policy for investment in associates/group companies of the Co-investment Portfolio Manager will be subject to the applicable laws/regulations/guidelines for the time being in force. The Co-investment Portfolio Manager shall not invest client's money in its subsidiary or associate companies.

**6. Risk Factors**

The general risks applicable have been provided here. It is to be noted that specific risks related to the agreed Investment Objective shall be stated in respective agreements and term sheets.

- (a) All co-investments in portfolio entities shall be made by the Investor at its sole discretion and risk. The Investor is a "professional person" who has experience, knowledge and expertise to make its own investment decisions and that all co-investments have been made by the Investor in its capacity as a "professional person", and that the Co-investment Portfolio Manager shall not incur any liability in this regard.
- (b) It is the sole responsibility of the Investor to consider the suitability and appropriateness of investing in any Securities to its individual risk appetite, investment objectives, financial situation, knowledge and experience and Co-investment Portfolio Manager is not responsible for any decisions taken or for any liability in this regard. The Co-investment Portfolio Manager will not be responsible for any co-investment decision made by the Investor. The final and ultimate decision on whether to invest or divest in any Securities (subject to applicable law) is and will always remain the exclusive decision of the Investor only Co-investment Portfolio Manager will have no liability in this regard.
- (c) The Investor understands and agrees that the Co-investment Portfolio Manager does not in any manner: guarantee the liquidity of any investment; promise, indicate or guarantee any returns on any co-investment, including any return of capital invested.
- (d) The Co-investment Portfolio Manager shall not incur any liability by reason of any loss, which an Investor may suffer by reason of any depletion in the value of the Securities.
- (e) The Investor shall make co-investment alongside the AIF. The terms of investment by a Client, shall not be more favourable than the terms of investment of the AIF. The terms of exit from the co-investment including the timing of exit shall be identical to the terms applicable to that of exit of the AIF. Further, in case of the Co-investment Portfolio Manager, the early withdrawal of funds by the Investors with respect to Co-investment in shall be allowed to the extent that the AIF has also made an exit from respective investment in such investee companies.

**Risk of investment in Securities:**

- 6.1 **Market Risks:** The securities investments are subject to market risks and include price fluctuation risks. The Investors are not being promised any assured returns on their investment and investments might not be suited to all categories of investors.
- 6.2 **No Assured Returns:** The value of the investments depends on various factors such as market

forces; factors affecting capital markets such as de-listing of securities, market closure, trading volumes, liquidity etc. and government policies which can affect the general range of interest rates. Hence, the Co-investment Portfolio Manager does not promise any guaranteed or assured returns on the investment made.

- 6.3 **Performance of the Co-investment Portfolio Manager:** The Co-investment Portfolio Manager is acting as an investment manager to the AIF. Plans under portfolio management services are being launched first time by the Co-investment Portfolio Manager.
- 6.4 **Risks arising out of non-diversification:** The investments may be concentrated in a limited number of assets, asset class, sector or issuers etc. owing to the investment objectives of the portfolio or the market conditions prevalent at the point in time.
- 6.5 **Conflict of Interest:** There can be a risk of conflict of interest due to presence of group companies and similar services being offered by them. Further, purchase of securities by the Co-investment Portfolio Manager and its employees who are directly involved in investment operations can lead to conflict of interest.
- 6.6 **Credit risks:** There is a risk that the issuer of security might default on timely payment of interest and principal.
- 6.7 **Macro-Economic risks:** There is a risk of overall economic slowdown, changes to fiscal policy, monetary policy etc. and other environmental, social, regulatory and political problems.
- 6.8 **Tax risks:**

(i) General Anti Avoidance Rules ('GAAR')

The GAAR provisions provide that an arrangement whose main purpose is to obtain a tax benefit and which also satisfies at least one of the four specified tests (i.e. arrangement is not in arm's length, misuse or abuse of tax laws, lacks or is deemed to lack commercial substance or not carried out for bonafide purpose) can be declared as an "impermissible avoidance arrangement". Further, the GAAR provisions, if invoked, could override the Treaty provisions (if applicable).

The provisions pertaining to GAAR are effective from financial year beginning on April 01, 2017 i.e. from Financial Year 2017-18 onwards.

There is no precedence on how GAAR will be implemented by Indian tax authorities. Accordingly, prospective Investors are strongly urged to consult their tax advisors with specific reference to their own situations.

(ii) Characterisation of income risk - Business Income vs Capital Gains

As per CBDT circular dated 29 February 2016, income arising on transfer of listed shares held for a period of more than 12 months should be characterised as long-term capital gains however for income arising on listed shares held for a period of less than 12 months gains could be characterised as short term capital gains or Business income. In case the income is characterized as business income, the business income may be chargeable to higher rate of income-tax.

Further, there is no certainty on the aforementioned CBDT circular shall remain valid and be in force on the date on which such gains arise. 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 certain exceptions for the tax department to take an appropriate view. Please refer 'Taxation' aspects in detail for this.

(iii) Risks associated with change in tax laws, including renegotiation of tax treaties:

Investors are subject to a number of risks related to tax matters. In particular, the tax laws and its interpretation relevant to the portfolio of the Investors are subject to change, and tax liabilities could be incurred by investors as a result of such changes. The tax consequences of an investment are complex, and the full tax impact of an investment in the portfolio of the Investors will depend on circumstances particular to each investor and the additional peculiarities associated with respect to activities of each Portfolio Entity. Further, the information relating to Indian taxation legislation contained in this Memorandum is based on Indian domestic taxation law along with the rules and regulations made thereunder and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative, or judicial decisions. Any such changes, which could also be retroactive, could have an effect on the validity of the information stated herein. Accordingly, prospective Investors are strongly urged to consult their tax advisors with specific reference to their own situations.

## **7. Client Representation**

### **7.1 Details of the active client accounts**

The Company received registration as Co-investment Portfolio Manager on June 05, 2024 and initiated its first portfolio from [•] and hence data for preceding year is not available.

#### **7.1.1 Details of the portfolios managed for related parties - Not Applicable**

#### **7.1.2 Details of the fees charged to related parties for management of their portfolio- Not Applicable**

## **8. Financial Performance**

Not Applicable.

The Company received registration as Co-investment Portfolio Manager on June 05, 2024 and initiated its first portfolio from [•] and hence data for preceding year is not available.

## **9. Performance of Co-investment Portfolio Manager**

Not Applicable.

The Company is a first time Co-investment Portfolio Manager.



10. **Audit Observations**

Not Applicable.

11. **Nature of Expenses**

**Co-investment Portfolio Management Fees**

The Client agrees to pay the Co-investment Portfolio Management Fee to the Co-investment Portfolio Manager at the rate of as may be mutually decided.

**Other incidental cost:**

The Co-investment Portfolio Manager shall recover certain expenses (if any) incurred in relation to co-investment. The expenses so recoverable but remaining unpaid to the Co-investment Portfolio Manager shall carry an interest ranging from 8%-15% per annum compounded yearly, as may be decided by the Co-investment Portfolio Manager.

12. **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 Investor is advised to consult their respective tax advisor with respect to the specific tax consequences to the Investor arising from participation in the investment. Investors 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") read along with Income-tax Rules, 1962, ("Rules") and various circulars and notifications issued thereunder from time to time. The tax rates mentioned herein are the rates in force for financial year 2024-25 i.e. assessment year 2025-26. The following summary has been updated for any amendments by the Finance (No. 2) Act, 2024. The rates,

unless otherwise specified, are exclusive of surcharge<sup>1</sup> and cess<sup>2</sup> and are stated at the highest applicable slabs. The rates specified for non-residents are subject to applicable Double Taxation Avoidance Agreements ("DTAA" or "Treaty").

The information does not purport to be a complete analysis of all relevant tax considerations; nor does it purport to be a complete description of all potential tax costs, incidence, and risk inherent in participation in the investment. 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. There can be no guarantee that the tax position stated herein would be necessarily accepted by the Income-Tax Authorities under the ITA. No representation is made regarding the acceptability or otherwise of the tax position by the Income-Tax Authorities under the ITA. Investors are urged to consult their own tax advisors/experts in this regard.

Further, the statements with regard to benefits mentioned herein are expressions of views and not representations of the Co-investment Portfolio Manager to induce any Investor, prospective or existing, to invest in the portfolio management schemes of the Co-investment Portfolio Manager. Implications of any judicial decisions/ DTAA etc. are not explained herein. Investors 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 Investor is advised to best consult their own tax consultant, with respect to specific tax implications arising out of their portfolio managed by the Co-investment Portfolio Manager. This information gives the direct tax implications on the footing that the securities are/ will be held for the purpose of investments as capital asset. In case, the securities are held as stock-in-trade, the tax treatment will substantially vary

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<sup>1</sup> In case of domestic companies having total income exceeding INR 1 crore but not exceeding INR 10 Crore, surcharge of 7% is applicable. In case of domestic companies having total income exceeding INR 10 crore, surcharge of 12% is applicable. In case of domestic companies which have opted for concessional tax rates under section 115BAA or section 115BAB of the ITA, the surcharge is applicable at the rate of 10% irrespective of the quantum of total income. In case of a Partnership or an LLP having total income exceeding INR 1 crore, surcharge of 12% is applicable. In case of foreign companies having total income exceeding INR 1 crore but not exceeding INR 10 Crore, surcharge of 2% is applicable. In case of foreign companies having total income exceeding INR 10 crore, surcharge of 5% is applicable. For other assessee, i.e. individuals, Hindu Undivided Family ("HUF"), Association of Persons ("AOP") and Body of Individuals ("BOI"), having total income exceeding INR 50 Lakhs but not exceeding INR 1 Crore, surcharge of 10% is applicable, having total income exceeding INR 1 crore but not exceeding INR 2 crore, surcharge of 15% is applicable, having total income exceeding INR 2 crore but not exceeding INR 5 crore, surcharge of 25% is applicable, and having total income exceeding INR 5 crores, surcharge of 37% is applicable. However, in case of individual, HUF, AOP and BOI, any capital gains arising on from the transfer of equity share in a company or unit of an equity oriented fund or unit of a business trust (which are liable for securities transaction tax) under section 111A and section 112A of the ITA respectively or any other long term capital gain under section 112 of the ITA or any dividend income shall be subject to maximum surcharge of 15%. Also, any income of AOP which consist only companies as its members shall be restricted to a maximum surcharge of 15%. Further, as per the Finance Act, 2023, the new tax regime under section 115BAC(1A) of the ITA shall be the default regime for individual, HUF, AOP (other than a co-operative society) and BOI. Under the said new tax regime, the highest surcharge rate is 25% where the total income is exceeding INR 2 crores, but the highest rate of surcharge would remain at 37% for the taxpayers who opt for the old tax regime. Separately, in case of buyback of shares, surcharge of 12% is applicable (taxability of buyback in the hands of company is abolished by Finance (No.2) Act, 2024 and shall not applicable w.e.f. 01 October 2024). Please note that surcharge on income tax is subject to marginal relief as prescribed under the provisions of ITA.

<sup>2</sup> Health and Education Cess of 4% on income-tax and surcharge is applicable to all assesses, irrespective of the amount of income earned.

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 Co-investment Portfolio Manager accepts no responsibility for any loss suffered by any Investor as a result of current taxation law and practice or any changes thereto. It is the responsibility of all prospective Investors 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. The basis of charge of Indian income-tax depends upon the residential status of the taxpayer during a tax year, as well as the nature of the income earned. The Indian tax year runs from April 1 until March 31. A person who is an Indian tax resident is liable to taxation in India on his worldwide income, subject to certain tax exemptions/deductions, which are available under the provisions of the ITA. A person who is treated as non-resident for Indian income-tax purposes is generally subject to tax in India only on such person's India sourced income.

Further, the taxability of the income earned by a non-resident Investor would be governed by the provisions of ITA or applicable DTAA, if any, whichever is more beneficial, subject to Indian GAAR and provisions of MLI, if applicable. This chapter does not discuss the income-tax implications applicable to the non-resident Investors under a beneficial DTAA, which would need to be analysed separately based on the specific facts.

3. It is envisaged that the Investors could earn the following streams of income from investments:
  - Dividend income;
  - Interest income;
  - Gains on sale of securities; and
  - Gains on buy-back of shares.

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

Please note that the taxation of non-residents is governed by provisions of the ITA, read with provisions of DTAA between India and the country of residence of such non-resident (subject to Indian GAAR and provisions of the MLI, if applicable). As per section 90(2) of the ITA, the provisions of ITA would apply to the extent they are more beneficial than provisions of DTAA.

Accordingly, availability of benefits under the DTAA shall be a relevant factor in determining Indian tax implications in respect of different streams of income in the hands of non-resident Investors. The eligibility for each of the Investor to claim benefits of the provisions of DTAA ought to be evaluated independently.

### 3.1 **Dividend income**

Dividend income is now taxable in the hands of the Investors as under:

| Type of Investors  | Tax rate*   |
|--|---|
| Non-residents (on a gross basis i.e., without allowing any deduction for expenses) | 20% (subject to DTAA)                                       |
| Residents (other than companies and firm/ LLP)                                     | Applicable slab rates                                       |
| Firms/ LLPs  | 30%   |
| Indian Companies   | 22% <sup>3</sup> or 25% <sup>4</sup> or 30% (as applicable) |

*\*to be increased by applicable surcharge and health and education cess.*

Where the dividend income has been offered to tax on net basis, a deduction for interest expense incurred to earn dividend income is allowed and has been restricted to 20% of the dividend income.

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

Per the provisions of section 194 of the ITA, an Indian company declaring dividend is required to withhold tax at the rate of 10% provided the amount of dividend exceeds INR 5,000 (in case of payment to resident Investors), and at specified rates/ rates in force (in case of payment to non-resident Investors) i.e., the rates specified in the Finance Act of the relevant year or rates specified in the applicable DTAA entered into between India and the country of residence of such non-resident Investor, whichever is more beneficial, subject to Indian GAAR and provisions of MLI (if applicable), as per section 195.

### 3.2 **Interest income:**

Classification of interest income is a matter of dispute with contradicting judicial precedents. Whether interest income would be assessable as business income or income from other sources would depend upon the nexus it has with the Investor's activities. Currently, it is assumed that interest income ought to be characterised as income from other sources on the assumption that the investment is held as a capital asset.

<sup>3</sup> Base rate of 22% (excluding surcharge and health and education cess) subject to satisfying conditions enlisted in Section 115BAA and Section 115BAB of the ITA. Surcharge rate of 10% on the tax shall apply. Further, no MAT is applicable on such companies.

<sup>4</sup> Base rate of 25% (plus applicable surcharge and health and education cess) is applicable if the total turnover of the resident corporate investor does not exceed INR 400 crores during FY 2022-23 shall apply.

Interest income shall be taxable in the hands of the Investors as follows:

| Type of Investors                              | Tax rate*   |
|--|---|
| Non-residents (other than foreign companies)   | Up to 30% (subject to DTAA)                                 |
| Residents (other than companies and firm/ LLP) | As per applicable slab rates                                |
| Firms/ LLPs                                    | 30%   |
| Indian companies                               | 22% <sup>5</sup> or 25% <sup>6</sup> or 30% (as applicable) |
| Foreign Companies                              | 35% (subject to DTAA)                                       |

\* to be increased by applicable surcharge and health and education cess.

Based on the nature of loan/ debt instrument and the residential status of the Investor, the interest income would be subject to withholding tax at the applicable tax rates.

### 3.3 Gains on sale of securities

Gains arising from the transfer of securities held by the Investors in the portfolio entity 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 Indian 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 and earning dividend income;
- (b) Low transaction frequency;
- (c) Long period of holding;
- (d) Recorded as investments in books of accounts (not stock in trade);
- (e) Use of owned funds (as opposed to loan) for acquisition;

<sup>5</sup> Base rate of 22% (excluding surcharge and health and education cess) subject to satisfying conditions enlisted in Section 115BAA and Section 115BAB of the ITA. Surcharge rate of 10% on the tax shall apply. Further, no MAT is applicable on such companies.

<sup>6</sup> Base rate of 25% (plus applicable surcharge and health and education cess) is applicable if the total turnover of the resident corporate investor does not exceed INR 400 crores during FY 2022-23 shall apply.

- (f) Main object in constitution document is to make investments; and
- (g) Higher level of control over the investee companies.

Characterisation would depend on the overall effect of all criteria applicable to the facts of the case and no single criteria would be decisive to determine whether or not the Investor is in the business of making investments. Therefore, in characterisation of income of the Investor would need to be evaluated every year, based on the facts existing in that year.

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, characterisation of income would be determined on the basis of previous circulars and instructions issued by the CBDT on this subject.

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; or
- (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 and the Indian revenue authorities would take appropriate view in such situations.

### 3.4 Gains characterised as capital gains

As per Section 45 of the ITA, any profits or gains arising from the transfer of capital assets are chargeable to income tax under the head 'capital gains'. Section 48 of the ITA provides that income chargeable as capital gains is the difference between full value of consideration received or accrued through transfer, on one hand, and cost of acquisition / indexed cost of acquisition (as applicable) of such asset plus expenditure incurred wholly and exclusively in connection with such transfer, on the other.

Depending on the period for which the securities are held immediately preceding the date of transfer, the gains/loss would be taxable as short term or long-term capital gains.

| Type of instrument | Period of holding   | Nature of income       |
|--------------------|---------------------|------------------------|
| Listed securities  | More than 12 months | Long Term Capital Gain |

|  |  |                         |
|--|--|-------------------------|
|  | 12 months or less  | Short Term Capital Gain |
| Unlisted securities (including those offered through offer for sale as part of an initial public offer) other than unlisted bonds and debentures (covered below) | More than 24 months  | Long Term Capital Gain  |
|  | 24 months or less  | Short Term Capital Gain |
| Market linked debentures, unlisted bonds and debentures and specified mutual funds*  | Irrespective of the period of holding, these capital assets should be treated as a deemed short-term capital asset |                         |

\* W.e.f. AY 2025-26, "Specified Mutual Fund" means a mutual fund, by whatever name called, investing more than 65% of its total proceeds in debt and money market instruments (defined as any security classified or regulated as such, by the SEBI) or a fund investing 65% or more of its total proceeds in units of a such Mutual Fund referred herein

#### **Tax Rates in case of Resident Investors under domestic laws**

Depending on the classification of capital gains, the resident Investors would be chargeable to tax (exclusive of applicable surcharge and health and education cess) as per the ITA as under<sup>7</sup>:

| <b>Nature of Income</b>   | <b>Tax rate for beneficiaries who are resident companies, firms (%)</b> | <b>Tax rate for any other resident beneficiaries (%)</b> |
|---|---|--|
| Short-term capital gains on transfer of (i) listed equity shares on a recognised stock exchange or (ii) to be listed equity shares sold through offer for sale or (iii) units of equity oriented mutual fund or (iv) units of business trust, and on which Securities Transaction Tax (STT) has been paid | 20  | 20)  |
| Other short-term capital gains (including unlisted bonds and debentures)  | 22 <sup>8</sup> /25 <sup>9</sup> /30                                    | As per slab rates- highest rate being 30%                |

<sup>7</sup> The rates in the table will be increased by applicable surcharge and health and education cess.

<sup>8</sup> 22% (plus applicable surcharge and health and education cess) subject to satisfying conditions enlisted in Section 115BAA of the ITA

<sup>9</sup> 25% (plus applicable surcharge and health and education cess) in case the turnover of the resident corporate investor does not exceed INR 4000 million during financial year 2022-23

| <b>Nature of Income</b>  | <b>Tax rate for beneficiaries who are resident companies, firms (%)</b> | <b>Tax rate for any other resident beneficiaries (%)</b> |
|--|---|--|
| Long-term capital gains on transfer of (i) listed equity shares on a recognised stock exchange (ii) units of equity oriented mutual fund (iii) units of business trust on a recognised stock exchange and on which STT has been paid for gains exceeding INR 0.125 million | 12.5  | 12.5   |
| Long-term capital gains on transfer of listed bonds or listed debentures   | 12.5  | 12.5   |
| Long-term capital gains on transfer of listed securities (including SRs) [other than units of mutual funds, listed bonds and listed debentures] and on which STT has not been paid   | 12.5  | 12.5   |
| Long-term capital gains on transfer of unlisted securities [other than unlisted bonds and unlisted debentures]   | 12.5  | 12.5   |

**Note:** No indexation benefit is available in case of long-term capital assets w.e.f. 23 July 2024. Further, capital gains arising from redemption of units of a specified mutual fund<sup>10</sup> is deemed to be a short-term capital gain.

#### **Tax Rate in case of Non-resident Investors under domestic laws**

Depending on the classification of capital gains, the non-resident Investors would be chargeable to tax (exclusive of applicable surcharge and health and education cess) as per the ITA as under<sup>11</sup>:

| <b>Nature of Income</b> | <b>Tax rate for beneficiaries who are foreign companies (%)</b> | <b>Tax rate for any other foreign beneficiaries other than companies (%)</b> |
|-------------------------|---|--|
|                         |   |  |

<sup>10</sup> W.e.f. AY 2025-26, "Specified Mutual Fund" means a mutual fund, by whatever name called, investing more than 65% of its total proceeds in debt and money market instruments (defined as any security classified or regulated as such, by the SEBI) or a fund investing 65% or more of its total proceeds in units of a such Mutual Fund referred herein

<sup>11</sup> The rates in the table will be increased by applicable surcharge and health and education cess.



|   |   |   |
|---|---|---|
| Short-term capital gains on transfer of (i) listed equity shares through the recognised stock exchange or (ii) to be listed equity shares sold through offer for sale or or (iii) units of equity oriented mutual fund, (iv) units of business trust on which STT has been paid                               | 20  | 20<br>)   |
| Other short-term capital gains (including unlisted bonds and debentures)  | 35  | As per applicable slab rates- highest rate being 30%                  |
| Long-term capital gains on transfer of (i) listed equity shares through the recognised stock exchange or (ii) to be listed equity shares sold through offer for sale (iii) units of equity oriented mutual fund (iv) units of business trust on which STT has been paid for gains exceeding INR 0.125 million | 12.5  | 12.5  |
| Long-term capital gains on transfer of listed bonds / listed debentures or other listed securities (other than units of mutual fund) on which STT has not been paid   | 12.5  | 12.5  |
| Long-term capital gains on transfer of unlisted securities (other than unlisted bonds and debentures)   | 12.5<br>(without indexation and foreign currency fluctuation benefit) | 12.5<br>(without indexation and foreign currency fluctuation benefit) |

*Note* – No indexation benefit is available on long term capital gains w.e.f. 23 July 2024. The Indian tax authorities may not permit foreign exchange adjustments for computing capital gains taxable in the hands of non-resident investors on a pass-through basis. Further, Capital gains arising from redemption of units of a specified mutual fund<sup>12</sup> is deemed to be a short-term capital gain.

### **Gains characterised as 'business income'**

If the gains are characterised as business income, then the same is taxable on net income basis as under:

| Type of Investors | Tax rate* |
|-------------------|-----------|
|-------------------|-----------|

<sup>12</sup> W.e.f. AY 2025-26, "Specified Mutual Fund" means a mutual fund, by whatever name called, investing more than 65% of its total proceeds in debt and money market instruments (defined as any security classified or regulated as such, by the SEBI) or a fund investing 65% or more of its total proceeds in units of a such Mutual Fund referred herein

|  |   |
|--|---|
| Non-residents (other than foreign companies)   | 30% (subject to DTAA)   |
| Residents (other than companies and firm/ LLP) | As per applicable slab rates                                  |
| Firms/ LLPs                                    | 30%   |
| Indian companies                               | 22% <sup>13</sup> or 25% <sup>14</sup> or 30% (as applicable) |
| Foreign Companies                              | 35% (subject to DTAA)   |

*\* to be increased by applicable surcharge and health and education cess.*

If the gains are characterised as business income, then the same are taxable on net income basis for non-resident Investor 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.

### **Redemption premium**

There are no specific provisions under the ITA, with regard to the characterisation of the premium received on redemption of debentures, and the same is a matter of dispute. Considering the fact that the debentures are held as a capital asset, depending on the terms of the instrument/ security, the Investors may propose to characterize premium on redemption of debentures as "interest" or as "capital gains". The characterisation of premium on redemption of securities as interest or a capital receipt has to be decided based on factors surrounding the relevant case. Taxability of "interest" and "capital gains" in the hands of the Investors is provided in earlier paragraphs.

Further, the characterization of premium on redemption of debentures under the applicable DTAA for the non-resident Investors would depend on the manner in which "interest" is defined in the applicable DTAA and as such the domestic law classification may not be the basis of taxation under the DTAA.

Further, as per the Finance Act, 2024, gains<sup>15</sup> arising on transfer or redemption or maturity of unlisted debentures shall be deemed to short-term capital gains arising from the transfer of a short-term capital asset.

### **3.5 Proceeds on buy-back of shares**

With effect from 01 October 2024, proceeds received on buyback of shares in accordance with section 68 of the Companies Act, 2013 shall taxable in the following manner:

- i) consideration received on buy-back of shares of a portfolio company shall be taxable in the hands of the Investors at the rates in force, if the buy-back is in accordance with any law, for the time

<sup>13</sup> Base rate of 22% (excluding surcharge and health and education cess) subject to satisfying conditions enlisted in Section 115BAA and Section 115BAB of the ITA. Surcharge rate of 10% on the tax shall apply. Further, no MAT is applicable on such companies.

<sup>14</sup> Base rate of 25% (plus applicable surcharge and health and education cess) is applicable if the total turnover of the resident corporate investor does not exceed INR 400 crores during FY 2022-23 shall apply.

<sup>15</sup> Capital gains shall be computed as full value of consideration less (a) cost of acquisition, and (b) expenditure incurred for such transfer or redemption or maturity.)

being in force. The tax shall be payable on gross consideration received by the shareholder for buy-back of shares of the portfolio company. The gross consideration shall be deemed to be dividend in the hands of the Investors. No deduction shall be available against such deemed dividend for determination of tax liability.

- ii) The portfolio company shall not be liable for tax on any income that arises out of the buy-back of shares.
- iii) The cost of acquisition of shares being bought back would generate a capital loss in the hands of the shareholder (Investors) and would be available for set-off against other capital gains.

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

##### **Conversion of debentures into equity shares**

Conversion of debentures of a company into shares of that company is not regarded as a transfer under the ITA. Hence, no capital gains would arise in the hands of the Investors on conversion of convertible debentures of a company into equity shares. At the time of transfer of the equity shares received on conversion, the cost of acquisition of the convertible debenture would be deemed to be the cost of acquisition of such equity shares. The CBDT, vide Notification No. 18/2016 dated 17 March 2016 effective from 1 April 2016, provides that in computing the period of holding of a share or debenture of a company, received on conversion of a bond or debenture, debenture-stock or deposit certificate of that company which is exempt as per the provisions of section 47(x) of the ITA, the period for which such convertible instrument was held by the taxpayer prior to the conversion shall also be included.

As per the Finance Act (No.2), 2024 gains<sup>16</sup> arising on transfer or redemption or maturity of unlisted debentures shall be deemed to the capital gains arising from the transfer of a short-term capital asset.

##### **Conversion of preference shares into equity shares**

Conversion of preference shares of a company into shares of that company is not regarded as a transfer under the ITA. Hence, no capital gains would arise in the hands of Investors on conversion of preference shares of a company into equity shares. Section 2(42A) and Section 49 of the ITA provides for determination of holding period and cost of acquisition of the equity shares receivable on conversion of the preference shares. The holding period for the resulting equity shares include the holding period of the preference shares and the cost of acquisition of the resulting equity shares is the cost of acquisition of the preference share in relation to which the equity share was acquired.

##### **Redemption of market linked debentures and specified mutual fund<sup>17</sup>**

The Finance Act, 2023 has introduced a new section 50AA in relation to market linked debentures and specified mutual funds. As per section 50AA of the ITA, where the capital asset is a market linked debentures or a specified mutual fund acquired on or after 1 April 2023, capital gains arising from such capital assets shall be deemed to be capital gains arising from

<sup>16</sup> Capital gains shall be computed as full value of consideration less (a) cost of acquisition, and (b) expenditure incurred for such transfer or redemption or maturity.)

<sup>17</sup> W.e.f. AY 2025-26, "Specified Mutual Fund" means a mutual fund, by whatever name called, investing more than 65% of its total proceeds in debt and money market instruments (defined as any security classified or regulated as such, by the SEBI) or a fund investing 65% or more of its total proceeds in units of a such Mutual Fund referred herein

the transfer of a short-term capital asset.

Further, the Finance Act (No.2), 2024 has amended section 50AA to state that where the capital asset is an unlisted bond or an unlisted debenture which is transferred or redeemed or which matures on or after 23 July 2024, capital gains arising from such capital assets shall be deemed to be capital gains arising from the transfer of a short-term capital asset.

#### **Income on receipt of securities at lower than fair value**

The Investors may acquire securities of the Portfolio Entities for a consideration which is lower than the FMV or without consideration.

As per the provisions of section 56(2)(x) of the ITA, where any person receives from any other person any sum of money or any property without consideration or for a consideration which is lower than the FMV, by more than INR 50,000 (Indian Rupees Fifty Thousand) in aggregate, the shortfall in consideration is taxable in the hands of the acquirer as Income from Other Sources ("**Other Income**").

Further, securities as defined under the Securities Contracts (Regulation) Act, 1956 (SCRA), are considered as property for the purposes of the aforesaid section. Separately, based on the judicial precedents it can also be argued that the provisions of section 56(2)(x) do not apply in case of a fresh issue.

The rules for determining the FMV of securities have been prescribed under the Rules. The FMV is defined for each class of instrument separately. Accordingly, in case it is held that Other Income is earned by the Investors, such Other Income would be chargeable to tax at the rates specified in Finance Act 2023, subject to benefit of DTAA in case of non-resident Investors.

#### **Deemed sale consideration on sale of unquoted shares**

As per section 50CA of the ITA, where an unlisted share is sold for a value lesser than its FMV, then the FMV shall be deemed to be the sale consideration and the capital gains will be determined accordingly. The CBDT has issued rules which provide the manner in which FMV would be ascertained for shares acquired in companies (other than situations involving corporate insolvency). Where the actual sales consideration is disregarded and the FMV, as computed under section 50CA read with the Rules, is considered for determination of capital gains, the investors may be taxable on an amount that may be greater than gains actually realised.

#### **Share of profits from a Limited Liability Partnership ('LLP')**

The share of a partner in the total income of an LLP would be exempt from tax in the hands of such partner as per section 10(2A) of the ITA. Accordingly, such share of profits from an LLP should be exempt from tax in the hands of the Investors who are partners in the LLP.

**Expenditure incurred in relation to income not includible in the total income**

As per the provisions of section 14A read with rule 8D of the ITA, if any income of the Investors does not form part of the total income or is exempt under the provisions of the ITA then any expenditure incurred by the Investors, directly or indirectly, in relation to such income may not be allowed as deduction for the purpose of calculating the total taxable income of the Investors.

**Minimum Alternate Tax ("MAT")**

The ITA provides for levy of MAT on company assessee. If MAT is held to be applicable to the Investors on the income receivable by such Investors from their investment in the Portfolio Entities (as a part of its book profits), such Investors shall be liable to pay tax at the rate of 15% (Fifteen Percent) (plus applicable surcharge and cess thereto) of the book profits calculated in accordance with ITA, as the case may be, if such tax amount calculated is higher than the tax amount calculated under the normal provisions of the ITA, as the case may be, on a net taxable income basis.

The MAT provisions are not applicable to foreign companies if,

- (a) the assessee is a resident of a country with which India has a DTAA and the assessee does not have permanent establishment in India; or
- (b) the assessee is a resident of a country with which India does not have a DTAA and is not required to seek registration under any law for the time being in force relating to companies.

When any amount of tax is paid as MAT by the company, then it can claim the credit of such tax paid as per MAT calculation less Income tax payable under normal provision of ITA, which can be carried forward for 15 years.

The companies exercising the option of concessional tax rates under section 115BAA or 115BAB of the ITA shall be excluded from the applicability of MAT.

**Alternate Minimum Tax ("AMT")**

As per Section 115JC of the ITA, if the tax payable by a non-corporate Investor is less than 18.5% of the adjusted total income (computed in accordance with provisions of ITA), it will be required to pay AMT at the rate of 18.5% (plus applicable surcharge and health and education cess) of such adjusted total income. The provisions of AMT are applicable to non-corporate beneficiaries, that have claimed a deduction under any section (other than section 80P) included in Chapter VI-A under the heading "C.- Deductions in respect of certain incomes", or section 10AA; or section 35AD of the ITA.

When any amount of tax is paid as AMT by the non-corporate Investor, then it can claim the credit of such tax paid as per AMT calculation less Income tax payable under normal provision of ITA,

which can be carried forward for 15 years.

**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.

**Carry-forward of losses and other provisions (applicable to both Equity products 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, shall be carried forward and set-off against any capital gains arising during the subsequent 8 assessment years. A long-term capital loss arising during a year is allowed to be set-off only against long-term capital gains. Balance loss, if any, shall be carried forward and set-off against long-term capital gains arising during the subsequent 8 assessment years.

**Withholding Tax/ Tax deduction at source ("TDS")**

*Section 206AA of the ITA*

As per the provisions of section 206AA of the ITA where a recipient of income (which is subject to withholding tax) does not have a permanent account number ("PAN"), then tax is required to be withheld by the payer at the higher of the following:

- at the rates specified in the relevant provisions of the ITA; or
- at the rate or rates in force; or
- at the rate of 20% (Twenty Percent).

Accordingly, in case Investors do not have a PAN, then tax is required to be withheld at a rate which is higher of following i.e., rates specified in the relevant provisions of ITA or rates in force or at 20% (Twenty Percent).

Further, in terms of Rule 37BC read with Rule 11 4AAB of the Rules, where non-resident Investors receive payments in the nature of interest, royalty, fees for technical services, dividend and payments on transfer of any capital asset and such non-resident Investors do not have PAN then provision of Section 206AA of the ITA would not apply provided such non-resident Investors provide the following information to the payer of such income:

- Name, email-id, contact number;
- Address in the country or specified territory outside India of which the deductee is a resident;
- A certificate of his being resident in any country or specified territory outside India from the government of the other country or specified territory if the law of that country or specified territory provides for issuance of such certificate; and
- Tax Identification Number in the country or specified territory of his residence and in a case, no such number is available, then a unique number on the basis of which the deductee is identified by the Government of that country or the specified territory of which he claims to

be a resident.

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

As per Section 206AB of the ITA, where taxes are required to be withheld on any sum (other than those referred to in section 192, 192A, 194B, 194BA, 194BB, 194-IA, 194-IB, 194LBC, 194M or 194N) paid/payable/ credited to a specified person, the taxes have to be withheld at higher of the following:

- 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

'Specified person' is defined as a person, who -

- (i) has not furnished the return of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be deducted, for which time limit for furnishing return of income under section 139(1) has expired; and
- (ii) the aggregate of TDS and TCS in his case is INR 50,000 or more in said previous year.

The above provisions shall not be applicable in case of non-resident not having a permanent establishment in India.

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 ITA.

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

Section 194Q of the ITA provides that any person (i.e., buyer) who is responsible for paying any sum to any resident seller for purchase of any goods of the value or aggregate of such value exceeding INR 50 lakhs in any previous year, shall withhold an amount equal to 0.1% of such sum exceeding INR 50 lakhs. The buyer shall be required to withhold 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.

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 Central Government may, by notification, exempt a person (i.e., buyer) from the obligations under this section, subject to such conditions as may be specified in that notification.

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:

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

In a transaction where both TCS provision - section 206C(1H) and TDS provision - 194Q of the ITA are applicable, then in such transaction, provisions of section 194Q of ITA shall prevail.

Where the Investor qualifies as a buyer and purchases shares or securities from a resident counter-party, it shall be required to withhold tax at 0.1% on the consideration paid to the counter-party.

#### *Collection of tax at source ("TCS")*

Section 206C(1H) of the ITA provides that where the Seller of goods receives consideration for the sale of goods of the value exceeding INR 50 lakhs, then such Seller is required to collect tax at the rate of 0.1% of the sale consideration exceeding INR 50 lakhs. This shall not be applicable in case Buyer is liable to withhold taxes at source from the payments made to the Seller and has withheld such amount.

The term 'Seller' for the purpose of TCS provisions under section 206C(1H) of the ITA has been defined to mean a person whose total sales, turnover or gross receipts from the business carried on by him exceeds INR 10 crore during the financial year immediately preceding the financial year in which sale of goods is carried out. 'Goods' for the purpose of TCS provisions could include shares and securities. There are currently alternative interpretations of the applicability of TCS to transactions in securities including qualifying criteria for a "Seller".

Hence, where the Investor qualifies as a 'seller' and transfers shares or securities to the counter-party buyers, then the Investor may be required to collect TCS at 0.1% on the sale consideration exceeding INR 50 lakhs.

Where the Investor purchases shares or securities and counter party sellers collect TCS from the Investor, the said TCS can be reclaimed by the Investor only by way of filing the return of income.

Further, in case buyer fails to furnish PAN or Aadhar to the seller, in such case seller is required to collect TCS at the rate of 1 percent.

Furthermore, under section 206CCA of the ITA, where the buyer on whose behalf, the TCS has to be collected (not being a non-resident who does not have a permanent establishment in India); fails to furnish its income-tax return in the previous year (immediately prior to the concerned financial year) and the timeline for filing such tax return under section 139(1) of the ITA has expired, and the aggregate of TDS and TCS in his case exceeds INR 50,000 in such year; then



TCS shall be collected at the rate, higher of the following:

- 5%; or
- Twice the rate specified in the relevant provision of the ITA.

Additionally, in cases where buyer does not furnish PAN and section 206CCA is also applicable, TCS at higher of the rates prescribed under both the scenarios will be applicable.

In case of non-resident buyer, applicable surcharge and education cess would also apply on the TCS.

#### **Section 94(7) of the Act (commonly known as dividend stripping)**

Section 94(7) of the ITA (commonly known as dividend stripping) provides that where:

- (i) any person buys or acquires any securities or unit within a period of three months prior to the record date<sup>18</sup>;
- (ii) such person sells or transfers such securities within three months after such record date or such units within a period of nine months after such record date;
- (iii) the dividend or income on such securities or unit received or receivable by such person is exempt

then, the loss, if any, arising from the sale and purchase of securities and units, to the extent of dividend or income received or receivable on such securities or unit, shall be ignored for computing income chargeable to tax.

#### **Section 94(8) of the Act (commonly known as bonus stripping)**

Vide Finance Act, 2022, applicability of section 94(8) of the Act (commonly known as bonus stripping) has been extended to securities (including shares) as well, which provides that where:

- (i) any person buys or acquires any securities or units within a period of three months prior to the record date<sup>19</sup>;
- (ii) such person is allotted additional securities or units without any payment on the basis of holding of such securities or units on such date;
- (iii) such person sells or transfers all or any of the securities or units within a period of nine months after such date, while continuing to hold all or any of the additional securities or units referred in clause (ii) above

then, the loss, if any, arising from the sale and purchase of all or any of the securities or units shall be ignored for computing income chargeable to tax and notwithstanding anything contained in any other provision of the Act, the amount of loss so ignored shall be deemed to be the cost of purchase or acquisition of such additional securities or units referred to in clause

<sup>18</sup> Record date means a date fixed to entitles the holder of such securities or units to receive dividend, income, or additional securities or unit without consideration, as the case may be.

<sup>19</sup> Record date means a date fixed to entitles the holder of such securities or units to receive dividend, income, or additional securities or unit without consideration, as the case may be.

(ii) above as are held on the date of such sale or transfer.

### **Provision related to Indirect Transfer**

The following provisions would be relevant to non-resident Investors depending on the investment structure adopted by them for investing in the Portfolio Entities.

ITA levies capital gains tax on income arising from the transfer or redemption of shares/interest in a company/entity organised outside India which derives, directly or indirectly, its value substantially from the assets located in India.

The Finance Act, 2015 has amended the ITA by providing the following:

1. Definition of 'substantial value' -the share/interest in a company/entity organised outside India shall be deemed to derive its value substantially from the assets located in India, if on the 'specified date', the value of Indian assets -
  - i. Exceeds INR 100 million; and
  - ii. Represents at least 50% of the value of all the assets owned by the company/entity organised outside India.
2. Gains to be taxed on a proportionate basis - If the company/ entity outside India substantially derives value from Indian assets and has assets in places outside India as well, then the gains arising on transfer of shares or interest in such company/ entity shall be taxed in India only to the extent that they are 'reasonably attributable' to the Indian assets.
3. Exemption to small shareholders - There would be no levy of Indian tax in the following cases of indirect transfer of Indian assets -
  - i. If the transferor, along with its related parties: (a) does not hold the right of management or control; and (b) holds less than or equal to 5% of the voting power and share capital in the company/entity organised outside India which holds the Indian assets directly and whose shares are being transferred (i.e., direct holding company);
  - ii. In cases of transfer of shares/interest in a company/entity organised outside India which holds the Indian assets indirectly (i.e., indirect holding company) if the transferor, along with its related parties: (a) does not hold the right of management or control in relation to the indirect holding company; and (b) does not hold any rights in the indirect holding company which would entitle it to either exercise control or management of the direct holding company or entitle it to voting power exceeding 5% in the direct holding company;

The CBDT has issued Circular 4 of 2015 (dated 26 March 2015), clarifying that declaration of dividend outside India by a foreign company would not be taxable in India under the indirect transfer provisions of the ITA since such declaration and payment of dividend does not have an effect of transfer of any underlying asset located in India.

Further, the CBDT, vide its notification no. 55/2016 dated 28 June 2016, has issued rules and forms to provide for valuation mechanism, determination of proportionate income, forms for reporting compliances and details of documents to be maintained by the Indian entity in respect of indirect transfer transactions.

Further, as per the Finance Act, 2020 exemption from the application of indirect transfer tax provisions to investors (direct or indirect) in a FPI is restricted to investors (direct or indirect) in erstwhile Category I & II FPI under the SEBI (FPI) Regulations, 2014 and Category I FPI under the SEBI (FPI) Regulations, 2019.

#### **5. DTAA Benefits for Non-Resident investors**

As per Section 90(2) of the ITA, the provisions of the ITA would apply to the extent they are more beneficial than the provisions of the DTAA between India and the country of residence of the non-resident Investor (subject to GAAR or MLI provisions discussed below). However, no assurance can be provided that the DTAA benefits will be available to the non-resident Investor or the terms of the DTAA 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 DTAA benefits or where the non-resident Investor is from a country with which India has no DTAA, would be as per the provisions of the ITA.

In order to claim DTAA benefits, the non-resident Investor has to obtain the TRC as issued by the tax authorities of his country of residence which must be renewed on an annual basis. Further, the non-resident Investor shall be required to furnish such other information or document as may be prescribed.

Pursuant to the same, the CBDT has issued a notification amending Rule 21AB of the ITR, prescribing additional information required to be furnished by non-residents along with TRC in a specified electronic Form I0F.

The details required to be furnished are as follows:

- Status (individual, company, firm, etc.) of the assessee;
- Nationality (in case of an individual) or country or specified territory of incorporation or registration (in case of others);
- Assessee's tax identification number in the country or specified territory of residence and in case there is no such number, then, a unique number on the basis of which the person is identified by the Government of the country or the specified territory of which the assessee claims to be a resident;
- Period for which the residential status, as mentioned in the TRC, is applicable; and
- Address of the assessee in the country or specified territory outside India, during the period for which the certificate is applicable.

The CBDT has clarified that the additional information prescribed may not be required to be provided if it already forms a part of the TRC.

The income-tax authorities may grant DTAA benefit (after verifying the TRC) based on the facts of each case, including complying with the conditions prescribed in the DTAA.

**Multilateral Convention to implement DTAA related measures to prevent Base Erosion and Profit Shifting ('MLI')**

The Organisation of Economic Co-operation and Development ("OECD") released the MLI. The MLI, amongst others, includes a "principal purpose test" (with an option to modify the same in future with limitation of benefits), wherein DTAA benefits can be denied if one of the principal purposes of an arrangement or a transaction was to, directly or indirectly, obtain tax benefit. The MLI has also expanded the scope of permanent establishment to include agent (excluding an independent agent) playing principal role, leading to routine conclusion of contracts without material modification. For this purpose, an agent is not considered independent if it acts exclusively or almost exclusively on behalf of one or more closely related enterprises. India has been an active participant in the entire discussion and its involvement in the BEPS project has been intensive. In a ceremony held in Paris on 7 June 2017, various countries including India, signed the MLI where India joined many other countries proposing to modify its existing comprehensive Treaties. While the modification to Indian Tax Treaties would enter into effect in due course only upon completion of ratification procedures by India as also its Treaty partners, India's provisional list of notifications and reservations signal a stricter regime on issues like treaty abuse, permanent establishment, tax residence, etc. India has adopted MLI and depending on the effective date and the corresponding country adopting the same, the provisions will come into effect for the respective countries.

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

GAAR were introduced by Finance Act, 2012, with the objective of dealing with aggressive tax planning through the use of sophisticated structures and codifying the doctrine of 'substance over form' where the real intention of the parties and effect of transactions and purpose of an arrangement is taken into account for determining the tax consequences, irrespective of the legal structure that has been superimposed to camouflage the real intent and purpose. The GAAR provisions were initially introduced to be effective from 1 April 2013. However, the applicability of the provisions was deferred by the Finance Act, 2013, to 1 April 2015, and subsequently, to 1 April 2017, by the Finance Act, 2015. Further, the CBDT, *vide* its notification dated 22 June 2016, has amended the Rules, to provide that GAAR provisions shall not apply to income from transfer of investments which were made before 1 April 2017. Additionally, GAAR will apply only on tax benefits obtained from arrangements on or after 1 April 2017.

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

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

- i. creates rights, or obligations, which are not ordinarily created between persons dealing

- at arm's length;
- ii. results, directly or indirectly, in the misuse, or abuse, of the provisions of ITA;
- iii. lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or
- iv. is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes.

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

An arrangement shall be deemed to lack commercial substance (amongst other factors) if:

- the substance or effect of the arrangement as a whole, is inconsistent with, or differs significantly from, the form of its individual steps or a part; or
- it involves or includes:
  - a. round trip financing;
  - b. an accommodating party;
  - c. elements that have effect of offsetting or cancelling each other; or
  - d. a transaction which is conducted through one or more persons and disguises the value, location, source, ownership or control of funds which is the subject matter of such transaction; or
- It involves the location of an asset or of a transaction or of the place of residence of any party which is without any substantial commercial purpose other than obtaining a tax benefit for a party; or
- It does not have a significant effect upon the business risks or net cash flows of any party to the arrangement apart from any effect attributable to the tax benefit that would be obtained.

#### 6. **Compliance with section 285BA of the ITA**

Foreign Account Tax Compliance Act (FATCA) was enacted in 2010 by the Government of the United States of America (USA) (Govt. of US) with a view to combat tax evasion by U.S. citizens and residents through the use of offshore accounts.

FATCA requires financial institutions globally to share information about the financial accounts held by U.S. citizens/ residents for tax purposes to the Internal Revenue Services (IRS) of the Govt. of US. On similar lines as FATCA, Organization for Economic Co- operation and Development (OECD) issued a standard for Automatic Exchange of Information (AEOI) in tax matters called as 'Common Reporting Standard' (CRS). CRS also requires financial institutions globally to share information about the financial accounts held by the non-residents (other than U.S. citizens and residents for tax purpose).

To enable financial institutions in India to comply with FATCA and CRS, the Government of

India (GOI) signed the Inter-Governmental Agreement (India IGA) with the Govt. of US on 9 July 2015 and joined the Multilateral Competent Authority Agreement (MCAA) on 3 June 2015.

For implementing India IGA and MCAA, necessary amendments were made to section 285BA of the ITA. In exercise of the power conferred by section 285BA of the ITA, the CBDT notified the Income-tax (11th Amendment) Rules, 2015 i.e. Rule 114F, Rule 114G and Rule 114H of the Rules. Further, the CBDT has also issued a 'Guidance note on implementation of reporting requirements under Rules 114F to Rule 114H of the ITR' dated 31 August 2015 which was subsequently updated on 31 December 2015, 31 May 2016 and 30 November 2016. Further, the CBDT has issued Circular dated 11 April 2017 with respect to timelines for closure of financial accounts under Rule 114H(8) of the Rules (i.e. financial accounts opened between 1 July 2014 to 31 August 2015).

Prospective Investors are requested to consult their own tax advisors for understanding FATCA/ CRS status.

## **7. GST**

Goods and Service Tax (GST) will be applicable on services provided by the Co-investment Portfolio Manager to Investors. Accordingly, GST at the rate of 18% would be levied on fees if any, payable towards investment management fee to the Company.

**THERE CAN BE NO GUARANTEE THAT THE ABOVE POSITION REGARDING TAXATION WOULD BE NECESSARILY ACCEPTED BY THE INDIAN TAX AUTHORITIES UNDER THE INCOME TAX ACT. NO REPRESENTATION IS MADE EITHER BY THE CO-INVESTMENT PORTFOLIO MANAGER OR ANY EMPLOYEE, PARTNER OR AGENT OF THE MANAGER IN REGARD TO THE ACCEPTABILITY OR OTHERWISE OF THE ABOVE POSITION REGARDING TAXATION BY THE INDIAN TAX AUTHORITIES UNDER THE ITA. INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS IN THIS REGARD.**

## **13. Accounting policies**

**Basis of Financial Statements:** The accompanying financial statements have been prepared on going concern basis under the historical cost convention on accrual basis in accordance with generally accepted accounting principles in India and the applicable accounting standards issued by ICAI. Accounting policies not specifically referred to are consistent with generally accepted accounting practices.

**Use of Estimates:** The preparation of the financial statements in conformity with the generally accepted accounting principles requires that management makes estimates and assumptions that affect the reported amounts of assets & liabilities (including items of contingent in nature) as of the date of the financial statements and the reported income & expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to such estimates is

recognized prospectively in such year.

**Fixed Assets & Capital WIP:** Fixed assets are carried at cost of acquisition less accumulated depreciation. The cost also includes interest on borrowings attributable up to date of its' commissioning and other incidental expenses incurred up to that date. Projects under commissioning & other Capital Work-in-Progress are carried at cost comprising direct cost, incidental expenses and attributable interest (if any).

**Impairment of Fixed Assets:** Fixed assets are assessed at each balance sheet date for impairment and if any such impairment exists, it will be recognized in the statement of profit and loss. Further, if at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the fixed asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

**Depreciation:** Depreciation is being provided using WDV method based on the rate specified under the Income Tax Act, 1961.

**Investments:** Long term investments are carried at cost of acquisition. Provision for diminution is made, to recognize a decline, other than of temporary nature. Current investments are carried at the lower of cost or net realizable value.

**Foreign Currency Transactions:** Purchase & Sales in foreign currency are accounted at exchange rate prevailing on transaction date. Current Assets & Current Liabilities in foreign currency as at Balance Sheet date are re-converted at exchange rate prevailing on year-end date and the difference is adjusted in the accounts.

**Cash and Cash equivalents:** Cash & Cash equivalents includes cash, cheque in-hand, bank balances, demand deposits with banks and other short-term liquid investments maturing within three months.

**Revenue Recognition:** Sales comprises of Sale of Services net of Reversals & excluding indirect taxes charged, if any. Revenue is recognised at the time when material contractual commitment to the client has been fulfilled. Income from Investments are accounted on accrual basis or right to receive it is established.

**Taxes on Income:** Current tax is the amount of tax payable in taxable income for the year determined in accordance with the provision of Income Tax Act, 1961.

Deferred tax is recognised on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets subject to the consideration of prudence are recognised and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. The tax effect is calculated on the accumulated timing differences at the year end and based on the tax rates and laws enacted or substantially enacted on the balance sheet date.

**Provisions, contingent liabilities and contingent assets:** Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future

events not wholly within the control of the entity. Contingent assets are not recognized until there is virtual certainty of realizability of such assets.

14. **Investor services**

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

**Mr. Rohit Patankar**

403, 4<sup>th</sup> Floor, Tower B, The Capital, G  
Block, Bandra Kurla Complex, Bandra  
(East), Mumbai, Maharashtra, India, 400051

Phone: 022-47805701

Email: investors@neoliv.in

14.2 Grievance redressal and dispute settlement mechanism

All disputes, differences, claims and questions whatsoever which shall arise either during the subsistence of the agreement with a client or afterwards with regard to the terms thereof or any clause or thing contained therein or otherwise in any way relating to or arising there from or the interpretation of any provision therein shall be, in the first place settled by mutual discussions, failing which the same shall be referred to and settled by arbitration in accordance with and subject to the provisions of the Arbitration and Conciliation Act, 1996 or any statutory modification or re-enactment thereof for the time being in force. The arbitration shall be held in Mumbai and be conducted in English language.

The agreement with the client shall be governed by, construed and enforced in accordance with the laws of India. Any action or suit involving the agreement with a client or the performance of the agreement by the either party of its obligations will be conducted exclusively in courts located in Mumbai.

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

15. **Details of investments in the securities of related parties of the portfolio manager**

Not applicable

16. **Details of the diversification policy of the portfolio manager**

- 16.1 The Co-investment Portfolio Manager's strategies for diversification of investors' portfolio are reflected in the following:

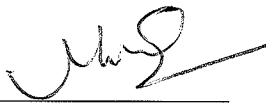
- (i) choice of its focus cities i.e., Delhi NCR, Mumbai MMR, Bengaluru and Pune. Each center is at its own growth cycle quite distinct from the other centers;
- (ii) choice of apartments in the focus cities and plotted around focus cities;



- (iii) fund allocation over the projects of varying sizes; and
- (iv) priority to mid-sized projects with faster turn-around enabling refresh of project parameters after fewer years.

16.2 Within the aforementioned four dimensions under paragraph 16.1, further diversifications will be achieved through a careful blend of projects with potential revenues and/ or potential profits.

For Neoliv Capital Advisory Private Limited

By   
Name: Mohit Malhotra  
Director

By Nedie  
Name: Nikunj Kedia  
Director

Date: November 1<sup>st</sup>, 2024

Place: Mumbai



**FORM C**

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

(Regulation 22)

**NEOLIV CAPITAL ADVISORY PRIVATE LIMITED**

Address: 403, 4<sup>th</sup> Floor, Tower B, The Capital,  
G Block, Bandra Kurla Complex,  
Bandra (East), Mumbai,  
Maharashtra, India, 400051

Phone Number: 022-47805701

Email Address: investors.copms@neoliv.in

We confirm that:

- (i) the Disclosure Document forwarded to the Securities and Exchange Board of India ("Board") is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by the Board from time to time;
- (ii) the disclosures made in the document are true, fair and adequate to enable the investors to make a well-informed decision regarding entrusting the management of the portfolio to us / investment through the Co-investment Portfolio Manager; and
- (iii) the Disclosure Document has been duly certified by an independent chartered accountant

|                          |  |
|--------------------------|--|
| Name                     | JL Negandhi  |
| Type (Internal/External) | External   |
| Contact person           | Jitendra L Negandhi  |
| Address                  | C 407, Bhaveshwar Plaza, LBS Marg, Ghatkopar West, Mumbai - 400086 |
| Mobile Number            | 9820570335   |
| Email                    | aaa@igc-online.com   |



**NEOLIV CAPITAL ADVISORY PRIVATE LIMITED [CIN: U67190MH2022PTC394333]**

403, 4th Floor, Tower B, The Capital, G Block, Bandra Kurla Complex,  
Bandra East, Mumbai, Maharashtra 400 051, India.  
www.NeoLiv.in

(Enclose a copy of the chartered accountant's certificate to the effect that the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision)

For Neoliv Capital Advisory Private Limited

Name: **Mr. Mohit Malhotra**



**Principal Officer**

**Date:** November 1<sup>st</sup>, 2024

**Place:** Mumbai





**J L NEGANDHI**  
**Chartered Accountant**  
C 407, Bhaveshwar Plaza, LBS Marg, Ghatkopar West,  
Mumbai – 400086  
+91 9820570335, aaa@igc-online.com

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**NEOLIV CAPITAL ADVISORY PRIVATE LIMITED**

403, 4<sup>th</sup> Floor, Tower B,  
The Capital, G Block, Bandra Kurla Complex,  
Bandra (East), Mumbai, Maharashtra,  
India, 400051

**CERTIFICATE ON DISLCOSURE DOCUMENT**

The Disclosure Document for Co-Investment Portfolio Management Services of Neoliv Capital Advisory Services P Ltd has been reviewed by us. We confirm that the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision.

For J L Negandhi  
CHARTERED ACCOUNTANT

Place: Mumbai  
Date: 1<sup>st</sup> November 2024  
UDIN: 24030343BKMDYM5496

Jitendra L Negandhi  
Membership No: 030343